## IMPORTANT NOTICE

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the attached preliminary offering memorandum (the "Preliminary Offering Memorandum") and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached Preliminary Offering Memorandum. In accessing the attached Preliminary 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 Matterhorn Telecom S.A. (the "Issuer") as set forth in the attached Preliminary Offering Memorandum as a result of such access.

**Confirmation of Your Representation:** In order to be eligible to view the attached Preliminary Offering Memorandum or make an investment decision with respect to the securities, you must: (i) be a "qualified institutional buyer" (within the meaning of Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act")); or (ii) be a non-U.S. person (within the meaning of Regulation S under the Securities Act) and be outside the United States. You have been sent the attached Preliminary Offering Memorandum on the basis that you have confirmed to each of the initial purchasers set forth in the attached Preliminary Offering Memorandum (collectively, the "Initial Purchasers"), being the sender or senders of the attached, that: (A) you and any customers you represent are either (i) "qualified institutional buyers" or (ii) not a U.S. person and the electronic mail (or e-mail) address to which it has been delivered is not located in the United States of America, its territories and possessions, any state of the United States and the District of Columbia; "possessions" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands; and (B) you consent to delivery by electronic transmission.

The materials relating to the offering contemplated by the attached Preliminary Offering Memorandum do not constitute, and may not be used in connection with, an offer or a 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.

Under no circumstances shall the attached Preliminary Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The attached Preliminary 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, neither the Initial Purchasers nor any person who controls any Initial Purchasers nor the Issuer or the Guarantors 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 Preliminary 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 Preliminary Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the attached Preliminary 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 Preliminary Offering Memorandum to any other person. You may not transmit the attached Preliminary 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.

**Restrictions:** Nothing in this electronic transmission constitutes an offer of securities for sale in the United States or any other jurisdiction. Recipients of the attached Preliminary Offering Memorandum who intend to subscribe for or purchase securities are reminded that any subscription or purchase may only be made on the basis of the information contained in the attached Preliminary Offering Memorandum. Any securities to be issued will not be registered under the Securities Act and may not be offered or sold in the United States or to or for the account or benefit of U.S. persons (as such terms are defined in Regulation S under the Securities Act) unless registered under the Securities Act or pursuant to an exemption from such registration.

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

The information in this preliminary offering memorandum is not complete and may be changed.

**SUBJECT TO COMPLETION, DATED NOVEMBER 13, 2017**

**PRELIMINARY OFFERING MEMORANDUM** **Not for General Circulation in the United States**
**Strictly Confidential**

# Salt.

## €400,000,000 % Senior Secured Notes due 2027
## issued by Matterhorn Telecom S.A.

Matterhorn Telecom S.A., a *société anonyme* organized and existing under the laws of the Grand Duchy of Luxembourg (the "Issuer"), is offering €400,000,000 aggregate principal amount of its % Senior Secured Notes due 2027 (the "Notes"). The Notes will be issued under an indenture to be dated the Issue Date (as defined herein) (the "Indenture").

The Notes will mature on , 2027. The Issuer will pay interest on the Notes semi-annually in arrears on each and , commencing on , 2018. Prior to , 2022, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest and additional amounts, if any, to the redemption date and a "make-whole" premium. At any time on or after , 2022, the Issuer may redeem all or part of the Notes by paying a specified redemption price. In addition, prior to , 2022, the Issuer may redeem at its option no more than 40% of the Notes with the net cash proceeds from certain equity offerings. Upon certain events defined as constituting a change of control, the Issuer may be required to make an offer to purchase the Notes. In the event of certain developments affecting taxation, the Issuer may redeem all, but not less than all, of the Notes.

The Notes will be senior obligations of the Issuer. The Notes will be guaranteed on a senior basis, subject to certain limitations, by Matterhorn Telecom Holding S.A. (the "Parent Guarantor"), Salt Mobile SA (the "Company" or "Salt") and Salt Network SA ("Salt Network") (together, the "Guarantors"). The guarantee by each Guarantor (each a "Guarantee" and, collectively, the "Guarantees") of the Notes, as applicable, will be (i) senior in right of payment to any subordinated indebtedness of the relevant Guarantors, including the guarantees of the Senior Notes (as defined herein), as applicable; (ii) effectively senior in right of payment to any existing or future obligations of the relevant Guarantor that is unsecured or secured on a basis junior to the Senior Secured Notes (as defined herein), to the extent of the value of the collateral that is available to satisfy the obligations under the Notes; and (iii) effectively subordinated to any existing and future indebtedness of such Guarantor's guarantee that is secured by property or assets that do not secure the Guarantor's guarantee, to the extent of the value of the property or assets securing such indebtedness.

The Notes will be secured by first-ranking liens granted on an equal and ratable first-priority basis over the same assets that secure the Revolving Credit Facility, subject to the operation of the Agreed Security Principles (as defined herein) and the Intercreditor Agreement (as defined herein), except that the Notes will not be secured by the assets of Matterhorn Mobile. Subject to the terms of the Intercreditor Agreement, lenders under the Revolving Credit Facility and counterparties to certain hedging obligations will receive proceeds from the enforcement of the security in priority to holders of the Senior Secured Notes (as defined herein). See "*Summary—The Offering—Security*."

The Notes will initially be represented by global notes, which will be delivered through Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream") on or about , 2017 (the "Issue Date").

There is no public market for the Notes. Application will be made to The International Stock Exchange Authority Limited (the "Authority") for the listing of the Notes on the Official List of The International Stock Exchange (formerly The Channel Islands Securities Exchange Authority Limited) (the "Exchange") and permission to deal in the Notes. The Exchange is not a regulated market pursuant to the provisions of Directive 2004/39/EC. There can be no assurance that the Notes will be listed on the Official List of the Exchange or that such permission to deal in the Notes on the Official List of the Exchange will be granted. This offering memorandum (the "Offering Memorandum") may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent.

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**Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 24.**

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**Notes Price: % plus accrued interest, if any, from the Issue Date**

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The Notes and the Guarantees have not been, and will not be, registered under the Securities Act or the laws of any other jurisdiction. The Notes and the Guarantees may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act ("Rule 144A") and to certain persons in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S"). You are hereby notified that sellers of the Notes and the Guarantees may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "*Transfer Restrictions*" for additional information about eligible offerees and transfer restrictions.

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*Global Coordinator and Joint Bookrunner*

**Credit Suisse**

*Joint Bookrunners*

**BNP PARIBAS** **Goldman Sachs International** **J.P. Morgan** **Natixis** **Société Générale**

The date of this Offering Memorandum is , 2017.

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## NOTICE TO INVESTORS

You should rely only on the information contained in this Offering Memorandum. Neither the Issuer nor any of Credit Suisse Securities (Europe) Limited, BNP Paribas, Goldman Sachs International, J.P. Morgan Securities plc, Natixis and Société Générale (together, the "Initial Purchasers") has authorized anyone to provide you with any information or represent anything about the Issuer, the financial results of their predecessor companies or this Offering that is not contained in this Offering Memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer or the Initial Purchasers. Neither the Issuer nor any of the Initial Purchasers is making an offering of any Notes in any jurisdiction where the Offering is not permitted. You should not assume that the information contained in this Offering Memorandum is accurate as at any date other than the date on the front of this Offering Memorandum.

This Offering Memorandum is confidential and has been prepared by us solely for use in connection with the 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.

THE NOTES (AND THE GUARANTEES) HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO U.S. PERSONS UNLESS THE NOTES (AND THE GUARANTEES) ARE REGISTERED UNDER THE SECURITIES ACT, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE. SEE "*PLAN OF DISTRIBUTION*" AND "*TRANSFER RESTRICTIONS.*" INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A UNDER THE SECURITIES ACT.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Offering Memorandum and, if given or made, any such information or representation must not be relied upon as having been authorized by the Issuer, any of its respective affiliates, or any of the Initial Purchasers. This Offering Memorandum does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this Offering Memorandum nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date of this Offering Memorandum or that the information contained in this Offering Memorandum is correct as of any time subsequent to that date.

The information contained in this Offering Memorandum has been furnished by the Issuer, the MMH Group and other sources we believe to be reliable. This Offering Memorandum contains summaries, believed to be accurate, of some of the terms of specific documents, but reference is made to the actual documents, copies of which will be made available upon request, for the complete information contained in those documents. By receiving this Offering Memorandum, investors acknowledge that they have had an opportunity to request for review, and have received, all additional information they deem necessary to verify the accuracy and completeness of the information contained in this Offering Memorandum. Investors also acknowledge that they have not relied on the Initial Purchasers in connection with their investigation of the accuracy of this information or their decision to invest in the Notes. The contents of this Offering Memorandum are not to be considered legal, business, financial, investment, tax or other advice. Prospective investors should consult their own counsel, accountants and other advisors as to legal, business, financial, investment, tax and other aspects of a purchase of the Notes. In making an investment decision, investors must rely on their own examination of the Issuer and its respective affiliates, the terms of the Offering of any of the Notes and the merits and risks involved.

This Offering is being made in reliance upon exemptions from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. The Notes have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the "SEC") or any other U.S. federal, state or foreign securities commission or regulatory authority, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

The laws of certain jurisdictions may restrict the distribution of this Offering Memorandum and the offer and sale of the Notes. Persons into whose possession this Offering Memorandum or any of the Notes come must inform themselves about, and observe any such restrictions. None of the Issuer, the Initial Purchasers or their respective representatives is making any representation to any offeree or any purchaser of the Notes regarding the legality of any investment in the Notes by such offeree or purchaser under applicable investment or similar laws or regulations. For a further description of certain restrictions on the Offering and sale of the Notes and the distribution of this Offering Memorandum, see "*Transfer Restrictions*."

To purchase any of the Notes, investors must comply with all applicable laws and regulations in force in any jurisdiction in which investors purchase, offer or sell any Notes or possess or distribute this Offering Memorandum. Investors must also obtain any consent, approval or permission required by such jurisdiction for investors to purchase, offer or sell any of the Notes under the laws and regulations in force in any jurisdiction to which investors are subject. None of the Issuer, its affiliates or the Initial Purchasers will have any responsibility therefor.

No action has been taken by the Initial Purchasers, the Issuer or any other person that would permit an offering of any of the Notes or the Guarantees or the circulation or distribution of this Offering Memorandum or any offering material in relation to the Issuer, or its respective affiliates or any of the Notes in any country or jurisdiction where action for that purpose is required.

The Initial Purchasers reserve the right to withdraw this Offering at any time and to reject any commitment to subscribe for the Notes, in whole or in part. The Initial Purchasers also reserve the right to allot less than the full amount of Notes sought by investors. The Initial Purchasers and certain related entities may acquire a portion of the Notes for their own account. Persons into whose possession this Offering Memorandum or any of the Notes come must inform themselves about, and observe any restrictions on, the transfer and exchange of the Notes. See "*Plan of Distribution*" and "*Transfer Restrictions*."

The Notes will be issued in fully registered form. The Notes will be issued in denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Issuer accepts responsibility for the information contained in this Offering Memorandum. The Issuer has made all reasonable inquiries and confirmed to the best of its knowledge, information and belief that the information contained in this Offering Memorandum with regard to itself and its affiliates and the Notes is true and accurate in all material respects, that the opinions and intentions expressed in this Offering Memorandum are honestly held, and the Issuer is not aware of any facts the omission of which would make this Offering Memorandum or any statement contained herein misleading in any material respect. The Issuer accepts responsibility accordingly.

The information contained under the captions "*Exchange Rate Information*," "*Summary*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry Overview*" and "*Business*" includes extracts from information and data, including industry and market data, released by publicly available sources in Europe and elsewhere. While we accept responsibility for the accurate extraction and summarization of such information and data, we have not independently verified the accuracy of such information and data and we accept no further responsibility in respect thereof. Notwithstanding, as far as the Issuer is aware, no information or data has been omitted which would render reproduced information inaccurate or misleading. The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled "*Book-Entry; Delivery and Form*," is subject to change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. The Issuer accepts responsibility for accurately summarizing the information concerning Euroclear and Clearstream, but the Issuer does not accept any further responsibility in respect of such information.

The Initial Purchasers make no representation or warranty, express or implied, as to, and assume no responsibility for, 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 the future. The Issuer, the Company and the other Guarantors have furnished the information contained in this Offering Memorandum.

Application will be made to the Authority for the listing of the Notes on the Official List of the Exchange and permission to deal in the Notes. In connection with such listing application, we have submitted this Offering Memorandum to the competent authority to be used as the base for such listing particulars. Although the listing particulars are likely to contain substantially the same information as that contained in this Offering Memorandum, it is possible that we may be required (under applicable law, rules, regulations or guidance applicable to the listing of securities or otherwise) to make certain changes or additions to the financial and other information included in this Offering Memorandum and, in particular, we may be required to include additional information, including additional financial information, in respect of the Guarantors. We also may be required to update the information in this Offering Memorandum to reflect changes in our business, financial condition or results or operations and prospects. Following the listing, the relevant listing particulars will be available at the offices of Carey Olsen Corporate Finance Limited, as Listing Sponsor, for the period of at least 14 days from the listing date. Any investor or potential investor in the European Economic Area (the “EEA”) should not base any investment decision relating to the Notes on the information contained in this Offering Memorandum after publication of the listing particulars and should refer instead to those listing particulars.

We cannot guarantee that the application to the Authority for the Notes to be listed and the permission to deal in the Notes thereof will be granted as of the Issue Date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this admission to trading.

Investing in the Notes involves risks. See “*Risk Factors*.” The price of securities and the income from them can go down as well as up.

IN CONNECTION WITH THIS OFFERING, CREDIT SUISSE SECURITIES (EUROPE) LIMITED (THE “STABILIZING MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. THERE IS, HOWEVER, NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND, IF BEGUN, MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

## NOTICE TO CERTAIN INVESTORS

### European Economic Area

This Offering Memorandum has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area will be made pursuant to an exemption under the Prospectus Directive from the requirement to produce a prospectus for offers of any Notes. Accordingly, any person making or intending to make any offer within that Member State of any Notes, which are the subject of the Offering contemplated in this Offering Memorandum, may only do so in circumstances in which no obligation arises for either of the Issuer or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. None of the Issuer or the Initial Purchasers has authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the Initial Purchasers to publish a prospectus or supplement a prospectus for such offer. The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Member State), and includes any relevant implementing measure in the Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

### United Kingdom

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 by, a person authorized under the Financial Services and Markets Act 2000. This Offering Memorandum is for distribution only to, and is only directed at, persons who: (i) are outside the United Kingdom; (ii) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"); (iii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) 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"). Accordingly, by accepting delivery of this Offering Memorandum, the recipient warrants and acknowledges that it is such a relevant person. The Notes are available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. 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 our prior written consent.

### Luxembourg

This Offering does not constitute a public offering of securities within the Grand Duchy of Luxembourg and accordingly this Offering Memorandum should not be construed as a prospectus in accordance with Articles 5 and 30 of the Law of July 10, 2005 on prospectuses for securities, as amended.

The Luxembourg financial sector supervisory commission (*Commission de Surveillance du Secteur Financier*) has not reviewed or approved this Offering Memorandum or any other document related to the offering of the Notes and has not recommended or endorsed the purchase of the Notes. Neither this Offering Memorandum nor any other document related to the offering of the Notes may be distributed to the public in Luxembourg. The Notes may not be publicly offered for sale in Luxembourg and no steps may be taken which would constitute or result in a public offering in Luxembourg as defined in the Law of July 10, 2005 on prospectuses for securities, as amended. This document is intended for the confidential use of the offeree(s) it is intended for, and may not be reproduced or used for any other purpose.

## Switzerland

This Offering Memorandum, as well as any other material relating to the Notes which are the subject of the offering contemplated by this Offering Memorandum, do not constitute an issue prospectus pursuant to article 652a and/or article 1156 of the Swiss Code of Obligations and may not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. Neither the Notes nor the Guarantees will be publicly offered nor listed on the SIX Swiss Exchange Ltd or any other Swiss stock exchange or regulated trading facility and, therefore, the documents relating to the Notes and Guarantees, including, but not limited to, this Offering Memorandum, do not claim to comply with the disclosure standards of the Swiss Code of Obligations and the listing rules of SIX Swiss Exchange Ltd and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd or the listing rules of any other Swiss stock exchange or regulated trading facility. The Notes are being offered in Switzerland by way of a private placement (i.e., to a small, limited number of selected investors only), without any public advertisement and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached directly from time to time. This Offering Memorandum, as well as any other material relating to the Notes, is personal and confidential and does not constitute an offer to any other person. This Offering Memorandum, as well as any other material relating to the Notes, may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly or indirectly be distributed or made available to other persons without the Issuer's express consent. This Offering Memorandum, as well as any other material relating to the Notes, may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

## PRESENTATION OF FINANCIAL AND OTHER DATA

In this Offering Memorandum, “Company” refers to Salt Mobile SA, a Swiss stock corporation (*société anonyme*) pursuant to arts. 620 et seq. of the Swiss Code of Obligations, formerly known as Orange Communications SA. In this offering memorandum, “*we*,” “*us*” and “*our*,” prior to April 23, 2015, refer to the “MMH Group” comprised of Matterhorn Mobile Holdings and its subsidiaries, including the Company, and, on and after April 23, 2015, refer to the “Group” comprised of the Parent Guarantor and its direct and indirect subsidiaries, including the Company, unless the context requires or is otherwise clear.

### Financial and Other Data

The Issuer was formed on March 25, 2015 for the purpose of facilitating the corporate recapitalization we undertook in connection with our refinancing transactions, including the issuance of the Fixed Rate Senior Secured Notes and the Senior Notes on April 23, 2015 and the use of proceeds therefrom (the “Refinancing Transactions”). The Parent Guarantor is the direct parent company of the Issuer, and the Issuer is the direct parent company of Salt Mobile SA (“Salt”). The Issuer is a holding company and has no material assets or liabilities other than its interest in Salt. The Parent Guarantor, together with its direct and indirect subsidiaries, including the Issuer and Salt, constitute the Group. We commenced proceedings for the voluntary liquidation of Matterhorn Mobile on October 15, 2015. On February 24, 2017, the shares of Salt France SAS (“Salt France”) were sold by the Issuer to NJJ.

Prior to the Refinancing Transactions, Matterhorn Mobile Holdings was the direct parent company of Matterhorn Mobile, and Matterhorn Mobile was the direct parent company of Salt, formerly known as Orange Communications SA (“Orange”). Matterhorn Mobile Holdings together with its direct and indirect subsidiaries, including Matterhorn Mobile and Orange, constituted the MMH Group. Matterhorn Mobile Holdings sold its shares in Matterhorn Mobile to the Issuer as part of the Refinancing Transactions. As a result, we have included and discussed in this Offering Memorandum the audited consolidated financial statements of the MMH Group for the periods prior to the Refinancing Transactions. Prior to its voluntary liquidation following the Refinancing Transactions, Matterhorn Mobile Holdings was a holding company with no independent business operations or significant assets other than its interest in Matterhorn Mobile S.A., which is in voluntary liquidation (“Matterhorn Mobile”), and Salt, formerly known as Orange. Matterhorn Mobile was also a holding company and had no independent business operations or significant assets other than its interest in Salt.

This Offering Memorandum includes the audited consolidated financial statements of the Group as of and for the years ended December 31, 2015 and 2016 and the unaudited condensed consolidated interim financial statements as of September 30, 2017 and for the nine-month period ended September 30, 2017.

The audited consolidated financial statements of the Group as of and for the years ended December 31, 2015 and 2016 have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (“IFRS”). The unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2017 have been prepared in accordance with International Accounting Standard No. 34, the standard of IFRS applicable to interim financial statements (“IAS 34”).

Unless otherwise indicated, the financial information presented in this Offering Memorandum for the year ended December 31, 2015 is the unaudited aggregated financial information that combines the financial information of the MMH Group (as predecessor) and the Group (as successor). The financial information for the year ended December 31, 2015 is calculated by taking the audited financial information for the MMH Group for the period from January 1, 2015 to April 22, 2015 and adding it to the audited financial information for the Group for the period from April 23, 2015 to December 31, 2015.

The presentation of the unaudited aggregated information for the year ended December 31, 2015 is not intended to comply with IFRS and does not represent *pro forma* information. The unaudited aggregated financial results are intended to give an indication of the financial results of the aggregated results of operations of the MMH Group and the Group for the year ended December 31, 2015. The unaudited aggregated financial results for this period are not fully comparable with other periods.

The financial information presented in this Offering Memorandum as of and for the year ended December 31, 2016 and for the nine months ended September 30, 2017 is the consolidated financial information of the Group, which has been derived from the audited consolidated financial statements and the unaudited condensed consolidated interim financial statements of the Group, respectively.

The unaudited financial information for the twelve months ended September 30, 2017 presented herein is derived by adding our unaudited condensed consolidated interim financial information for the nine months ended September 30, 2017 extracted from the unaudited condensed consolidated interim financial statements of the Group as of and for the nine months ended September 30, 2017 and our audited consolidated financial information for the year ended December 31, 2016 extracted from the audited consolidated financial statements as of and for the year ended December 31, 2016, and subtracting our unaudited condensed consolidated interim financial information for the nine months ended September 30, 2016 extracted from the unaudited condensed consolidated interim financial statements of the Group as of and for the nine months ended September 30, 2017.

From September 19, 2014, we have used the installment method of accounting for purposes of revenue recognition. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Income Statement Line Items—Revenue*."

As of January 1, 2017, we present foreign exchange gains and losses associated with commercial transactions as net finance costs instead of other operating expenses and income. The positive impact on EBITDA and Adjusted EBITDA as a result of this change is CHF 11.9 million, CHF 0.9 million, CHF 1.2 million and CHF 8.5 million for the years ended December 31, 2015 and 2016 and the nine months ended September 30, 2016 and 2017, respectively.

While the financial information for the nine months ended September 30, 2017 and September 30, 2016 present foreign exchange gains and losses as net finance costs, the financial information for the year ended December 31, 2015 and the financial information for the year ended December 31, 2016 each present foreign exchange gains and losses as other expenses and income and therefore the financial information for the twelve months ended September 30, 2017 is calculated based on financial information that presents foreign exchange gains and losses differently and is presented for illustrative purposes only. The positive impact on EBITDA for the last twelve months ended September 30, 2017 as a result of this change is CHF 308 thousand.

In addition, this Offering Memorandum includes unaudited consolidated *pro forma* financial data and as adjusted unaudited consolidated financial data, which have been adjusted to reflect certain effects of the Transactions on the cash interest expense of the Group for the twelve months ended September 30, 2017 and the effects of the Transactions on the financial position of the Group as of September 30, 2017.

The financial data presented herein are presented in Swiss francs.

### Non-IFRS and Other Financial Measures

This Offering Memorandum contains certain non-IFRS measures, including EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin and leverage and coverage ratios that are not required by, or presented in accordance with, IFRS. These non-IFRS measures are defined as follows:

- "*EBITDA*" refers to net profit (loss) from continuing operations before income tax (expenses)/ benefit, finance income, finance costs, depreciation, amortization and impairment.
- "*Adjusted EBITDA*" refers to EBITDA, after excluding corporate, monitoring and brand fees, restructuring, transition and transaction costs, and the result on non-recurring disposal and other (gains)/losses.
- "*capital expenditure*" is defined as acquisition of intangible assets and property, plant and equipment during the period.

- "*cash capital expenditure*" refers to capital expenditure less the change in fixed assets payable excluding spectrum license payments.
- "*cash conversion*" refers to EBITDA less cash capital expenditures, divided by EBITDA.
- "*free cash flow*" refers to EBITDA (i) less cash impact of provisions, (ii) less change in working capital (defined as change in inventories, change in trade receivables, change in trade payables and change in non-trade working capital), (iii) less income tax payments and (iv) less net cash used in investing activities excluding spectrum license repayments.

We present non-IFRS measures because we believe that they 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 an analysis of our operating results as reported under IFRS. Non-IFRS measures and ratios such as EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin and leverage and coverage ratios are not measurements of our performance or liquidity under IFRS or any other generally accepted accounting principles. Other companies in our industry may calculate these measures, including free cashflow, capital expenditures and cash conversion, differently and, consequently, our presentation may not be readily comparable to other companies' figures. In particular, you should not consider EBITDA or Adjusted EBITDA as an alternative to (a) operating income or income for the period (as determined in accordance with IFRS) as a measure of our operating performance, (b) cash flows provided by operating, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under generally accepted accounting principles. EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for an analysis of our results as reported under IFRS.

We updated our revenue recognition policy to fully comply with IAS 18 in connection with our IT transformation and the introduction of installment-based price plans on September 19, 2014. From that date, the sales of handsets through direct channels have been fully recognized in our annual financial statements at fair value as of the signature date of the related contracts, whereas they were previously recorded on a cash basis and, as a result, a higher portion of revenue was recognized as equipment revenue instead of mobile subscriber revenue spread over the duration of the contract. For additional information, see Note 2.5 to our audited consolidated financial statements for the year ended December 31, 2016. We have included certain measures in this Offering Memorandum which exclude installment accounting because we believe that this information is widely used by investors, securities analysts and other interested parties.

## Other Data

Certain numerical figures set out in this Offering Memorandum, including financial data presented in millions or thousands, certain operating data, percentages describing market shares and penetration rates, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the numerical data in the consolidated financial statements of Matterhorn Mobile Holdings or the tabular presentation of other data (subject to rounding) contained in this Offering Memorandum, as applicable, and not using the numerical data in the narrative description thereof.

## Market, Economic and Subscriber Data; Market Share Data

### *General*

In this Offering Memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. The market data and certain economic and industry data and forecasts used in this Offering Memorandum were obtained from internal surveys, market research, governmental reports and other publicly-available information.

In addition, in many cases, we have made statements in this Offering Memorandum regarding the economy, the mobile telecommunications industry, our position in the industry, our market share and the market shares of various industry participants based on our internal estimates, our experience, our own investigation of market conditions and our review of industry publications, including information made available to the public by our competitors.

We cannot assure you that any of the assumptions underlying these statements are accurate or correctly reflect our position in the industry and none of our internal surveys or information has been verified by any independent third parties. None of the Issuer, the Guarantors or the Initial Purchasers makes any representation or warranty as to the accuracy or completeness of this information. All the information set forth in this Offering Memorandum relating to the operations, financial results and subscriber base of Swisscom Switzerland Ltd. ("Swisscom"), Sunrise Communications AG ("Sunrise") and other competitor companies has been obtained from information made available to the public in such companies' publicly available reports, and independent research. None of the Issuer, the Guarantors or the Initial Purchasers has independently verified this information or can guarantee its accuracy.

The subscriber data included in this Offering Memorandum, including penetration rates, average mobile revenue per user ("ARPU"), subscriber numbers, our market share and churn rates are derived from management estimates, are not part of our financial statements or financial accounting records and have not been audited or otherwise reviewed by outside auditors, consultants or experts. Our use or computation of the terms ARPU or churn may not be comparable to the use or computation of similarly titled measures reported by other companies in the telecommunications industry. ARPU is a non-IFRS measure and should not be considered in isolation or as an alternative measure of our performance under IFRS. We believe that ARPU provides useful information concerning the appeal and usage patterns of our tariff plans and service offerings and our performance in attracting and retaining high-value subscribers of mobile voice, data and broadband services.

***Subscribers***

Postpaid mobile subscribers are counted in our subscriber base as long as they have an active contract, for both handset and mobile broadband services, but exclude machine-to-machine subscriptions. As of 2016, customers can request immediate portability when signing a contract, allowing for more accurate active contract status. Prepaid mobile subscribers are subscribers if their SIM card is connected to our network and they have had at least one chargeable or recharge event or have received at least one incoming traffic event (excluding, among other things, traffic initiated by us) prior to July 1, 2016, within the last twelve months and, following July 1, 2016, within the last 435 days. As a result of this change, our 2016 and 2017 prepaid subscriber numbers are not directly comparable to prior years.

Generally, each connection counts as one subscriber; however, this may vary depending on the circumstances and subscriber numbers should not be equated with the actual number of individuals or businesses using our services.

***Mobile Market***

We have included in this Offering Memorandum data showing our estimated Swiss mobile telecommunications market based on revenue for the years ended December 31, 2015 and 2016. For the purposes of the determination Swiss mobile market revenue, we have compared the total amount of our revenue resulting from mobile activities (consisting of the sum of the amounts shown under the captions "Network," "Equipment" and "Other mobile services" in the table contained in note 5.1 of the notes to our audited consolidated financial statements for the year ended December 31, 2015, in note 4.1 of the notes to our audited consolidated financial statements for the year ended December 31, 2016 to the amounts in, or estimates calculated using the amounts in, comparable line items in the published consolidated financial statements and other published financial data of each of Swisscom (consisting of the aggregate wireless revenue from Residential Customers, Small and Medium-Sized Enterprises and Corporate Business, extrapolating ARPU from single subscriptions and subscribers, and amounts under the caption "Hardware sales own channels" and "Inbound roaming" in Swisscom's published key financial figures for the years ended December 31, 2015 and 2016) and Sunrise (consisting of amounts under the caption "Mobile services" in Sunrise's published consolidated financial statements for the years ended December 31, 2015 and 2016. None of the Issuer, the Guarantors or the Initial Purchasers has independently verified the amounts published by Swisscom and Sunrise and cannot guarantee their accuracy. None of the Issuer, the Guarantors or the Initial Purchasers has been able to independently verify that the composition of Swisscom's and Sunrise's relevant line items and the accounting policies on which they are based are in all respects identical to our mobile revenue other than as stated above. Consequently, our calculation of "Mobile subscriber revenue" may not be readily comparable to their figures and the ensuing determination of our revenue market share may not be comparable to that of Swisscom and Sunrise.

We have calculated our postpaid market share by number of subscribers by comparing the number of mobile subscribers published by Swisscom, Sunrise and Salt. The definition of a subscriber may vary between operators. A definition that is more restrictive in its determination of when a subscriber is deemed to cease being so may result in a reduction of the number reported for total subscribers, and therefore a lower market share based on numbers of total reported subscribers. As a result, market share data based on numbers of total reported postpaid subscribers and any related comparisons of us to other operators included in this Offering Memorandum may not accurately reflect our competitive position and the competitive positions of such other operators.

When we discuss our "European peers" in this Offering Memorandum, we refer to Bouygues Telecom, BT, Deutsche Telekom, Iliad, KPN, Orange, Orange Belgium, Proximus, SFR, Sunrise, Swisscom, TDC, Telecom Italia, Telefonica Deutschland, Telenet, Telenor, Telia and Vodafone.

***Churn***

"Churn" refers to the percentage of subscriber disconnections. We deem mobile subscribers to have churned when their mobile service with us is disconnected (whether resulting from a subscriber decision or our decision).

We calculate the churn rate by dividing the number of disconnections of postpaid subscribers during a period by the average number of postpaid subscribers during the same period. The average number of subscribers does not include postpaid subscribers without an active contract. Postpaid mobile subscribers are counted in our subscriber base as long as they have an active contract, for both handset and mobile broadband services, but exclude machine-to-machine subscriptions.

Churn activity affects various key performance indicators, including total subscribers and ARPU levels. The definition of churn may vary between operators. A churn policy that is more expansive in its determination of when a subscriber is deemed to have churned may result in a reduction of the number reported for total subscribers, an increase in churn rate and potentially higher ARPU. As a result, such data and any related comparisons of us to other operators included in this Offering Memorandum may not accurately reflect our competitive position and the competitive positions of such other operators.

***Mobile Penetration Rates***

"Mobile penetration" refers to the measurement, usually as a percentage, of the take-up of mobile telecommunications services. As of any date, mobile penetration is calculated by dividing the number of subscribers by the number of inhabitants to which the service is available.

## EXCHANGE RATE INFORMATION

The consolidated financial statements of the Group are presented in Swiss francs (CHF). The exchange rate for CHF against euro on November 9, 2017 was CHF 1.16 per €1.00. We have set forth in the table below, for the periods and dates indicated, the high, low, average and period end exchange rates as published by Bloomberg, for cable transfers of euro expressed as CHF per €1.00.

| | CHF per €1.00 | | | |
|---|---|---|---|---|
| | **High** | **Low** | **Average(1)** | **Period End** |
| **Year** | | | | |
| 2012 | 1.22 | 1.20 | 1.21 | 1.21 |
| 2013 | 1.26 | 1.21 | 1.23 | 1.23 |
| 2014 | 1.24 | 1.20 | 1.21 | 1.20 |
| 2015 | 1.20 | 0.99 | 1.07 | 1.09 |
| 2016 | 1.11 | 1.07 | 1.09 | 1.07 |
| **Month** | | | | |
| May 2017 | 1.10 | 1.08 | 1.09 | 1.09 |
| June 2017 | 1.09 | 1.08 | 1.09 | 1.09 |
| July 2017 | 1.14 | 1.09 | 1.11 | 1.14 |
| August 2017 | 1.15 | 1.13 | 1.14 | 1.14 |
| September 2017 | 1.16 | 1.14 | 1.15 | 1.14 |
| October 2017 | 1.17 | 1.14 | 1.15 | 1.16 |
| November 2017 (through November 9, 2017) | 1.17 | 1.16 | 1.16 | 1.16 |

(1) The average of the exchange rates on the last business day of each month for the relevant annual period and on each business day for any other period.

## DEFINED TERMS

In this Offering Memorandum, the following words and expressions have the following meanings, unless the context otherwise requires or unless otherwise so defined. In particular, capitalized terms set forth and used in the sections entitled "*Description of Certain Financing Arrangements—Intercreditor Agreement*," and "*Description of the Notes*" may have different meanings from the meanings given to such terms and used elsewhere in this Offering Memorandum. We specifically draw your attention to "*Description of Certain Financing Arrangements—Intercreditor Agreement—General*." Certain other terms are explained in the section headed "*Glossary of Technical Terms*."

- "*Agreed Security Principles*" means the Agreed Security Principles as set out in a schedule to the Revolving Credit Facility Agreement, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.
- "*Apax*" refers to one or more funds or limited partnerships advised by Apax Partners LLP or any of its affiliates or direct or indirect subsidiaries from time to time.
- "*Apax Acquisition Agreement*" means the share purchase agreement, dated as of December 23, 2011, by and among Matterhorn Mobile, Atlas Services Belgium and France Telecom, as amended.
- "*CHF Fixed Rate Senior Secured Notes*" refers to the CHF 450 million aggregate principal amount of 3.625% senior secured notes due 2022, of which CHF 410.6 million aggregate principal amount remains outstanding as of the date of this Offering, issued by Matterhorn Telecom S.A. on April 23, 2015.
- "*Company*" or "*Salt*" means Salt Mobile SA, a Swiss stock corporation (*société anonyme*) pursuant to arts. 620 et seq. of the Swiss Code of Obligations, which was formerly known as Orange Communications SA prior to its name change on April 23, 2015.
- "*Euro Fixed Rate Senior Secured Notes*" refers to the €1.0 billion aggregate principal amount of 3.875% senior secured notes due 2022 issued by Matterhorn Telecom S.A. on April 23, 2015.
- "*Existing Indentures*," collectively, refers to the Existing Senior Secured Notes Indentures and the Senior Notes Indenture.
- "*Existing Notes*" means the Senior Notes, the Fixed Rate Senior Secured Notes and the Floating Rate Senior Secured Notes.
- "*Existing Senior Secured Notes*," collectively, refers to the Fixed Rate Senior Secured Notes and the Floating Rate Senior Secured Notes.
- "*Existing Senior Secured Notes Indentures*" refers to (i) the indenture governing the CHF Fixed Rate Senior Secured Notes and the Euro Fixed Rate Senior Secured Notes among, *inter alios*, the Issuer, the Guarantors, Matterhorn Mobile and Deutsche Trustee Company Limited as trustee, dated April 23, 2015, as amended and supplemented on March 8, 2017 and as further amended or supplemented from time to time, and (ii) the indenture governing the Floating Rate Senior Secured Notes among, *inter alios*, the Issuer, the Guarantors and Deutsche Trustee Company Limited as trustee, dated March 16, 2017, as amended and supplemented from time to time.
- "*Fixed Rate Senior Secured Notes*" refers to the CHF 450 million aggregate principal amount of 3.625% senior secured notes due 2022, of which CHF 410.6 million aggregate principal amount remains outstanding as of the date of this Offering, and €1.0 billion aggregate principal amount of 3.875% senior secured notes due 2022, in each case issued by Matterhorn Telecom S.A. on April 23, 2015.
- "*Floating Rate Senior Secured Notes*" refers to the €525 million aggregate principal amount of floating rate senior secured notes due 2023 issued by Matterhorn Telecom S.A. on March 16, 2017, of which €475 million aggregate principal amount remains outstanding as of the date of this Offering.
- "*France Telecom*" or "*FT*" refers to Orange SA, a *société anonyme* incorporated under the laws of France, formerly known as France Telecom SA.
- "*FT Group*" refers to France Telecom and its subsidiaries.

- "*FTEs*" refers to our full time employees, which include employees in Salt France until February 24, 2017 and exclude employees of IT Solutions Factory, apprentices and trainees.
- "*Group*" refers to the Parent Guarantor and its subsidiaries, following the Refinancing Transactions, which occurred on April 23, 2015.
- "*Guarantors*" refers to the Parent Guarantor, Salt and Salt Network.
- "*Indenture*" refers to the indenture governing the Notes among, *inter alios*, the Issuer, the Guarantors and the Trustee, to be dated the Issue Date, as amended or supplemented from time to time.
- "*Intercreditor Agreement*" refers to the agreement dated January 30, 2012, as amended and restated on February 3, 2012 and on September 11, 2012, as amended on February 21, 2012 and on February 23, 2015, and as amended and restated on April 23, 2015, and as further amended or amended and restated from time to time by and among, *inter alios*, the agent under the Revolving Credit Facility, the Security Agent and (upon accession on the Issue Date) the Trustee.
- "*Interest Bearing Loan*" refers to the interest bearing intercompany loan effective on September 30, 2015 between the Issuer and Salt (formerly the Profit Participating Loan between Matterhorn Mobile and Salt prior to its conversion into an interest bearing loan and assignment from Matterhorn Mobile to the Issuer).
- "*Issuer*" refers to Matterhorn Telecom S.A., a *société anonyme* organized under the laws of the Grand Duchy of Luxembourg.
- "*Matterhorn Mobile*" refers to Matterhorn Mobile S.A., a *société anonyme* in voluntary liquidation organized under the laws of the Grand Duchy of Luxembourg.
- "*Matterhorn Mobile Holdings*" refers to Matterhorn Mobile Holdings S.A., a *société anonyme* organized under the laws of the Grand Duchy of Luxembourg, which was the parent company of the MMH Group prior to the Refinancing Transactions. Matterhorn Mobile Holdings has been liquidated and removed from the Luxembourg Register of Commerce and Companies.
- "*MMH*" and "*MMH Group*" refer to Matterhorn Mobile Holdings and its subsidiaries, which existed prior to the Refinancing Transactions.
- "*NJJ*" refers to the private holding company of entrepreneur and telecommunications investor Xavier Niel or any of its direct or indirect subsidiaries from time to time investing, directly or indirectly, in the Issuer. See "*Principal Shareholder*."
- "*NJJ Acquisition Agreement*" means the share purchase agreement, dated as of December 18, 2014, by and among Matterhorn Topco & Cy S.C.A., Matterhorn S.à r.l. and NJJ Capital SAS.
- "*NJJ Suisse Acquisition*" refers to NJJ Suisse Acquisition SAS, a *société par actions simplifiée* incorporated under the laws of France, an indirect subsidiary of NJJ.
- "*Notes*" refers to the €400,000,000 Senior Secured Notes due 2027 offered hereby.
- "*Offering*" refers to the offering of the Notes pursuant to this Offering Memorandum.
- "*Orange*" refers to Orange Communications SA.
- "*Parent Guarantor*" refers to Matterhorn Telecom Holding S.A., a *société anonyme* organized under the laws of the Grand Duchy of Luxembourg.
- "*Permitted Collateral Liens*" has the meaning ascribed to it under "*Description of the Notes—Certain Definitions.*"
- "*Predecessor*" refers to the MMH Group for (i) the year ended December 31, 2014 and (ii) for the period from January 1, 2015 to April 22, 2015, unless the context requires or is otherwise clear.
- "*Profit Participating Loan*" refers to the profit participating loan between Matterhorn Mobile, as lender, and Salt, as borrower, that was converted into the Interest Bearing Loan on October 15, 2015 with effect from September 30, 2015.
- "*Refinancing Transactions*" has the meaning ascribed to it under "*Presentation of Financial and Other Data—Financial and Other Data*."

- "*Revolving Credit Facility*" refers to the CHF 100 million super senior multi-currency revolving credit facility agreement dated February 23, 2015, between, *inter alios*, Matterhorn Mobile Holdings and Société Générale (as amended or amended and restated from time to time) as described under "*Description of Certain Financing Arrangements—Revolving Credit Facility*."
- "*Salt France*" refers to Salt France SAS. Following the sale of our subsidiary Salt France to NJJ on February 24, 2017, Salt France is an affiliate of the Group.
- "*Salt Mobile*" refers to Salt Mobile SA, a Swiss stock corporation (*société anonyme*) pursuant to arts. 620 et seq. of the Swiss Code of Obligations.
- "*Salt Network*" refers to Salt Network SA, a Swiss stock corporation (*société anonyme*) pursuant to arts. 620 et seq. of the Swiss Code of Obligations.
- "*Security Agent*" refers to Société Générale, as security agent under the Existing Senior Secured Notes Indentures, the Indenture and the Senior Notes Indenture.
- "*Security Documents*" has the meaning ascribed to it under "*Description of the Notes*" and the Existing Senior Secured Notes Indentures.
- "*Senior Notes*" refers to (i) the €250 million aggregate principal amount of 4.875% senior unsecured notes due 2023 issued by Matterhorn Telecom Holding S.A. on April 23, 2015 and (ii) the additional €117 million aggregate principal amount of 4.875% senior unsecured notes due 2023 issued by Matterhorn Telecom Holding S.A. on March 16, 2017, of which €298.9 million aggregate principal amount remains outstanding as of the date of this Offering.
- "*Senior Notes Indenture*" refers to the indenture governing the Senior Notes among, *inter alios*, the Parent Guarantor, the guarantors named therein and the Deutsche Trustee Company Limited as trustee, dated April 23, 2015, as amended and supplemented on March 8, 2017 and as further amended or supplemented from time to time.
- "*Senior Secured Notes*," collectively, refers to the Notes and the Existing Senior Secured Notes.
- "*Successor*" refers to the Parent Guarantor, its subsidiaries and associates on and after April 23, 2015.
- "*Trustee*" refers to Deutsche Trustee Company Limited, as trustee under the Indenture.
- "*we*," "*us*" and "*our*," on and after April 23, 2015, refer to the Parent Guarantor, its subsidiaries and associates, and prior to April 23, 2015, refer to the MMH Group for the year ended December 31, 2014 and for the period from January 1, 2015 to April 22, 2015, unless the context requires or is otherwise clear.

In addition to the terms defined above, this Offering Memorandum also contains a glossary of certain technical terms relating to the telecommunications industry and our business. See "*Glossary of Technical Terms*."

## INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

The following cautionary statements identify important factors that could cause our actual results to differ materially from those projected in the forward-looking statements made in this Offering Memorandum. Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "will likely result," "are expected to," "will continue," "believe," "anticipated," "estimated," "intends," "expects," "plans," "seek," "projection" and "outlook." These statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Offering Memorandum. Important risks, uncertainties and other factors that could cause such differences between the actual results from those expressed in forward-looking statements include, but are not limited to:

- our exposure to equipment and network systems failure;
- the highly competitive nature of our industry;
- our ability to attract new mobile subscribers and retain existing mobile subscribers;
- disruptions or changes in the supply of our equipment and services from key sourcing partners;
- our ability to execute our strategy and implement our IT transformation initiatives;
- our ability to successfully complete and integrate acquisitions;
- our ability to respond to rapid technological changes or changes in consumer preferences on a timely basis;
- our ability to fund investments;
- risks related to litigation or stricter regulation arising from actual or perceived health risks or other problems or other legal or regulatory actions;
- our ability to maintain and increase our network coverage and to obtain new frequencies;
- our ability to maintain our contractual rights-of-way, network access and licenses;
- changes in regulation, including with respect to MTRs and other tariffs, or other changes in national, cantonal and local laws, regulations or taxes;
- our exposure to MTRs and other rate decreases;
- changes in consumer spending due to economic conditions in Switzerland, Liechtenstein or globally;
- our ability to maintain and further develop our direct and indirect distribution and customer care channels;
- our dependence on wholesale resellers, our MVNO partner and third-party telecommunications providers;
- our relationship with our shareholder and certain affiliates;
- our ability to attract and retain key personnel, including non-Swiss citizens;
- uncertainties and challenging conditions in the global economy;
- our pension liability;
- the adequacy of our insurance;
- potential legal or regulatory action;
- our ability to adhere to data protection laws;
- cybersecurity threats;
- rising costs to maintain compliance with complex IT security schemes;
- potential legal liability associated with providing online services or content;

- our substantial leverage and debt service obligations;
- the effects of our restrictive debt covenants on our ability to finance our future operations and capital needs and to pursue business opportunities and activities;
- our ability to raise additional financing or service existing debt;
- changes in interest rates or exchange rate fluctuations;
- risks related to the collateral;
- risks related to our structure or our shareholder;
- factors that are not known to us at this time; and
- other factors discussed or referred to in this Offering Memorandum.

These and other factors are discussed in "*Risk Factors*" in this Offering Memorandum.

The risk factors referred to in this Offering Memorandum could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this Offering Memorandum by us or on our behalf, and you should not place undue reliance on any of these forward-looking statements. Furthermore, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors will emerge in the future, and it is not possible for us to predict such factors. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

## CURRENCY PRESENTATION

In this Offering Memorandum, all references to “CHF” are to Swiss francs, the lawful currency of Switzerland; all references to “euro,” “EUR” and “€” are to the single currency of the participating member states of the European Union participating in the third stage of economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended or supplemented from time to time; and all references to “U.S. dollars,” “USD” and “$” are to the lawful currency of the United States of America.

## ENFORCEABILITY OF JUDGMENTS

The Issuer and the Parent Guarantor are incorporated under the laws of Luxembourg. The Company and Salt Network are incorporated under the laws of Switzerland. All of the directors, officers and other executives of the Issuer and each of the Guarantors are neither residents nor citizens of the United States. Furthermore, almost all of the assets of the Issuer and each of the Guarantors, and their directors, officers and other executives are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or any Guarantor or any such other person or to enforce against any of them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, the Issuer and the Guarantors have appointed, or will appoint, an agent for the service of process in New York.

If a judgment is obtained in a U.S. court against the Issuer or any Guarantor or any security provider, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for the countries in which our Guarantors are located, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

### Luxembourg

Our Luxembourg counsel has advised us that the United States and Luxembourg are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. According to such counsel, a valid and enforceable judgment for the payment of monies rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon the U.S. securities laws, would not directly be enforceable in Luxembourg. Notwithstanding, a party who received such favorable judgment in a U.S. court may initiate enforcement proceedings in Luxembourg (*exequatur*) by requesting enforcement of the U.S. judgment by the District Court (*Tribunal d’Arrondissement*) pursuant to Section 678 of the New Luxembourg Code of Civil Procedure. The District Court will authorize the enforcement in Luxembourg of the U.S. judgment if it is satisfied that all of the following conditions are met:

- the U.S. judgment is enforceable (*exécutoire*) in the United States;
- the U.S. court awarding the judgment has jurisdiction to adjudicate the respective matter under applicable U.S. federal or state jurisdictions rules, and the jurisdiction of the U.S. court is recognized by Luxembourg private international and local law;
- the U.S. court has applied to the dispute the substantive law which would have been applied by Luxembourg courts under the applicable conflict of law rules;
- the U.S. judgment does not contravene international public policy or order as understood under the laws of Luxembourg or has been given in proceedings of a criminal nature and tax nature;
- the U.S. court has acted in accordance with its own procedural laws;
- the U.S. judgment was granted following proceedings where the counterparty had the opportunity to appear, was granted the necessary time to prepare its case and, if it appeared, to present a defense; and
- the U.S. judgment was not granted pursuant to an evasion of Luxembourg law (*fraude à la loi luxembourgeoise*).

Subject to the above conditions, Luxembourg courts tend not to review the merits of a foreign judgment, although there is no statutory prohibition for such review. If an original action is brought in Luxembourg, Luxembourg courts may refuse to enforce any choice of law provisions if the application of such law would contravene, or is manifestly incompatible with, Luxembourg public policy.

Further, in the event of any proceedings being brought in a Luxembourg court in respect of a monetary obligation expressed to be payable in a currency other than euro, a Luxembourg court would have power to give judgment expressed as an order to pay a currency other than euro. Notwithstanding, enforcement of the judgment against any party in Luxembourg would be available only in euro and for such purposes all claims or debts would be converted into euro.

Even if a U.S. judgment is recognized in Luxembourg, it does not necessarily mean that it will be enforced in all circumstances. The obligations need to be of a specific kind and type for which an enforcement procedure exists under Luxembourg law. Also, if circumstances have arisen after the date at which such foreign judgment became legally effective and final, a defense against execution may arise. Enforcement is also subject to the effect of any applicable bankruptcy, insolvency, reorganization, liquidation, moratorium as well as other similar laws affecting creditor's rights generally. Moreover, a Luxembourg court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages. In addition, it is doubtful whether a Luxembourg court would accept jurisdiction and impose civil liability in an original action predicated solely upon U.S. federal securities laws.

## Switzerland

Our Swiss counsel has advised us that judgments in civil or commercial matters of a non-Swiss court or authority will be recognized and enforced against an individual or a legal entity with legal domicile or seat in Switzerland pursuant to a bilateral or multilateral treaty or convention between the foreign country and Switzerland. Where no applicable treaty or convention exists, the rules of the Swiss Federal Act on International Private Law ("PILA") apply. In cases where a foreign judgment for a monetary claim shall be enforced, the Swiss Federal Act on Debt Enforcement and the Swiss Code of Civil Procedure ("ZPO"), apply in addition to the PILA. The judgment of a Swiss court or authority of first instance concerning recognition and enforcement of a foreign judgment, including a U.S. Judgment, is generally subject to appeal.

There is doubt as to the enforceability of U.S. judgments in Switzerland and the applicability of U.S. federal or state laws in an action brought before a Swiss court. The United States and Switzerland currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment by any U.S. federal or state court for payment, whether or not predicated solely upon U.S. federal or state laws, would not automatically be enforceable in Switzerland.

A final judgment by a foreign court may be recognized under the PILA and enforced upon request by filing an application with the competent court in Switzerland only if certain requirements of the PILA are met, in particular:

- the foreign court had jurisdiction over the original proceedings from a Swiss law perspective. Jurisdiction or authority is established:
  - if a provision of PILA so provides or, in the absence of such provision, if the defendant had his legal domicile in the country in which the judgment was rendered; or
  - if the parties, in a pecuniary dispute, entered into an agreement valid under the PILA submitting their dispute to the jurisdiction of the court or authority which rendered the judgment; or
  - if the defendant, in a pecuniary dispute, proceeded on the merits without objecting to jurisdiction; or
  - if, in the event of a counterclaim, the court or authority which rendered the judgment had jurisdiction over the principal claim and if there is a factual connection between the principal claim and the counterclaim;

- the judgment of such foreign court has become final and non-appealable under applicable foreign law, and no ordinary legal remedy is available against such judgment;
- the recognition of the foreign judgment is not manifestly incompatible with Swiss public policy;
- the defendant has been properly served with process according to the law of the state of his/her/its domicile or ordinary residence (if in Switzerland, through judicial aid granted by the Swiss authorities) or the defendant has unconditionally appeared in the proceedings;
- the proceedings leading to the judgment have respected the principles of a fair trial (as understood in Switzerland) and, in particular, that the defendant has been granted the right to be heard and the possibility to properly defend his/her/its case; and
- no action between the same parties and on the same subject matter has been commenced or decided upon first in Switzerland and no judgment between the same parties and on the same subject matter has first been rendered by a foreign court, which judgment may be recognized in Switzerland.

Subject to the foregoing, purchasers of the Notes may be able to enforce in Switzerland judgments in civil and commercial matters obtained from foreign courts; however, we cannot assure you that those judgments will be enforceable. Awards of punitive damages in original actions outside Switzerland may also not be enforceable in Switzerland as they might be denied by Swiss courts as incompatible with Swiss public policy (*schweizerischer Ordre public*). Alternatively, a Swiss court may reduce the amount of damages granted by a foreign court and recognize damages only to the extent that they are necessary to compensate actual losses or damage. It is doubtful whether a Swiss court would accept jurisdiction and impose civil liability if proceedings commenced in Switzerland predicated solely upon United States federal or state securities laws. In addition, in an action brought in a Swiss court on the basis of United States federal or state securities laws, the Swiss courts may not have the requisite power to grant the remedies sought. Any amount denominated in a foreign currency adjudicated in a final judgment which has to be enforced through Swiss debt collection authorities (*schweizerische Zwangsvollstreckungsbehörden*) has to be converted into Swiss francs.

Swiss civil procedure differs substantially from U.S. civil procedure in a number of respects. With respect to the production of evidence, for example, U.S. federal and state law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings, may prior to trial, compel the production of documents by adverse or third parties and the depositions of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. In Switzerland, no such pre-trial discovery process exists (but the parties have very limited rights of precautionary taking of evidence in particular if one party shows credibly that the evidence is at risk or that it has a legitimate interest). Instead, before Swiss courts, the parties present the evidence in their possession during the proceedings and may request the production of documents in the counterparty's possession in the course of the proceedings.

Finally, no statement can be made as to the time and efficiency of the recognition and enforcement in Switzerland of a foreign judgment considering that recognition and enforcement proceedings tend to be time-consuming in Switzerland.

Judicial documents may not be served directly from abroad, amongst others, the United States of America to a person in Switzerland (see Switzerland's reservations to the Hague Convention on Service Abroad of Judicial or Extra-Judicial Documents in Civil and Commercial Matters concluded on 15 November 1965) and service needs to be effected by way of judicial assistance.

## SUMMARY

*The following summary may not contain all the information that may be important to you. Before making an investment decision, you should read this entire Offering Memorandum, including the "Risk Factors" section and the consolidated financial information, together with the related notes, included in this Offering Memorandum.*

*The financial information in this "Summary" section, for the year ended December 31, 2015 represents the unaudited aggregate financial information that combines the financial information of the MMH Group (as predecessor) and the Group (as successor). The financial information for the year ended December 31, 2015 is calculated by taking the audited financial information of the MMH Group for the period from January 1, 2015 to April 22, 2015, and adding it to the audited financial information of the Group for the period from April 23, 2015 to December 31, 2015. The presentation of the unaudited aggregate financial information for the year ended December 31, 2015 is not intended to comply with IFRS and does not represent pro forma information. The unaudited aggregate financial information for the year ended December 31, 2015, is intended to give an indication of the financial results of the aggregated results of operations of the MMH Group and the Group for the year ended December 31, 2015.*

*The financial information presented in this "Summary" section and elsewhere in this Offering Memorandum for the year ended December 31, 2016 and for the nine months ended September 30, 2017 is the consolidated financial information of the Group, which has been derived from the audited consolidated financial statements as of and for the year ended December 31, 2016 and the unaudited condensed consolidated interim financial statements as of and for the nine months ended September 30, 2017 of the Group, respectively. See "Presentation of Financial and Other Data."*

### Overview

We are one of the three major nationwide mobile network operators in Switzerland. We offer mobile voice and SMS, data and customer care products and services to predominantly postpaid residential and small and medium-sized enterprises ("SME") and small office/home office ("SoHo") business customers. We own and operate an extensive, high-quality mobile telecommunications network infrastructure. With our mobile telecommunications offerings, we aim to offer our competitive own-branded products and services that are easy to understand, easy to sell and easy to bill and collect.

We primarily focus on the postpaid customer segment, which represented 94.9% and 96.0% of our mobile subscriber revenue in the year ended December 31, 2016 and nine months ended September 30, 2017, respectively. In August 2015, we reconfigured and significantly simplified our postpaid product offering and introduced five *Salt*.-branded offerings with unlimited voice, SMS and data at competitive prices. We also offer *Surf.* subscriptions, which provide high-speed internet for tablets and laptops. Our product offering has been designed based on customer feedback and market analysis to cover the range of customer demand in the Swiss mobile market and is consistent with our strategy to provide the best-in-class price-to-value offering for our customers.

We distribute our products and services in Switzerland directly through our network of 88 *Salt*.-branded shops, online and via telesales. These direct distribution channels together represented 81% of total new subscriptions or contract extensions in 2016 and 86% in the nine months ended September 30, 2017. We intend to increase the number of our shops to 90 in the medium-term. We also distribute our products and services indirectly through almost 1,250 points of sale in our partners' distribution channels, including through wholesale resellers, such as Swiss Post and Coop, one of the largest retail trade groups in Switzerland, and an MVNO.

We provide mobile services through our own mobile 2G, 3G and 4G telecommunications access network throughout Switzerland and Liechtenstein. As of September 30, 2017, our 4G network population coverage was approximately 97% (outdoor data coverage) with download speeds of up to

300 Mbit/s. We are in the process of upgrading our mobile network from 4G (LTE) to 4G+ (LTE advanced) by deploying lower frequencies, in order to continue to improve our indoor coverage, which has increased by 4.4 percentage points since December 31, 2016, and to increase mobile internet speed from up to 300 Mbit/s to up to 450 Mbit/s in rural regions and 1 GB/s in cities. In addition to our mobile telecommunications access network, we have a transmission network that includes a mobile backhaul network, a national transmission backbone network (core transport network) and an IT/ corporate data network comprised of owned and leased equipment. We have recently entered into an agreement to acquire indefeasible rights of use ("IRUs") for a mobile backhauling fiber to connect certain of our antenna sites and for a backbone network, which we expect to decrease the amount of fiber network we lease.

Under NJJ ownership, we have streamlined our management structure and created a more efficient organization with a more engaged workforce, with a management team focused on strict cost and capital expenditure discipline. Drawing on NJJ's experiences with managing Iliad and other NJJ portfolio companies, we have undertaken an internalization of our network operation, management and maintenance functions, following which we now manage and maintain our own network, and we plan to further internalize, manage and maintain our IT systems. We believe the internalization of these key operational functions positions us to achieve our network deployment and upgrade targets at a lower cost, with the aim of offering best in class price to value ratio for consumers and delivering strong cash flow generation on an ongoing basis.

Excluding installment accounting, for the years ended December 31, 2015 and 2016 and the nine-month periods ended September 30, 2016 and 2017, we generated total revenue of CHF 1,246.3 million, CHF 1,124.3 million, CHF 842.7 million and CHF 777.2 million, respectively. Excluding installment accounting, for the years ended December 31, 2015 and 2016 and the nine-month periods ended September 30, 2016 and 2017, our Adjusted EBITDA was CHF 380.1 million, CHF 441.1 million, CHF 338.5 million and CHF 355.6 million, respectively.

For the years ended December 31, 2015 and 2016 and the nine-month periods ended September 30, 2016 and 2017, free cash flow was CHF 177.4 million, CHF 344.5 million, CHF 253.0 million and CHF 228.4 million, respectively. For the years ended December 31, 2015 and 2016, our cash conversion was 58.8% and 77.0%, respectively.

## Our Strengths

We believe that the following strengths will allow us to execute our strategy.

### *Efficient Operator*

Under NJJ ownership, we have transformed Salt into an operationally efficient and highly profitable network operator, using best practices from Iliad and Free, as well as other NJJ portfolio companies.

We have simplified our postpaid offerings and are now focusing on *Plus.* and SIM-only offers through our improved in-house marketing channels. We use our in-house expertise to develop tailored marketing and sales campaigns leveraging our own sales force for customer insight and market research. As part of our transformation, we have reduced our annual advertising- and promotion-spend by approximately 47% from the year ended December 31, 2015 to the twelve months ended September 30, 2017.

We have also increased our focus on direct channel sales though our network of shops, online sales and telesales, which has significantly reduced cost inefficiencies and improved customer experience. We reduced our postpaid blended churn rate from 26.2% in 2015 to 18.6% in the nine months ended September 30, 2017.

Since 2015, we have significantly simplified our operations by streamlining our management structure and internalizing a significant portion of our network. The internalization of our network operation, management and maintenance functions has enhanced our control over, and quality of, our network and helped us achieve our network deployment and upgrade targets at a lower cost. We are also in the process of internalizing our IT systems and operations, which we believe will bring further cost and quality improvements in the future. We have reduced our FTEs by approximately 22.9% from December 31, 2014 to September 30, 2017, and our labor and employee costs have decreased by approximately 26% from the year ended December 31, 2015 to the twelve months ended September 30, 2017.

We believe that our focus on reducing our operational costs and our strict cost discipline have driven our increase in EBITDA margin from 26.4% in the year ended December 31, 2015 to 41.9% in the twelve months ended September 30, 2017. We believe that our EBITDA margin exceeds that of most of our European peers.

***Extensive, High-Quality Network Infrastructure***

Our nationwide mobile network of 4,061 antenna sites is supported by a broad spectrum license. We are constantly strengthening our network by extending our geographical coverage and optimizing spectrum allocation in order to improve voice and data coverage and secure capacity for increasing data traffic. Since 2010, we have invested approximately €730 million in network roll out. As of September 30, 2017, our 4G Long Term Evolution ("LTE") network population coverage in Switzerland was approximately 97% in outdoor data coverage and 71.9% (an increase of 4.4 percentage points from December 31, 2016) in indoor data coverage, with download speeds of up to 300 Mbit/s. According to a study performed by "Connect" magazine in 2016, we are ranked third in terms of overall network quality in Switzerland and sixth in terms of overall network quality out of seventeen operators in Austria, Germany, Spain, Switzerland and the United Kingdom. In a consumer quality test conducted by Kassensturz in November 2016, our samples, both during the day and evening, demonstrate that we usually offer faster surfing speeds than our competitors. We are also proud to be a provider of 4G+ services in the Gotthard base tunnel through the Alps, which opened on June 1, 2016.

***Significant Barriers to Entry***

We believe that there are significant barriers to entry for potential new competitors in Switzerland, our core market. The long-term nature of the licenses granted in the 2012 spectrum auction in Switzerland constitutes a significant barrier to entry for potential new competitors. The technology neutral licenses are not tradeable by their terms and are valid until December 31, 2028. Accordingly, it could be difficult for any new potential entrant into the market to be able to acquire the right to use the relevant spectrum covered by these licenses. On May 31, 2017, ComCom launched a public consultation for the allocation of new mobile radio frequencies (700 MHz, 1400 MHz and 3.4—3.8 GHz). The consultation ended on July 31, 2017. On November 9, 2017, the responses, together with general information, were published by ComCom and OFCOM and we expect ComCom to provide further information on the allocation process and timing in the near future.

In addition, for a new market entrant, building a mobile telecommunications network in Switzerland is complex and time- and capital-intensive, due to a number of factors, including the difficult nature of the terrain and the need for local authority approval for each site. Furthermore, there are stringent environmental regulations which are embedded in building permits, limiting radiation levels. A new operator in Switzerland would need to deploy a greater number of sites to achieve similar network coverage compared to most other countries. In recent years, no new entrant has successfully established itself on a national scale. For instance, in 2006, ComCom withdrew Telefonica's 3G license because it failed to fulfill coverage requirements, and in 2008, Tele2 was acquired by Sunrise after failing to deploy a nationwide network. As a result, the Swiss mobile telecommunications market has become a relatively stable market of three major national mobile network operators: Swisscom, Sunrise and ourselves.

***Increasing Market Share of Growing Postpaid Market***

We are one of three major mobile network operators in Switzerland with a nationwide network. With a primary focus on postpaid subscribers, we have established a firm position in the most attractive and profitable mobile market segment. Our product offering is predominantly targeted to postpaid residential and SME and SoHo business customers. Under NJJ ownership, our postpaid subscriber market share has increased from 16.3%, representing 1.15 million subscribers, as of December 31, 2015 to 16.5%, representing 1.22 million subscribers, as of September 30, 2017. In the nine months ended September 30, 2017, we had postpaid net adds (representing the net increase in subscriber base) of 13,730, comprising net adds of 33,577 handset subscriptions partially offset by mobile broadband ("MBB") subscription losses. This compares to a net loss (representing the net decrease in subscriber base) of 4,452 in the year ended December 31, 2015. Our postpaid handset subscribers increased by 5.5% on a year-on-year basis as of September 30, 2017, which was a higher increase than the growth rate of the overall Swiss postpaid market of 2.9%. We believe that our growth among postpaid subscribers was mainly the result of our new product offering, which we believe is better aligned with customer demand in the Swiss mobile market, and our improved retention capabilities. We have focused on improving our churn and, from the year ended December 31, 2015 to the nine months ended September 30, 2017, we reduced overall postpaid churn by 7.7 percentage points to 18.6% and decreased forced churn by 3.5 percentage points to 2.5% as a result of better price plans, better service and an overall better customer experience.

The Swiss mobile telecommunications market generated revenue of approximately CHF 6.0 billion in the year ended December 31, 2016. Switzerland is one of the most advanced mobile telecommunications markets in Europe, with a mobile penetration rate as of September 30, 2017 of 133%. The Swiss mobile telecommunications market is primarily a postpaid market, and the Swiss postpaid market continues to grow. Based on management estimates, the number of postpaid mobile subscribers grew at a compound annual growth rate of 3.7% to reach a total of 7.4 million subscribers from September 30, 2012 to September 30, 2017. In addition, we believe Swiss mobile ARPU has been declining at a lower rate than in other European jurisdictions, declining by 2.7% per year, from an average of CHF 48.2 to CHF 43.2 per month between 2012 and 2016. The Swiss postpaid subscriber market is supported by a stable competitive environment of three major nationwide telecommunications networks and broadly stable postpaid market shares. The Swiss postpaid subscriber market is further supported by a stable regulatory environment, with practices in line with the European regulators and a history of emphasizing quality and universality of service and network investments.

***Cash Flow Generative Business***

We are a highly cash generative business, having improved all our key operating metrics over the past two years and comparing favorably to our European peers. In the years ended December 31, 2015 and 2016 and the twelve months ended September 30, 2017:

- we had EBITDA of CHF 339.6 million, CHF 427.8 million and CHF 444.2 million, respectively, with an increase in EBITDA margin from 26.4% for the year ended December 31, 2015 to 41.9% for the twelve months ended September 30, 2017;
- we had capital expenditures of CHF 124.8 million, CHF 97.9 million and CHF 171.7 million, respectively, with a decrease in capital expenditures as a percentage of revenue of 9.7% in 2015 to 8.7% in 2016;
- we had cash capital expenditures of CHF 139.8 million, CHF 98.2 million and CHF 112.5 million, respectively; and
- we generated free cash flow of CHF 177.4 million, CHF 344.5 million and CHF 319.8 million, respectively.

Our high cash generation has largely been the result of the combined efforts of our management team and the leadership of our shareholder, NJJ. Together, we have implemented processes to control operational and capital expenditures, with the effect of ensuring efficiency in our spending and improving the cash flow of our operations.

Operationally, we have driven profitable growth by ensuring efficiency in our spending and improving the cash flow of our operations. We have simplified our postpaid offerings and are now focusing on *Plus.* and SIM-only offers through an improved in-house marketing approach. Additionally, there is a renewed focus on our network of shops, online sales and telesales, which has significantly reduced cost inefficiencies and improved customer experience. From December 31, 2014 to

September 30, 2017, we have driven cost savings by decreasing our FTEs by approximately 22.9%. We have also decreased labor and employee costs by approximately 26% and advertising- and promotion-spend by approximately 47% from the year ended December 31, 2015 to the last twelve months ended September 30, 2017.

As a business, we benefit from limited capital expenditure requirements as a result of our significantly invested and modern network and broad spectrum assets, and our strategy to internalize our network operations, which we believe allows us to deploy capital expenditures more efficiently than under our previous arrangements.

As we operate in Switzerland, we also have a low corporate tax rate. In the year ended December 31, 2016, our cash conversion was 77.0%, exceeding the average cash conversion of our European peers.

***Effective Management Team with a Supportive Shareholder***

We believe we have a highly effective management team that is focused on efficiency and driving subscriber and free cash flow growth. Dr. Andreas Schönenberger, our Chief Executive Officer since March 15, 2016, is the former General Manager of Google Switzerland, and has extensive knowledge of the Swiss mobile market, having been a former president of the Swiss mobile association. Our current management team has overseen the transformation of the Group under NJJ ownership and the significant growth in our free cash flow.

NJJ is a supportive and highly involved shareholder, with an average 16 years of experience in telecommunications and a track record of successfully operating other telecommunication companies, including Free in France. The four key members of the NJJ team are heavily involved in the Salt business and work hand-in-hand with the Salt management team. Furthermore, NJJ and our management team communicate on a weekly basis to review and to drive our strategy. Our costs, expenses and capital expenditures are reviewed on a continuous basis together with NJJ.

## Our Strategy

Our shareholder, NJJ Capital has the following strategic objectives for its portfolio companies in the telecommunication sector:

- run a highly efficient telecom operator with an entrepreneurial spirit and strong cost discipline, including with respect to capital expenditures, to create strong and sustainable cash flow generation and long term shareholder value;
- provide best in class price to value offering for our customers by offering attractive price plans and simple and innovative offers;
- invest in network, operations and solutions to provide full spectrum on high quality telecommunication services to retail consumers and SMEs;
- work hand-in-hand with a highly motivated, focused and efficiency-driven management team; and
- offer the full breadth of telecommunications services to retail consumers and SMEs.

Under the leadership of our current management team, with the support of NJJ, the key components of our business strategy are described below.

***Deliver Strong Cash Flow Generation***

In the year ended December 31, 2016, our first full fiscal year under NJJ ownership, we generated CHF 344.5 million of free cash flow, which represented more than in the year ended December 31, 2014 and 2015 combined. During 2017, we have continued to generate strong cash flow with CHF 319.8 million of free cash flow for the twelve months ended September 30, 2017. We have established a strict approval process for all operating and capital expenditures, which has led to the elimination of numerous non-essential expenses and to greater cost discipline across the Company.

For example, expenses related to marketing activities were reduced from CHF 37.9 million in the year ended December 31, 2015 to CHF 20.2 million in the twelve months ended September 30, 2017, and our marketing team was reduced from over 50 at the beginning of 2015 to seven FTEs at the end of September 30, 2017. Across the Company, we have reduced our FTEs from 893 as of December 31, 2014 to 688 as of September 30, 2017, in order to create a more efficient organization focused on profitable growth. We believe that the reduction in the size of the team, together with the elimination of multiple layers of management, also fosters faster decision-making, better communication amongst the different parts of the Company and overall a more engaged workforce.

From 2014 to 2016, we have reduced our mobile capital expenditures by over one-third under NJJ ownership while maintaining the performance of our network as a result of the internalization of our network and the improvement in roll-out and maintenance costs. The internalization of network management and maintenance under NJJ ownership has allowed us in turn to conduct a deep analysis of our network coverage and performance to more efficiently target deployment and expand upgrades. Additionally, we are in the process of internalizing our IT systems and operations.

***Grow Our Postpaid Subscriber Base***

We aim to grow our postpaid subscriber base and to mitigate ARPU decline through an upselling strategy. Having inherited a rapidly declining postpaid subscriber base in 2014 and early 2015, we sought to stabilize the postpaid subscriber base in 2015 and then to grow the base in 2016 and now aim to continue to grow the subscriber base in the years to come. In order to grow our postpaid subscriber base, we have restructured our product offering and price plans and are focusing on decreasing churn and bad debt.

We have restructured our product offerings around five *Salt*.-branded *Plus*. mainstream offers. Our product offerings and price plans, which were structured based on shop floor feedback and a review of the market, aim to be more closely aligned with customer demand in the Swiss mobile market and are centered around the *Plus. Swiss* offer at CHF 59 per month, with unlimited 4G data allowance in Switzerland. We believe that our product offerings are easy to understand, easy to sell, and easy to bill and collect. In the nine months ended September 30, 2017, we had total postpaid net adds (representing the net increase in subscriber base) of 13,730, comprising net adds of 33,577 handset subscriptions partially offset by mobile broadband ("MBB") subscription losses.

As part of this strategy, we are also working to continuously reduce churn by improving our network and customer service and to continuously reduce bad debt. Churn and bad debt go hand-in-hand, as bad debt typically generates forced churn, i.e., non-paying subscribers who are forced out of the subscriber base. We reduced bad debt from 4.2% of total revenue in 2015 to 1.9% of total revenue for the nine months ended September 30, 2017. This decline has been the result of (i) more stringent credit and ID checks at the time of subscription, (ii) a larger proportion of new subscribers opting for SIM card only plans rather than handset plans and (iii) higher control over our distribution and reduced indirect distribution in 2016, all of which are a focus of our business strategy. Over the same period, we reduced forced churn from an average of 6.0% in 2015 to 3.3% in 2016 and to 2.5% as of September 2017. From the year ended December 31, 2015 to the nine months ended September 30, 2017, we reduced overall postpaid churn by 7.7 percentage points to 18.6% as a result of better price plans, better service and an overall better customer experience, in addition to the reduction in forced churn.

***Deliver Best in Class Coverage and Faster Mobile Broadband Speeds***

We believe that the foundation of a telecommunications operator is its network operations and its IT systems. We aim to deliver best in class coverage and ever faster download and upload speeds. In order to do so, we have cancelled most outsourcing contracts with major equipment manufacturers relating to network management and begun internalizing network management and maintenance. As part of the internalization, we have hired personnel to deploy and upgrade our antennas. In 2016 alone, we hired 70 members of staff in Vaud, mostly in the network and IT operations departments. In addition, network control is now managed by Salt France, which is owned by NJJ.

Operating our own network enables us to target deployment and upgrades in areas where it is most needed and where perceived quality can be most improved. In the nine months ended September 30, 2017, we deployed, upgraded or retrofitted 674 antenna sites, focusing on low frequency bands including our 4G+ (LTE advanced) network, resulting in a 4.4 percentage point increase in indoor coverage from December 31, 2016. The targeted deployment of low frequency bands allows us to offer an even better connection to our customers. The aggregation of low frequencies with existing high frequency bands—known as 4G+ technology—permits us to offer a distinctly faster transmission rate with a theoretical surf speed of up to 450 Mbit/s in rural regions and 1 GB/s in cities. As the range of the 800 and 900 MHz bands are higher than for high frequency bands, the indoor coverage of our clients will also improve as a result. Under our unlimited subscription, our customers are benefitting from increasingly high speed connections and improved coverage without volume or speed limitations.

***Focus on Direct Distribution and Select Indirect Channels***

We are focusing our distribution strategy on direct distribution and select indirect channels. We aim to maximize the number of new customers originating from our own shops and our online platform. Our decision to prioritize direct distribution channels is based on our observation of higher levels of both churn and bad debt from some indirect channels.

We opened four new shops in Switzerland in 2017 and we aim for a total network of 90 shops in the medium-term. We are also reshaping our online and telesales distribution. In 2016, we simplified our online order process for an improved customer experience. We are focusing on competitive SIM card only products and dedicated online offers. We have also upgraded our outbound telesales activities with a planned progressive ramp up in 2017. As of September 30, 2017, new subscriptions and contract extensions for digital channels represented 39% of our total new subscriptions and contract extensions. In investing in our direct distribution channels, which generated 86% of our subscriptions and contract extensions, we are also maintaining close control of spending, by streamlining our operations and monitoring the profitability of our shops.

In 2016, we modified our contracts with our distribution partners in order to further improve bad debt and churn and, as a result, also reduced the number of our distribution partners. Going forward, a focus of our indirect distribution channels will be Swiss Post and small local retailers, given their attractive performance and customer segments and cost effectiveness.

***Deliver Superior Customer Care***

A number of cost optimizing measures in customer care were taken under previous ownership and have since then been reversed. We aim to deliver superior customer care to our customers through our shops, our customer hotline and our internet-based self-care.

In order to improve our customer care across our support functions, we have introduced standardized processes and constant performance management based on key performance indicators. All support functions are being merged into, and support services will be provided by, one department. Customer care is an important part of our anti-churn strategy across the life of a contract. We have improved our practices to process requests to cancel contracts from an average of 12 weeks to two weeks. Our faster response times allow us to propose better price plans to our customers and thereby reduce churn. Our hotline has been recognized as “Fastest Hotline” by “Connect” and our customer care program has been recognized as “best customer service” among telecommunication services in Switzerland for prepaid and postpaid mobile by Schweizer Institut für Qualitätstests GmbH (SIQT) in 2017.

As we aim to offer the best value for money for our customer, we constantly focus on identifying and reducing customer concerns to deliver a better and more efficient service. We are improving customer care, for example, by opening support centers in our shops for customers to trouble-shoot their products. As a result of our customer care efforts, Salt is now highly rated among telecommunications operators in Switzerland according to Bon à Savoir, a recognized consumer magazine in Switzerland.

We also believe that insourcing affords us better control of the billing cycle and a better ability to roll-out new offers faster and has improved our customer interface, all with significant cost savings. We have an established team of programmers based in France, who work in conjunction with the Salt team in Switzerland, to manage our IT systems. Whereas our "IT transformation" of 2014 caused major disruption for some Orange customers in 2014 and 2015, we believe we can migrate our existing customer base on the five *Plus*. offers to our new IT systems with little or no disruption to customers. As of September 30, 2017, 92% of the branded postpaid subscriber base had been migrated to our *Plus.* offerings.

***Develop Fixed Broadband***

We aim to offer the full suite of telecommunication services in Switzerland, including ultra-fast broadband. We are in the process of laying the foundation for a launch of fixed broadband and have signed four major agreements, including with Swiss Fibre Net AG, the City of Zurich (ewz) and the City of Lausanne (LFO SA), for the use of their broadband network. Based on our agreements and current negotiations with the relevant utilities provider, the related committed capital expenditures to launch a fiber-to-the-home ("FTTH") offer will be approximately CHF 240 million to be cashed out over several years and additional fixed offer capital expenditures will vary depending on the success of the offering.

## NJJ

Founded in 2010, NJJ is the private holding company of entrepreneur and telecommunications investor Xavier Niel, with a minority interest held by other NJJ executives. NJJ focuses on creating long-term shareholder value and excellence in operational and financial performance in its companies. NJJ has a track record of successfully managed telecommunications companies, including Iliad and Free in France and Monaco Telecom in the Principality of Monaco.

## The Issuer

Matterhorn Telecom S.A., a *société anonyme*, is organized under the laws of the Grand Duchy of Luxembourg and a wholly owned subsidiary of the Parent Guarantor.

## Use of Proceeds

This Offering and the use of proceeds therefrom, including the partial redemption of the Floating Rate Senior Secured Notes, are herein referred to as the "Transactions."

The expected estimated sources and uses of the funds with respect to the Transactions are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including currency exchange rates and differences from our estimates of fees and expenses.

| **Sources of Funds** | **(CHF in millions)** | **Uses of Funds** | **(CHF in millions)** |
|---|---|---|---|
| Senior Secured Notes offered hereby(1) | 458.1 | Partial redemption of Floating Rate Senior Secured Notes(3) | 463.1 |
| Cash on balance sheet(2) | 8.5 | Estimated fees and expenses(4) | 3.5 |
| **Total sources** | **466.6** | **Total uses** | **466.6** |

(1) The CHF-equivalent of the euro-denominated Senior Secured Notes offered hereby has been converted at the exchange rate of CHF 1.1453 per €1.00, which represents the exchange rate in effect as of September 30, 2017. This exchange rate may differ from the exchange rate in effect as of the Issue Date.

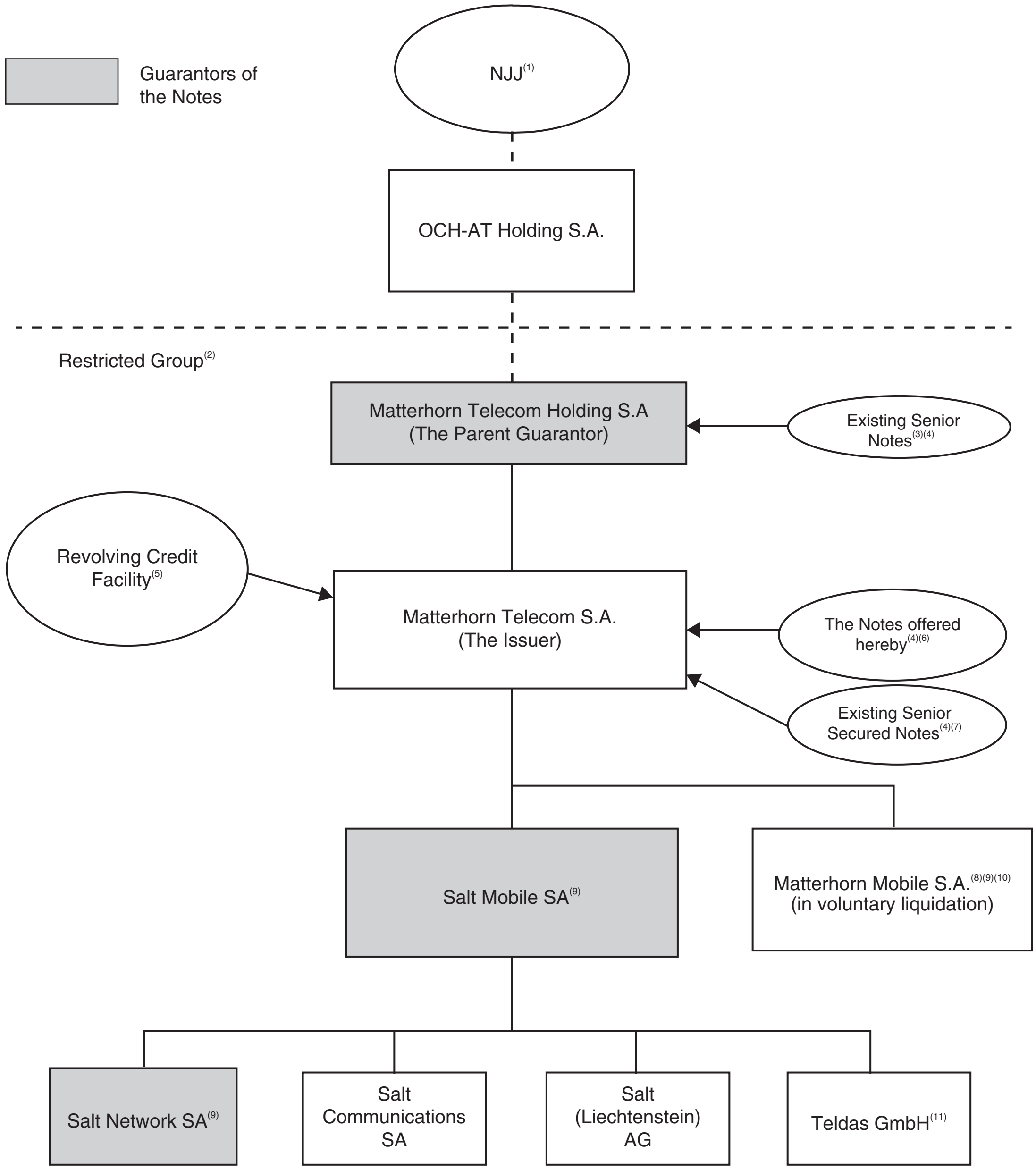
(2) Represents cash to be used in connection with the Transactions.

(3) The amount to be paid in connection with the partial redemption of Floating Rate Senior Secured Notes on the Issue Date includes €400.0 million in aggregate principal amount of Floating Rate Senior Secured Notes, plus an estimated €4.4 million in "make whole" premium and accrued but unpaid interest to November 23, 2017, which we expect will be the effective date of the partial redemption. For presentational purposes, the foregoing amounts have been converted at an exchange rate of CHF 1.1453 to €1.00 in effect as of September 30, 2017. This exchange rate may differ from the exchange rate in effect as of the Issue Date.

(4) We intend to capitalize certain fees associated with the issuance of the Notes.

## CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS

The following diagram shows a simplified summary of our corporate and principal financing structure after giving effect to the Transactions. The diagram does not include all entities in the Group, nor all of the debt obligations thereof. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled "*Capitalization*," "*Description of Certain Financing Arrangements*" and "*Description of the Notes.*"




(1) "NJJ" refers to the private holding company of entrepreneur and telecommunications investor Xavier Niel or any of its direct or indirect subsidiaries, including NJJ Suisse Acquisition, from time to time investing, directly or indirectly, in the Issuer. See "*Principal Shareholder.*"

(2) The entities in the Restricted Group, which is comprised of the Parent Guarantor and its subsidiaries, including the Issuer, are subject to the covenants in the Revolving Credit Facility and the Existing Indentures, and will be subject to the covenants contained in the Indenture.

(3) The Parent Guarantor issued €250 million aggregate principal amount of initial Senior Notes on April 23, 2015 and €117 million aggregate principal amount of additional Senior Notes on March 16, 2017. The Senior Notes are senior obligations of the Parent Guarantor. The Senior Notes are guaranteed on a senior subordinated basis by the Issuer, Matterhorn Mobile, Salt and Salt Network. The Senior Notes are secured by second-ranking security interests over shares of capital stock of the Issuer, subject to the operation of the Agreed Security Principles and the Intercreditor Agreement.

Since the issuance of the initial Senior Notes on April 23, 2015, the Group repurchased and cancelled €68.1 million of the €367 million aggregate principal amount of the Senior Notes that have been issued from time to time.

(4) The guarantees of and the security granted in favor of the Senior Notes and the guarantees of and the security granted in favor of the Senior Secured Notes are subject to certain limitations under applicable law, as described under "*Risk Factors—Risks Related to the Notes and Our Structure—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*."

(5) The Revolving Credit Facility is, subject to certain limitations, secured by first-ranking security interests over (i) shares of capital stock of each of the Issuer, Matterhorn Mobile (in voluntary liquidation), Salt and Salt Network; (ii) certain bank accounts; (iii) intragroup receivables and (iv) the rights of Matterhorn Mobile (in voluntary liquidation) under the Apax Acquisition Agreement, in each case, subject to the operation of the Agreed Security Principles and the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Revolving Credit Facility*" for further information. As of the Issue Date, the Revolving Credit Facility is expected to be undrawn and fully available.

(6) The Notes will be senior obligations of the Issuer. The Notes will be guaranteed, subject to certain limitations, on a senior basis by the Guarantors. The Notes will be secured, subject to certain limitations, by first-ranking security interests over (i) shares of capital stock of each of Salt, Salt Network and the Issuer; (ii) certain bank accounts, and (iii) intragroup receivables, subject to the operation of the Agreed Security Principles and the Intercreditor Agreement. Under the terms of the Intercreditor Agreement, lenders under the Revolving Credit Facility and counterparties to certain hedging agreements will receive proceeds from the enforcement of the security in priority to holders of the Notes. See "*Description of the Notes*" for further information.

(7) The Issuer issued CHF 450 million aggregate principal amount of CHF Fixed Rate Senior Secured Notes and €1 billion aggregate principal amount of Euro Fixed Rate Senior Secured Notes on April 23, 2015 and €525 million aggregate principal amount of Floating Rate Senior Secured Notes on March 16, 2017. Since the issuance of the Fixed Rate Senior Secured Notes, the Group repurchased and cancelled CHF 39.4 million of the CHF 450 million aggregate principal amount of the CHF Fixed Rate Senior Secured Notes. Since the issuance of the Floating Rate Senior Secured Notes, the Group redeemed €50.0 million of the €525 million aggregate principal amount of the Floating Rate Senior Secured Notes. The Senior Secured Notes are senior obligations of the Issuer. The Fixed Rate Senior Secured Notes are guaranteed, subject to certain limitations, on a senior basis by the Parent Guarantor, Matterhorn Mobile (in voluntary liquidation), Salt and Salt Network. The Floating Rate Senior Secured Notes are guaranteed, subject to certain limitations, on a senior basis by the Parent Guarantor, Salt and Salt Network. The Senior Secured Notes are secured, subject to certain limitations, by first-ranking security interests over the same assets that secure the Revolving Credit Facility, subject to the operation of the Agreed Security Principles and the Intercreditor Agreement. Under the terms of the Intercreditor Agreement, lenders under the Revolving Credit Facility and counterparties to certain hedging agreements will receive proceeds from the enforcement of the security in priority to holders of the Senior Secured Notes. See "*Description of Certain Financing Arrangements*" for further information.

(8) Matterhorn Mobile, as lender, entered into a downstream profit participating loan with Salt, as borrower. Prior to the sale of Salt Mobile by Matterhorn Mobile to the Issuer on October 15, 2015, the Profit Participating Loan was converted into an interest bearing loan (the "Interest Bearing Loan") under which the rights of Matterhorn Mobile were assigned to the Issuer effective as of September 30, 2015. The Interest Bearing Loan is subordinated in right of payment to our Existing Notes and the Notes offered hereby and the Guarantees pursuant to the Intercreditor Agreement. It is anticipated that funds received by the Issuer from Salt as payments of interest under the Interest Bearing Loan or any replacement intragroup loan will be used to service interest payments under the Senior Secured Notes. As the amount of the Interest Bearing Loan is less than the aggregate amount of the Notes being offered hereby, and the Interest Bearing Loan does not bear interest at a rate identical to that of the Notes, Salt may upstream further funds as needed, including to make interest payments on the Notes by means of dividends or loans or by the repayment of principal under the Interest Bearing Loan. The Indenture will not contain any restrictions on the ability of the Issuer or any of its Restricted Subsidiaries to amend the terms of the Interest Bearing Loan. The lender's rights in the Profit Participating Loan were pledged in favor of the Security Agent and comprise part of the collateral securing the Senior Secured Notes and the Revolving Credit Facility. See "*Description of Certain Financing Arrangements—Senior Secured Notes—Guarantees and Security*."

(9) As of and for the nine months ended September 30, 2017, the Guarantors that will guarantee the Notes represented 101.8% of the Group's EBITDA, 99.9% of the Group's revenue and 99.9% of the Group's total assets. As of and for the nine months ended September 30, 2017, the Group's entities that will not guarantee any of the Notes (Salt France, Salt Communications SA (previously Salt Communications GmbH), Salt (Liechtenstein) AG and Teldas GmbH) generated negative 0.5% of the Group's EBITDA, 0.1% of the Group's revenue and 0.04% of the Group's total assets.

(10) We commenced proceedings for the voluntary liquidation of Matterhorn Mobile on October 15, 2015.

(11) Salt owns 23.0% of the capital stock of Teldas GmbH, which is not and will not be a guarantor of the Notes.

## THE OFFERING

The following is a brief summary of certain terms of the Offering of the Notes. It may not contain all the information that is important to you. For additional information regarding the Notes and the Guarantees, see "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes.*"

| | |
|---|---|
| **Issuer** | Matterhorn Telecom S.A., a *société anonyme* organized under the laws of the Grand Duchy of Luxembourg. |
| **Notes Offered** | €400.0 million aggregate principal amount of % Senior Secured Notes due 2027 (the "Notes"). |
| **Issue Date** | The Notes will be issued on or about , 2017. |
| **Issue Price** | % plus accrued interest, if any, from the Issue Date. |
| **Maturity Date** | , 2027. |
| **Interest Rate** | %. |
| **Interest Payment Dates** | Semi-annually each and , commencing on , 2018. Interest will accrue on the Notes from the Issue Date. |
| **Form of Denomination** | Each Note will have a minimum denomination of €100,000 and integral multiples of €1,000 in excess thereof. |
| **Ranking of the Notes** | The Notes will be: |

- senior obligations of the Issuer, secured by the collateral described below under "*—Security*" on a first priority basis along with obligations under the Revolving Credit Facility and certain hedging agreements (although any liabilities in respect of obligations under the Revolving Credit Facility and such hedging agreements that are secured by the collateral will receive priority over the holders of the Notes with respect to any proceeds received upon any enforcement action over the collateral);
- senior in right of payment to any subordinated indebtedness of the Issuer, including the guarantee of the Senior Notes given by the Issuer;
- senior in right of payment to any future subordinated shareholder funding of the Issuer;
- effectively senior in right of payment to any existing or future unsecured obligations of the Issuer, to the extent of the value of the collateral that is available to satisfy the obligations under the Notes;
- 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 or assets securing such indebtedness; and
- effectively subordinated to any existing and future indebtedness of subsidiaries of the Issuer that do not guarantee the Notes.

**Guarantees** . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . The Issuer's obligations under the Notes will be guaranteed on a senior secured basis by the Guarantors. The guarantee of the Parent Guarantor with respect to the Notes will be limited under Luxembourg law, and the guarantees of Salt and Salt Network with respect to the Notes will be limited under Swiss law, each as described under "*Risk Factors—Risks Related to the Notes and Our Structure—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*," "*Risk Factors—Risks Related to the Notes and Our Structure—The Swiss collateral is subject to hardening periods and the Swiss Guarantees are subject to fraudulent transfer (avoidance actions*)" and "*Risk Factors—Risks Related to the Notes and Our Structure—The insolvency laws of Luxembourg and Switzerland may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes*."

As of and for the nine months ended September 30, 2017, the Guarantors that will guarantee the Notes represented 101.8% of the Group's EBITDA, 99.9% of the Group's revenue and 99.9% of the Group's total assets. As of and for the nine months ended September 30, 2017, the Group's entities that will not guarantee any of the Notes (Salt France, Salt Communications SA (previously Salt Communications GmbH), Salt (Liechtenstein) AG and Teldas GmbH) generated negative 0.5% of the Group's EBITDA, 0.1% of the Group's revenue and 0.04% of the Group's total assets.

**Ranking of the Guarantees** . . . . . . . . . . . . . . . . . . The guarantee of each Guarantor with respect to the Notes will be:

- the senior obligation of the relevant Guarantor, secured by the collateral described below under "—*Security*" on a first-priority basis along with obligations under the Existing Senior Secured Notes, the Revolving Credit Facility and certain hedging agreements (although any liabilities in respect of obligations under the Revolving Credit Facility and such hedging agreements that are secured by the collateral will receive priority over the holders of the Notes with respect to any proceeds received upon any enforcement action over the collateral);

- senior in right of payment to any subordinated indebtedness of the relevant Guarantor, including the guarantees of the Senior Notes, as applicable;
- senior in right of payment to any future subordinated shareholder funding of the Guarantors;
- effectively senior in right of payment to any existing or future unsecured obligations of the Guarantors, to the extent of the value of the collateral that is available to satisfy the obligations under the Notes; and
- be effectively senior in right of payment to any existing or future obligations of the relevant Guarantor secured on a basis junior to the Notes, to the extent of the value of the collateral that is available to satisfy the obligations under the Notes.

The Guarantees will be subject to the terms of the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*." The Guarantees will be subject to release under certain circumstances. See "*Description of the Notes—Brief Description of the Notes and the Notes Guarantees—The Parent Guarantee*" and "*Description of the Notes—Brief Description of the Notes and the Notes Guarantees—The Subsidiary Guarantees*."

**Security** . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . Subject to the terms of the Security Documents, the operation of the Agreed Security Principles, the Intercreditor Agreement, certain perfection requirements and any Permitted Collateral Liens, the Notes will be, and their respective Guarantees will be, secured by first-ranking liens granted on an equal and ratable first-priority basis over:

- shares of capital stock of each of Salt, Salt Network and the Issuer;
- certain bank accounts; and
- intragroup receivables;

provided that lenders under the Revolving Credit Facility and counterparties to certain hedging agreements will receive proceeds from the enforcement of the security described below in priority to holders of the Notes. See

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| | "*Description of Certain Financing Arrangements—Revolving Credit Facility*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*." |
| **Limitations on and Release of Security** | The security granted by, or in respect of, the Issuer will be limited under Luxembourg law and the security granted by, or in respect of, Salt and Salt Network will be limited under Swiss law, each as described under "*Risk Factors—Risks Related to the Notes and to Our Structure—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*," "*Risk Factors—Risks Related to the Notes and Our Structure—The Swiss collateral is subject to hardening periods and the Swiss Guarantees are subject to fraudulent transfer (avoidance actions)*" and "*Risk Factors—Risks Related to the Notes and Our Structure—The insolvency laws of Luxembourg and Switzerland may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.*"<br><br>The liens and security interests securing the Notes may be released under certain circumstances. See "*Risk Factors—Risks Related to the Notes and Our Structure—There are circumstances other than repayment or discharge of the Notes under which the collateral securing the Notes and the Guarantees will be released automatically, without your consent or the consent of the Trustee*," "*Description of Certain Financing Arrangements—Intercreditor Agreement*," and "*Description of the Notes—Security—Release of Liens.*" |
| **Additional Amounts** | Any payments made by or on behalf of the Issuer or any Guarantor with respect to the Notes or with respect to any Guarantee will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. If the Issuer or any Guarantor is required by law to withhold or deduct for such taxes with respect to a payment to the holders of Notes, such Issuer or Guarantor 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, subject to certain exceptions. See "*Description of the Notes—Withholding Taxes.*" |
| **Optional Redemption of the Notes** | Prior to , 2022, the Issuer will be entitled at its option to redeem all or a portion of the Notes at a redemption price equal to 100% of the |

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| | principal amount of the Notes plus the applicable "make-whole" premium described in this Offering Memorandum and accrued and unpaid interest to the redemption date.<br><br>Prior to , 2022, the Issuer will be entitled at its option on one or more occasions to redeem the Notes in an aggregate principal amount not to exceed 40% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings at a redemption price equal to % of the principal amount outstanding in respect of the Notes, plus accrued and unpaid interest to the redemption date, so long as at least 60% of the aggregate principal amount of the Notes remains outstanding immediately after each such redemption and each such redemption occurs within 180 days after the closing date of the relevant equity offering.<br><br>On or after , 2022, the Issuer will be entitled at its option to redeem all or a portion of the Notes at the applicable redemption prices set forth under the caption "*Description of the Notes—Optional Redemption*" plus accrued and unpaid interest to the redemption date. |
| **Optional Redemption for Tax Reasons** . . . . . . . . | In the event of certain developments affecting taxation or certain other circumstances, 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 the Notes—Redemption for Taxation Reasons.*" |
| **Change of Control** . . . . . . . . . . . . . . . . . . . . . . . . . | Upon the occurrence of certain events defined as constituting a change of control, the Issuer may be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. A change of control will not be deemed to have occurred on one occasion if the acquiror operates a permitted business and a certain consolidated leverage ratio is not exceeded as a result of such event that constitutes a Specified Change of Control Event (as defined in "*Description of the Notes—Certain Definitions—Specified Change of Control Event.*" See "*Description of the Notes—Change of Control.*" |
| **Certain Covenants** . . . . . . . . . . . . . . . . . . . . . . . . . | The Existing Indentures, and the Indenture will, among other things, restrict the ability of the Parent Guarantor and its restricted subsidiaries to, among other things:<br><br>• incur or guarantee additional indebtedness and issue certain preferred stock; |

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| | • in the case of the Senior Notes, layer debt;<br>• create or incur certain liens;<br>• make certain payments, including dividends or other distributions, with respect to the shares of the Parent Guarantor or its restricted subsidiaries;<br>• prepay or redeem subordinated debt or equity;<br>• make certain investments;<br>• create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Parent Guarantor or any of its restricted subsidiaries;<br>• sell, lease or transfer certain assets including stock of restricted subsidiaries;<br>• engage in certain transactions with affiliates;<br>• in the case of the Existing Indentures only, enter into unrelated businesses or engage in prohibited activities;<br>• consolidate or merge with other entities;<br>• impair the security interests for the benefit of the holders of the Notes; and<br>• amend certain documents.<br>Each of these covenants is subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants.*" |
| **Transfer Restrictions** . . . . . . . . . . . . . . . . . . . . . . . . | The Notes and the Guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction and are subject to restrictions on transferability and resale. See "*Transfer Restrictions.*" We have not agreed to, or otherwise undertaken to, register the Notes (including by way of an exchange offer). |
| **No Prior Market** . . . . . . . . . . . . . . . . . . . . . . . . . . . | The Notes will be new securities for which there is currently no established trading market. Although the Initial Purchasers have advised 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, there is no assurance that an active trading market will develop for the Notes. |
| **Listing** . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | Application will be made to the Authority for the listing of the Notes on the Official List of the Exchange and permission to deal in the Notes. The Exchange is not a regulated market pursuant to the provisions of Directive 2004/39/EC. There can be no assurance that the Notes will be listed on the Official List of the |

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| | Exchange or that such permission to deal in the Notes on the Official List of the Exchange will be granted. |
| **Governing Law for the Notes, Guarantees and the Indenture** | New York law. |
| **Governing Law for the Intercreditor Agreement** | English law. |
| **Governing Law for the Security Documents** | Luxembourg and Swiss law. |
| **Trustee** | Deutsche Trustee Company Limited. |
| **Registrar and Transfer Agent** | Deutsche Bank Luxembourg S.A. |
| **Paying Agent** | Deutsche Bank AG, London Branch. |
| **Security Agent** | Société Générale. |
| **Listing Sponsor** | Carey Olsen Corporate Finance Limited. |

## RISK FACTORS

Investing in the Notes involves substantial risks. See the "*Risk Factors*" section of this Offering Memorandum for a more complete description of certain risks that you should carefully consider before investing in the Notes. This Offering Memorandum, however, does not include or describe all of the risks of an investment in the Notes.

## SUMMARY HISTORICAL FINANCIAL INFORMATION AND OTHER DATA

The Issuer was formed on March 25, 2015 for the purpose of facilitating the corporate recapitalization we undertook in connection with our refinancing transactions, including the Refinancing Transactions. The Parent Guarantor is the direct parent company of the Issuer, and the Issuer is the direct parent company of Salt. The Issuer is a holding company and has no material assets or liabilities other than its interest in Salt. The Parent Guarantor, together with its direct and indirect subsidiaries, including the Issuer and Salt, constitute the Group. We commenced proceedings for the voluntary liquidation of Matterhorn Mobile on October 15, 2015. On February 24, 2017, the shares of Salt France were sold by the Issuer to NJJ.

Prior to the Refinancing Transactions, Matterhorn Mobile Holdings was the direct parent company of Matterhorn Mobile, and Matterhorn Mobile was the direct parent company of Salt, formerly known as Orange. Matterhorn Mobile Holdings together with its direct and indirect subsidiaries, including Matterhorn Mobile and Orange, constituted the MMH Group. Matterhorn Mobile Holdings sold its shares in Matterhorn Mobile to the Issuer as part of the Refinancing Transactions. As a result, we have included and discussed in this Offering Memorandum the audited consolidated financial statements of the MMH Group for the periods prior to the Refinancing Transactions. Prior to its voluntary liquidation following the Refinancing Transactions, Matterhorn Mobile Holdings was a holding company with no independent business operations or significant assets other than its interest in Matterhorn Mobile, which is in voluntary liquidation, and Salt, formerly known as Orange. Matterhorn Mobile was also a holding company and had no independent business operations or significant assets other than its interest in Salt.

This Offering Memorandum includes the audited consolidated financial statements of the Group as of and for the years ended December 31, 2015 and 2016 and the unaudited condensed consolidated interim financial statements as of September 30, 2017 and for the nine-month period ended September 30, 2017.

The audited consolidated financial statements of the Group as of and for the years ended December 31, 2015 and 2016 have been prepared in accordance with IFRS. The unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2017 have been prepared in accordance with IAS 34.

Unless otherwise indicated, the financial information presented in this Offering Memorandum for the year ended December 31, 2015 is the unaudited aggregated financial information that combines the financial information of the MMH Group (as predecessor) and the Group (as successor). The financial information for the year ended December 31, 2015 is calculated by taking the audited financial information for the MMH Group for the period from January 1, 2015 to April 22, 2015 and adding it to the audited financial information for the Group for the period from April 23, 2015 to December 31, 2015.

The presentation of the unaudited aggregated information for the year ended December 31, 2015 is not intended to comply with IFRS and does not represent *pro forma* information. The unaudited aggregated financial results are intended to give an indication of the financial results of the aggregated results of operations of the MMH Group and the Group for the year ended December 31, 2015. The unaudited aggregated financial results for this period are not fully comparable with other periods.

The financial information presented in this Offering Memorandum as of and for the year ended December 31, 2016 and for the nine months ended September 30, 2017 is the consolidated financial information of the Group, which has been derived from the audited consolidated financial statements and the unaudited condensed consolidated interim financial statements of the Group, respectively.

The unaudited financial information for the twelve months ended September 30, 2017 presented herein is derived by adding our unaudited condensed consolidated interim financial information for the nine months ended September 30, 2017 extracted from the unaudited condensed consolidated interim financial statements of the Group as of and for the nine months ended September 30, 2017 and our audited consolidated financial information for the year ended December 31, 2016 extracted from the audited consolidated financial statements as of and for the year ended December 31, 2016, and subtracting our unaudited condensed consolidated interim financial information for the nine months ended September 30, 2016 extracted from the unaudited condensed consolidated interim financial statements of the Group as of and for the nine months ended September 30, 2017.

From September 19, 2014, we have used the installment method of accounting for purposes of revenue recognition. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Income Statement Line Items—Revenue*."

In addition, this Offering Memorandum includes unaudited consolidated *pro forma* financial data and as adjusted unaudited consolidated financial data, which have been adjusted to reflect certain effects of the Transactions on the cash interest expense of the Group for the twelve months ended September 30, 2017 and the effects of the Transactions on the financial position of the Group as of September 30, 2017.

The financial data presented herein are presented in Swiss francs.

This Offering Memorandum also contains certain non-IFRS measures, including EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin and leverage and coverage ratios that are not required by, or presented in accordance with, IFRS. We present non-IFRS measures because we believe that they 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 an analysis of our operating results as reported under IFRS. Non-IFRS measures and ratios such as EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin and leverage and coverage ratios are not measurements of our performance or liquidity under IFRS or any other generally accepted accounting principles. Other companies in our industry may calculate these measures, including free cash flow, capital expenditures and cash conversion, differently and, consequently, our presentation may not be readily comparable to other companies' figures. In particular, you should not consider EBITDA or Adjusted EBITDA as an alternative to (a) operating income or income for the period (as determined in accordance with IFRS) as a measure of our operating performance, (b) cash flows provided by operating, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under generally accepted accounting principles. EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for an analysis of our results as reported under IFRS.

*Summary Consolidated Statement of Profit / (Loss)*

| | Aggregate MMH and Group[(1)] | Group | | | |
|---|---|---|---|---|---|
| | For the year ended December 31, | | For the nine months ended September 30, | | For the twelve months ended September 30, |
| | 2015 | 2016 | 2016 | 2017 | 2017 |
| | (CHF in thousands) | | | | |
| **Revenue** | **1,284,756** | **1,127,461** | **838,065** | **770,954** | **1,060,350** |
| Access, back bone, interconnection and content costs | (203,929) | (220,396) | (165,180) | (121,479) | (176,695) |
| Commercial expenses and cost of equipment sold | (353,920) | (233,257) | (158,586) | (139,808) | (214,479) |
| Network, IT, property expenses and other purchases | (154,878) | (129,866) | (98,079) | (92,925) | (124,712) |
| Labor expenses | (95,185) | (76,593) | (62,874) | (57,179) | (70,898) |
| Other operating expenses | (84,388) | (39,037) | (29,042) | (19,308) | (29,303) |
| Other operating income | 18,527 | 9,049 | 4,537 | 5,293 | 9,805 |
| Result on disposal and other gains | 3 | — | — | — | — |
| Restructuring, transition and transaction costs | (65,359) | (8,242) | (2,943) | (3,516) | (8,815) |
| Corporate and brand fees | (6,067) | (1,320) | (1,440) | (1,160) | (1,040) |
| Depreciation, amortization and impairment | (276,636) | (264,226) | (196,905) | (192,296) | (259,617) |
| **Operating profit / (loss)** | **62,925** | **163,574** | **127,554** | **148,575** | **184,595** |
| Finance costs | (173,664) | (81,842) | (66,173) | (107,992) | (123,661) |
| Finance income | 3,564 | 5,998 | 9,792 | 33,869 | 30,076 |
| **Finance costs, net** | **(170,100)** | **(75,844)** | **(56,381)** | **(74,122)** | **(93,585)** |
| Profit / (loss) before tax | (107,175) | 87,730 | 71,173 | 74,453 | 91,010 |
| Income tax (expenses) / benefit | 6,558 | 10,329 | 56 | (22,272) | (11,999) |
| **Profit / (loss)** | **(100,617)** | **98,060** | **71,228** | **52,181** | **79,013** |
| Profit / (loss) attributable to equity owners | (100,617) | 98,060 | 71,228 | 52,181 | 79,013 |

*Summary Consolidated Statement of Financial Position*

| | Group | | |
|---|---|---|---|
| | As of December 31, | | As of September 30, |
| | 2015 | 2016 | 2017 |
| | (CHF in thousands) | | |
| Total non-current assets | 3,078,515 | 2,895,130 | 2,985,792 |
| Total current assets | 536,614 | 541,699 | 528,614 |
| **Total assets** | **3,615,129** | **3,436,829** | **3,514,405** |
| Total non-current liabilities | 2,307,337 | 2,145,935 | 2,682,400 |
| Total current liabilities | 515,338 | 468,874 | 446,829 |
| **Total liabilities** | **2,822,676** | **2,614,809** | **3,129,229** |
| **Total equity** | **792,453** | **822,020** | **385,176** |
| **Total equity and liabilities** | **3,615,129** | **3,436,829** | **3,514,405** |

### *Summary Consolidated Statement of Cash Flows*

| | Aggregate MMH and Group[(1)(2)] | Group | | | |
|---|---|---|---|---|---|
| | For the year ended December 31, | | For the nine months ended September 30, | | For the twelve months ended September 30, |
| | 2015 | 2016 | 2016 | 2017 | 2017 |
| | (CHF in thousands) | | | | |
| Net cash provided by operating activities | 317,190 | 442,715 | 331,837 | 321,450 | 432,328 |
| Net cash used in investing activities | (1,181,346) | (98,232) | (78,801) | (128,314) | (147,745) |
| Net cash used in financing activities | 907,460 | (283,051) | (156,480) | (239,235) | (365,806) |

### *Other Financial Data*

| | Aggregate MMH and Group[(1)] | Group | | | |
|---|---|---|---|---|---|
| | For the year ended December 31, | | For the nine months ended September 30, | | For the twelve months ended September 30, |
| | 2015 | 2016 | 2016 | 2017 | 2017 |
| | (CHF in thousands, except percentages) | | | | |
| Capital expenditures | 124,781 | 97,931 | 58,795 | 132,611 | 171,747 |
| Cash capital expenditure excluding spectrum license[(3)] | 139,763 | 98,232 | 78,801 | 93,072 | 112,503 |
| Capital expenditures as a percentage of total revenue | 9.7% | 8.7% | 7.0% | 17.2% | 16.2% |
| Free cash flow[(4)] | 177,430 | 344,483 | 253,036 | 228,377 | 319,824 |
| EBITDA[(5)] | 339,561 | 427,800 | 324,459 | 340,872 | 444,213 |
| EBITDA Margin[(5)] | 26.4% | 37.9% | 38.7% | 44.2% | 41.9% |
| Adjusted EBITDA[(5)] | 410,983 | 437,362 | 328,842 | 345,548 | 454,068 |
| Adjusted EBITDA Margin[(5)] | 32.0% | 38.8% | 39.2% | 44.8% | 42.8% |

### *Certain Credit Ratios*

| | As Adjusted and *Pro Forma* for the Transactions[(4)] |
|---|---|
| | As of and for the twelve months ended September 30, 2017 |
| | (CHF in millions, except ratios) |
| *Pro forma* cash and cash equivalents[(6)] | 159.5 |
| *Pro forma* cash interest expense[(7)] | |
| *Pro forma* senior secured debt[(6), (8)] | 1,898.0 |
| *Pro forma* net senior secured debt[(6), (8)] | 1,738.4 |
| *Pro forma* total debt[(9)] | 2,200.1 |
| *Pro forma* total net debt[(9)] | 2,040.5 |
| Ratio of Adjusted EBITDA to *pro forma* cash interest expense[(5), (7)] | x |
| Ratio of *pro forma* net senior secured debt to Adjusted EBITDA[(5), (8)] | 3.8x |
| Ratio of *pro forma* total net debt to Adjusted EBITDA[(5), (9)] | 4.5x |

*Certain Operational Data*

| | Group | | | |
|---|---|---|---|---|
| | As of and for the year ended December 31, | | As of and for the nine months ended September 30, | |
| | **2015** | **2016** | **2016** | **2017** |
| | (in thousands, except ARPU and percentages) | | | |
| **Number of subscribers at period end**(10) | | | | |
| Postpaid subscribers | 1,151 | 1,203 | 1,188 | 1,217 |
| Prepaid subscribers | 873 | 669 | 713 | 682 |
| **Total subscribers** | **2,024** | **1,872** | **1,901** | **1,899** |
| Blended ARPU | 35.9 | 35.5 | 35.6 | 32.9 |

(1) For a breakdown of the aggregated financial information and a detailed aggregation of the consolidated statements of profit/(loss) and cash flows for the year ended December 31, 2015, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Cash Flows—Consolidated Statement of Cash Flows*," respectively.

(2) For a description of net cash provided by operating activities for the year ended December 31, 2015, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Net Cash Flow Provided by Operating Activities*."

(3) On January 3, 2017, we made a final installment payment of CHF 35.2 million (including interest) in connection with our spectrum licenses.

(4) Free cash flow refers to EBITDA (i) less cash impact provision, (ii) less change in working capital (defined as change in inventories, change in trade receivables, change in trade payables and change in non-trade working capital), (iii) less income tax payments and (iv) less net cash used in investing activities excluding spectrum license repayments.

(5) EBITDA, EBITDA Margin, Adjusted EBITDA and Adjusted EBITDA margin measures are non-IFRS measures. We define EBITDA as net profit (loss) from continuing operations before income tax (expenses)/benefit, finance income, finance costs, depreciation, amortization and impairment. We define EBITDA margin as EBITDA divided by revenue. We define Adjusted EBITDA as EBITDA after excluding corporate, monitoring and brand fees, restructuring, transition and transaction costs, and the result on non-recurring disposal and other (gains) / losses. We define Adjusted EBITDA margin as Adjusted EBITDA divided by revenue. This information is not and should not be viewed as a substitute for financial measures under IFRS. EBITDA and EBITDA measures are not measures of performance or liquidity under IFRS and should not be considered by investors in isolation from, or as a substitute for, or a measure of, profit, or as an indicator of our operating performance or cash flows provided by operating activities as determined in accordance with IFRS. We have presented this supplemental non-IFRS information because we believe that it is a useful indicator of our ability to incur and service our indebtedness and can assist investors to evaluate our business. EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin and leverage and coverage ratios and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing EBITDA and EBITDA measures as reported by us to similar measures reported by other companies. We encourage investors to evaluate the adjustments made to calculate Adjusted EBITDA and form their own view as to the appropriateness to exclude or include these adjustments.

EBITDA and Adjusted EBITDA as presented here differ from the definition of "Consolidated EBITDA" contained herein under "*Description of the Notes*" and in the Indenture.

The following are reconciliations of EBITDA and Adjusted EBITDA for each of the periods presented below.

| | Aggregate MMH and Group | Group | | | |
|---|---|---|---|---|---|
| | Year ended December 31, | | As of and for the nine months ended September 30, | | As of and for the twelve months ended September 30, |
| | 2015 | 2016 | 2016 | 2017 | 2017 |
| | (CHF in thousands) | | | | |
| Profit / (loss) | (100,617) | 98,060 | 71,228 | 52,181 | 79,013 |
| Income tax (expenses) / benefit | (6,558) | (10,329) | (56) | 22,272 | 11,999 |
| Finance income | (3,564) | (5,998) | (9,792) | (33,869) | (30,076) |
| Finance costs[(a)] | 173,664 | 81,842 | 66,173 | 107,992 | 123,661 |
| Depreciation, amortization and impairment | 276,636 | 264,226 | 196,905 | 192,296 | 259,617 |
| **EBITDA** | **339,561** | **427,800** | **324,459** | **340,872** | **444,213** |
| Corporate, monitoring and brand fees[(b)] | 6,067 | 1,320 | 1,440 | 1,160 | 1,040 |
| Restructuring, transition and transaction costs[(c)] | 65,359 | 8,242 | 2,943 | 3,516 | 8,815 |
| Result on disposal and other (gains) / losses | 3 | — | — | — | — |
| **Adjusted EBITDA** | **410,983** | **437,362** | **327,842** | **345,548** | **454,068** |

(a) From January 1, 2017, we present foreign exchange gains and losses associated with commercial transactions as net finance costs instead of other operating expenses and income. The nine-month period ended September 30, 2016 has been restated for comparative purposes with a positive impact of CHF 1.2 million on EBITDA and Adjusted EBITDA. The years ended December 31, 2015 and 2016 have not been restated; the positive impact on EBITDA and Adjusted EBITDA as a result of this change would have been CHF 11.9 million and CHF 0.9 million, respectively.

(b) Following our rebranding in April 2015, we ceased paying royalties on a quarterly basis under our brand license agreement with Orange Brand Services Limited. For the year ended December 31, 2015, CHF 4.8 million reflects brand fees that we paid to the FT Group in the first quarter and CHF 1.3 million reflects management fees that we paid to Apax and NJJ. For the year ended December 31, 2016, CHF 1.3 million reflects management fees that we paid to NJJ. For the nine months ended September 30, 2016, CHF 1.4 million reflects management fees to NJJ. For the nine months ended September 30, 2017, CHF 1.2 million reflects management fees to NJJ.

(c) For the year ended December 31, 2015, CHF 65.4 million reflects restructuring costs related to the voluntary leave plan launched in September 2015 and costs incurred by the reorganization process, transition costs mainly related to our rebranding and transaction costs related to advisory and technical support expenses for the sale of the Company to NJJ and for the Refinancing Transactions which occurred in April 2015. For the year ended December 31, 2016, this principally reflects CHF 6.3 million in general costs in connection with our transformation under NJJ ownership and CHF 2.7 million in fees related to the termination of a supplier contract. For the nine months ended September 30, 2016, CHF 2.9 million reflects general costs in connection with our transformation under NJJ ownership. For the nine months ended September 30, 2017, CHF 3.5 million reflects an increase in litigation provisions, early contract termination penalties in the context of the planned IT transformation and general costs in connection with our transformation under NJJ ownership.

(6) *Pro forma* cash and cash equivalents reflects cash and cash equivalents as adjusted for the Transactions. See "*Use of Proceeds*."

(7) *Pro forma* cash interest expense represents the interest expense of the Group assuming that the Transactions had occurred as of October 1, 2016. In particular, *pro forma* cash interest expense represents, as of October 1, 2016, interest expense of the Group in connection with (a) the Existing Notes, comprising of (i) CHF 410.6 million aggregate principal amount of CHF Fixed Rate Senior Secured Notes, (ii) €1 billion aggregate principal amount of Euro Fixed Rate Senior Secured Notes, (iii) €298.9 million aggregate principal amount of Senior Notes and (iv) €75 million aggregate principal amount of Floating Rate Senior Secured Notes which are expected to remain outstanding following the consummation of the Transactions; (b) €400.0 million aggregate principal amount of Notes offered hereby; and (c) commitment fees in connection with the Revolving Credit Facility.

(8) *Pro forma* senior secured debt has been calculated based on the amount of senior secured debt that will be outstanding as of the Issue Date (which amount does not include accrued interest) converted at an exchange rate of CHF 1.1453 per €1.00 in the case of the euro-denominated Notes, assuming the Transactions had occurred on September 30, 2017. *Pro forma* senior secured debt includes other indebtedness of CHF 6.3 million primarily comprised of financial leases related to our new data center. *Pro forma* senior secured debt has been adjusted for *pro forma* capitalized transaction costs of CHF 35.8 million and mark-to-market hedging assets of CHF 172.4 million with respect to such senior secured debt. *Pro forma* net senior secured debt reflects *pro forma* senior secured debt as adjusted for *pro forma* cash and cash equivalents.

(9) *Pro forma* total debt has been calculated based on the amount of total debt that will be outstanding as of the Issue Date (which amount does not include accrued interest) converted at an exchange rate of CHF 1.1453 per €1.00 in the case of the euro-denominated Notes, assuming the Transactions had occurred on September 30, 2017. *Pro forma* total debt includes other indebtedness of CHF 6.3 million primarily comprised of financial leases related to our new data center. *Pro forma* total debt has also been adjusted for *pro forma* capitalized transaction costs of CHF 42.2 million and mark-to-market hedging assets of CHF 206.3 million with respect to such total debt. *Pro forma* net debt reflects *pro forma* total debt less *pro forma* cash and cash equivalents.

(10) Numbers of subscribers are calculated as described in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations—Mobile Subscriber Base*."

## RISK FACTORS

*In addition to the other information contained in this Offering Memorandum, you should carefully consider the following risk factors before purchasing the Notes. The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect the business, financial condition and results of operations of the Group. If any of the possible events described below were to occur, the business, financial condition and results of operations of the Group could be materially and adversely affected. If that happens, the Issuer may not be able to pay interest or principal on the Notes when due, and you could lose all or part of 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.*

### Risks Related to Our Market and Our Business

***Equipment and network systems failures could result in reduced user traffic and revenue, require unanticipated capital expenditures or harm our reputation.***

Our technological infrastructure is vulnerable to damage and disruptions from numerous events, including fire, flood, windstorms and other natural disasters, power outages, terrorist acts, equipment and system failures, human errors and intentional wrongdoings, including breaches of our network and information technology security. Unanticipated problems at our facilities, network or system failures or the occurrence of such unanticipated problems at the facilities, network or systems of third-party local and long-distance networks on which we rely could result in reduced user traffic and revenue, regulatory penalties and/or penal sanctions or require unanticipated capital expenditures. The occurrence of network or system failure could also harm our reputation or impair our ability to retain current subscribers or attract new subscribers, which could have a material adverse effect on our business, financial condition and results of operations. In addition, our business is dependent on certain sophisticated critical systems, including exchanges, switches and other key network elements and our billing and customer service systems. The hardware supporting those systems is housed in a relatively small number of locations and if damage were to occur to any of these locations, or if those systems develop other problems, such events could have a material adverse effect on our business, financial condition and results of operations.

***The Swiss mobile telecommunications market is characterized by competition among existing and potential new mobile network operators.***

We face strong competition from established competitors. Our principal competitors in Switzerland are Swisscom and Sunrise. Swisscom, the incumbent telecommunications provider, has significantly larger market share and investment capacity than us and benefits from considerable financing, marketing and personnel resources, brand-name recognition, perceived network quality and customer service, as well as majority Swiss government ownership and long-established relationships with regulatory authorities. Sunrise, our other key competitor in Switzerland, has managed to significantly increase its market share in recent years and has a larger market share than us.

Our competitors have at times lowered roaming prices and pursued other aggressive pricing and marketing strategies to retain and expand their market share both with regard to mobile subscribers and contracts with mobile virtual network operators ("MVNOs") and resellers. Any of these pricing or marketing strategies could reduce our margins, dilute our earnings and cause our customers to switch to Swisscom or Sunrise. Our subscriber acquisition and retention costs may increase for new subscribers and/or churning subscribers as a result of significant competition in the mobile telecommunications markets in which we operate, which could put further pressure on our earnings.

In addition, due to its dominant position and financial capacity, Swisscom has the ability to establish new market standards in Switzerland by quickly introducing new and advanced technologies, which would require us to accelerate our mobile network enhancements and service offerings. If this happened, we might need to adapt our network and service offerings, which could materially adversely affect our business, financial condition and results of operations.

Our main competitors offer integrated products over their fixed line and/or cable networks, including fixed-mobile services bundles comprising mobile, fixed voice and broadband internet products, as well as "quadruple-play" offerings that combine these three products with television services. Bundled services are expected to become increasingly important and customers that have such services are less likely to switch to a different operator for all or part of the bundled services. We do not currently provide bundled services. We are, therefore, currently unable to compete in the market for bundled services, which may adversely affect our ability both to retain existing customers and to attract new customers, including those who currently subscribe for bundled services from other operators and may be disincentivized to switch operators as a result. If we are not able to successfully compete with other network operators, our business, financial condition and results of operations may be materially and adversely affected.

We may also face increased competition in the Swiss mobile telecommunications market as a result of a consolidation of or cooperation between our competitors. Any consolidation may allow our competitors significant cross-selling potential and the ability to make new offerings available to existing customers. In addition, our competitors may enter into network sharing agreements that increase their network capabilities and significantly reduce their investment requirements and operating costs which could lead to price pressure and have a material adverse effect on our business, financial condition and results of operation. We may also enter into network sharing agreements from time to time with our competitors. While any agreement would be entered into in the expectation of a commercial benefit, there is a risk that such agreement could constrain our freedom to deploy our prospective network plans, which could have a material adverse effect on our business, financial condition and results of operations.

***We also face high levels of competition from resellers and MVNOs.***

Resellers and MVNOs have been increasing their share of the Swiss mobile telecommunications market in past years, following an international trend towards increasing diversification in the telecommunications markets. This has increased competition and pricing pressure in our markets, principally in the prepaid market but also increasingly in the postpaid market. Like all Swiss mobile network operators, we have arrangements with resellers and an MVNO. To mobile network operators, such arrangements generally provide less revenue and lower margins than other services. As a result, a potential increase in market share of resellers and MVNOs may reduce our margins and revenue if we fail to increase our own market share. Aggressive pricing from resellers or MVNOs on our network or on other networks and pressure from resellers and MVNOs on our network for contract terms that are more favorable to them could also increase the competitive pressure and cause our results of operations to decline. See "*—The Swiss mobile telecommunications market is characterized by competition among existing and potential new mobile network operators*."

In addition, a new mobile network operator ("MNO") could successfully enter the Swiss mobile telecommunications market. Although the long-term nature of the licenses granted in the 2012 spectrum auction could constitute significant barriers to entry for potential new competitors, a new MNO could sign an agreement with one of the three major network operators in Switzerland or develop and operate a network infrastructure in a specific geographical region and obtain coverage over the rest of Switzerland by entering into roaming agreements. A new MNO could also successfully enter the mobile market as a result of the allocation of the new spectrum (700 MHz, 1400 MHz and 3.4 – 3.8 GHz) in 2018. On May 31, 2017, ComCom launched the public consultation for the allocation of such a new spectrum. The consultation ended on July 31, 2017. On November 9, 2017, the responses, together with general information, were published by ComCom and OFCOM and we expect ComCom to provide further information on the allocation process and timing in the near future. If the existing spectrum becomes available for a new allocation and frequency sharing is allowed, existing operators could consolidate or terminate a license prematurely. An entrant could develop and operate a network infrastructure targeted at one or more geographical regions and subsequently obtain coverage over the rest of Switzerland by entering into roaming agreements or litigating similar access based on existing interconnection obligations. If any new MNO were to successfully enter the Swiss mobile telecommunications market as a fourth competitor or existing operators were to combine or share their resources or infrastructure, it could materially reduce our market share and could overall have a material adverse effect on our business, financial condition and results of operations.

Embedded SIM technologies allowing multiple operators to offer their service at the same time could also enable customers to instantly switch from one MNO to the other, which would increase the risk of churn and thus competition to retain customers. If we are unable to compete effectively with resellers, MVNOs, and MNOs, our business, financial condition and results of operations may be materially and adversely affected.

***We face increasing competition from alternative telecommunication services, such as OTT.***

We are facing increasing competition from non-traditional mobile voice and data services based on new mobile voice over the Internet technologies, in particular over the top ("OTT") applications, such as, Facebook Messenger, Facetime, Google Talk, Skype, Snapchat, Viber and Whatsapp. These OTT applications are often free of charge, accessible via smartphones and allow their users to have access to potentially unlimited messaging and voice services over the Internet, thus bypassing more expensive traditional voice and messaging services (SMS/MMS) provided by mobile network operators like us, who are only able to charge the Internet data usage for such services. With the growing share of smartphone users in the Swiss mobile subscriber base, there are an increasing number of customers using OTT services. All MNOs are currently competing with OTT service providers who leverage existing infrastructures and are often not required to implement capital-intensive business models associated with traditional mobile network operators like us. OTT service providers have in recent years become more sophisticated, and technological developments have led to a significant improvement in the quality of service, particularly in speech quality. In addition, players with strong brand capability and financial strength, such as Apple Inc. ("Apple"), Google Inc., Facebook and Microsoft Corporation, have turned their attention to the provision of OTT services. In the long term, if non-traditional mobile voice and data services or similar services continue to increase in popularity and if we, or more generally all the MNOs, are not able to address this competition, this could cause declines in ARPU, subscriber base and profitability across all of our products and services, among other material adverse effects.

In addition, we may face increasing competition from a large-scale roll-out of public Wi-Fi networks by local governments and utilities, transportation service providers, new and existing Wi-Fi telecommunications operators and others, which particularly benefits OTT applications. UPC Schweiz GmbH ("UPC") is increasingly rolling out a nationwide public Wi-Fi network powered by their existing Horizon customer "homespots." The national railway company SBB started the roll-out of free public Wi-Fi at major railway stations across Switzerland in 2014 and plans to expand Wi-Fi availability to additional railway stations. In addition, local transportation companies are starting to offer commuters free Wi-Fi access in trams and busses. Due to the ability to leverage their existing infrastructure and thus to roll out public Wi-Fi in a cost-efficient way, other competitors besides UPC and in particular Swisscom are better positioned to offer their customers public Wi-Fi access at attractive terms and conditions or as part of their current mobile and landline offerings, which may affect our ability to retain or acquire customers. Furthermore, our competitors may realize cost savings by off-loading mobile data traffic onto their own Wi-Fi networks or those of their partners in order to reduce costs and increase bandwidth more quickly or efficiently than we can. An increase in public Wi-Fi networks could also cause declines in ARPU and profitability as demand for our network and services decreases.

***Any failure to comply with license conditions may jeopardize our licenses, which are required to operate our mobile business.***

In February 2012, OFCOM, on behalf of ComCom, auctioned the then free mobile radio frequencies and those which became free by 2014 and 2017, including those of the so-called digital dividend (former broadcasting frequencies). As a result of this new award, we obtained 160 MHz spread between the five bands available for a purchase price of CHF 154.7 million, which we have paid in installments between 2012 and January 2017. We believe we have secured an adequate amount of spectrum until 2028 to keep developing our network and to address our future needs with respect to new generation services.

We are licensed to provide mobile telecommunications services in Switzerland and Liechtenstein. In Switzerland, the license awarded to us in the 2012 spectrum auction is due to expire on

December 31, 2028. This spectrum license is a technology neutral license which includes the 800 MHz, 900 MHz, 1800 MHz, 2.1 GHz and 2.6 GHz spectrum awarded to us. This license covers the complete spectrum granted to us. In December 2016, we renewed our licenses to operate point-to-point radio relay systems until December 31, 2021.

On January 30, 2015, we were awarded a new license in Liechtenstein, which does not have an expiration date. This spectrum license is a technology neutral license which includes the 900 MHz, 1800 MHz, 2.1 GHz and 2.6 GHz spectrum awarded to us. This new license covers the complete spectrum granted to us.

Any failure to meet license conditions may jeopardize our licenses. If we cannot meet license conditions, there can be no assurance that the Swiss and/or Liechtenstein regulator will not withdraw our existing licenses.

***Our business depends on our ability to obtain new spectrum, in particular for the use of 5G technology.***

On May 31, 2017, ComCom launched the public consultation for the allocation of new mobile radio frequencies (700 MHz, 1400 MHz and 3.4 – 3.8 GHz). The consultation ended on July 31, 2017. On November 9, 2017, the responses, together with general information, were published by ComCom and OFCOM and we expect ComCom to provide further information on the allocation process and timing in the near future. The new mobile radio frequencies will become available from 2019. Enhancing our network, such as deploying 5G, is subject to risk from equipment changes and migration of customers from existing spectrum bands and the potential inability to secure spectrum necessary to deploy advanced technologies. Any failure to obtain an adequate amount of new spectrum may materially and adversely affect our business, financial condition and results of operations.

***The success of our mobile operations depends on our ability to attract and retain mobile subscribers.***

Our ability to attract and retain mobile subscribers or to increase our profitability from existing subscribers will depend in large part on our ability to stimulate and increase subscriber usage, convince subscribers to switch from competing mobile operators to our services and our ability to minimize subscriber deactivation rates, referred to in the industry as customer “churn.” Churn is a measure of subscribers who stop purchasing or using our services, leading to reduced revenue. Any increase in customer churn may lead to a need to reduce our costs rapidly to preserve our margins or, alternatively, take measures that will increase our subscriber acquisition and retention costs. There can be no assurance that the various measures we have taken and plan to take to manage churn and increase customer loyalty will reduce our churn rate. In addition, the mobile telecommunications industry is characterized by frequent developments in product offerings, as well as by advances in network and handset technology. If we fail to maintain and upgrade our network and provide our subscribers with an attractive portfolio of products and services, we may not be able to retain subscribers. Likewise, if we fail to effectively communicate the benefits of our network through our marketing and advertising efforts, we may not be able to attract new customers. Our future efforts to attract and retain customers may prove unsuccessful. Additionally, our competitors may improve their ability to attract new subscribers, for example by offering bundled products and triple/quadruple-play offerings that we currently cannot offer, or offer their products or services at lower prices, which would make it more difficult for us to retain our current subscribers, and the cost of retaining and acquiring new subscribers could increase, any of which could have a material adverse effect on our business, financial condition and results of operations.

***Customer satisfaction levels that are lower than our competitors’ customer satisfaction levels could adversely affect our ability to acquire new and maintain existing customers.***

The Swiss mobile telecommunications market is driven by, among other factors, customer satisfaction. Customer satisfaction may be impacted by a variety of factors, including customers’ perception of the overall package, price-value ratio of services, range of offerings, network quality, coverage, functionality and speed, products and services, invoice accuracy, and operators’ ability to solve customer problems in a fast and efficient way (customer service). We may not be able to maintain and improve customer satisfaction sufficiently and may be ranked behind Swisscom, Sunrise and UPC in certain satisfaction studies, such as Connect, Bilanz Rating and K-Tipp, which may affect our ability to acquire new customers and increase our customer churn, which could have a material adverse effect on our business, financial condition and results of operations.

***We do not have direct contracts with all of our key sourcing partners.***

Our relationships with certain suppliers of services and equipment are critical to conducting our business. We depend on key supply partners such as Swisscom, Sunrise and UPC for interconnection, and Teleperformance Portugal SA and Teleperformance Athens regarding the provision of call center services. In addition, we have relationships with a number of key sourcing partners for mobile network equipment, network rollout and software, handsets and other retail equipment such as Apple and Samsung.

We do not have direct operational or financial control over our service providers, suppliers and sourcing partners and have limited influence with respect to the manner in which they conduct their businesses. Any failure of a supplier, service provider or sourcing partner to perform its obligations under the contracts to the satisfaction of our customers could impact our ability to retain and attract customers or offer attractive product offerings. Our ability to maintain and grow our subscriber base depends in part on our ability to source adequate supplies of network equipment, mobile handsets and software in a timely manner and in sufficient quantities from these suppliers. Our reliance on these suppliers and sourcing partners may expose us to risks related to interruptions, delays in the delivery of their products and services or significant costs. Suppliers are at times subject to supply constraints, particularly when there is high demand for a particular product, such as the iPhone. We have, from time to time, experienced extensions of lead times or limited supplies due to capacity constraints and other supply-related factors, as well as quality control problems with service providers. We may also not be able to recover monies paid to such suppliers or obtain contractual damages to which we may be entitled (if any) in the event our suppliers fail to comply with their obligations in a timely manner.

If we experience a significant disruption in our supply of equipment and services from key sourcing partners and/or a significant change in the terms on which we do business with them, our business, financial condition and results of operations may be materially and adversely affected.

***Our success depends on the effective execution of our strategy.***

Our success depends on our ability to effectively identify, develop and execute our strategies, including growing our business customer segment and the success of our fixed line broadband strategy. Our ability to execute our strategies may take longer than expected and may incur significant costs. Actual results may be materially different than those planned. Our ability to execute our strategies depends on a number of significant factors, some of which are beyond our control, including our ability to respond to competitive pressures in our industry. The rollout of an ultra-fast broadband offer is, for example, conditional on (i) obtaining the necessary authorizations (occupancy of public property, right of entry into buildings and obtaining the right to use Swiss Fibre Net's FTTH network, among others), (ii) the completion of the work entrusted to third party service providers, (iii) our ability to deliver high service levels and coverage to an increasing subscriber base and (iv) the costs of implementing our broadband strategy, among other factors. Failure to execute these initiatives and strategies could have a material adverse effect on our business, financial condition and results of operations. If we are successful in launching our fixed line broadband strategy, we will be exposed to risks relating to (i) the significant expenses associated with the operation, administration, maintenance and repair of our network, (ii) the substantial resources required for the expansion or adaptation of our network, (iii) the risk of disruptions in our services and resulting damage to our reputation among consumers, (iv) our ability to renew our rights of way or our ability to renew them on non-onerous terms, and (v) decreases in the market prices for our products and services, among others.

***We may not successfully implement our IT transformation initiatives or fully realize the anticipated benefits from our efforts.***

We are in the process of migrating our IT systems and implementing a number of strategic, IT transformation initiatives intended to improve our customer relationship management, billing and rating and optimize our IT support costs. We cannot assure you that we will be able to successfully implement these initiatives. Further, our ability to achieve the anticipated benefits, including the anticipated levels of cost savings and efficiency, of such transformation initiatives and within expected timeframes is subject to many estimates and assumptions, which are, in turn, subject to significant uncertainties, some of which are beyond our control. In addition, further updates to our IT systems may also be required in the future beyond what is currently planned, which could further enhance the risks associated with these activities. There is no assurance that we will successfully implement or fully realize the anticipated benefits of our IT transformation initiatives or execute successfully on our transformation strategy, in the timeframes we desire or at all.

***If we are unable to identify, complete and successfully integrate acquisitions, our ability to grow our business may be limited and our business, financial condition and results of operations may be adversely impacted.***

We may make strategic acquisitions that involve significant risks and uncertainties. These risks and uncertainties include:

- we may not be able to find suitable businesses to acquire at affordable valuations or on other acceptable terms;
- competition for acquisition targets, which may lead to substantial increases in purchase prices;
- our continued dependence on access to capital;
- our proposed acquisitions may be prohibited by certain antitrust or other regulatory laws;
- the diversion of management's attention from existing operations to the integration of acquired companies;
- our inability to realize expected cost savings and synergies;
- expenses, delays and difficulties of integrating acquired businesses into our existing business structure; and
- difficulty in retaining key customers and management personnel.

We may not be able to identify, complete and successfully integrate acquisitions in the future, and our failure to do so may limit our ability to grow our business. If we are unable to continue to acquire and efficiently integrate suitable acquisition candidates, our ability to increase our revenue may be adversely impacted.

***The telecommunications industry has been, and will continue to be, significantly affected by rapid technological change and we may not be able to effectively anticipate or react to these changes.***

The telecommunications industry is characterized by rapidly changing technology and related changes in customer demand for new products and services at competitive prices. Recently, the market has witnessed the emergence of, or increased demand for, new technologies. Technological change and the emergence of alternative technologies for the provision of telecommunications services that are technologically superior, cheaper or otherwise more attractive than those that we provide may render our services less profitable, less viable or obsolete.

Technological developments may also shorten product life cycles and facilitate convergence of various segments in the telecommunications industry. Our competitors or potential new market entrants may introduce new or technologically superior telecommunications services before we do. In particular, Swisscom, due to its strong position and both financial and investment capacity, has the ability to create new market standards by quickly introducing new advanced technologies, such as 5G technology, HSPA+ and 3GPP LTE mobile networks or Voice-over-LTE ("VoLTE"), which is an advancement in voice-call technology utilizing the LTE network (which has previously been used for data transfer only). We may be required to deploy new technologies rapidly if, for example, subscribers begin demanding features of a new technology, such as increased bandwidth, LTE, VoLTE, or if one of our competitors decides to emphasize a newer technology in its marketing. At the time we select and advance one technology over another, or decide on whether to emphasize a specific technology, it may not be possible to accurately predict which technology may prove to be the most economical, efficient or capable of attracting subscribers or stimulating usage, or how rapidly any competitor focuses on a particular new technology, and we may develop or implement a technology that does not achieve widespread commercial success or that is not compatible with other newly developed technologies.

In addition, we may not receive the necessary licenses to provide services based on these new technologies in the markets we operate in or may be negatively impacted by unfavorable regulation regarding the usage of these technologies. If we are unable to effectively anticipate, react to or access technological changes in the telecommunications market or to otherwise compete effectively, we could lose subscribers, fail to attract new subscribers or incur substantial costs and investments in order to maintain our subscriber base, all of which could have a material adverse effect on our business, financial condition and results of operations.

***Our business is capital intensive. We cannot assure you that we will have sufficient liquidity to fund our capital expenditure programs or our ongoing operations in the future.***

Our business is capital intensive and requires significant amounts of investments. We have an ongoing capital expenditure program that will continue to require significant capital outlays in the foreseeable future, including the continued renewal/swap of equipment at all of our access network sites, the expansion of our network coverage, upgrading of existing sites and the launch of fixed broadband. We may also need to invest in new spectrums, such as the 700 MHz, 1400 MHz and 3.4 – 3.8 GHz spectrum, and networks and technologies in the future, such as 5G, and make investments to provide business continuity and to meet requirements for information security and disaster recovery, all of which could require significant capital expenditures which could be further increased by new regulation requiring increased levels of the technical protection of telecommunication networks as proposed by the Swiss Federal Council (*Bundesrat*) in its report of November 2014 and included in the pre-draft revision of the Swiss Telecommunications Act (*Fernmeldegesetz*), under which the Federal Council would be entitled to enact regulations in this respect (as to the status of this pre-draft, see "*Regulation—Access Regime*"). The revised Telecommunications Act is planned to be discussed in the parliament in the spring or summer of 2018. If network usage develops faster than we anticipate, we may require greater capital investments in shorter timeframes than we anticipate and we may not have the resources to make such investments. In addition, costs associated with the licenses and spectrums that we need to operate our existing networks and technologies and those that we may acquire and/or develop in the future, as well as costs and rental expenses related to their deployment, could be significant. Furthermore, the process of launching and implementing a fixed broadband offering could impose significant costs and require significant capital expenditures. The amount and timing of our future capital requirements may differ materially from our current estimates due to various factors, many of which are beyond our control. We may also be required to raise additional debt or equity financing in amounts that could be substantial. The type, timing and terms of any future financing will depend on our cash needs and the prevailing conditions in the financial markets. We may not be able to accomplish any of these measures on a timely basis or on commercially reasonable terms, if at all. We may not generate sufficient cash flows in the future to meet our capital expenditure needs, sustain our operations or meet our other capital requirements, which may have a material adverse effect on our business, financial condition and results of operations.

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

Various reports have alleged that there may be health risks associated with the effects of electromagnetic signals from antenna sites, mobile handsets and other mobile and wireless telecommunications devices. We cannot assure you that further medical research and studies will not establish a link between electromagnetic signals or radio frequency emissions and these health concerns. The actual or perceived risk of mobile and wireless telecommunications devices, press reports about risks or consumer litigation relating to such risks could adversely affect the size or growth rate of our subscriber base and result in decreased mobile usage or increased litigation costs. We are currently party to a number of pending proceedings in which plaintiffs are seeking prohibition of antenna construction and/or compensation for damages caused by planned antenna construction based *inter alia* on alleged exposure to electromagnetic radiation from our technology. In addition, these health concerns may cause the Swiss authorities to impose stricter regulations on the construction of base stations or other telecommunications network infrastructure. In particular, public concern over actual or perceived health effects related to electromagnetic radiation may result in increased costs related to our networks, which may hinder the completion or increase the cost of network deployment, reduce the coverage of our network and hinder the commercial availability of new services. If actual or perceived health risks were to result in decreased mobile usage, increased consumer litigation or stricter regulation, our business, financial condition and results of operations could be materially and adversely affected.

We are also subject to a variety of laws and regulations relating to land use and the protection of the environment, including those governing the storage, management and disposal of hazardous materials and the clean-up of contaminated sites. We could incur substantial costs, including clean-up costs, fines, sanctions and third-party claims for property damage or personal injury, as a result of violations of, or liabilities under, such laws and regulations. In addition, we are involved in numerous pending administrative proceedings regarding antenna sites and several respective private legal proceedings. A negative outcome of these proceedings could have a negative impact on our ability to maintain existing or set up new antennas and thus a negative impact on the coverage of our network. Furthermore, a finding in the courts that we are liable for any loss or damage could have a negative impact on our future operations and could materially and adversely affect our business, financial condition and results of operations.

***Our business may be adversely affected by our ability to maintain and increase our network coverage.***

The coverage of our network depends on our ability to maintain and/or upgrade existing and to build up new antennas for our network. Our antennas are generally built on land owned by third parties, the use of which is secured by way of lease agreements. There can be no guarantee that these lease agreements will be extended or renegotiated on commercially favorable terms upon the expiration of their respective terms, or that they will be extended at all. If we are not able to renew our current lease agreements for antenna sites and/or to enter into new lease agreements for suitable alternate antenna sites, this could have a negative impact on the coverage of our network. Additionally, some of the equipment used in our network is installed on customer premises. Disputes with these customers or legal proceedings involving their property may subject this equipment to encumbrances or cause it to be inaccessible, which could adversely affect our ability to operate our network.

Furthermore, certain regulatory approvals, such as new build permits, may be required to operate antenna sites with other frequencies/frequency bands, in particular where the shift is made from a higher frequency band (e.g., 1800 MHz) to a lower frequency band (e.g., 900 MHz). To the extent that we seek to operate antenna sites with other frequencies/frequency bands in the future, failure to obtain such regulatory approvals could have a negative impact on the coverage of our network. Any such negative impact on the coverage of our network could materially and adversely affect our business, financial condition and results of operations.

***We could lose the contractual rights-of-way or other network access on which we rely.***

In 2016 and 2017, we entered into agreements to acquire indefeasible rights of use for our fiber network going forward. Indefeasible rights of use are commonly used in the telecommunications industry, but remain a relatively new concept in property law. Although indefeasible rights-of-use give the holder a number of rights to control the relevant rights-of-way or fiber optic filaments, legal title remains with the grantor of the rights. Therefore, the legal status of indefeasible rights-of-use remains uncertain, and our indefeasible rights of use might be voidable in the event of bankruptcy of the grantor. If we were to lose an indefeasible right of use in a key portion of the network, our ability to service network customers could become seriously impaired and we could be required to incur significant expense to resume the operation of the fiber optic network in the affected areas. We could also face situations where there is a conflict of interest with suppliers of our contractual rights-of-way, indefeasible rights of use and other network access. Any loss of our indefeasible rights of use could result in a material adverse effect on our business, financial condition and results of operations.

***We are subject to extensive regulation and have recently been, and may in the future be, adversely affected by regulatory measures applicable to us.***

Our activities as a mobile network operator in Switzerland are subject to regulation and supervision by various Swiss national authorities, in particular ComCom and OFCOM. In addition to ComCom and OFCOM, ComCo and the regulatory agency which supervises prices of mobile services are involved in regulatory issues relating to the telecommunications sector. While Switzerland is not a member of the European Union and is therefore not subject to European Union ("EU") telecommunications regulation, liberalization of the Swiss mobile telecommunications market has moved in parallel with the deregulation in the European Union. There are three main participants in the Swiss mobile telecommunications market (Swisscom, Sunrise and ourselves). There is no pending investigation involving us. If the Competition Commission based on future market observations takes note of parallelisms in the market, the authority could, due to the oligopolistic market structure, review such parallelisms as collective dominance. Other regulatory restrictions that apply to businesses generally may also be relevant to the conduct of our business, such as the prohibition to bundle certain services.

On September 7, 2017, the Federal Council adopted a partial revision of the Swiss Telecommunications Act (*Fernmeldegesetz* or "FMG"). The draft legislation will now be dealt with by parliament in spring/summer 2018. The earliest possible effective date of the legislation is January 1, 2019. Certain of the proposed new legal provisions strengthen the position of consumers. These include measures to combat unwanted telemarketing (advertising calls) more effectively, but also an entitlement to advice about technical measures to protect children and young people in entering into internet contracts. Transparency regulations will oblige internet providers to provide public information if they make distinctions between different types of content for data transmission. Internet providers must also provide information about the actual measured quality of their services, including internet access speed. In relation to international roaming, the draft legislation enables the Federal Council to combat disproportionately high end-user prices.

In the future, access to subscriber connections is expected to be determined by the Federal Council in a technology-neutral manner to the extent there any market failures (such as anticompetitive conduct). In this case, market-dominant providers would have to guarantee access not only to the traditional copper access cables, but also to cabled connections which are based on new technologies (e.g. fibre). At the same time, network operators would acquire an entitlement to opening-up of the building access point and to shared use of telecommunications installations inside the building. In principle this gives end customers the possibility of accessing the services of all providers.

Frequency utilization is also expected to be made more flexible. A license to use the radio spectrum will only be required in exceptional cases, according to the draft legislation. In addition, spectrum trading and the shared use of infrastructures for mobile communication will be encouraged. The general obligation to register for telecommunications service providers will also be abolished. In the future, registration will be required only for those using specific public resources: radio frequencies subject to licensing or addressing resources such as blocks of telephone numbers.

The draft legislation provides for statutory provisions for domain names which fall within the competency of the Confederation. In particular, these are domain names with the endings .ch and .swiss. Also, a legal basis will be established for blocking internet sites with forbidden pornography and telecommunications service providers will be obliged to take measures to provide protection from cyber-attacks.

The European Union ended all roaming charges in June 2017. Member States' national telecommunications regulators must ensure that mobile phone operators comply with the new rules on data roaming and the lower prices of voice calls. There are currently no regulations in place for international roaming tariffs that apply to our business; however, this could change and the laws could be revised, for example, through bilateral agreements between Switzerland and the European Union in order to harmonize international roaming tariffs.

Changes in laws, regulations or governmental policy or the interpretation or application of those laws or regulations affecting our activities and those of our competitors could greatly influence our viability and how we operate our business and introduce new products and services. Further liberalization of the access regime, for example, may subject our own mobile infrastructure to certain duties to grant access at regulated conditions and impact our margins. More generally, our ability to compete effectively in our markets could be adversely affected if regulators decide to further expand the restrictions and obligations, resulting in additional costs, to which we are subject, or extend such restrictions and obligations to new services and markets, or otherwise adopt regulations, including in respect of interconnection, access or other tariffs charged by Swisscom relating to services provided by Swisscom to its customers.

Consumer protection agencies may make use of their ability to initiate lawsuits to enforce claims under the Swiss Unfair Competition Act (*Gesetz gegen den unlauteren Wettbewerb*) and may engage in public campaigns aimed at changing our business practices which could have an adverse effect on our ability to offer and sell our products and services.

The Swiss Federal Council (*Bundesrat*) has commissioned a proposal for an amendment to the Swiss Copyright Act requiring us as an internet access provider to block websites and send warning notices to our customers to prevent copyright infringements by our customers. Future legislation may introduce levies on internet access subscriptions in order to compensate rights holders for copying and transmitting of protected works. A planned revision of the Swiss Gambling Act (*Spielbankengesetz*) also foresees that internet access providers must block access to foreign websites with gambling offerings. We are also subject to blank media levies on the storage capacity of mobile handsets and tablets. A new copyright tariff for blank media has been in force since January 1, 2017 and remains valid until December 31, 2018 and automatically renews annually until December 31, 2020 at the latest, if it is not terminated by any collecting societies or any user associations. We participate in a user association and will participate in any potential future renegotiation of such tariff. In the event that no agreement is reached between the collecting societies and the user associations, the Swiss Federal Arbitral Commission on Copyrights (ESchk) will determine the tariff.

The revision of the Swiss Federal Act on the Surveillance of Postal and Telecommunications Traffic (the "BÜPF") is currently ongoing and the previous revision has been approved by parliament. The BÜPF will subsequently lead to the Ordinance on the Surveillance of Postal and Telecommunications Traffic (the "VÜPF") by the Swiss Federal Council (*Bundesrat*). The VÜPF is still in the revision process and includes new requirements in particular with regards to mandatory automation of the information requests, identification of postpaid customers and the storage of an ID scan as well as logging of unsuccessful calls as part of the historical data. The Federal Council plans to enact the VÜPF in its November 2017 session and it should enter into force as of March 1, 2018 with implementation deadlines from three to 24 months for compliance with the new requirements after the VÜPF enters force. Additional surveillance and/or reporting obligations may arise from the new Federal Intelligence Services Act, which entered into force on September 1, 2017. The new law leads to extended surveillance obligations and the obligation to cooperate with the authorities in connection with interception of international traffic, which could result in higher capital expenditures and increased operational costs. Any of these changes in laws, regulations, governmental policy, interpretation or application thereof could materially adversely affect our business, financial condition and results of operations. See "*Regulation*."

Subject to bilateral or multilateral conventions, ComCom may prohibit the offering of telecommunication services by a foreign provider (or by a provider controlled by a foreign shareholder) if the respective foreign country does not grant the same operational freedom to Swiss incorporated providers offering services in that particular country. Likewise, the transfer of telecommunication licenses (including an indirect transfer through a change of control of a Swiss licensee) to a foreign provider is subject to the consent of ComCom, which might be withheld, in particular, if no reciprocal rights are granted. According to a decision of the Swiss Federal Council on January 29, 2014, for reasons of national security, companies with a majority of foreign shareholders are not permitted to provide services to the federal government, which involve critical information and certain communication infrastructures. As a result, we are unable to compete in tenders for such services and could materially adversely affect our business, financial condition and results of operations.

***We are exposed to decreases in MTRs and other rates such as roaming tariffs.***

In Switzerland, the fees for access and interconnection that mobile operators charge for calls terminating on their respective networks are determined through bilateral agreements setting out MTRs between operators, rather than *ex ante* by a regulatory authority, as is the case in the European Union. To the extent operators cannot mutually agree to MTRs applicable to each of them, the Swiss regulatory authorities are entitled to intervene *ex post* to determine the rates applicable to each operator. While Switzerland is not a member of the European Union and not subject to EU telecommunications regulation, MTRs in Switzerland, in particular for mobile voice, have followed, and are expected to continue to follow, the decline in MTRs experienced in EU-member States.

In 2016, in bilateral agreements with Sunrise and Swisscom, we and Sunrise reduced MTRs as of January 1, 2017 to a current rate of CHF 0.043 per minute, which rate will remain in effect until December 31, 2017, and during the same period, Swisscom reduced its MTRs to a current rate of CHF 0.031 per minute. We and Sunrise will reduce MTRs as of January 1, 2018 to CHF 0.039 per minute and further as of January 1, 2019 to CHF 0.035 per minute, which rate will remain in effect until December 31, 2019, and during the same periods Swisscom will reduce its MTRs to CHF 0.0295 per minute and CHF 0.028 per minute, respectively. Compared with European rates with a weighted average of less than €0.01 per minute, further reductions cannot be excluded, and a smaller competitor may demand lower rates through bilateral negotiations or interconnection proceedings. Because MTRs are a key driver of our access, backbone, interconnection and content revenue (for calls that terminate on our mobile network) and of our access, backbone, interconnection and content costs (for calls that terminate on the network of other mobile network operators), any decrease in MTRs has a direct impact on our revenue and on our profitability. As we do not have a landline business, we are comparatively more affected by reductions in MTRs than our main competitors Swisscom and Sunrise, who operate a landline business as well. A further reduction in MTRs could reduce our revenue and operating income in the future, which could have a material adverse effect on our business, financial condition and results of operations.

Similarly, in Switzerland, international and national roaming rates are not subject to specific regulation. As recently as 2015, there have been parliamentary motions to enact maximum tariffs in order to limit the charges. On September 7, 2017, the Federal Council adopted a partial revision of the Swiss Telecommunications Act. The draft legislation will now be dealt with by parliament in spring/summer 2018. The earliest possible effective date of the legislation is January 1, 2019. With the revision of the FMG, we may reasonably expect the introduction of administrative rules from the Swiss Federal Council to cap retail roaming prices, oblige operators to per second invoices modalities for roaming and local break out as well as to set new price caps for value added services. See "*Regulation—Other Regulatory Environment—International Roaming.*" Any regulation of roaming or other tariffs would likely reduce our revenue in the future, which could have a material adverse effect on our business, financial condition and results of operations.

***We operate primarily in the Swiss market and as a result our growth prospects depend on economic developments in Switzerland.***

We operate primarily in the Swiss market and generate almost all of our revenue and operating income from our activities in Switzerland. Demand for our products and services in Switzerland is influenced by a number of factors, including the strength of the Swiss economy. Negative developments in, or the general weakness of, the Swiss economy may have a direct negative impact on the spending patterns of our customers and the willingness of business customers to make investments. A higher number of defaults by customers or business partners, for example due to an increase in unemployment rates could also jeopardize our growth targets. Events impacting travel to or from Switzerland such as changes in the Swiss economy, changes in the relative value of the Swiss franc, in particular as a result of the significant recent appreciation of the Swiss franc against the euro, or general travel disruptions could negatively impact our revenue from roaming fees. Consumers may also spend less on an incremental basis, such as by placing fewer calls. In addition, a weakening economy or recessionary conditions may weigh on the growth prospects in the Swiss mobile telecommunications market in terms of the penetration of new value-added services and traffic, ARPU levels and number of subscriptions and, in particular, the volume of business customers. Similarly, economic effects outside of Switzerland may also impact our business, particularly our revenue from international interconnection fees and visitor roaming fees. Any weakening of the Swiss economy could have a material adverse effect on our business, financial condition and results of operations. Any of the risks described above could have a material adverse effect on our business, financial condition and results of operations.

***If we fail to maintain or further develop our direct and indirect distribution and customer care channels, our ability to sustain and further grow our subscriber base could be materially and adversely affected.***

We depend on our internal channels and third parties to market, sell and provide a significant portion of our products and services. We distribute our products and services in Switzerland directly through our network of 88 *Salt*.-branded shops and through online sales and telesales, as well as indirectly through almost 1,250 points of sale of our partners' exclusive distribution channels, such as Coop, and non-exclusive distribution channels such as Swiss Post and other small local retailers. We intend to increase the number of our shops to 90 in the medium-term.

We intend to continue to develop our direct distribution channel, by, among other things, opening additional shops, which will require significant capital expenditures. We may not be able to recoup such costs or increase our revenue by expanding our distribution presence. In particular, if we are not able to renew or replace our current shop leases or enter into new leases for shops on favorable terms, or any of our current leases are terminated prior to their stated expiry date and we cannot find suitable alternate locations, our growth and profitability could be harmed.

Additionally, if we fail to expand our direct distribution presence, or if we fail to maintain our key distribution relationships, or if our distribution partners fail to procure sufficient subscribers for any reason, our ability to retain or further grow our market share in the markets we operate could be adversely affected. In addition, the subscriber acquisition and retention costs associated with maintaining or further growing our subscriber base through both direct channels and indirect channels could materially increase in the future. These factors in turn could have a material adverse effect on our business, financial condition and results of operations. If any of our distribution relationships are terminated, we may face claims from the respective counterparty for compensation for clientele pursuant to Swiss law. If such claims were successful and the respective distributors were awarded a compensation for clientele, this may have a material adverse effect on our business, financial condition and results of operations.

***We depend on our wholesale resellers and MVNO partner to access a broader and more diverse base of subscribers and grow our subscriber base.***

We compete with resellers and MVNOs, but we also depend on them to expand our reach to new customer segments, in particular in more mass-market segments. Our resellers and MVNO partner, however, may terminate their relationships with us or discontinue their services on relatively short notice, including, in the case of our MVNO partner, to start offering their services through the network of one of our competitors, and we may, in the future, be unable to renew our existing arrangements with our MVNO partner on commercially favorable terms. In May 2017, our MVNO partner, UPC, launched a request for proposals in relation to the renegotiation of its contracts. We have submitted a quote to UPC and are awaiting a decision. There is no assurance that we will be able to renew our existing arrangements with UPC on commercially favorable terms. Our inability to maintain or renew our existing partnerships with resellers and our MVNO partner or attract new resellers could damage our reputation, prevent us from further growing and diversifying our subscriber base, and have a material adverse effect on our business, financial condition and results of operations. In addition, our resellers may not be able to add new subscribers, or may lose subscribers, which may have a material adverse effect on our business, financial condition and results of operations.

***We depend on third-party telecommunications providers over which we have no direct control for the provision of certain of our services.***

Our ability to provide high-quality telecommunications services depends on our ability to interconnect with the telecommunications networks and services of other telecommunications operators, particularly those of our main competitors Swisscom and Sunrise, as well as the networks of

UPC. As such, the prices which they charge alternative operators, including us, for wholesale services they provide have a direct impact on our profitability. Furthermore, the potential failure of any of the third-party telecommunications providers we (directly or indirectly) rely on for our access to infrastructure to comply with the current agreements relevant for our access or technical defaults, may create interruptions or quality problems with our telecommunications services. In addition, we face the risk that any relevant agreements with third-party telecommunications provider are not extended or are extended at less favorable conditions.

We also rely on third-party operators for the provision of international roaming services for our mobile subscribers. While we have interconnection and roaming agreements in place with other operators, we do not have direct control over the quality of their networks and the interconnection and roaming services they provide. Additionally, our counterparties may decide to charge additional fees for our use of their networks, such as termination fees for SMS services. Even if we attempt to offset such fees by implementing similar fees ourselves, we may not be able to offset the added costs. In certain cases, these agreements can be terminated by our counterparties upon a reasonably short notice. Any difficulties or delays in interconnecting with other networks and services, or the failure of any operator to provide reliable interconnections or roaming services to us on a consistent basis, could result in a loss of subscribers or a decrease in traffic, which would reduce our revenue and adversely affect our business, financial condition and results of operations.

***Our shareholder and certain of our affiliates are highly engaged in our business, and adverse changes to our relationship could cause our operations to suffer.***

We work closely with NJJ and certain of our affiliates in the management of our operations and the in-sourcing of our IT operations. Our success is highly dependent on maintaining our relationship with Xavier Niel, one of our directors and our majority shareholder, as well as other members of the NJJ team. If NJJ were to lose its key professionals, NJJ may need to replace such professionals, or we may need to find employees or other advisors to replace the services NJJ provides to us. Certain of our directors have significant duties with, and spend significant time serving, other entities and business opportunities and, accordingly, may have conflicts of interest in allocating time to our business. Any such factor may affect our business, financial condition and results of operations.

***We may not be able to attract and retain key personnel and may experience difficulty or incur costs in replacing such personnel and in integrating new personnel.***

Our success and our growth strategy depend in large part on our ability to attract and retain key management, marketing, finance and operating personnel, including the engineers and technicians that develop our in-house hardware and software. There can be no assurance that we will continue to attract or retain the qualified personnel needed for our business. Competition for qualified managers in our industry is intense and there is limited availability of persons with the requisite knowledge of the telecommunications industry and relevant experience in Switzerland. Immigration laws may further restrict our ability to attract or hire qualified personnel. To the extent that the demand for qualified personnel exceeds supply, we could experience a delay or higher labor costs in order to attract and retain qualified managers and personnel from time to time. In addition, as new personnel join our management, we may face a number of challenges typically associated with the integration and assimilation of new managers and key personnel, such as changes in organizational and reporting structures, the need to recruit additional new personnel or the departure of existing personnel. An inability to address these challenges can result in the diversion of management's attention from our daily operations and adversely affect our ability to successfully implement our strategy. Our failure to recruit and retain key personnel or qualified employees, or effectively integrate new managers and other key personnel, could have a material adverse effect on our business, financial condition and results of operations.

***Continuing uncertainties and challenging conditions in the global economy may adversely impact our business, financial condition and results of operations.***

Continuing or renewed instability in global markets, including turmoil in Europe related to sovereign debt and the stability of the euro, recently contributed to a global economic downturn. Future developments may continue to be dependent upon a number of political and economic factors, including the effectiveness of measures by the European Central Bank and the European Commission to address debt burdens of certain countries in Europe and the continued stability of the eurozone. Concerns persist regarding the debt burden of certain eurozone countries, in particular Greece, and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual member states of the eurozone. These and other potential developments, or market perceptions concerning these and related issues, could have adverse consequences for us with respect to our outstanding debt obligations that are euro-denominated and, as we have a substantial amount of debt denominated in euro, our financial condition may be materially affected. The uncertainty surrounding the United Kingdom's exit from the European Union could also have a negative impact on the European economy. We cannot predict how long these challenging conditions will exist or the extent to which the markets in which we operate may further deteriorate.

These unfavorable economic conditions may impact a significant number of subscribers and, as a result, it may, among other things, be more (i) difficult for us to attract new subscribers, (ii) likely that subscribers will downgrade or disconnect their services and (iii) difficult for us to maintain ARPUs at existing levels. Accordingly, our ability to increase, or, in certain cases, maintain, the revenue, ARPUs, operating cash flow, operating cash flow margins and liquidity of our operating segments could be adversely affected if the macroeconomic environment remains uncertain or declines further. We are currently unable to predict the extent of any of these potential adverse effects.

***Our pension liability may reduce our cash flows, profitability, financial condition, net assets, distributable reserves and our ability to pay dividends.***

We operate a "defined contribution plan with minimum interest guarantee" pension scheme that, due to certain guarantees that the plan is required to provide under Swiss legislation, is treated as a defined benefit agreement for the purposes of IFRS. As of September 30, 2017, the Group had a pension liability of CHF 15.0 million (under IFRS). The pension liability could further increase depending, among other things, on changes in the valuation of publicly-traded equities, exchange rates and interest rates.

Should the Swiss actuarial valuation at any time disclose a significant underfunding of our pension fund, we could be obliged to make additional contributions into the pension plan in addition to the normal contributions defined in the pension plan regulations. Such contributions may adversely affect our ability to distribute dividends or service our debt and generally have a material adverse effect on our business, financial condition and results of operations.

***Our insurance may not be adequate to cover losses or liabilities that may arise.***

We maintain insurance for some, but not all, the potential risks and liabilities associated with our business. Any damage or failure that causes an interruption in services could reduce our revenue and have a material adverse effect on our business, financial condition and results of operations. Also, while our property risk insurance covers certain property damage caused by natural disasters up to a specified limit, we do not carry insurance for all damage and losses caused by natural disasters. Further, insurance against acts of terrorism is not always available in each jurisdiction in which we operate or may be prohibitively expensive. If we seek to obtain additional insurance coverage in the future, insurance may only be available at premium levels that are prohibitively expensive. To the extent such losses or payments are not insured or the insured amount is not adequate, losses incurred or payments we may be required to make may have a material adverse effect on our business, financial condition and results of operations.

***We face legal and regulatory dispute risks.***

We are currently subject to approximately 130 pending network cases (related to specific antenna sites), which can be split into three categories (i) appeals against the relevant building permit applications for antenna sites (approximately 15% of the total cases), where in case of a negative outcome, we would not be allowed to build or upgrade such site(s), (ii) appeals against the termination of site lease contracts (approximately 5% of the total cases), where in case of a negative outcome, we would be obliged to dismantle such site, losing the related revenue and face the investment for the acquisition of a replacement site, and (iii) appeals against newly established planning zones (approximately 80% of the total cases). Appeals against the relevant building applications are usually based on aesthetics and health-related concerns, claims for spatial planning coordination and claimed diminution of value. We are also a party to two proceedings initiated by former distribution partners claiming commissions, damages and compensation due to the termination of their respective distribution agreements. See "*Business—Legal Proceedings*."

We are also subject to numerous risks relating to legal and civil, tax, regulatory and competition proceedings to which we are a party or in which we are otherwise involved or which could develop in the future, and certain of these proceedings (or proceedings in which we may become involved), if adversely resolved, could have a material adverse effect on our business, financial condition and results of operations. Furthermore, our involvement in legal, regulatory and competition proceedings may harm our reputation. We cannot assure you what the ultimate outcome of any particular legal proceeding will be.

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

We collect, store and use data in the ordinary course of our operations that is protected by data protection laws. Although we take precautions to protect subscriber data in accordance with the privacy requirements provided for under applicable laws, we may fail to do so and certain subscriber data may be leaked as a result of human error or technological failure or otherwise be used inappropriately. We work with independent and third-party sales agents, service providers and call center agents, and we cannot exclude that such third parties could also experience system failures involving the storing or the transmission of proprietary information. Violation of data protection laws may result in fines, loss of reputation and subscriber churn and could have a material adverse effect on our business, financial condition and results of operations.

***Our business is subject to cybersecurity risks.***

In the course of our business, we collect and store sensitive data and proprietary business information. We could be subject to service outages, denial-of-service-attacks or breaches of security systems which may result in disruption, unauthorized access, misappropriation, or corruption of this information. Security breaches of our network or data including physical or electronic break-ins, vendor service outages or hacks, computer viruses, other attacks by hackers or similar breaches can create system disruptions, shutdowns, or unauthorized disclosure of confidential information. Although we are not aware of any significant incidents to date, if we are unable to prevent such security or privacy breaches, our operations could be disrupted or we may suffer legal claims, loss of reputation, financial loss, property damage, or regulatory penalties because of lost or misappropriated information.

***Increasing data security requirements by financial institutions, certain other corporate customers and governmental entities may adversely affect our business and profitability.***

We are a provider of mobile and landline services to a number of public and private financial institutions, government entities and corporate customers with data security requirements. These customers may continue to increase their data security requirements, and we may be required to undertake additional investments in order to adhere to these enhanced data security requirements, as well as evolving statutory and regulatory requirements, including obtaining and maintaining certain ISO certifications, improving access rights management systems and developing a corporate data encryption infrastructure. As a result, we may incur additional capital expenditures to satisfy data security requirements. In addition, we cannot assure you that these customers will not terminate their contracts with us. Such terminations may have a material adverse effect on our business, financial condition and results of operations.

***We may be subject to legal liability associated with providing online services or content.***

We provide a wide variety of services and products that enable users to exchange information, advertise products and services, conduct business, and engage in various online activities both domestically and internationally. The laws relating to the liability of providers of these online services and products for activities of their users is still somewhat unsettled. Claims may be threatened or brought against us for defamation, negligence, breach of contract, copyright or trademark infringement, unfair competition, unlawful activity, tort, including personal injury, fraud, or other theories based on the nature and content of information that we publish or to which we provide links or that may be posted or exchanged online or generated by us or by third parties, including our users. In addition, we could be subject to domestic or international actions alleging that certain content we have generated or third-party content that we have made available within our services violates law.

We also place advertisements which are displayed on third-party publishers and advertising networks properties, and we offer third-party products, services, or content. We may be subject to claims concerning these products, services, or content by virtue of our involvement in marketing, branding, broadcasting, or providing access to them, even if we do not ourselves host, operate, provide, or provide access to these products, services, or content. Defense of any such actions could be costly and involve significant time and attention of our management and other resources, may result in monetary liabilities or penalties, and may require us to change our business in an adverse manner.

### Risks Related to Our Financial Profile

***Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes and the Guarantees.***

We are highly leveraged. As of September 30, 2017, after giving effect to the Transactions, we would have had total debt of CHF 2,442.2 million. See "*Capitalization.*"

The degree to which we will be leveraged following the issuance of the Notes could have important consequences to holders of the Notes in this Offering, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to the Notes;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, spectrum license payments, acquisitions, joint ventures, product research and development, subscriber acquisition costs or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

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

***We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.***

The Indenture restricts, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- in the case of the Senior Notes, layer debt;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of the Parent Guarantor or its restricted subsidiaries;
- prepay or redeem subordinated debt or equity;

- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to, and on the transfer of, assets to the Parent Guarantor or any of its restricted subsidiaries;
- sell, lease or transfer certain assets, including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- enter into unrelated businesses or engage in prohibited activities;
- consolidate or merge with other entities;
- impair the security interest for the benefit of the holders of the Notes; and
- amend certain documents.

All of these limitations will be subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants.*" The covenants to which we are subject 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, we are subject to the affirmative and negative covenants contained in the Revolving Credit Facility. In particular, the Revolving Credit Facility requires us to maintain specified financial ratios and satisfy a financial condition test if more than CHF 35 million is outstanding under the Revolving Credit Facility. Our ability to meet that financial ratio test may be affected by events beyond our control, and we cannot assure you that we will meet it. A breach of any of those covenants or that ratio test or other restrictions could result in an event of default under the Revolving Credit Facility. Upon the occurrence of any event of default under the Revolving Credit Facility, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the facility and elect to declare all amounts outstanding under the Revolving Credit Facility, together with accrued interest, immediately due and payable. In addition, any default under the Revolving Credit Facility could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including the Indenture. If our creditors, including the creditors under the Revolving Credit Facility, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to enable us to repay the Notes, in full or in part. In addition, if we are unable to repay those amounts, our creditors could proceed against any collateral granted to them to secure repayment of those amounts.

***We will require a significant amount of cash to meet our obligations under our indebtedness and to sustain our operations, which we may not be able to generate or raise.***

Our ability to make principal or interest payments when due on our indebtedness, including the Revolving Credit Facility and our obligations under the Notes, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "*Risk Factors*," many of which are beyond our control. Our Revolving Credit Facility will mature in 2020, the Fixed Rate Senior Secured Notes will mature in 2022, the Floating Rate Senior Secured Notes will mature in 2023, and the Notes will mature in 2027. See "*Description of Certain Financing Arrangements*" and "*Description of the Notes.*" At the maturity of the Revolving Credit Facility and the Notes or any other debt which we may incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs or we are otherwise restricted from doing so due to corporate, tax or contractual limitations, we may be required to refinance our indebtedness. If we are unable to refinance all or a portion of our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to reduce or delay our business activities or capital expenditures, sell assets, or raise additional debt or equity financing in amounts that could be substantial. The type, timing and terms of any future financing will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we will be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In addition, the terms of our Revolving Credit Facility, the Indenture, the Existing Indentures and any future debt may limit our ability to pursue any of these measures.

***Despite our current level of indebtedness, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our businesses.***

We may incur substantial additional debt in the future. Any debt that we incur at our subsidiary level would be structurally senior to the Notes, and other debt could be secured or could mature prior to the Notes. In addition, such debt could be incurred on a basis senior to the guarantee of the Senior Notes. Although the Revolving Credit Facility, the Existing Indentures and the Indenture contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase. Increases in our total indebtedness could also lead to a downgrade of the ratings assigned to the Group or the Notes, which could negatively affect their trading price. In addition, the Revolving Credit Facility and the Existing Indentures do not, and the Indenture will not, prevent us from incurring obligations that do not constitute indebtedness under those agreements.

***The loans under our Revolving Credit Facility and the Floating Rate Senior Secured Notes bear interest at floating rates. Such floating rates could rise significantly, increasing our costs and reducing our cash flow.***

The loans under our Revolving Credit Facility bear interest at floating rates of interest per annum equal to LIBOR and/or EURIBOR, as adjusted periodically, plus a spread. We are also exposed to floating interest rates associated with the Floating Rate Senior Secured Notes. These interest rates could rise significantly in the future. Although we may fix a portion of these rates pursuant to hedging agreements, there can be no assurance that such hedging will continue to be available on commercially reasonable terms for as long as such indebtedness remains outstanding. To the extent that interest rates were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow.

***Exchange rate fluctuations could adversely affect our financial results.***

Some of our debt service requirements are denominated in euro even though substantially all of our cash flow from operations is generated in Swiss francs. Significant changes in the value of the Swiss franc relative to the euro could have a material adverse effect on our financial condition and our ability to meet interest and principal payments on euro-denominated debt, including the euro-denominated Senior Secured Notes, the Senior Notes and any euro-denominated borrowings under the Revolving Credit Facility. Although we hedge a portion of our exchange rate exposure, there can be no assurance that such hedging will continue to be available on commercially reasonable terms for as long as such indebtedness remains outstanding.

***Our interest and cross-currency swap agreements may expose us to credit default risks and potential losses if our counterparties fall into bankruptcy.***

We enter into interest and currency hedging agreements to hedge our exposure to fluctuations in interest rates and foreign currency exchange rates under our Existing Notes and may enter into further agreements with respect to the Notes. Under these agreements, we may be exposed to credit risks of our counterparties. If one or more of our counterparties falls into bankruptcy, claims we have under the swap agreements may become worthless. In addition, in the event that we refinance our debt or otherwise terminate our hedging agreements, we may be required to make termination payments, which would result in a loss.

***We may be subject to financial risks related to Swiss and foreign tax compliance.***

We have and continue to develop our business by implementing new products and internal process changes. As we operationalize these changes, we cannot assure what the ultimate outcome of any particular direct or indirect tax audit would be. Legislative changes in particular can have implications on our process streams and controls. In addition, as some of our network equipment is located outside of Switzerland, we may be subject to an extended taxation, due to the fact that such equipment could be linked to the definition of a "Permanent Establishment" ("PE") according to the OECD guidelines. We continue to assess and manage any tax issues in relation to possible PE topics.

## Risks Related to the Collateral

***The Revolving Credit Facility and certain hedging obligations are entitled to be repaid with the proceeds of the collateral securing the Senior Secured Notes in priority to the Senior Secured Notes.***

The Revolving Credit Facility and certain hedging obligations are, or will be, "super priority" debt under the Existing Indentures, the Indenture and the Intercreditor Agreement. Under the Existing Senior Secured Notes Indentures and the Indenture, commitments in an amount not to exceed the greater of CHF 160 million and 0.4 multiplied by Consolidated EBITDA (as defined in "*Description of the Notes—Certain Definitions*") and certain hedging obligations may be secured by "super priority" Liens on the collateral. The Existing Indentures and the Intercreditor Agreement do not, and the Indenture will not, limit the amount of hedging that can be "super priority" hedging. The Revolving Credit Facility and any "super priority" hedging obligations are secured by the same property and assets that secure the Senior Secured Notes. Under the terms of the Intercreditor Agreement, proceeds from enforcement sales of assets that are part of the collateral securing the Notes or amounts paid under any guarantee of the Senior Secured Notes after enforcement must first be applied in satisfaction in full of obligations under the Revolving Credit Facility and any "super priority" hedging obligations; only thereafter can they be applied to repay the obligations of the Issuer and the guarantors under the Senior Secured Notes and the guarantees of the Senior Secured Notes, as applicable. As such, in the event of enforcement of such collateral, you may not be able to recover on the collateral if the then-outstanding liabilities under the Revolving Credit Facility and any "super priority" hedging obligations are greater than the proceeds realized in such enforcement sale.

***Holders of the Senior Secured Notes may not control certain decisions regarding the collateral.***

The Senior Secured Notes, other than the Floating Rate Senior Secured Notes and the Notes, are secured by the same collateral securing the obligations under the Revolving Credit Facility and certain hedging obligations. In addition, under the terms of the Existing Senior Secured Notes Indentures, we are permitted to incur significant additional indebtedness and other obligations that may be secured by the same collateral.

As a result of the voting provisions set forth in the Intercreditor Agreement, under certain circumstances, the lenders under the Revolving Credit Facility and counterparties to certain hedging agreement could have effective control of all decisions with respect to the collateral. Pursuant to the Intercreditor Agreement, a common security agent will serve as the Security Agent for the secured parties under the Revolving Credit Facility, Senior Secured Notes and certain hedging agreements. Subject to certain limited exceptions, the Security Agent will act with respect to such collateral only at the direction of an "Instructing Group."

Before any group of creditors sharing in the collateral may give enforcement instructions to the Security Agent, the representative of the relevant creditors must first consult with each other representative of creditor groups sharing in the collateral (in each case including the trustee on behalf of the holders of the Fixed Rate Senior Secured Notes, the trustee on behalf of the holders of the Floating Rate Senior Secured Notes and the agent on behalf of the lenders under the Revolving Credit Facility), certain counterparties to hedging agreement and the Security Agent for a period of not less than 30 days. Upon conclusion of the consultation period, if there are conflicting enforcement instructions given to the Security Agent by the different classes of creditors which are secured by the collateral and who can constitute an Instructing Group, then provided that the Senior Instructing Group Creditors (as defined in and according to the terms of the Intercreditor Agreement) whose senior secured credit participations at that time aggregate to more than 66 $^{2}/_{3}$% of the total senior instructing group credit participations have complied with any other applicable requirements set out in the Intercreditor Agreement and any applicable requirements in the Refinancing Transaction Security

Documents, the enforcement instructions from those Senior Instructing Group Creditors will prevail over those of the lenders under the Revolving Credit Facility and the counterparties under certain hedging agreement and those Senior Instructing Group Creditors will constitute the Instructing Group. The senior secured credit participations include, as applicable, drawn and undrawn uncanceled commitments under the Revolving Credit Facility and amounts payable in respect of certain hedging obligations that have been terminated or closed out or that would be payable if such certain hedging obligations had been terminated or closed out and the principal amount of the Senior Secured Notes and drawn and undrawn uncanceled commitments and/or (as applicable) the principal amount of any permitted additional indebtedness (with each holder exercising its own vote). The total senior instructing group credit participations comprise, prior to the date on which the liabilities under the Revolving Credit Facility and related finance documents are discharged in full, the principal amount of the Senior Secured Notes and drawn and undrawn uncanceled commitments and/or (as applicable) the principal amount of any permitted additional indebtedness and, on and after the date on which the liabilities under the Revolving Credit Facility and related finance documents are discharged in full, amounts payable in respect of certain hedging obligations that have been terminated or closed out or that would be payable if such certain hedging obligations had been terminated or closed out and the principal amount of the Senior Secured Notes and drawn and undrawn uncanceled commitments and/or (as applicable) the principal amount of any permitted additional indebtedness. In certain circumstances (for example, if the Senior Creditors have not been fully repaid within six months of the end of the first consultation period referred to above, or if no steps have been taken as to enforcement by the Security Agent within three months of the end of the first consultation period or if an insolvency event has occurred and no steps have been taken as to enforcement by the Security Agent at that time), the instructions of the requisite majority of the Senior Creditors will then prevail. In addition, there are also customary “override” provisions if necessary to protect or preserve the interests of the Senior Creditors.

The “Senior Instructing Group Creditors” are determined as follows:

(a) prior to the date on which the liabilities under the Revolving Credit Facility and related finance documents are discharged in full, the holders of the Senior Secured Notes and the holders of any permitted additional indebtedness; and

(b) on and after the date on which the liabilities under the Revolving Credit Facility and related finance documents are discharged in full, the holders of the Senior Secured Notes and the holders of any permitted additional indebtedness and the counterparties to the hedging agreement.

In summary, prior to the date on which the liabilities under the Revolving Credit Facility and related finance documents are discharged in full, the holders of the Fixed Rate Senior Secured Notes and the holders of the Floating Rate Senior Secured Notes will each vote as an independent class to the extent there is no other permitted additional indebtedness. On and after the date on which the liabilities under the Revolving Credit Facility and related finance documents are discharged in full, the holders of the Fixed Rate Senior Secured Notes and the holders of the Floating Rate Senior Secured Notes will each vote as a combined creditor class with the counterparties to certain hedging agreements and the holders of any permitted additional indebtedness.

The holders of the Notes will not have separate rights to enforce the collateral. In addition, the holders of the Notes will not be able to instruct the Security Agent, force a sale of collateral or otherwise independently pursue the remedies of a secured creditor under the relevant Security Documents, unless they comprise an Instructing Group or part thereof which is entitled to give such instructions, which, in turn, will depend on conditions and circumstances described above. Disputes may occur between the holders of the Senior Secured Notes and creditors under our Revolving Credit Facility, the counterparties to certain hedging agreements or holders of any permitted additional indebtedness as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the collateral. In such an event, the holders of the Senior Secured Notes will be bound by any decisions of the Instructing Group, which may result in enforcement action in respect of the collateral, whether or not such action is approved by the holders of the Senior Secured Notes or may be adverse to such holders. The creditors under the Revolving Credit Facility, the counterparties to certain hedging agreements or the holders of any permitted additional indebtedness may have interests that are different from the interest of holders of the Senior Secured Notes and they may elect to pursue their remedies under the Security Documents at a time when it would otherwise be disadvantageous for the holders of the Senior Secured Notes to do so. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

In addition, if the Security Agent sells collateral comprising the shares of Salt or the shares of any of our other subsidiaries as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Notes and the Guarantees and the liens over any other assets securing the Notes and the Guarantees may be released. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes—Security—Release of Liens.*"

***The collateral may not be sufficient to secure the obligations under the Notes.***

The guarantees of the Senior Secured Notes are, and the guarantees of the Notes will be, secured by security interests in the collateral described in this Offering Memorandum, which certain collateral also secures the obligations under the Revolving Credit Facility and, with respect to certain limited collateral, the Senior Notes (on a second-priority basis). The collateral may also secure additional debt to the extent permitted by the terms of the Existing Senior Secured Notes Indentures, the Indenture, the Senior Notes Indenture, the Revolving Credit Facility and the Intercreditor Agreement. Your rights to the collateral may be diluted by any increase in the first-priority debt secured by the collateral or a reduction of the collateral securing the Senior Secured Notes.

The value of the collateral and the amount to be received upon an enforcement of such collateral will depend upon many factors, including, among others, the ability to sell the collateral in an orderly sale, economic conditions where operations are located and the availability of buyers. The book value of the collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the collateral may be illiquid and may have no readily ascertainable market value. Similarly, we cannot assure you that there will be a market for the sale of the collateral, or, if such a market exists, that there will not be a substantial delay in its liquidation. In addition, the share pledges of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding. The collateral is located in more than one country, and the multi-jurisdictional nature of any foreclosure on the collateral may limit the realizable value of the collateral. For example, the bankruptcy, insolvency, administrative and other laws of the various jurisdictions may be materially different from, or conflict with, each other, including in the areas of rights of creditors, priority of government and other creditors, ability to obtain post-petition interest and duration of the proceedings.

In addition, our business requires a variety of national, state and local permits and licenses. In the event of foreclosure, the grant of permits and licenses may be revoked or the transfer of such permits and licenses may be prohibited or may require us to incur significant cost and expense. We cannot assure you that the applicable governmental authorities will consent to the transfer of our licenses and 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 our operations may result and the value of the collateral may be significantly decreased.

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

The collateral securing the Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture and/or the Intercreditor Agreement and accepted by other creditors that have the benefit of priority security interests in the collateral securing the Senior Secured Notes and the Senior Notes, respectively, from time to time, whether on or after the date the Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the collateral securing the Notes, as well as the ability of the Security Agent to realize or foreclose on such collateral. Furthermore, the 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 are subject to practical problems generally associated with the realization of security interests in collateral. For example, under both Luxembourg and Swiss law, the enforcement of a share pledge, whether by means of a sale or an appropriation, is subject to certain specific requirements. The Security Agent may also need to obtain the consent of a third party to enforce a security interest in certain jurisdictions. We cannot assure you that the Security Agent will be able to obtain any such consent. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the collateral may decline significantly.

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

The security interests in the collateral that secure our obligations under the Notes and the obligations of the Guarantors under the Guarantees have not and will not be granted directly to the holders of the Notes but have been granted only in favor of the Security Agent. The Indenture will provide, along with the Intercreditor Agreement, that only the Security Agent has the right to enforce the Security Documents. The ability of the Security Agent to enforce the Security Documents may be restricted under local law. As a consequence of the right to enforce the Security Documents, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the collateral securing the Notes, except through the Trustee, which will (subject to the applicable provisions of the Indenture) provide instructions to the Security Agent in respect of the collateral.

The appointment of a foreign security agent will be recognized under Luxembourg law, (i) to the extent that the designation is valid under the law governing such appointment and (ii) subject to possible restrictions, depending on the type of the security interests. Generally, according to paragraph 2(4) of the Luxembourg Act dated August 5, 2005 concerning financial collateral arrangements, as amended, 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.

Under Swiss law, “accessory” security interests such as pledges (*Pfandrechte)* require that the pledgee and the creditor of the secured claim be the same person. Such security interests cannot be held on behalf of third parties who do not hold the secured claim. If and to the extent the beneficial holders of the Senior Secured Notes from time to time will not be party to such Swiss law governed “accessory” security agreements, there may be a risk regarding the validity and/or enforceability of such security interest granted in favor of holders of the Senior Secured Notes. In order to mitigate such risk, the Swiss law governed security interests in the form of a pledge in certain of the collateral (including the share pledges of Salt and Salt Network) that will constitute security for the obligations of the Issuer will not be granted directly to the holders of the Notes but only in favor of the Security Agent, as beneficiary of parallel debt obligations (the “Parallel Debt”). This Parallel Debt is created by way of an abstract acknowledgment of debt (*abstraktes Schuldanerkenntnis*) to satisfy a requirement under the laws of Switzerland that the Security Agent, as grantee of certain types of collateral, be a creditor of the relevant debtor of the secured obligations. The Parallel Debt is in the same amounts and payable at the same times as the obligations of the Issuer under the Existing Senior Secured Notes Indentures and the Indenture (the “Principal Obligations”). Any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. Although the Security Agent will have, pursuant to the Parallel Debt, a claim against the Issuer for the full aggregate principal amount of the Senior Secured Notes, holders of the Senior Secured Notes will bear some risk associated with a possible insolvency or bankruptcy of the Security Agent. The Parallel Debt obligations referred to above are contained in the Intercreditor Agreement, which is governed by English law, and are also agreed and acknowledged under the Existing Senior Secured Notes Indentures, which are governed by New York law. Also, the parallel debt structure is untested under Swiss law, and there is no certainty that such a structure will be held valid and enforceable under Swiss law and be effective before the Swiss courts as it may be deemed to constitute a circumvention of the accessory nature of the pledge and there are no court precedents or other relevant guidance as to its effectiveness or permissibility. To the extent that the parallel debt structure is successfully challenged, the ability of the Security Agent to enforce any Swiss law governed "accessory" collateral may be restricted, and the holders of the Senior Secured Notes may not receive any proceeds from an enforcement thereof. Moreover, the instruction and appointment of an agent and any power of attorney may be revoked at any time under Swiss law notwithstanding the appointment, instruction or power of attorney being said to be irrevocable and any mandate may, as a matter of statutory law, be terminated at any time by each party to the mandate.

## Risks Related to the Notes and Our Structure

***The Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations on the Notes.***

The Issuer is a holding company with no independent business operations or significant assets other than investments in its subsidiaries. The Issuer depends upon the receipt of sufficient funds from its subsidiaries to meet its obligations. We intend to provide funds to the Issuer in order to meet its obligations on the Notes through a combination of dividends, distribution of available share premium reserves and intercompany loans.

Applicable tax laws may also subject such payments to further taxation. Applicable law may also limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments. In particular, the ability of the Company to pay dividends to the Issuer will generally be limited to the amount of distributable reserves available at the Company. Under Swiss law, all dividends may only be distributed out of distributable reserves, and, in principle, interim dividends are not allowed under Swiss law. However, it is uncertain under Swiss law whether interim dividends may be allowed in certain circumstances, subject to strict conditions. Also, following a recent decision by the Swiss Federal Supreme Court, the distributable reserves of Salt and Salt Network may be reduced by the amount of any upstream or cross-stream intercompany loan provided by Salt or Salt Network which is not at arm's length terms. See "*—Our intercompany financing is subject to strict legal requirements*" below. Under Luxembourg law, all dividends may only be distributed out of distributable reserves, and any interim dividend distribution by a public limited liability company shall be subject to strict conditions. In addition, the subsidiaries of the Issuer that do not guarantee the Notes have no obligation to make payments with respect to the Notes.

The inability to transfer cash among entities within their respective consolidated groups may mean that, even though the entities, in aggregate, may have sufficient resources to meet their obligations, they may not be permitted to make the necessary transfers from one entity in their restricted group to another entity in their restricted group in order to make payments to the entity owing the obligations.

***Our intercompany financing is subject to strict legal requirements.***

According to a decision of the Swiss Federal Supreme Court at the end of 2014, the legal regime governing intercompany loans has become stricter in Switzerland. According to such decision, upstream loans must be entered into on arm's length terms. If not at arm's length, such loans constitute *de facto* distributions and may only be granted for an amount that does not exceed the lender's freely distributable reserves. The court also imposed stringent requirements on satisfying the arm's length test. In addition, the court held that an upstream loan that is not entered into at market terms reduces the lender's ability for future dividend distributions by the amount corresponding to the loan. Our financial structure includes, *inter alia*, a significant upstream loan granted by the Company to the Issuer. Although we believe that such loan is entered into at arm's length terms, we cannot exclude that such assessment may not be upheld by a court which could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes.

***Payments of interest in respect of the Notes could become subject to Swiss Withholding Taxes.***

We intend to use the net proceeds from the Offering exclusively outside of Switzerland (as opposed to a harmful "use of proceeds in Switzerland" as interpreted by the Swiss Federal Tax Administration for purposes of Swiss Withholding Tax). Payments of interest in respect of the Notes would become subject to Swiss Withholding Tax (*Verrechnungssteuer*), such that Swiss Withholding

Tax would be required to be withheld at the applicable rate (currently 35%) from any payments of interest under the Notes, if the proceeds of the Notes were directly or indirectly used in Switzerland in any kind of intragroup financing which would constitute a harmful "use of proceeds in Switzerland" as interpreted by the Swiss Federal Tax Administration for purposes of Swiss Withholding Tax. See "*Tax—Swiss Tax Considerations.*" A gross-up for withholding taxes might be held void or unenforceable in Switzerland as a consequence of mandatory Swiss tax provisions.

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

Under various circumstances, the Guarantees and the collateral securing the Notes will be released automatically, including, without limitation:

- in the case of collateral, in connection with any sale or other disposition to any third party of the property or assets constituting collateral, so long as the sale or other disposition is permitted by the Indenture or to the Parent Guarantor or any restricted subsidiary consistent with the Intercreditor Agreement;
- in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture, the release of the property and assets of such Guarantor;
- in accordance with the "*Amendments and Waivers*" provisions of the Indenture;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided under the captions "*Description of the Notes—Defeasance,*" and "*Description of the Notes—Satisfaction and Discharge*" respectively;
- with respect to the property and assets securing the Notes, automatically if a security interest granted in favor of the Revolving Credit Facility, public debt or such other indebtedness that gave rise to the obligation to grant the security interest over such property and assets is released (other than pursuant to the payment and discharge thereof); or
- in accordance with the Intercreditor Agreement.

Unless consented to by the holders of the Notes, the Intercreditor Agreement provides that the Security Agent shall not, in an enforcement scenario, exercise its rights to release the Guarantees or security interests in the collateral unless the relevant sale or disposal is made:

- for consideration all or substantially all of which is in the form of cash;
- to the extent there is a release of Guarantees or security granted for the benefit of the holders of the Senior Notes, concurrently with the discharge or release of the indebtedness of the disposed entities of certain other creditors, including the creditors under the Revolving Credit Facility and holders of the Senior Secured Notes, unless each agent for the senior creditors determines that the senior creditors will recover a greater amount if any such claim is sold or otherwise transferred to the purchaser of the disposed entities and not released and discharged; and
- pursuant to a public auction, or a fairness opinion has been obtained from a financial advisor selected by the Security Agent.

The Intercreditor Agreement also provides that the collateral securing the Notes may be released and retaken in connection with the refinancing of certain indebtedness, including the Notes, if the Parent Guarantor has confirmed in writing to the Security Agent that it has determined that it is either not possible or not desirable to implement any such refinancing on terms satisfactory to it by instead granting additional collateral and/or amending the terms of the existing collateral. In certain jurisdictions, such a release and retaking of collateral may give rise to the start of a new "hardening period" in respect of such collateral. Under certain circumstances, other creditors, insolvency administrators or representatives or courts could challenge the validity and enforceability of the grant of such collateral. Any such challenge, if successful, could potentially limit your recovery in respect of such collateral and thus reduce your recovery under the Notes.

See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes—Certain Covenants—Impairment of Security Interest.*"

***The Notes will be and each of the Guarantees are structurally subordinated to the liabilities and preference shares (if any) of our non-Guarantor subsidiaries.***

The Guarantors are the only guarantors that will guarantee the Notes as of the Issue Date. 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 and any intercompany loans and by holders of the Notes under the Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of our non-Guarantor subsidiaries, holders of their indebtedness 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 each Guarantee will each be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non-Guarantor subsidiaries for the Notes. As of and for the nine months ended September 30, 2017, the Guarantors that will guarantee the Notes represented 101.8% of the Group's EBITDA, 99.9% of the Group's revenue and 99.9% of the Group's total assets. As of and for the nine months ended September 30, 2017, the Group's entities that will not guarantee any of the Notes (Salt France, Salt Communications SA (previously Salt Communications GmbH), Salt (Liechtenstein) AG and Teldas GmbH) generated negative 0.5% of the Group's EBITDA, 0.1% of the Group's revenue and 0.04% of the Group's total assets.

***Your rights in the collateral may be adversely affected by the failure to perfect security interests in the collateral.***

Under applicable law, a security interest in certain assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The liens on the collateral securing the Notes may not be perfected with respect to the claims of the Notes if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these liens.

Under Luxembourg law, contracts are formed by the mere agreement (*consentement*) between the parties thereto. Additional steps, however, are required to enforce security interests against third parties.

Securities such as pledges, and transfer of ownership as a security, granted on financial instruments and claims are governed by the Luxembourg Act dated August 5, 2005 concerning financial collateral arrangements, as amended. Pursuant to this law, a pledge is effected, not by transfer of title, but by a transfer of possession of the pledged assets to the pledgee or to a third party acting as depository for the pledgee and the pledgee's preference rights over the pledged assets only remain in existence as long as the pledgee or the depository remains in possession of such assets.

A physical transfer of possession not being possible for intangibles such as monetary claims, the Luxembourg Act dated August 5, 2005 concerning financial collateral arrangements, as amended, provides for a fictitious transfer of possession which is effected by mechanisms which depend on the nature of the intangibles involved. In case of registered shares, the dispossession is achieved by the entry of the security interest in the register of the issuer. Dispossession of cash collateral or rights under contracts is achieved by the security interest thereon being notified by the debtor/co-contractor or by the acceptance thereof by the debtor of such claims or the co-contractor.

Absent perfection, the holder of the security interest may have difficulty enforcing such holder's rights in the collateral with regard to third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same collateral. In addition, a debtor may discharge its obligation by paying the security provider until, but not after, the debtor receives a notification of the existence of the security interest granted by the security provider in favor of the security taker over the claims the security taker (as creditor) has against the debtor. Finally, since the ranking of pledges is determined by the date on which they became enforceable against third parties, a security interest created on a later date over the same collateral, but which come into force for third parties earlier (by way of registration in the appropriate register or by notification) has priority.

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

The Guarantors will guarantee the Notes on a senior basis. Each Guarantee will provide the relevant holders of the Notes with a direct claim against the relevant Guarantor. In addition, the Issuer and the Guarantors will secure the payment of the Notes on a senior basis by granting security under the relevant Security Documents. Under the terms of the Intercreditor Agreement, lenders under the Revolving Credit Facility and counterparties to certain hedging agreements, however, will receive proceeds from the enforcement of the collateral securing the Senior Secured Notes in priority to holders of the Senior Secured Notes. There is no guarantee that the value of the Guarantees or the collateral will be sufficient to satisfy claims under the Notes. Notwithstanding, the Indenture will provide for general limitation language to the effect that each Guarantee and each security interest granted as well as any other obligation, liability or indemnification under a Security Document will be limited to the maximum amount that can be guaranteed/secured by the relevant Guarantor/security provider with respect to the aggregate obligations and exposure of the Guarantor/security provider without rendering the relevant Guarantee/security interest voidable or otherwise ineffective under Luxembourg, Swiss and other applicable law, and enforcement of each Guarantee/Security Document would be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally.

Luxembourg law also provides for specific limitations with respect to financial assistance. In particular, any security interests/guarantees granted by entities organized in Luxembourg, which constitute breach of the provisions on financial assistance as defined by article 49-6 of the Luxembourg law dated August 10, 1915 on commercial companies, as amended (the “Companies Act 1915”), or any other similar provisions (to the extent applicable, as at the date of this Offering Memorandum, to an entity organized under the laws of Luxembourg and having the form of a private limited liability company) might not be enforceable.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, a court could subordinate or void the Guarantees or the security interest granted under the Security Documents and, if payment had already been made under a Guarantee or enforcement proceeds applied under a Security Document, require that the recipient return the payment to the relevant Guarantor/security provider, if the court found that:

- the amount paid or payable under the relevant Guarantee or the enforcement proceeds under the relevant Security Document was in excess of the maximum amount permitted under applicable law;
- the relevant Guarantee or security interest under a Security Document was incurred with actual intent to hinder, delay or defraud creditors or shareholders of the Guarantor/security provider or, in certain jurisdictions, even when the recipient was simply aware that the Guarantor/security provider was insolvent when it granted the relevant Guarantee or security interest;
- the Guarantor/security provider did not receive fair consideration or reasonably equivalent value for the relevant Guarantee/security interest and the Guarantor/security provider was: (i) insolvent or rendered insolvent because of the relevant Guarantee/security interest; (ii) undercapitalized or became undercapitalized because of the relevant Guarantee/Security Document; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity; or
- the relevant Guarantees/Security Documents were held to exceed the corporate objects/corporate purposes of the Guarantor/security provider or not to be in the best interests or for the corporate benefit of the Guarantor/security provider.

The validity or enforceability of a security interest granted or a guarantee issued by a Swiss Guarantor may be limited by applicable bankruptcy, insolvency, re-organization, corporate, tax, contract or similar laws, regulations or defenses affecting creditors and secured parties in general (including provisions relating to fraudulent transfer, voidable preference, corporate purpose, financial assistance, capital maintenance and solvency) or laws or principles of general application (including the abuse of rights (*Rechtsmissbrauch*) and the principle of good faith (*Grundsatz von Treu und Glauben*) and public policy.

In particular, since the Guarantees and security interests under the Security Documents as well as any other obligation, liability or indemnification under the Security Documents granted by Salt and Salt Network (the "Swiss Security Providers") constitute obligations/guarantees/security for liabilities of direct or indirect shareholders (so-called "upstream obligations/guarantees/security"), the liability of the Swiss Security Providers under their Guarantees and security interests granted by the Swiss Security Providers under the Security Documents is limited under Swiss law (i) insofar as such upstream obligations/guarantees/security must be within the corporate purpose and interests of such Swiss Security Provider and (ii) to the amount of such Swiss Security Provider's freely disposable equity, being the balance sheet profits and non-statutory reserves available for the distribution as dividends at the time of enforcement of the Guarantees and the security interests under the Security Documents. The payment of dividends from Salt to the Issuer will reduce the distributable profits and reserves available to satisfy the obligations under the Guarantees and the Security Documents. Also, following a recent decision by the Swiss Federal Supreme Court, the distributable reserves of Salt and Salt Network may be reduced by the amount of any upstream or cross-stream intercompany loan provided by Salt or Salt Network which is not at arm's length terms. See "*—Risks Related to the Notes and Our Structure—Our intercompany financing is subject to strict legal requirements*."

We are under no obligation to maintain a specific level of distributable profits and reserves, and, if we have distributable profits and reserves, we may make dividend payments that reduce our distributable profits and reserves to zero. We intend to make dividends to service indebtedness and for tax-planning purposes. There can be no assurance that we will have distributable profits and reserves available to satisfy the obligations under the Guarantees and the Security Documents, whether or not we make dividends. The payment of dividends to service our debt obligations (including under the Notes) will deplete the distributable reserves available to satisfy the obligations under the Guarantees and the Security Documents. In addition, the enforcement of upstream obligations (i.e. payment under the Guarantees by the Swiss Security Providers and the enforcement of security interests under the relevant Security Documents) may require certain prior corporate formalities to be completed, including, but not limited to, obtaining an audit report determining the freely distributable reserves at the time of enforcement under then applicable law, shareholders' resolutions and board resolutions. Moreover, the enforcement of a Swiss Security Provider's Guarantee and the security interest granted by them under the Security Documents may give rise to Swiss withholding taxes on dividends (of up to 35% at present rates, subject to applicable double-taxation treaties) to the extent that the payment or enforcement of security interest have to be regarded as a deemed distribution by a Swiss Security Provider to the Issuer or any other related party and the obligations of a Swiss Security Provider to gross-up by paying additional amounts may not be enforceable under Swiss Law. In addition, the Guarantees and security interests under the Security Documents will be limited to the maximum amount such that the amount of indebtedness for which interest is deductible would not be exceeded; this amount would be tested annually. It is expected that initially this amount would be low or close to zero. In addition, financial assistance rules are uncertain under Swiss law. We cannot provide any assurance that future court rulings will not further restrict the enforceability, or deny the validity, of guarantees and security interests. Such rulings would negatively affect the ability to enforce the guarantees and security interests granted by Swiss Security Providers. Further, Swiss corporate law rules may significantly impact the value of the Guarantees or security interests under the Security Documents.

The Companies Act 1915 does not provide for rules governing the ability of a Luxembourg company to guarantee the indebtedness of another entity of the same group. A company may give a guarantee provided the giving of the guarantee is covered by the company's corporate purposes, corporate benefit and is in the best interest of the company. Although no statutory definition of corporate benefit (*intérêt social*) exists under Luxembourg law, corporate benefit is widely interpreted and includes any transactions from which the company derives a direct or indirect economic or commercial benefit in return (such as an economic or commercial benefit) and whether the benefit is proportionate to the burden of the assistance. The provision of guarantee/security interest for the obligations of direct or indirect subsidiaries is likely to raise no particular concerns, whereas the provision of cross-stream and upstream guarantees/security interests may be more problematic. It is generally held that within a group of companies, the corporate interest of each individual corporate entity can include, to a certain extent, the interest of the group, and that the existence of a group interest can in certain cases result in the guarantee being held enforceable even where corporate benefit is not established. In this way, reciprocal assistance from one group company to another does not necessarily conflict with the interest of the assisting company. However, this assistance must be temporary, in proportion to the real financial means of the assisting company (i.e., limited to an aggregate amount not exceeding the assisting company's own funds (c*apitaux propres*)), the company must receive some benefit or there must be a balance between the respective commitments of all the affiliates and the companies involved must form part of a genuine group operating under a common strategy aimed at a common objective. As a result, the guarantees/security interests granted by a Luxembourg company may be subject to limitations in order to ensure their enforceability.

Further, a guarantee/security interest that substantially exceeds the guarantor's/security provider's ability to meet its obligations to the beneficiary of the guarantee/security provider and to its other creditors, or from which the Luxembourg company derives no or very limited personal benefit in return, or where no direct or indirect consideration is granted to the company in exchange, would expose its directors or managers to personal liability. In addition to any criminal and civil liability incurred by the manager or director of the Luxembourg company, in extreme circumstances the guarantee or security interest could itself be held unenforceable, if it is held that it is contrary to public policy (*ordre public*), in the case of facts consisting of a misuse of corporate assets. The Guarantees granted by Luxembourg companies may be limited to a certain percentage of, among others, the relevant company's own funds (*capitaux propres*).

The measure of insolvency for purposes of fraudulent conveyance laws varies depending on the law applied. For example, generally, a Luxembourg company would be considered insolvent if it is demonstrated that it is in a state of cessation of payments (*cessation des paiements*) and has lost its commercial creditworthiness (*ébranlement de crédit*). The following transactions must be declared null and void if they were undertaken during the so-called "suspect period" (*période suspecte)* which is a maximum of six months (and ten days, depending on the transaction in question) preceding the judgment declaring bankruptcy:

- disposition of the assets without consideration or for materially inadequate consideration;
- payments of debts which had not fallen due, whether the payment was in cash or by way of assignment, sale, set-off, or by any other means;
- payments of debts which had fallen due, by any other means than in cash or by bills of exchange; and
- mortgages or pledges granted to secure pre-existing debts.

***The insolvency laws of Luxembourg and Switzerland may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.***

*Luxembourg*

The Issuer is incorporated under the laws of Luxembourg and, in the event of insolvency, insolvency proceedings may be initiated in Luxembourg. 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 an Issuer or current or future Guarantor incorporated under the laws of Luxembourg (a "Luxembourg Guarantor") experienced 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 (altogether referred to as insolvency proceedings) may be opened against an entity having its center of main interests in Luxembourg or an establishment within the meaning of Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings, as applicable:

- 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 Luxembourg court finds that these conditions are satisfied, it may also 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 provisional suspension of payments, including a stay of enforcement of claims by secured creditors; and

- composition proceedings (*concordat préventif de la faillite*), which may be requested only 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 the composition proceedings triggers a provisional stay on enforcement of claims by creditors.

In addition, your ability to receive payment on the Notes may be affected by a decision of a Luxembourg court to grant a stay on payments (*sursis de paiement*) or to put the Issuer into judicial liquidation (*liquidation judiciaire*). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the commercial code or of the laws governing commercial companies, including the Companies Act 1915. The management of such liquidation proceedings will generally follow the rules of bankruptcy proceedings.

Liability of the Issuer or any Luxembourg Guarantor in respect of the Notes will, in the event of a liquidation of the entity 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;

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

- social security contributions; and

- remuneration owed to employees.

Pursuant to article 20 of the Luxembourg Act dated August 5, 2005 concerning financial collateral arrangements, as amended, all collateral arrangements in respect of assets over which the Luxembourg security interests have been granted, as well as all enforcement events and valuation and enforcement measures agreed upon by the parties in accordance with this law, are valid and enforceable against third parties, commissioners, receivers, liquidators and other similar persons notwithstanding any insolvency proceedings.

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 Luxembourg 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, you should note that 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 laws may also affect transactions entered into or payments made by the relevant Luxembourg company during the period before bankruptcy, the so-called "suspect period" (*période suspecte)* which is a maximum of six months (and ten days, depending on the transaction in question) preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date; if the bankruptcy judgment was preceded by another insolvency bankruptcy judgment under Luxembourg law, the court may set the maximum up to six months prior to the filing for such controlled management. 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 debts; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the suspect period (or the ten days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;
- pursuant to article 446 of the Luxembourg Code of Commerce, payments made for matured debts as well as other transactions concluded for consideration during the suspect period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt party's cessation of payments;
- pursuant to article 21 (2) of the Luxembourg Act dated August 5, 2005 concerning financial collateral arrangements, as amended, notwithstanding the suspect period as referred to in articles 445 and 446 of the Luxembourg Code of Commerce, where a financial collateral arrangement has been entered into after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures, such arrangement is valid and binding against third parties, administrators, insolvency receivers, liquidators and other similar organs 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; and
- in the case of bankruptcy, article 448 of the Luxembourg Code of Commerce and article 1167 of the Civil Code (*action paulienne)* gives the insolvency receiver (acting on behalf of the creditors) 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.

The transactions potentially subject to avoidance also include those contemplated by the guarantee issued by the Parent Guarantor or the granting of security interests under the Security Documents by a Luxembourg entity. If they are challenged successfully, the guarantees issued by the Parent Guarantor may become unenforceable and any amounts received must be refunded to the insolvent estate.

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. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue *vis-à-vis* the bankruptcy estate.

Insolvency proceedings may hence have a material adverse effect on the relevant Luxembourg company's business and assets and the Luxembourg company's respective obligations under the Notes (as Issuer or Luxembourg Guarantor, as applicable).

Finally, international aspects of Luxembourg bankruptcy, controlled management or composition proceedings may be subject to Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings, as applicable.

*Switzerland*

Salt and Salt Network are incorporated under the laws of Switzerland and, in the event of insolvency of any of these entities, insolvency proceedings may be initiated in Switzerland. The insolvency laws of Switzerland may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar.

The following is a brief description of certain aspects of insolvency law in Switzerland. In the event that Salt or its Swiss subsidiary experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

Pursuant to Swiss insolvency laws, your ability to receive payment under the Notes may be more limited than would be the case under U.S. or any other non-Swiss bankruptcy laws. Under Swiss law, the following types of proceedings (altogether referred to as insolvency proceedings) may be opened against an entity having its registered office or assets in Switzerland.

In the event of a Swiss entity's insolvency, the respective insolvency proceedings would be governed by Swiss law as a result of such Swiss entity's offices being registered in the competent commercial register in Switzerland. In addition, Swiss debt enforcement and insolvency laws may be applicable in case of an enforcement of security interests over assets of a foreign entity located in Switzerland. The enforcement of claims and questions relating to insolvency and bankruptcy in general are dealt with by the Swiss Federal Act on Debt Enforcement and Bankruptcy, as amended from time to time. Under these rules, claims that are pursued against a Swiss entity can lead to the opening of bankruptcy (*Konkurs*) and, hence, a general liquidation of all assets, even if located outside Switzerland, and liabilities of the debtor. However, with regard to assets located outside Switzerland, a Swiss bankruptcy decree is enforceable only if it is recognized at the place where such assets are located. If bankruptcy has not been declared, creditors secured by a pledge must follow a special enforcement proceeding limited to the liquidation of the collateral (*Betreibung auf Pfandverwertung)* unless the parties have agreed on a private liquidation.

However, if bankruptcy is declared while such a special enforcement proceeding is pending, the proceeding ceases and the creditor participates in the bankruptcy proceedings with the other creditors and a private liquidation is no longer permitted.

As a rule, the opening of bankruptcy by the competent court needs to be preceded by a prior debt enforcement procedure which involves, *inter alia*, the issuance of a payment summons by local debt enforcement authorities (*Betreibungsamt*). However, the competent court may also declare a debtor bankrupt without such prior proceedings if the following requirements are met: (i) at the request of the debtor, if the debtor's board of directors or the auditors of the company (in case of failure of the board of directors) declare that the debtor is overindebted (*überschuldet*) within the meaning of art. 725 (2) of the Swiss Code of Obligations (or the corresponding provision of the Swiss Code of Obligations in case of a limited liability company (*GmbH*)) or if it declares to be insolvent (*zahlungsunfähig*), and (ii) at the request of a creditor, if the debtor commits certain acts to the detriment of its creditors or ceases to make payments (*Zahlungseinstellung)* or if certain events happen during composition proceedings. The bankruptcy proceedings are carried out and the bankrupt estate is managed by the receiver in bankruptcy (*Konkursverwaltung)* which will draw up an inventory of the assets and, further to a creditors' call for the filing of claims, establish a schedule of claims (*Kollokationsplan*).

All assets at the time of the declaration of bankruptcy and all assets acquired or received subsequently form the bankrupt estate which, after deduction of costs and certain other expenses, is used to satisfy the creditors. However, in respect of assets located abroad, the Swiss authorities do not have jurisdiction to collect such assets for the purpose of including them in the Swiss bankruptcy estate of the debtor. It is therefore the foreign law applicable at the place where the assets are located abroad, or treaties between Switzerland and the state in which such assets are located, that will determine whether and to what extent the foreign authorities can assist in the collection of these assets. Assets of the bankrupt estate over which a pledge was created in favor of a creditor before the declaration of bankruptcy are included in the bankrupt estate. The pledgee is under an obligation to remit the pledged assets to the bankrupt estate. The assets are liquidated by the receiver in bankruptcy in the same manner as the other assets of the bankrupt estate, but the creditor secured by the pledge retains its privilege to be satisfied from the proceeds of the liquidation of the assets pledged to it with priority over the unsecured creditors. Final distribution of non-secured claims is based on a ranking of creditors in three classes. The first and the second class, which are privileged, comprise claims under employment contracts, accident insurance, pension plans, family law and claims for deposits under the Swiss banking act. Certain privileges can also be claimed by the government and its subdivisions based on specific provisions of federal law. All other creditors are treated equally in the third class. A secured party participates in the third class to the extent its claim is not covered by its collateral.

If the enforcement proceeds are not sufficient to fully satisfy the secured claims, the remainder of the claims have equal rank as unsecured claims with all other unsecured and (provided it is not a privileged claim) non-prioritized claims. If several pledges secure the same claim, the amount realized is applied proportionally to the claim.

Any creditor wishing to contest the schedule of claims because his claim has been entirely or partially rejected by the receiver in bankruptcy or not allocated in the rank requested must bring an action against the estate before the competent court. If any creditor wishes to contest the admission of another creditor to the schedule of claims or the allocated rank, he must bring an action against such creditor. Such court proceedings could cause holders of notes to recover less than the principal amount of their notes or less than they could recover in a United States liquidation. Such proceedings could also cause payment to the holders of the Notes to be delayed, as compared with holders of undisputed claims.

Claims assigned for security purposes by a Swiss entity that came into existence prior to the opening of bankruptcy can be enforced by the assignee outside Swiss bankruptcy proceedings, subject to potential avoidance actions. According to the current jurisprudence of the Swiss Federal Supreme Court, assigned claims that come into existence after the opening of bankruptcy over a Swiss entity or similar insolvency proceedings that lead to the loss of the capacity of the relevant assignor to dispose of such rights or claims may generally not be enforceable by the secured creditor.

The Guarantees by the Swiss guarantors are, based on a choice of law, subject to the laws of New York. Should a Swiss court accept jurisdiction in proceedings on the merits, a Swiss court will generally recognize the choice of law. The scope of such choice of law is, usually, limited to the rules of the substantive law chosen by the parties; as to procedural matters, a Swiss court will apply Swiss procedural law. Due to the different nature of Swiss procedural law and the procedural law in common law jurisdictions (such as the United States of America and the United Kingdom) classification and delimitation issues between substantive and procedural law could occur. To establish the non-Swiss substantive law applicable to the merits, a Swiss court may, in pecuniary matters, request the parties to establish the non-Swiss substantive law; Swiss law will be applied, if the content of the foreign substantive law cannot be established. While a Swiss court will generally accept a choice of law, restrictively applied exceptions exist: Swiss courts may diverge from the chosen substantive law if such chosen law would lead to a result contrary to Swiss public policy, if the purpose of mandatory rules of Swiss law require, by their special aim, immediate application, or if the purpose of mandatory rules of another law, to which the dispute is closely connected, are considered legitimate under Swiss legal concepts and, upon weighing the interests of the parties involved, the clearly predominant interest(s) of one party so require.

Swiss insolvency laws also provide for reorganization procedures by composition with the debtor's creditors. Reorganization is initiated by a request with the competent court for a stay (*Nachlassstundung)* pending negotiation of the composition agreement with the creditors and confirmation of such agreement by the competent court. A distinction is made between a composition agreement providing for the assignment of assets (*Nachlassvertrag mit Vermögensabtretung)* which leads to a private liquidation and in many instances has analogous effects as a bankruptcy, and a dividend composition (*Dividenden-Vergleich*) providing for the payment of a certain percentage on the creditors' claims and the continuation of the debtor. Further, there is the possibility of a composition in the form of a mere payment term extension (*Stundungsvergleich*). During a moratorium, debt collection proceedings cannot be initiated and pending proceedings are stayed. An assignment of claims for security purposes entered into by a Swiss entity prior to the granting of a moratorium is ineffective if the assigned claims come into existence only after the granting of a moratorium. Furthermore, the debtor's power to dispose of its assets and to manage its affairs is restricted. In case of a pledge, the secured party is not entitled to proceed with a private liquidation until the confirmation of the settlement by the competent court. A secured creditor participates in the settlement only for the amount of its claim not covered by the collateral. The moratorium does not affect the agreed due dates of debts (contrary to bankruptcy, in which case all debts become immediately due upon adjudication). The moratorium aims at facilitating the conclusion of one of the above composition agreements. Any composition agreement needs to be approved by the creditors and confirmed by the competent court. With the judicial confirmation, the composition agreement becomes binding on all creditors, whereby secured claims are only subject to the composition agreement to the extent that the collateral proves to be insufficient to cover the secured claims.

Foreign bankruptcy decrees issued in the country of a debtor's domicile may be recognized in Switzerland only, provided that (i) the bankruptcy decree is enforceable in the country where it was issued, (ii) its recognition is, *inter alia*, not against Swiss public policy, and (iii) the country which issued the bankruptcy decree grants reciprocity to Switzerland.

***The Swiss collateral is subject to hardening periods and the Swiss Guarantees are subject to fraudulent transfer (avoidance actions).***

Certain arrangements or dispositions that are made during a certain period (the "suspect period") preceding the declaration of bankruptcy or the grant of a moratorium in connection with a composition proceeding may be challenged by the receiver in bankruptcy (*Konkursverwaltung*) and certain creditors under the applicable rules of avoidance. The avoidance may relate to (i) gifts and gratuitous transactions made in the suspect period of twelve months prior to being declared bankrupt or the grant of a moratorium, (ii) certain acts of a debtor (e.g. repayment of a debt which has not yet fallen due, settlement of a debt by unusual means of payment, granting of a collateral for previously unsecured liabilities without previously being obliged to do so) in the suspect period of twelve months prior to being declared bankrupt or the grant of a moratorium if the debtor at that time was over-indebted, and (iii) dispositions made by the debtor within a suspect period of five years prior to being declared bankrupt or the grant of a moratorium with the intent, identifiable by the other party, to disadvantage its creditors or to prefer certain of its creditors to the detriment of other creditors. In case of an avoidance action regarding a disposition in favor of an affiliated person, including a group company, the favored person bears the burden of proof that the intent of disadvantaging the creditors was not identifiable.

In case of successful avoidance, the relevant creditors (such as holders of the Notes) are under an obligation to repay the amounts received. The transactions potentially subject to avoidance also include those contemplated by a Swiss Security Provider's Guarantee or the granting of security interests under the Security Documents by a Swiss Security Provider. If they are challenged successfully, the rights granted under the Guarantee or in connection with security interests under the Security Documents may become unenforceable and any amounts received by the holders of the Notes under a guarantee or security interest that is avoided must be refunded by the holders of the Notes to the insolvent estate. The holders of the Notes who have restituted the avoided amount paid to them regain their original claim against the Swiss Security Provider and are entitled to list their claim in the schedule of claims in their respective rank and priority. The Swiss principles on avoidance may therefore limit the ability of the holders of the Notes to recover payments due on the guarantees or security interests.

***We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Indenture and the change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events.***

Upon the occurrence of certain events constituting a "change of control," the Issuer would be required to offer to repurchase all outstanding Notes, at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. If a change of control were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding notes, including the Notes, or that the restrictions in our Revolving

Credit Facility, the Senior Notes Indenture, the Existing Senior Secured Notes Indentures, the Indenture, the Intercreditor Agreement or our other than existing contractual obligations would allow us to make such required repurchases. A change of control may result in our Revolving Credit Facility and other indebtedness being mandatorily prepaid and cancelled and may result in an event of default under, or acceleration of, our other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The ability of the Issuer to receive cash from its subsidiaries to allow it to pay cash to the holders of the Notes following the occurrence of a change of control, may be limited by our then existing financial resources. In addition, under the terms of the Revolving Credit Facility, under certain circumstances, we are required to repay an equal amount of debt under our Revolving Credit Facility if we repay all or a portion of the principal under the Notes. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when we are prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, 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 such consent to repay such borrowings is not obtained, Issuer will remain prohibited from repurchasing any 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. We cannot assure you that we would be able to obtain such financing.

Any failure by the Issuer to offer to purchase the respective Notes would constitute a default under the Existing Senior Secured Notes Indentures, the Indenture and the Senior Notes Indenture, as applicable, which would, in turn, constitute a default under the Revolving Credit Facility and certain other indebtedness. See "*Description of the Notes—Change of Control.*"

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

In addition, a change of control will not be deemed to have occurred on one occasion if the acquiror operates a permitted business and a certain consolidated leverage ratio is not exceeded as a result of such event that constitutes a Specified Change of Control Event (as defined in "*Description of the Notes—Certain Definitions—Specified Change of Control Event*"). See "*Description of the Notes—Change of Control.*"

The definition of "Change of Control" in the Senior Notes Indenture, the Existing Senior Secured Notes Indentures and the Indenture include a disposition of all or substantially all of the assets of the Issuer and its restricted subsidiaries, taken as a 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 respective Issuer's assets and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

***There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.***

We cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices for 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. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. 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. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

Although application will be made to the Authority for the Notes to be listed on the Official List of the Exchange and for permission to deal in the Notes, we cannot assure you that the Notes will become or remain listed. Although no assurance can be made as to the liquidity of the Notes as a result of the admission to trading on the Official List of the Exchange, failure to be approved for listing or the delisting of the Notes, as applicable, from the Official List of the Exchange may have a material effect on a holder's ability to resell the Notes in the secondary market.

In addition, the Senior Notes Indenture, the Existing Senior Secured Notes Indentures and Indenture will allow us to issue additional notes in the future which could adversely impact the liquidity of the Notes.

***Investors may face foreign exchange risks by investing in the Notes.***

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

***You may not be able to recover in civil proceedings for U.S. securities law violations.***

The Issuer and the Guarantors and their respective subsidiaries are organized outside the United States, and our business is conducted entirely outside the United States. The directors and executive officers of the Issuer and the Guarantors are non-residents of the United States. Although we and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on these directors and executive officers. In addition, as all of the assets of the Issuer and the Guarantors and their respective subsidiaries and those of their directors and executive officers are located outside of the United States, you may be unable to enforce judgments obtained in the U.S. courts against them. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuer and the Guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States.

The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with Switzerland or Luxembourg. There is, therefore, doubt as to the enforceability in Switzerland or Luxembourg of civil liabilities based upon U.S. securities laws in an action to enforce a U.S. judgment in Switzerland or Luxembourg. In addition, the enforcement in Switzerland or Luxembourg of any judgment obtained in a U.S. court based on civil liabilities, whether or not predicated solely upon U.S. federal securities laws, will be subject to certain conditions. There is also doubt that a Swiss or

Luxembourg court would have the requisite power or authority to grant remedies sought in an original action brought in Switzerland or Luxembourg on the basis of U.S. securities laws violations. See "*Enforceability of Judgments.*"

***Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.***

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financing and could adversely affect the value and trading of the Notes.

***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.***

Unless and until Notes in definitive registered form, or definitive registered notes are issued in exchange for book-entry interests (which may occur only in very limited circumstances), owners of book-entry interests will not be considered owners or holders of Notes. The common depositary (or its nominee) for Euroclear and Clearstream will be the sole registered holder of the global notes. Payments of principal, interest and other amounts owing on or in respect of the relevant global notes representing the Notes will be made to Deutsche Bank AG, London Branch, as Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest in the Notes, you must rely on the procedures of Euroclear and Clearstream and if you are not a participant in Euroclear and/or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have any direct rights to act upon any solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any matters or on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until the definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. We cannot assure you that the procedures to be implemented through Euroclear and Clearstream will be adequate to ensure the timely exercise of rights under the Notes.

## Risks Related to Our Ownership

***The interests of our principal shareholder may conflict with your interests.***

The interests of our principal shareholder, in certain circumstances, may conflict with your interests as holders of the Notes. We are controlled by NJJ, the private holding company of entrepreneur and telecommunications investor Xavier Niel. See "*Principal Shareholder.*" NJJ may appoint a majority of our Board of Directors and determine our corporate strategy, management and policies. In addition, NJJ has control over our decisions to enter into any corporate transaction and has the ability to prevent any transaction that requires the approval of shareholders regardless of whether holders of the Notes believe that any such transactions are in their own best interests. For example, our shareholder could vote to cause us to incur additional indebtedness, to sell certain material assets or make dividends, in each case, so long as the Existing Senior Secured Notes Indentures, the Indenture, the Senior Notes Indenture, the Revolving Credit Facility and the Intercreditor Agreement so permit. The incurrence of additional indebtedness would increase our debt service obligations and the sale of certain assets could reduce our ability to generate revenue, each of which could adversely affect holders of the Notes. In addition, the interests of our principal shareholder in other companies in which he owns a majority interest, such as Iliad, may also conflict with his interests in NJJ and the company. So long as companies controlled by NJJ collectively continue to own a significant amount of our capital stock, even if such amount is less than 50%, NJJ will continue to be able to strongly influence or effectively control our decisions. The interests of NJJ may not coincide with your interests.

## USE OF PROCEEDS

The gross proceeds from the sale of the Notes offered hereby will be CHF 458.1 million. We intend to use the net proceeds from the Offering (equal to the gross proceeds from the Offering after deducting the Initial Purchasers' commissions and certain estimated expenses to be incurred in connection with the Offering, and legal, accounting and other professional fees), together with cash on balance sheet, to redeem part of our Floating Rate Senior Secured Notes. We intend to use the net proceeds from the Offering exclusively outside of Switzerland (as opposed to a "use of proceeds in Switzerland" as interpreted by the Swiss Federal Tax Administration for purposes of Swiss Withholding Tax). See "*Summary—The Refinancing Transactions,*" "*Summary—Sources and Uses for the Refinancing Transactions*," "*Tax—Swiss Tax Considerations—Swiss Withholding Tax*" and "*Risk Factors—Risks Related to the Notes and Our Structure—Payments of interest in respect of the Notes could become subject to Swiss Withholding Taxes*."

| Sources of Funds | (CHF in millions) | Uses of Funds | (CHF in millions) |
|---|---|---|---|
| Notes offered hereby[(1)] | 458.1 | Partial redemption of Floating Rate Senior Secured Notes[(3)] | 463.1 |
| Cash[(2)] | 8.5 | Estimated fees and expenses[(4)] | 3.5 |
| **Total sources** | **466.6** | **Total uses** | **466.6** |

(1) The CHF-equivalent of the euro-denominated Senior Secured Notes offered hereby has been converted at the exchange rate of CHF 1.1453 per €1.00, which represents the exchange rate in effect as of September 30, 2017. This exchange rate may differ from the exchange rate in effect as of the Issue Date.

(2) Represents cash to be used in connection with the Transactions.

(3) The amount to be paid in connection with the partial redemption of Floating Rate Senior Secured Notes on the Issue Date includes €400.0 million in aggregate principal amount of Floating Rate Senior Secured Notes, plus an estimated €4.4 million in "make whole" premium and accrued but unpaid interest to November 23, 2017, which we expect will be the effective date of the partial redemption. For presentational purposes, the foregoing amounts have been converted at an exchange rate of CHF 1.1453 to €1.00 in effect as of September 30, 2017. This exchange rate may differ from the exchange rate in effect as of the Issue Date.

(4) We intend to capitalize certain fees associated with the issuance of the Notes.

## CAPITALIZATION

The following table sets forth our actual cash and cash equivalents and our capitalization as of September 30, 2017 and on an as adjusted basis to give effect to the Transactions as described in "*Use of Proceeds*" as of September 30, 2017.

You should read this table in conjunction with "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Description of Certain Financing Arrangements*" and "*Description of the Notes*" and our consolidated financial statements and the accompanying notes appearing elsewhere in this Offering Memorandum.

| | As of September 30, 2017 | |
|---|---|---|
| | Actual | As Adjusted |
| | (CHF in thousands) | |
| **Cash and cash equivalents** | **168,064** | **159,575** |
| Revolving Credit Facility(1) | — | — |
| CHF Fixed Rate Senior Secured Notes | 410,637 | 410,637 |
| Euro Fixed Rate Senior Secured Notes(2) | 1,145,300 | 1,145,300 |
| Floating Rate Senior Secured Notes(2) | 544,018 | 85,898 |
| Senior Secured Notes offered hereby(2)(3) | — | 458,120 |
| **Total senior secured debt** | **2,099,955** | **2,099,955** |
| Senior Notes(2) | 342,291 | 342,291 |
| **Total debt** | **2,442,245** | **2,442,245** |
| Capitalized transaction costs | **(43,715)** | **(42,215)**(4) |
| **Total financial liabilities** | **2,398,530** | **2,400,030** |
| **Total equity** | **385,176** | **385,176** |
| **Capitalization** | **2,783,706** | **2,785,206** |

(1) The Revolving Credit Facility is secured by the same collateral that secures the obligations under the Senior Secured Notes other than certain security in relation to Matterhorn Mobile which is in liquidation. As of the date of this Offering Memorandum, the Revolving Credit Facility remains undrawn. See "*Description of Certain Financing Arrangements*."

(2) For presentational purposes, the principal amount of the euro-denominated Notes has been converted at an exchange rate of CHF 1.1453 to €1.00, which represents the exchange rate in effect as of September 30, 2017 and used in our audited consolidated financial statements for the year ended September 30, 2017. This exchange rate may differ from the exchange rate in effect as of the Issue Date.

(3) The CHF-equivalent of the euro-denominated Notes offered hereby has been converted at the exchange rate of CHF 1.1453 per €1.00, which represents the exchange rate in effect as of September 30, 2017 and used in our audited consolidated financial statements for the year ended September 30, 2017. This exchange rate may differ from the exchange rate in effect as of the Issue Date.

(4) We expect to incur fees and expenses of approximately CHF 8.5 million in connection with the Transactions. We intend to capitalize approximately CHF 3.5 million in fees related to the issuance of the Notes. As adjusted capitalized transaction costs deducts CHF 5.0 million in capitalized transaction costs related to the issuance of the Floating Rate Senior Secured Notes which will be written off.

## SELECTED HISTORICAL FINANCIAL INFORMATION

The Issuer was formed on March 25, 2015 for the purpose of facilitating the corporate recapitalization we undertook in connection with our refinancing transactions, including the Refinancing Transactions. The Parent Guarantor is the direct parent company of the Issuer, and the Issuer is the direct parent company of Salt. The Issuer is a holding company and has no material assets or liabilities other than its interest in Salt. The Parent Guarantor, together with its direct and indirect subsidiaries, including the Issuer and Salt, constitute the Group. We commenced proceedings for the voluntary liquidation of Matterhorn Mobile on October 15, 2015. On February 24, 2017, the shares of Salt France were sold by the Issuer to NJJ.

Prior to the Refinancing Transactions, Matterhorn Mobile Holdings was the direct parent company of Matterhorn Mobile, and Matterhorn Mobile was the direct parent company of Salt, formerly known as Orange. Matterhorn Mobile Holdings together with its direct and indirect subsidiaries, including Matterhorn Mobile and Orange, constituted the MMH Group. Matterhorn Mobile Holdings sold its shares in Matterhorn Mobile to the Issuer as part of the Refinancing Transactions. As a result, we have included and discussed in this Offering Memorandum the audited consolidated financial statements of the MMH Group for the periods prior to the Refinancing Transactions. Prior to its voluntary liquidation following the Refinancing Transactions, Matterhorn Mobile Holdings was a holding company with no independent business operations or significant assets other than its interest in Matterhorn Mobile, which is in voluntary liquidation, and Salt, formerly known as Orange. Matterhorn Mobile was also a holding company and had no independent business operations or significant assets other than its interest in Salt.

This Offering Memorandum includes the audited consolidated financial statements of the Group as of and for the years ended December 31, 2015 and 2016 and the unaudited condensed consolidated interim financial statements as of September 30, 2017 and for the nine-month period ended September 30, 2017.

The audited consolidated financial statements of the Group as of and for the years ended December 31, 2015 and 2016 have been prepared in accordance with IFRS. The unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2017 have been prepared in accordance with IAS 34.

Unless otherwise indicated, the financial information presented in this Offering Memorandum for the year ended December 31, 2015 is the unaudited aggregated financial information that combines the financial information of the MMH Group (as predecessor) and the Group (as successor). The financial information for the year ended December 31, 2015 is calculated by taking the audited financial information for the MMH Group for the period from January 1, 2015 to April 22, 2015 and adding it to the audited financial information for the Group for the period from April 23, 2015 to December 31, 2015.

The presentation of the unaudited aggregated information for the year ended December 31, 2015 is not intended to comply with IFRS and does not represent *pro forma* information. The unaudited aggregated financial results are intended to give an indication of the financial results of the aggregated results of operations of the MMH Group and the Group for the year ended December 31, 2015. The unaudited aggregated financial results for this period are not fully comparable with other periods.

The financial information presented in this Offering Memorandum as of and for the year ended December 31, 2016 and for the nine months ended September 30, 2017 is the consolidated financial information of the Group, which has been derived from the audited consolidated financial statements and the unaudited condensed consolidated interim financial statements of the Group, respectively.

The unaudited financial information for the twelve months ended September 30, 2017 presented herein is derived by adding our unaudited condensed consolidated interim financial information for the nine months ended September 30, 2017 extracted from the unaudited condensed consolidated interim financial statements of the Group as of and for the nine months ended September 30, 2017 and our audited consolidated financial information for the year ended December 31, 2016 extracted from the audited consolidated financial statements as of and for the year ended December 31, 2016, and subtracting our unaudited condensed consolidated interim financial information for the nine months ended September 30, 2016 extracted from the unaudited condensed consolidated interim financial statements of the Group as of and for the nine months ended September 30, 2017.

From September 19, 2014, we have used the installment method of accounting for purposes of revenue recognition. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Income Statement Line Items—Revenue*."

In addition, this Offering Memorandum includes unaudited consolidated *pro forma* financial data and as adjusted unaudited consolidated financial data, which have been adjusted to reflect certain effects of the Transactions on the cash interest expense of the Group for the twelve months ended September 30, 2017 and the effects of the Transactions on the financial position of the Group as of September 30, 2017.

The financial data presented herein are presented in Swiss francs.

This Offering Memorandum also contains certain non-IFRS measures, including EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin and leverage and coverage ratios that are not required by, or presented in accordance with, IFRS. We present non-IFRS measures because we believe that they 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 an analysis of our operating results as reported under IFRS. Non-IFRS measures and ratios such as EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin and leverage and coverage ratios are not measurements of our performance or liquidity under IFRS or any other generally accepted accounting principles. Other companies in our industry may calculate these measures, including free cash flow, capital expenditures and cash conversion, differently and, consequently, our presentation may not be readily comparable to other companies' figures. In particular, you should not consider EBITDA or Adjusted EBITDA as an alternative to (a) operating income or income for the period (as determined in accordance with IFRS) as a measure of our operating performance, (b) cash flows provided by operating, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under generally accepted accounting principles. EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for an analysis of our results as reported under IFRS.

### *Consolidated Statement of Profit / (Loss)*

| | Aggregate MMH and Group(1) | Group | | | |
|---|---|---|---|---|---|
| | For the year ended December 31, | | For the nine months ended September 30, | | For the twelve months ended September 30, |
| | 2015 | 2016 | 2016 | 2017 | 2017 |
| | (CHF in thousands) | | | | |
| **Revenue** | **1,284,756** | **1,127,461** | **838,065** | **770,954** | **1,060,350** |
| Access, back bone, interconnection and content costs | (203,929) | (220,396) | (165,180) | (121,479) | (176,695) |
| Commercial expenses and cost of equipment sold | (353,920) | (233,257) | (158,586) | (139,808) | (214,479) |
| Network, IT, property expenses and other purchases | (154,878) | (129,866) | (98,079) | (92,925) | (124,712) |
| Labor expenses | (95,185) | (76,593) | (62,874) | (57,179) | (70,898) |
| Other operating expenses | (84,388) | (39,037) | (29,042) | (19,308) | (29,303) |
| Other operating income | 18,527 | 9,049 | 4,537 | 5,293 | 9,805 |
| Result on disposal and other gains | 3 | — | — | — | — |
| Restructuring, transition and transaction costs | (65,359) | (8,242) | (2,943) | (3,516) | (8,815) |
| Corporate and brand fees | (6,067) | (1,320) | (1,440) | (1,160) | (1,040) |
| Depreciation, amortization and impairment | (276,636) | (264,226) | (196,905) | (192,296) | (259,617) |
| **Operating profit / (loss)** | **62,925** | **163,574** | **127,554** | **148,575** | **184,595** |
| Finance costs | (173,664) | (81,842) | (66,173) | (107,992) | (123,661) |
| Finance income | 3,564 | 5,998 | 9,792 | 33,869 | 30,076 |
| **Finance costs, net** | **(170,100)** | **(75,844)** | **(56,381)** | **(74,122)** | **(93,585)** |
| Profit / (loss) before tax | (107,175) | 87,730 | 71,173 | 74,453 | 91,010 |
| Income tax (expenses) / benefit | 6,558 | 10,329 | 56 | (22,272) | (11,999) |
| **Profit / (loss)** | **(100,617)** | **98,060** | **71,228** | **52,181** | **79,013** |
| Profit / (loss) attributable to equity owners | (100,617) | 98,060 | 71,228 | 52,181 | 79,013 |

### *Consolidated Statement of Financial Position*

| | Group | | |
|---|---|---|---|
| | As of December 31, | | As of September 30, |
| | 2015 | 2016 | 2017 |
| | (CHF in thousands) | | |
| Total non-current assets | 3,078,515 | 2,895,130 | 2,985,792 |
| Total current assets | 536,614 | 541,699 | 528,614 |
| **Total assets** | **3,615,129** | **3,436,829** | **3,514,405** |
| Total non-current liabilities | 2,307,337 | 2,145,935 | 2,682,400 |
| Total current liabilities | 515,338 | 468,874 | 446,829 |
| **Total liabilities** | **2,822,676** | **2,614,809** | **3,129,229** |
| **Total equity** | **792,453** | **822,020** | **385,176** |
| **Total equity and liabilities** | **3,615,129** | **3,436,829** | **3,514,405** |

*Consolidated Statement of Cash Flows*

| | Aggregate MMH and Group(1)(2) | Group | | | |
|---|---|---|---|---|---|
| | For the year ended December 31, | | For the nine months ended September 30, | | For the twelve months ended September 30, |
| | 2015 | 2016 | 2016 | 2017 | 2017 |
| | (CHF in thousands) | | | | |
| Net cash provided by operating activities | 317,190 | 442,715 | 331,837 | 321,450 | 432,328 |
| Net cash used in investing activities | (1,181,346) | (98,232) | (78,801) | (128,314) | (147,745) |
| Net cash used in financing activities | 907,460 | (283,051) | (156,480) | (239,235) | (365,806) |

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following is a discussion and analysis of our financial condition and results of operations based on the audited consolidated financial statements of the Group as of and for the year ended December 31, 2015, the audited financial statements of the Group as of and for the year ended December 31, 2016 and the unaudited condensed consolidated interim financial statements of the Group for the nine-month period ended September 30, 2017.*

*The financial information in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" section, for the year ended December 31, 2015 represents the combination of the financial information of the MMH Group (as predecessor) and the Group (as successor). This financial information for the year ended December 31, 2015 is calculated by taking the audited financial information of the MMH Group for the period from January 1, 2015 to April 22, 2015, and adding it to the audited financial information of the Group for the period from April 23, 2015 to December 31, 2015. The presentation of the unaudited aggregate financial information for the year ended December 31, 2015 is not intended to comply with IFRS and does not represent pro forma information. The unaudited aggregate financial information for the year ended December 31, 2015 is intended to give an indication of the financial results of the aggregated results of operations of the MMH Group and the Group for the year ended December 31, 2015.*

*The financial information presented in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" section and elsewhere in this Offering Memorandum for the year ended December 31, 2016 and the nine months ended September 30, 2017 is the consolidated financial information of the Group, which has been derived from the audited consolidated financial statements as of and for the year ended December 31, 2016 of the Group and the unaudited condensed consolidated interim financial statements for the nine-month period ended September 30, 2017 of the Group, respectively. See "Presentation of Financial and Other Data."*

*Except as the context otherwise indicates, when discussing historical results of operations in this "Management's Discussion and Analysis of Financial Condition and Results of Operations," "we," "our" and other similar terms are generally used to refer to (i) the MMH Group for the period from January 1, 2014 to April 22, 2015 and (ii) the Group for the period from April 23, 2015 to December 31, 2015 and for the year ended December 31, 2016.*

*You should read this discussion in conjunction with the audited consolidated financial statements of the Group as of and for the year ended December 31, 2015, the audited consolidated financial statements of the Group as of and for the year ended December 31, 2016 and the unaudited condensed consolidated financial statements of the Group as of and for the nine-month period ended September 30, 2017 and the accompanying notes thereto included elsewhere in this Offering Memorandum. A summary of the critical accounting estimates that have been applied to the audited consolidated financial statements of the Group is set forth in its audited consolidated financial statements. 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."*

### Key Factors Affecting Results of Operations

Our performance and results of operations have been and will continue to be affected by a number of factors, including external factors. Certain of these key factors that have had, or may have, an effect on our results are set forth below. For further discussion of the factors affecting our results of operations, see "*Risk Factors*."

The key component of our revenue is mobile subscriber revenue, which contributed 85.8%, 86.6% and 84.8% of our operating revenue for the years ended December 31, 2015 and 2016 and the nine months ended September 30, 2017, respectively. Our mobile subscriber revenue is principally driven by (i) the number of mobile subscribers on our network (our mobile subscriber base) and (ii) the ARPU, or average mobile revenue per user, that they generate.

Our mobile service costs include (i) access, backbone, interconnection, roaming and content costs, (ii) subscriber acquisition and retention costs, which are costs associated with acquiring a new mobile subscriber and prolonging the contract of an existing mobile subscriber, (iii) commercial expenses primarily related to advertising, sponsoring, promotion and other commissions, (iv) labor expenses, and (v) network and IT capital expenditure.

***Mobile Subscriber Base***

Mobile subscribers consist of subscribers for voice services (including incoming and outgoing calls), SMS and MMS services, data services for handsets, and mobile broadband services (wireless internet access through a laptop, tablet or dongle).

Our mobile subscriber base evolution is driven by market dynamics (including competition-driven price evolution, demographics, technological innovation and changing customer behavior), gross connections market share (our ability to capture new subscribers), and our churn rate (which measures our ability to retain existing customers). Mobile subscriber revenue is also affected by macro-economic conditions. See "*Risk Factors—Risks Related to Our Market and Our Business—We operate primarily in the Swiss market and as a result our growth prospects depend on economic developments in Switzerland.*"

Postpaid mobile subscribers are counted in our subscriber base as long as they have an active contract. The calculation includes subscribers through wholesale resellers, as we enter into direct contractual arrangements with customers of resellers, but excludes subscribers through MVNOs, as MVNOs own their subscriber bases.

Generally, each connection by a subscriber generally represents one subscriber; however, as this may vary depending on the circumstances, subscriber numbers should not be equated with the actual number of individuals or businesses using our services.

The table below sets forth mobile subscriber data by segment for the periods indicated.

| | As of December 31, | | | As of September 30, | | |
|---|---|---|---|---|---|---|
| | **Group 2015** | **Group 2016** | **Change** | **Group 2016** | **Group 2017** | **Change** |
| | **(thousands of subscribers and percentage, as applicable)** | | | | | |
| Postpaid subscribers[(1)(2)(3)] | 1,151 | 1,203 | 4.5% | 1,188 | 1,217 | 2.4% |
| Prepaid subscribers[(1)(3)(4)] | 873 | 669 | (23.3)% | 713 | 682 | (4.3%) |
| Mobile subscribers at end of period[(1)] | 2,024 | 1,872 | (7.5)% | 1,901 | 1,899 | (0.1%) |

(1) Includes subscribers through wholesale resellers, as we enter into direct contractual arrangements with customers of resellers, but excludes subscribers through MVNOs, as MVNOs own their subscriber bases.
(2) Includes all subscribers who have an active contract, for both handset and mobile broadband services, but excludes machine-to-machine subscriptions. As of 2016, customers can request immediate portability when signing a contract, allowing for more accurate active contract status.
(3) Includes subscribers for both handset and mobile broadband services but excludes machine-to-machine subscriptions.
(4) Include subscribers if their SIM card is connected to our network and they have had at least one chargeable or recharge event or have received at least one incoming traffic event (excluding, among other things, traffic initiated by us) prior to July 1, 2016, within the last twelve months and, following July 1, 2016, within the last 435 days. As a result of this change, our 2016 prepaid subscriber numbers are not directly comparable to prior years.

Under NJJ ownership, our postpaid subscriber base increased by 4.5% between December 31, 2015 and December 31, 2016, and increased by 1.1% between December 31, 2016 and September 30, 2017, primarily due to (i) the reconfiguration of our product offerings and price plans in August 2015 and (ii) the increase in subscriber acquisitions and reductions in postpaid subscriber disconnections as a result of improvements in our service and customer experience following the reconfiguration of our product offerings and price plans and the broader transformation of the Group. Our share of the Swiss mobile telecommunications market by number of postpaid subscribers was 16.3% at the end of 2015 and 16.5% at the end of September 2017.

"Churn" refers to the percentage of subscriber disconnections during a given period. The churn rate reflects in large part the attractiveness of offers and pricing compared to other operators, the subscriber experience and perception of the brand, the perceived quality of our network (including its coverage) and the perceived quality of our services (including customer care). The churn rate may also be impacted by shifts in subscriber status (where a subscriber becomes active or inactive), subscription duration and other factors, such as seasonality.

The table below sets forth our blended churn rate for the periods indicated.

| | For the year ended December 31, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | **Group 2015** | **Group 2016** | **Group 2016** | **Group 2017** |
| Postpaid blended churn rate[(1)] | 26.2% | 21.3% | 20.6% | 18.6% |

(1) Churn rates are calculated by dividing the number of disconnections of subscribers during the period by the average number of subscribers in the same period. We define "the average number of mobile subscribers in the period" as the average of each month's average number of mobile subscribers calculated as the average of the total number of mobile subscribers at the beginning of the month and the total number of mobile subscribers at the end of the month.

Our postpaid blended churn rate decreased from 26.2% for the year ended December 31, 2015 to 21.3% for the year ended December 31, 2016 and further decreased to 18.6% for the nine months ended September 30, 2017, due to the alignment of our price plans to market demand and the improved service and customer experience following the reconfiguration of our product offerings and price plans in August 2015, as well as the improvement in our credit check processes and the completion of our IT transformation carried out in 2014 that caused major disruption for some of our customers in 2014 and 2015.

In the year ended December 31, 2016, our net adds in postpaid subscribers were 52,117, as compared to negative 4,452 in the year ended December 31, 2015 as a result of the alignment of our price plans to market demand and the related reduction in churn. In the nine months ended September 30, 2017, our net adds in postpaid subscribers were 13,730, as compared to 37,071 in the nine months ended September 30, 2016 as a result of continued growth in handset net adds and a decrease in mobile broadband net adds.

### *ARPU*

ARPU is driven primarily by prices for our services, traffic volume, data services utilization and revenue from termination rates for incoming calls.

The table below sets forth ARPU and billed ARPU for the periods indicated.

| | For the year ended December 31, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | **Group 2015** | **Group 2016** | **Group 2016** | **Group 2017** |
| | (CHF per month, except percentages) | | | |
| **Total ARPU[(1)(3)]** | **35.9** | **35.5** | **35.6** | **32.9** |
| Of which billed ARPU[(2)(3)] | 31.4 | 30.5 | 30.8 | 29.6 |
| Increase/(decrease) in total ARPU from prior equivalent period | (9.2)% | (1.1)% | (1.8%) | (7.7%) |
| Increase/(decrease) in billed ARPU from prior equivalent period | (9.9)% | (2.9)% | (3.2%) | (3.9%) |

(1) We define "total ARPU" as the total mobile subscriber revenue in a period divided by the average number of mobile subscribers in the period divided by the number of months in the period.

(2) We define "billed ARPU" as the measure of the sum of the total mobile subscriber revenue excluding revenue from incoming traffic in a period divided by the average number of mobile subscribers in the period divided by the number of months in the period.

(3) We define "the average number of mobile subscribers in the period" as the average of each month's average number of mobile subscribers calculated as the average of the total number of mobile subscribers at the beginning of the month and the total number of mobile subscribers at the end of the month.

During the period under review, ARPU has been affected by a change in our product offerings. In 2015, 2016 and 2017, ARPU decreased due to (i) the introduction of unlimited data usage and increased data allowances with our *Plus.* offers, as part of our strategy under NJJ ownership, (ii) our reduced price *Plus.* offers, which are priced at attractive rates, as part of our strategy under NJJ ownership, (iii) the effect of the gradual migration of our postpaid customers to our new *Plus.* offers and (iv) promotions. We may further review our pricing strategies in the future.

### *Interconnection Revenue and Costs*

Interconnection costs received and paid contribute to our mobile subscriber revenue and to our interconnection costs. We receive revenue from other operators for calls terminated on our network, and we are required to pay fees to other mobile operators for calls terminated on their mobile networks. This is applicable to both domestic and international calls.

Interconnection costs are based on set MTRs. MTRs in Switzerland decreased from 2015 to 2017. Following guidance from ComCom, which advocates reductions in MTRs to decrease cost for customers, the three major Swiss mobile network operators negotiated decreases in MTRs. On October 21, 2016 and October 25, 2016, we entered into an agreement with Swisscom and Sunrise, respectively, which each set out the respective MTRs for the next two years.

As the market incumbent, Swisscom pays higher MTR fees than Sunrise and us. From 2017 to 2019, MTRs will progressively decrease, with MTRs with Swisscom continuing to be comparably lower than the MTRs applicable to ourselves and Sunrise as indicated in the table set forth below.

The table below sets forth MTRs in Switzerland for the periods indicated.

| (CHF/minute) | From July 1, 2014 to December 31, 2015 | From January 1, 2016 to December 31, 2016 | From January 1, 2017 to December 31, 2017 | From January 1, 2018 to December 31, 2018 | From January 1, 2019 to December 31, 2019 |
|---|---|---|---|---|---|
| MTRs Swisscom | 0.0625 | 0.0595 | 0.0310 | 0.0295 | 0.0280 |
| MTRs Salt Switzerland/Sunrise | 0.0775 | 0.0735 | 0.0430 | 0.0390 | 0.0350 |

*Source: ComCom, OFCOM*

Since mid-2015, EU network operators have significantly increased the cost to terminate traffic into most EU countries for non-EU operators following the adoption of EU Regulation 2015/2120, which limited the cost of terminating intra-EU traffic, and hence the revenue available to EU network operators. EU Regulation 2015/2120 does not limit the cost to terminate traffic originating outside the EU, such as in Switzerland. Our costs for international terminated calls have increased as a result of European operators charging MTR surcharges beginning in the fourth quarter of 2015 to compensate for the impact of EU Regulation 2015/2120. The decrease in MTRs in Switzerland contributed to a reduction in our costs related to international terminated calls by allowing us to negotiate lower MTRs with certain operators in Europe.

### *Subscriber Acquisition and Retention Costs*

Our primary subscriber acquisition and retention costs associated with postpaid subscribers include agent commissions related to sales generated by agents, distributors and resellers (together forming our indirect distribution channel) and the cost of handsets sold to our customers, as handsets are typically sold to our subscribers for a lower price than their cost, reflecting the incentive that we provide subscribers to subscribe or renew their subscription. Our increasing focus on direct distribution channels and our focus on promoting SIMO (SIM only plans) are therefore key factors for decreasing our subscriber acquisition and retention costs and part of our strategy under NJJ ownership.

### *Marketing and Labor Expenses*

In April 2015, we re-branded our products and services under the *Salt.* brand. Following our rebranding, we ceased paying royalties on a quarterly basis under our brand license agreement with Orange Brand Services Limited for the *Orange* brand.

Following the reconfiguration of our product offerings in August 2015, we also now have a simplified product portfolio, which we believe is easier to market and sell. As part of the broader transformation of the Group under NJJ ownership, we have also in-sourced our creative, campaign planning, copywriting and translation functions. In connection therewith, we have also consolidated our use of advertising agencies from 41 agencies to two agencies and eliminated 27 sponsored and trade fair marketing events.

Under NJJ ownership, we also simplified our marketing team from over 50 members of staff to seven members of staff. Across the Company, we have reduced our FTEs from 823 as of December 31, 2015 to 688 as of September 30, 2017. From the year ended December 31, 2015 to September 30, 2017, our average cost per employee also decreased by 28.2%, resulting in significant cost savings. These changes have reduced our marketing and labor expenses and improved our efficiency, with a limited impact on performance going forward.

***Network and IT Operational and Capital Expenditures***

With the growing penetration of smartphones and the increasing demand in data services, upgrading and maintaining our network on a continuous basis is critical to the provision of our services to our customers. The quality of our network represents an important factor in our ability to attract new customers and retain existing customers. Upgrades and maintenance of our network have a direct impact on the level of our annual expenses and capital expenditures.

We launched our 4G offering on the 1800 MHz spectrum in 2013 and we are now deploying 800 MHz, 2100 MHz and 2600 MHz spectrum. We expanded the 4G network coverage area in the following years, reaching a coverage area of 97% in outdoor data coverage and 71.9% in indoor data coverage (an increase of 4.4 percentage points from December 31, 2016) and download speeds of up to 300 Mbit/s as of September 30, 2017. We are in the process of upgrading our mobile network from 4G (LTE) to 4G+ (LTE advanced) by deploying lower frequencies, in order to improve indoor coverage and to increase mobile internet speed from up to 300 Mbit/s to up to 450 Mbit/s in rural regions and 1 GB/s in cities. We have deployed, upgraded or retrofitted 674 sites focusing on low bands as of September 30, 2017. Under NJJ ownership, all network management and maintenance will be carried out in-house.

In the second half of 2015, under NJJ ownership, we also began developing our own IT systems, including billing. Historically, we had outsourced most IT functions to third party providers at a significant cost. We believe owning, developing, maintaining and running our IT systems will be important to better serving our customers, developing new offers more rapidly and significantly reducing the operating costs and capital expenditures related to IT systems.

In March 2014, under previous ownership and management, we launched an IT transformation to improve the operating security, speed, function and cost of our business operations. We believe that our IT transformation has positively impacted our IT costs; however, associated delays led to one-off costs in 2014 and the high level of churn observed throughout most of 2014 and 2015. For additional information on our network and IT capital expenditure, see "—*Capital Expenditures and Investments.*"

**Analysis of Revenue**

The principal factors contributing to the decline of our revenue (excluding installment accounting) in the nine months ended September 30, 2017 as compared to September 30, 2016 were as follows:

- a positive postpaid subscriber effect of CHF 31.0 million, primarily due to an increase in postpay net adds due to commercial momentum and low churn ratio;
- a decrease in billed postpaid ARPU of CHF 61.1 million, primarily due to the migration of our subscribers to our *Plus.* offers;
- a decrease in incoming postpaid ARPU of CHF 25.2 million, primarily due to decreases in MTRs and lower volumes in SMS;
- a decrease in prepaid revenues of CHF 10.1 million due to declining activity and the impact of MTRs;
- a decrease in equipment revenue of CHF 4.9 million, primarily due to our focus on SIM-only customers and the corresponding decrease in handset related revenue; and

- an increase in other network and mobile services and fixed revenue of CHF 4.9 million, primarily due to higher MVNO revenue and customer services and fees.

**Analysis of EBITDA**

The principal factors contributing to the increase in EBITDA (as consolidated at Salt Mobile and excluding installment accounting) in the nine month ended September 30, 2017 as compared to September 30, 2016 were as follows:

- a decrease in acquisition and retention costs of CHF 13.8 million, primarily due to increased SIM-only offers and marketing efficiencies;
- a decrease in operational expenditures (excluding bad debts) of CHF 12.0 million, primarily due to our cost control initiatives, the internalization of our network operations and our decreased number of FTEs;
- a decrease in bad debts of CHF 8.8 million, primarily due to improvements in our collection process and lower forced churn ratio;
- partially offset by a decrease in gross margin (total revenue less equipment revenue, less access, backbone, interconnection and content costs) of CHF 16.9 million, primarily related to a decrease in revenue partially offset by lower interconnection (MTRs decrease) and roaming costs and access and backbone costs following our agreement on mobile IRU.

For the years ended December 31, 2015 and 2016 and the nine months ended September 30, 2017, our EBITDA was CHF 339.6 million, CHF 427.8 million and CHF 340.9 million, respectively. Excluding installment accounting and as consolidated at Salt Mobile, for the years ended December 31, 2015 and 2016 and the nine months ended September 30, 2017, our EBITDA was CHF 314.6 million, CHF 432.1 million and CHF 350.6 million, respectively.

**Analysis of Free Cash Flow**

The principal factors contributing to the decrease of our free cash flow (as consolidated at Salt Mobile and excluding installment accounting) in the nine month ended September 30, 2017 as compared to September 30, 2016 were as follows:

- an increase in capital expenditures of CHF 73.2 million, primarily due to the renewal and extension of agreements for mobile backhauling by ways of operating Indefeasible Right of Use for CHF 63.5 million and capital expenditures in connection with the future fixed activity, partially offset by higher fixed asset payables of CHF 58.7 million as IRUs will be cashed out over several years;
- a decrease in change in working capital of CHF 35.8 million, primarily due to the negative net balance in the payment of previous years inter-operator tariffs and the positive impact of our improved inventory management in 2016 partly offset by lower receivables.
- Partly offset by an increase in EBITDA of CHF 16.8 million;
- and a decreased other cash effects of CHF 9.8 million, primarily related to restructuring costs, contract termination fees and voluntary resignations. See also "—*Cash Flows—Consolidated Statement of Cash Flows—Net Cash Flow from Operating Activities*."

For the years ended December 31, 2015 and 2016 and the nine months ended September 30, 2017, free cash flow was CHF 177.4 million, CHF 344.5 million and CHF 228.4 million, respectively. Excluding installment accounting and as consolidated at Salt Mobile, for the years ended December 31, 2015 and 2016 and the nine months ended September 30, 2017, our free cash flow was CHF 181.2 million, CHF 343.3 million and CHF 231.0 million, respectively.

## Key Income Statement Line Items

### *Revenue*

Revenue from our activities includes:

- mobile subscriber revenue, mainly consisting of revenue from voice (including incoming and outgoing calls), SMS and MMS, data services for handsets and mobile broadband services (wireless internet access through a laptop, tablet or dongle) and care products and services;
- other network revenue and mobile services, consisting of visitor roaming revenue, revenue from MVNO and other operating revenue. Visitor roaming revenue represents revenue received from our roaming partners for their customers' use of services on our network. Revenue from MVNOs is typically generated by charging the MVNOs fees related to their usage on our network;
- other operating revenue, mainly consisting of transit revenue (calls issued from another operator and which are destined to someone who is not our subscriber), accessories sales, income from administration and penalties;
- equipment revenue, which corresponds to the sale of handsets and subscriber acquisition and retention-related discounts; and
- fixed voice, broadband internet and TV products revenue, which has historically been marginal and was discontinued at the end of 2016.

In accordance with IAS 18 "Revenue," revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and rebates, value added tax and other sales related taxes.

We updated our revenue recognition policy to fully comply with IAS 18 in connection with our IT transformation and the introduction of installment-based price plans on September 19, 2014. From that date, the sales of handsets through direct channels have been fully recognized in our annual financial statements at fair value as of the signature date of the related contracts, whereas they were previously recorded on a cash basis and, as a result, a higher portion of revenue has been recognized as equipment revenue instead of mobile subscriber revenue spread over the duration of the contract. For additional information, see Note 2.5 to our audited consolidated financial statements for the year ended December 31, 2016.

### *Operating Costs*

Our operating costs include:

- access, backbone, interconnection and content costs, which include interconnection fees, roaming costs, fixed network costs and transmission leased lines (related to the lease of access circuits from other network providers);
- commercial expenses, which include commissions paid out to distributors for signing or retaining subscribers, advertising, sponsoring and promotion expenses and cost of equipment sold;
- network, IT, property expenses and other purchases;
- labor expenses, which include salaries and wages, social contributions, individual incentive/bonus plans and the cost of post-employment benefits;
- other operating expenses, which include the cost of customer bad debt and further operating expenses, in particular spectrum fees;
- restructuring, transition and transaction costs;
- corporate and brand fees;
- depreciation and impairment of tangible fixed assets; and
- amortization and impairment of intangible fixed assets.

From January 1, 2017, we present foreign exchange gains and losses associated with commercial transactions as net finance costs instead of other operating expenses and income. The nine-month period ended September 30, 2016 has been restated for comparative purposes.

### *Other Operating Income*

From January 1, 2017, we present foreign exchange gains and losses associated with commercial transactions as net finance costs instead of other operating expenses and income. The nine-month period ended September 30, 2016 has been restated for comparative purposes.

## Results of Operations

The table below shows our consolidated results of operations for the years ended December 31, 2015 and 2016 and the nine months ended September 30, 2017.

| | MMH | Group | Aggregate MMH and Group | Group | | |
|---|---|---|---|---|---|---|
| | (Predecessor) January 1, 2015- April 22, | (Successor) April 23, 2015- December 31, | For the year ended December 31, | For the year ended December 31, | For the nine months ended September 30, | |
| | 2015 | 2015 | 2015 | 2016 | 2016 | 2017 |
| | (CHF thousands) | | | | | |
| **Revenue** | **399,431** | **885,325** | **1,284,756** | **1,127,461** | **838,065** | **770,954** |
| Access, back bone, interconnection and content costs | (58,047) | (145,882) | (203,929) | (220,396) | (165,180) | (121,479) |
| Commercial expenses and cost of equipment sold | (111,166) | (242,755) | (353,921) | (233,257) | (158,586) | (139,808) |
| Network, IT, property expenses and other purchases | (47,337) | (107,541) | (154,878) | (129,866) | (98,079) | (92,925) |
| Labor expenses | (34,693) | (60,491) | (95,184) | (76,593) | (62,874) | (57,179) |
| Other operating expenses(1) | (22,917) | (61,471) | (84,388) | (39,037) | (29,042) | (19,308) |
| Other operating income | 8,429 | 10,097 | 18,526 | 9,049 | 4,537 | 5,293 |
| Result on disposal and other gains | 2 | 1 | 3 | — | — | — |
| Restructuring, transition and transaction costs | (21,945) | (43,414) | (65,359) | (8,242) | (2,943) | (3,516) |
| Corporate and brand fees | (5,333) | (734) | (6,067) | (1,320) | (1,440) | (1,160) |
| Depreciation, amortization and impairment | (79,395) | (197,241) | (276,636) | (264,226) | (196,905) | (192,296) |
| **Operating profit / (loss)** | **27,030** | **35,895** | **62,925** | **163,574** | **127,554** | **148,575** |
| Finance costs | (69,669) | (103,995) | (173,664) | (81,842) | (66,173) | (107,992) |
| Finance income | 56 | 3,509 | 3,565 | 5,998 | 9,792 | 33,869 |
| **Finance costs, net(1)** | **(69,614)** | **(100,486)** | **(170,100)** | **(75,844)** | **(56,381)** | **(74,122)** |
| Profit / (loss) before tax | (42,583) | (64,591) | (107,174) | 87,730 | 71,173 | 74,453 |
| Income tax (expenses) / benefit | (1,525) | 8,083 | 6,558 | 10,329 | 56 | (22,272) |
| **Profit / (loss)** | **(44,108)** | **(56,509)** | **(100,617)** | **98,060** | **71,228** | **52,181** |
| Profit / (loss) attributable to equity owners | (44,108) | (56,509) | (100,617) | 98,060 | 71,228 | 52,181 |

(1) From January 1, 2017, we present foreign exchange gains and losses associated with commercial transactions as net finance costs instead of other operating expenses and income. The nine-month period ended September 30, 2016 has been restated for comparative purposes.

***Nine Months Ended September 30, 2017 as Compared to Nine Months Ended September 30, 2016***

*Revenue*

Our total revenue decreased by CHF 67.1 million, 8.0%, from CHF 838.1 million for the nine months ended September 30, 2016 to CHF 771.0 million for the nine months ended September 30, 2017. The decrease in total revenue was primarily due to a decrease in postpaid billed ARPU, a decrease in postpaid incoming revenue due to a decrease in Swiss mobile termination rates in 2017 and a decrease in prepay revenue partially offset by a higher postpaid subscriber base and other network revenues and mobile services.

| | For the nine months ended September 30, | | | | Change | |
|---|---|---|---|---|---|---|
| | Group 2016 | % of total revenue | Group 2017 | % of total revenue | Amount | % |
| | (CHF in thousands, except percentages) | | | | | |
| Mobile subscriber revenue | 626,197 | 74.7% | 555,241 | 72.0% | (70,955) | (11.3%) |
| Equipment revenue | 117,309 | 14.0% | 116,291 | 15.1% | (1,019) | (0.9%) |
| Other network revenue and mobile services | 92,957 | 11.1% | 99,328 | 12.9% | 6,371 | 6.9% |
| Fixed revenue | 1,602 | 0.2% | 94 | 0.0% | (1,508) | (94.1%) |
| **Total revenue** | **838,065** | **100.0%** | **770,954** | **100.0%** | **(67,111)** | **(8.0%)** |

Mobile subscriber revenue was CHF 555.2 million for the nine months ended September 30, 2017, a decrease of CHF 71.0 million, or 11.3%, from CHF 626.2 million for the nine months ended September 30, 2016. This decrease was primarily due to a decrease in ARPU as a result of (i) the effect of the migration of our postpaid customers onto our new *Plus*. offers (ii) the decrease in Swiss mobile termination rates on January 1, 2017 and (iii) promotional activities partially offset by a higher postpaid subscriber base due to the reconfiguration of our product offerings and the reduction in postpaid subscriber disconnections.

Equipment revenue was CHF 116.3 million for the nine months ended September 30, 2017, a decrease of CHF 1.0 million, or 0.9%, from CHF 117.3 million for the nine months ended September 30, 2016. This decrease was primarily due to our increased focus on SIM-only customers rather than sales of contracts with handsets.

Other network revenue and mobile services were CHF 99.3 million for the nine months ended September 30, 2017, an increase of CHF 6.4 million, or 6.9%, from CHF 93.0 million for the nine months ended September 30, 2016. This increase in other network revenue and mobile services was primarily due to higher MVNO revenues and customer services and fees.

Fixed revenue totaled CHF 0.1 million for the nine months ended September 30, 2017, a decrease of 94.1% from CHF 1.6 million for the nine months ended September 30, 2016 related to our legacy fixed revenue business, which was discontinued at the end of 2016.

The table below sets out our mobile subscriber revenue by subscriber segments for the periods indicated.

| | For the nine months ended September 30, | | | | Change | |
|---|---|---|---|---|---|---|
| | Group 2016 | % of mobile subscriber revenue | Group 2017 | % of mobile subscriber revenue | Amount | % |
| | (CHF in thousands, except percentages) | | | | | |
| Postpaid subscribers revenue | 593,874 | 94.8% | 533,077 | 96.0% | (60,796) | (10.2)% |
| Prepaid subscribers revenue | 32,323 | 5.2% | 22,164 | 4.0% | (10,159) | (31.4)% |
| **Total mobile subscriber revenue** | **626,197** | **100.0%** | **555,241** | **100.0%** | **(70,955)** | **(11.3)%** |

*Access, Backbone, Interconnection and Content Costs*

Access, backbone, interconnection and content costs were CHF 121.5 million for the nine months ended September 30, 2017, a decrease of CHF 43.7 million, or 26.5%, from CHF 165.2 million for the nine months ended September 30, 2016. This decrease was primarily due to the decrease in MTRs in Switzerland, a decrease in some European MTR surcharges and a decrease in backhauling costs as a result of the renewal and extension of agreements for mobile backhauling and indefeasible rights of use.

*Commercial Expenses and Cost of Equipment Sold*

Commercial expenses and cost of equipment sold were CHF 139.8 million for the nine months ended September 30, 2017, a decrease of CHF 18.8 million, or 11.8%, from CHF 158.6 million for the nine months ended September 30, 2016. The decrease in commercial expenses and cost of equipment sold was primarily due to our increased focus on SIM-only offers and marketing efficiencies.

*Network, IT, Property Expenses and Other Purchases*

Network, IT, property expenses and other purchases were CHF 92.9 million for the nine months ended September 30, 2017, a decrease of CHF 5.1 million, or 5.3%, from CHF 98.1 million for the nine months ended September 30, 2016. The decrease principally reflected cost savings resulting from the insourcing of network operations.

*Labor Expenses*

Labor expenses were CHF 57.2 million for the nine months ended September 30, 2017, a decrease of CHF 5.7 million, or 9.1%, from CHF 62.9 million for the nine months ended September 30, 2016. The decrease in labor expenses was primarily due to a decrease in the number of FTEs from 808 as of September 30, 2016 to 688 as of September 30, 2017.

*Other Operating Expenses*

Other operating expenses were CHF 19.3 million for the nine months ended September 30, 2017, a decrease of CHF 9.7 million, or 33.5%, from CHF 29.0 million for the nine months ended September 30, 2016. The decrease in other operating expenses was primarily due to our improved collection management resulting in lower bad debt costs.

*Other Operating Income*

Other operating income was CHF 5.3 million for the nine months ended September 30, 2017, an increase of CHF 0.8 million or 16.7% from CHF 4.5 million for the nine months ended September 30, 2016. This was primarily attributable to an increase in our revenue from our sublease.

*Restructuring, Transition and Transaction Costs*

Restructuring, transition and transaction costs were CHF 3.5 million for the nine months ended September 30, 2017, an increase of CHF 0.6 million from CHF 2.9 million for the nine months ended September 30, 2016. The increase in restructuring, transition and transaction costs was primarily due to an increase in litigation provisions and early contract termination penalties in the context of the planned IT transformation partially offset by lower restructuring costs.

*Corporate and Brand Fees*

Corporate and brand fees were CHF 1.2 million for the nine months ended September 30, 2017, a decrease of CHF 0.2 million from CHF 1.4 million for the nine months ended September 30, 2016.

*Depreciation, Amortization and Impairment*

Depreciation, amortization and impairment losses were CHF 192.3 million for the nine months ended September 30, 2017, a decrease of CHF 4.6 million, or 2.3%, from CHF 196.9 million for the nine months ended September 30, 2016. The decrease in depreciation, amortization and impairment losses was primarily due to the decrease in capital expenditures (excluding IRUs).

*Operating Profit / (Loss)*

As a result of the foregoing factors, our operating profit was CHF 148.6 million for the nine months ended September 30, 2017 and CHF 127.6 million for the nine months ended September 30, 2016, representing operating margins of 19.3% and 15.2%, respectively.

*Finance Costs*

Finance costs were CHF 108.0 million for the nine months ended September 30, 2017, an increase of CHF 41.8 million, or 63.2%, from CHF 66.2 million for the nine months ended September 30, 2016. The increase in finance costs was primarily due to the change in fair value of the derivatives.

*Finance Income*

Finance income was CHF 33.9 million for the nine months ended September 30, 2017, an increase of CHF 24.1 million, from CHF 9.8 million for the nine months ended September 30, 2016. The increase in finance income was primarily due to the gain on hedging related to the euro-denominated Existing Notes.

*Income Tax (Expenses) / Benefit*

The following table sets forth our income tax expense for the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2017.

| | For the nine months ended September 30, | | Change | |
|---|---|---|---|---|
| | Group 2016 | Group 2017 | Amount | % |
| | (CHF in thousands, except percentages) | | | |
| Current tax expense in respect of the current year | (384) | (1,949) | (1,565) | n.m. |
| Deferred tax income / (expense) | 440 | (20,323) | (20,763) | n.m. |
| **Total income tax** | **56** | **(22,272)** | **(22,328)** | **n.m.** |

Income tax increased by CHF 22.3 million from a benefit of CHF 56 thousand for the nine months ended September 30, 2016 to an expense of CHF 22.3 million for the nine months ended September 30, 2017, due to a release of deferred tax asset related to the use of tax losses carried forward.

### *Year Ended December 31, 2016 as Compared to Year Ended December 31, 2015*

*Revenue*

Our total revenue decreased by CHF 157.3 million, 12.2%, from CHF 1,284.8 million for the year ended December 31, 2015 to CHF 1,127.5 million for the year ended December 31, 2016. The decrease in total revenue was primarily due to a decrease in ARPU as a result of the continued migration of our postpaid subscriber base to our new offerings, lower collection fees and lower accessories revenue and a decrease in equipment revenue as a result of our increased focus on SIM-only customers.

| | For the year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | Aggregate MMH and Group 2015 | % of total revenue | Group 2016 | % of total revenue | Amount | % |
| | (CHF in thousands, except percentages) | | | | | |
| Mobile subscriber revenue | 916,366 | 71.3% | 824,587 | 73.1% | (91,779) | (10.0%) |
| Equipment revenue | 216,356 | 16.8% | 174,831 | 15.5% | (41,525) | (19.2%) |
| Other network revenue and mobile services | 149,206 | 11.6% | 126,448 | 11.2% | (22,758) | (15.3%) |
| Fixed revenue | 2,829 | 0.2% | 1,597 | 0.1% | (1,232) | (43.6%) |
| **Total revenue** | **1,284,756** | **100.0%** | **1,127,461** | **100.0%** | **(157,295)** | **(12.2%)** |

Mobile subscriber revenue was CHF 824.6 million for the year ended December 31, 2016, a decrease of CHF 91.8 million, or 10.0%, from CHF 916.4 million for the year ended December 31, 2015. This decrease was primarily due to a decrease in ARPU as a result of (i) the unlimited data usage and the higher data allowances of our *Plus.* offers, (ii) our *Plus.* offers, which are priced at attractive rates, (iii) the effect of the gradual migration of our postpaid customers onto our new *Plus.* offers, as well as the negative impact of installment accounting.

Equipment revenue was CHF 174.8 million for the year ended December 31, 2016, a decrease of CHF 41.5 million, or 19.2%, from CHF 216.4 million for the year ended December 31, 2015. This decrease was primarily due to our increased focus on SIM only customers rather than sales of contracts with handsets.

Other network revenue and mobile services were CHF 126.4 million for the year ended December 31, 2016, a decrease of CHF 22.8 million, or 15.3%, from CHF 149.2 million for the year ended December 31, 2015. This decrease in other network revenue and mobile services was primarily due to decreased collection fees invoiced to our customers, as a result of improved collection management and lower bad debt, lower accessories revenue during the transition from existing accessories partnerships to new accessories partnerships and prior to the launch by our new partners of new accessory products.

Fixed revenue totaled CHF 1.6 million for the year ended December 31, 2016, a decrease of 43.6% from CHF 2.8 million for the year ended December 31, 2015 related to our legacy fixed revenue business, which was discontinued at the end of 2016.

The table below sets out our mobile subscriber revenue by subscriber segments for the periods indicated.

| | For the year ended December 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | Aggregate MMH and Group 2015 | % of mobile subscriber revenue | Group 2016 | % of mobile subscriber revenue | Amount | % |
| | (CHF in thousands, except percentages) | | | | | |
| Postpaid subscribers revenue | 864,594 | 94.4% | 782,678 | 94.9% | (81,917) | (9.5%) |
| Prepaid subscribers revenue | 51,772 | 5.6% | 41,909 | 5.1% | (9,863) | (19.1%) |
| **Total mobile subscriber revenue** | **916,366** | **100.0%** | **824,587** | **100.0%** | **(91,779)** | **(10.0%)** |

*Access, Backbone, Interconnection and Content Costs*

Access, backbone, interconnection and content costs were CHF 220.4 million for the year ended December 31, 2016, an increase of CHF 16.5 million, or 8.1%, from CHF 203.9 million for the year ended December 31, 2015. The increase was primarily due to European MTR surcharges beginning in the fourth quarter of 2015 and higher roaming traffic driven by the increased allowance of our *Plus.* offers.

*Commercial Expenses and Cost of Equipment Sold*

Commercial expenses and cost of equipment sold were CHF 233.3 million for the year ended December 31, 2016, a decrease of CHF 120.7 million, or 34.1%, from CHF 353.9 million for the year ended December 31, 2015. The decrease in commercial expenses and cost of equipment sold was primarily due to our increased focus on SIM-only offers and the rationalization of our indirect channels, together with marketing efficiencies and the implementation of cost control measures.

*Network, IT, Property Expenses and Other Purchases*

Network, IT, property expenses and other purchases were CHF 129.9 million for the year ended December 31, 2016, a decrease of CHF 25.0 million, or 16.1%, from CHF 154.9 million for the year ended December 31, 2015. The decrease principally reflected cost savings resulting from the insourcing of network operations and cost savings realized from internalizing our rollout and maintenance operations and cost control.

*Labor Expenses*

Labor expenses were CHF 76.6 million for the year ended December 31, 2016, a decrease of CHF 18.6 million, or 19.5%, from CHF 95.2 million for the year ended December 31, 2015. The decrease in labor expenses was primarily due to a decrease in the number of FTEs from 823 as of December 31, 2015 to 789 as of December, 31 2016 and a decrease in average wages paid over the course of 2016 as part of the transformation of the Group under NJJ ownership.

*Other Operating Expenses*

Other operating expenses were CHF 39.0 million for the year ended December 31, 2016, a decrease of CHF 45.4 million, or 53.7%, from CHF 84.4 million for the year ended December 31, 2015. The decrease in other operating expenses was primarily due to our improved collection management resulting in lower bad debt costs of CHF 24.8 million and the negative impact in 2015 of operational hedging instruments of CHF 16.6 million following the Swiss National Bank's announcement that they would no longer enforce the minimum exchange rate of CHF 1.20 to €1.00.

*Other Operating Income*

Other operating income was CHF 9.0 million for the year ended December 31, 2016, a decrease of CHF 9.5 million or 51.2% from CHF 18.5 million for the year ended December 31, 2015. This was primarily attributable to foreign exchange gains of CHF 5.6 million in 2015 following the Swiss National Bank's announcement that they would no longer enforce the minimum exchange rate of CHF 1.20 to €1.00.

*Restructuring, Transition and Transaction Costs*

Restructuring, transition and transaction costs were CHF 8.2 million for the year ended December 31, 2016, a decrease of CHF 57.1 million from CHF 65.4 million for the year ended December 31, 2015. The decrease in restructuring, transition and transaction costs was primarily due to the incurrence of rebranding costs in 2015, remaining IT transformation costs in 2015, 2015 transaction and refinancing costs and higher costs with respect to our restructuring costs, including the implementation of a voluntary employee leave program in September 2015.

*Corporate and Brand Fees*

Corporate and brand fees were CHF 1.3 million for the year ended December 31, 2016, a decrease of CHF 4.8 million from CHF 6.1 million for the year ended December 31, 2015. The decrease in corporate and brand fees was predominantly due to the termination of royalty fees following the rebranding of our business in April 2015.

*Depreciation, Amortization and Impairment*

Depreciation, amortization and impairment losses were CHF 264.2 million for the year ended December 31, 2016, a decrease of CHF 12.4 million, or 4.5%, from CHF 276.6 million for the year ended December 31, 2015. The decrease in depreciation, amortization and impairment losses was primarily due to a lower capital expenditure of our fixed assets combined with various impairments booked in 2015 mainly related to our rebranding.

*Operating Profit / (Loss)*

As a result of the foregoing factors, our operating profit was CHF 163.6 million for the year ended December 31, 2016 and CHF 62.9 million for the year ended December 31, 2015, representing operating margins of 14.5% and 4.9%, respectively.

*Finance Costs*

Finance costs were CHF 81.8 million for the year ended December 31, 2016, a decrease of CHF 91.8 million, or 52.9%, from CHF 173.7 million for the year ended December 31, 2015. The decrease in finance costs was primarily due to the one-off costs incurred in connection with the Refinancing Transactions in 2015 and the lower interest rates following the refinancing.

*Finance Income*

Finance income was CHF 6.0 million for the year ended December 31, 2016, an increase of CHF 2.4 million, or 68.3%, from CHF 3.6 million for the year ended December 31, 2015. The increase in finance income was primarily due to the foreign exchange gains on derivatives.

*Income Tax (Expenses) / Benefit*

The following table sets forth our income tax expense for the year ended December 31, 2015 as compared to the year ended December 31, 2016.

| | For the year ended December 31, | | Change | |
|---|---|---|---|---|
| | **Aggregate MMH and Group 2015** | **Group 2016** | **Amount** | **%** |
| | **(CHF in thousands, except percentages)** | | | |
| Current tax expense in respect of the current year | (312) | (3,165) | (2,853) | 914.4% |
| Deferred tax income / (expense) | 6,870 | 13,495 | 6,625 | 96.4% |
| **Total income tax** | **6,558** | **10,329** | **3,772** | **57.5%** |

Income tax increased by CHF 3.8 million from a benefit of CHF 6.6 million for the year ended December 31, 2015 to a benefit of CHF 10.3 million for the year ended December 31, 2016, due to the recognition of a previously unrecognized tax asset in 2016.

## Liquidity and Capital Resources

***Sources of Liquidity for the Group***

Our principal source of liquidity is our operating cash flows, which are described below. Our ability to generate cash from our operations depends on our future operating performance, which is in turn dependent on general economic, financial, competitive, market, regulatory and other factors, including those discussed under "*Risk Factors,*" many of which are beyond our control.

We currently have a Revolving Credit Facility in the amount of CHF 100 million. As of the date of this Offering Memorandum, we had no outstanding borrowings under the Revolving Credit Facility. In addition, as of September 30, 2017, we had cash and cash equivalents of CHF 168.1 million. See "*Description of Certain Financing Arrangements—Revolving Credit Facility.*"

Although we believe that our expected operating cash flows, together with cash on hand and future availability under the Revolving Credit Facility, will be adequate to meet our anticipated liquidity and debt service needs, we cannot be certain that our business will generate sufficient cash flows from operations or that future debt and equity financing will be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs.

We believe that the potential risks to our liquidity include:

- a reduction in operating cash flows due to a decline in operating profit from our operations, which could be caused by a downturn in our performance or in the industry as a whole;
- a failure to maintain low working capital requirements;
- the need to fund network upgrades and other development capital expenditures; and
- the need to fund maintenance capital expenditures.

If our future cash flows from operations and other capital resources (including borrowings under the Revolving Credit Facility) are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity financing; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

We may not accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of the Notes, the Revolving Credit Facility and any future debt may limit our ability to pursue any of these alternatives.

The Issuer is a holding company with no independent business operations or significant assets other than investments in its respective subsidiaries. The Issuer depends upon the receipt of sufficient funds from its subsidiaries to meet its obligations. We intend to provide funds to the Issuer in order to meet the obligations on the Notes through a combination of dividends and other intercompany loans. Applicable tax laws may also subject such payments to further taxation. Applicable law may also limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments. In particular, the ability of the Company to pay dividends to the Issuer will generally be limited to the amount of distributable reserves available at the Company.

## Cash Flows

The table below sets out certain information related to our cash flows.

### *Consolidated Statement of Cash Flows*

| | MMH | Group | Aggregate MMH and Group | Group | Group | Group |
|---|---|---|---|---|---|---|
| | (Predecessor) January 1, 2015- April 22, | (Successor) April 23, 2015- December 31, | For the year ended December 31, | | For the nine months ended September 30, | |
| | 2015 | 2015 | 2015 | 2016 | 2016 | 2017 |
| | (CHF in thousands) | | | | | |
| **Profit / (loss)** | (44,108) | (56,509) | (100,617) | 98,060 | 71,228 | 52,181 |
| Adjustments to reconcile profit / (loss) to funds generated from operations | | | | | | |
| Depreciation, amortization and impairment | 79,395 | 197,241 | 276,636 | 264,226 | 196,905 | 192,296 |
| Result on disposal of PPE | (2) | (1) | (3) | — | — | — |
| Change in other provisions | (4,218) | 1,692 | (2,526) | (12,315) | (8,877) | 2,588 |
| Income tax recognized in the income statement | 1,525 | (8,083) | (6,558) | (10,329) | (56) | 22,272 |
| Finance costs, net | 69,614 | 100,486 | 170,100 | 75,844 | 56,381 | 74,122 |
| Change in inventories, trade receivables and trade payables | | | | | | |
| Decrease / (increase) in inventories | (6,601) | 565 | (6,036) | 11,403 | 9,823 | (3,836) |
| Decrease / (increase) in trade receivables | (9,944) | (36,332) | (46,275) | 48,068 | 41,019 | (2,667) |
| Increase / (decrease) in trade payables | 14,907 | 16,195 | 31,102 | (26,512) | (15,746) | (9,162) |
| Other changes in working capital requirements | | | | | | |
| Decrease / (increase) in other receivables and payables | (21,187) | 23,170 | 1,983 | (4,522) | (18,339) | (4,393) |
| Other items | | | | | | |
| Income tax paid | (42) | (269) | (311) | (353) | (384) | (1,843) |
| Decrease / (increase) in deposits | (193) | (111) | (304) | (853) | (118) | (108) |
| **Net cash provided by operating activities** | **79,144** | **238,046** | **317,190** | **442,715** | **331,837** | **321,450** |
| **Purchases/sales of property, plant and equipment and intangible assets:** | | | | | | |
| Purchases of property, plant and equipment and intangible assets | (73,702) | (66,061) | (139,763) | (98,232) | (78,801) | (93,073) |
| Proceeds from sales of property, plant and equipment and intangible assets | 2 | 1 | 3 | — | — | — |
| Purchase of interests in subsidiaries, net of cash acquired | — | (1,007,869) | (1,007,869) | — | — | — |
| Spectrum License Payment | — | (33,717) | (33,717) | — | — | (35,242) |
| **Net cash used in investing activities** | **(73,700)** | **(1,107,646)** | **(1,181,346)** | **(98,232)** | **(78,801)** | **(128,314)** |
| **Issuance** | | | | | | |
| Bonds | — | 2,021,358 | 2,021,358 | — | — | 690,150 |
| Bond issuance costs | — | (19,064) | (19,064) | — | — | (36,835) |
| Interest income received | 47 | 224 | 271 | 90 | 84 | 23 |
| **Redemptions and repayments** | | | | | | |
| Repurchase of Bonds Net of Swap Unwind | — | (1,431,489) | (1,431,489) | (105,853) | (86,419) | (338,243) |
| Bond Issuance Cost | — | — | — | — | — | — |
| New Revolving Credit Facility Fees | (2,600) | — | (2,600) | — | — | — |
| Early Redemption Fees | (2,775) | — | (2,775) | — | — | — |
| Dividend to Shareholder | — | (150,000) | (150,000) | — | — | — |
| Settlement of Intercompany loans with old holdings | — | (447,334) | (447,334) | — | — | — |
| Long-term debt | — | 1,007,869 | 1,007,869 | — | — | — |
| Interest paid, net effect of interest rate on derivatives and net FX impacts on bonds and derivatives | (32,914) | (40,843) | (73,757) | (77,289) | (50,145) | (54,331) |
| **Other changes** | | | | | — | — |
| Equity contribution from APEM | — | 50 | 50 | — | — | — |
| Share premium increase/(decrease) | (15,068) | 20,000 | 4,932 | (100,000) | (20,000) | (500,000) |
| Repayment of share premium | — | — | — | — | — | — |
| **Net cash provided by / (used in) financing activities** | **(53,310)** | **960,770** | **907,460** | **(283,051)** | **(156,480)** | **(239,235)** |
| **Cash and cash equivalents at the beginning of period** | **115,674** | **64,748** | **115,674** | **153,693** | **153,693** | **214,689** |
| Effects of exchange rate changes on cash and cash equivalents | (3,082) | (2,225) | (5,307) | (436) | (16) | (525) |
| Net change in cash and cash equivalents | (47,866) | 91,170 | 43,304 | 61,432 | 96,556 | (46,100) |
| **Cash and cash equivalents at the end of period** | **64,727** | **153,693** | **153,693** | **214,689** | **250,233** | **168,064** |

*Net Cash Flow from Operating Activities*

In this discussion:

- net working capital is defined as the sum of inventories, trade receivables, trade payables, other receivables and other payables;
- trade working capital is defined as the sum of inventories, trade receivables and trade payables; and
- inter-operator tariffs ("IOT") discounts receivables and payables are recorded in trade receivables and trade payables, respectively. Some of the partnerships among operators are based on gross IOTs, defined by each operator through its AA.14 tariff list. Roaming revenue and costs are invoiced and paid on a monthly basis based on AA.14 tariffs. Each operator defines with its partners a net IOT amount based on discounted tariffs ("IOT discounts"), which is renegotiated on a regular basis. IOT discounts are accrued on a monthly basis and settled bilaterally by way of credit notes for the difference between AA.14 tariffs and the net IOT amount agreed, with any remaining credit notes settled through payments at some point in the future.

Net cash provided by operating activities for the nine months ended September 30, 2017 was CHF 321.5 million. Our net cash provided by operating activities for the nine months ended September 30, 2017 was mainly generated from net profit of CHF 52.2 million, adjusted to remove the non-cash effects of depreciation, amortization and impairment of CHF 192.3 million and finance costs, net of CHF 74.1 million. Net working capital increased by CHF 20.1 million for the nine months ended September 30, 2017. This change reflects (i) a decrease in trade payables of CHF 9.2 million mainly due to a negative impact of the decrease of roaming and IOT's payable balances and the impact of the reduced marketing, general and administrative expenses, (ii) an increase in inventory levels of CHF 3.8 million in order to increase our sales run rate coverage and (iii) a decrease in non-trade working capital of CHF 4.4 million, which was mainly attributable to prepaid expenses (prepayment of annual site rentals in the first quarter of 2017) and (iv) an increase in trade receivables of CHF 2.7 million mainly due to an increase of the roaming and IOT's receivables.

Net cash provided by operating activities for the year ended December 31, 2016 was CHF 442.7 million. Our net cash provided by operating activities for the year ended December 31, 2016 was mainly generated from net profit of CHF 98.1 million, adjusted to remove the non-cash effects of depreciation, amortization and impairment of CHF 264.2 million and finance costs, net of CHF 75.8 million. Net working capital decreased by CHF 28.4 million for the year ended December 31, 2016. This change reflects (i) a decrease in trade receivables of CHF 48.1 million mainly due to a positive impact of the increase of IOT's receivable balances of CHF 32.5 million and a decrease in outstanding amounts to be received by our postpaid customers of CHF 18.3 million and (ii) a decrease in inventory levels of CHF 11.4 million due to our improved inventory management as a result of a smaller device portfolio focused on top selling products partly offset by (iii) a decrease in trade payables of CHF 26.5 million mainly due to a negative impact of the decrease of IOT's payable balances of CHF 15.7 million and the impact of the reduced operating expenses of CHF 7.7 million and (iv) a decrease in non-trade working capital of CHF 4.5 million, which was mainly attributable to lower employee-related fees.

Net cash provided by operating activities for the year ended December 31, 2015 was CHF 317.2 million. Our net cash provided by operating activities for the year ended December 31, 2015 was mainly a result of our net loss of CHF 100.6 million adjusted to remove the non-cash effects of depreciation, amortization and impairment of CHF 276.6 million and finance costs, net of CHF 170.1 million. Net working capital increased by CHF 19.2 million for the year ended December 31, 2015. This change reflects (i) an increase in trade receivables of CHF 46.3 million, mainly due to installment accounting of CHF 30.8 million and the phasing effect in the negative cash balance of previous years IOT's of CHF 29.2 million, partially offset by a decrease in outstanding amounts to be received by our customers of CHF 10.8 million, (ii) an increase in inventory levels of CHF 6.0 million and (iii) an increase in trade payables of CHF 31.1 million, mainly attributable to the phasing effect in the net cash balance of previous years IOT's of CHF 47.8 million, which partially offset by the impact of reduced operating expenses on trade payables, and (iv) an increase in non-trade working capital of CHF 2.0 million.

*Net Cash Flow Used in Investing Activities*

Net cash used in investing activities was CHF 128.3 million for the nine months ended September 30, 2017. Net cash used in investing activities during the nine months ended September 30, 2017 consisted of capital expenditures of (i) CHF 63.5 million related to the renewal and extension of agreements for mobile backhauling by ways of operating an indefeasible right of use, (ii) CHF 60.0 million related to the further expansion of our mobile phone network and its modernization to 4G+/LTE advanced with a strong focus on low frequencies (800 MHz for 4G+/LTE advanced and 900 MHz for 3G coverage), including the new data center under a financial lease, and the new fixed activity and (iii) IT capital expenditure (CHF 7.6 million), and a decrease in fixed assets payable of CHF 49.5 million, primarily due to the last payment of CHF 35.2 million in connection with the spectrum license acquired in 2012 and a higher level of capital expenditures in 2017. Other capital expenditures primarily relate to new shops.

Net cash used in investing activities was CHF 98.2 million for the year ended December 31, 2016. Net cash used in investing activities during the year ended December 31, 2016 consisted of capital expenditures of CHF 84.9 million related to the further expansion of our mobile phone network and its our modernization to 4G+/LTE advanced with a strong focus on low frequencies (800 MHz for 4G+/LTE advanced and 900 MHz for 3G coverage) and IT capital expenditure (CHF 9.9 million). The decrease mainly reflects the insourcing of our network operations and the improved capital expenditure discipline. Other capital expenditures primarily relate to fitting and refurbishing shops.

Net cash used in investing activities was CHF 1,181.3 million for the year ended December 31, 2015. Net cash used in investing activities during the year ended December 31, 2015 consisted of CHF 1,007.9 million in purchase of interests in subsidiaries, net of cash acquired, related to the sale of Matterhorn Mobile to Matterhorn Telecom SA. In addition, net cash used in investing activities consisted of capital expenditures of CHF 124.8 million mainly related to the further expansion of our mobile phone network and its modernization to 4G/LTE (CHF 97.2 million) and IT capital expenditure (CHF 18.7 million), a decrease in fixed asset payables related to the capital expenditures decrease in 2015 compared to 2014 of CHF 15.0 million and the second payment in an amount of CHF 33.7 million in connection with the spectrum license acquired in 2012.

*Net Cash Flow Used in Financing Activities*

Net cash used in financing activities was CHF 239.2 million for the nine months ended September 30, 2017, mainly consisting of cash outflow of CHF 338.2 million to repurchase (i) our senior secured floating rate notes due 2022 and (ii) to repurchase EUR 50.0 million of our Floating Rate Senior Secured Notes due 2023 in September 2017, interest paid on our Existing Notes of CHF 54.3 million and a distribution to our shareholder of CHF 500.0 million partially offset by a cash inflow of CHF 653.3 million (net of issuance costs) as a result of the issuance of the Floating Rate Senior Secured Notes (EUR 525.0 million) and the issuance of additional Senior Notes (EUR 117.0 million) in March 2017.

Net cash used in financing activities was CHF 283.1 million for the year ended December 31, 2016, mainly consisting of a cash outflow of CHF 105.9 million to repurchase Senior Notes and CHF Fixed Rate Senior Secured Notes, interest paid on our existing notes of CHF 77.3 million and a distribution to our shareholder of CHF 100.0 million.

Net cash provided by financing activities was CHF 907.5 million for the year ended December 31, 2015, mainly consisting of a cash inflow of CHF 2,021.4 million as a result of the issuance of our notes in April 2015, partially offset by the then existing notes redeemed in connection with the Refinancing Transactions and the termination of related hedging instruments.

### *Certain Other Contractual Commitments*

The following table summarizes our off-balance sheet contractual commitments likely to have a material effect on our current or future financial position as of December 31, 2016. This table does not reflect any obligations arising out of the Notes.

| Commitment period | Less than 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|
| | (CHF in thousands) | | | | | | |
| Rental commitments(1) | 57,465 | 47,046 | 24,078 | 18,771 | 12,392 | 25,680 | 185,431 |
| Purchase commitments(2) | 34,670 | — | — | — | — | — | 34,670 |
| Capital expenditure commitments(3) | 145,755 | — | — | — | — | — | 145,755 |
| **Total contractual obligations** | **237,890** | **47,046** | **24,078** | **18,771** | **12,392** | **25,680** | **365,856** |

(1) Rental commitments primarily relate to rental commitments in respect of property (offices, shops, loans and network sites), vehicles, office equipment and other commitments.

(2) Purchase commitments mainly relate to handset firm orders with Apple and Samsung and purchase of goods and services.

(3) Capex commitments mainly relate to network services, particularly the capitalized part of the costs related to the engineering, network and operational services and fixed broadband.

We also have CHF 6.3 million of other indebtedness primarily comprised of financial leases related to our new data center.

### *Capital Expenditures and Investments*

The following table shows our capital expenditures defined as additions of property, plant and equipment and intangible assets for the periods indicated.

| | Group | | | |
|---|---|---|---|---|
| | For the year ended December 31, | | For the nine months ended September 30, 2017 | |
| | 2015 | 2016 | 2016 | 2017 |
| | (CHF in thousands) | | | |
| Property, plant and equipment | 98,620 | 76,703 | 50,918 | 61,630 |
| Intangible assets | 26,161 | 21,228 | 7,877 | 70,981 |
| **Capital expenditures** | **124,781** | **97,931** | **58,795** | **132,611** |

We are in the process of laying the foundation for a launch of fixed broadband and have signed four major agreements, including with Swiss Fibre Net AG, the City of Zurich (ewz) and the City of Lausanne (LFO SA) for the use of their broadband network. Based on our agreements and current negotiations with the relevant utilities provider, the committed capital expenditures to launch a fiber-to-the-home ("FTTH") offer will be approximately CHF 240 million to be cashed out over several years and additional fixed offer capital expenditures will vary depending on the success of the offering.

For the nine months ended September 30, 2017, our capital expenditures amounted to CHF 132.6 million, of which CHF 61.6 million related to property, plant and equipment and CHF 71.0 million related to intangible assets. Of this CHF 132.6 million, CHF 117.9 million related to network capital expenditure including CHF 63.5 million relates to IRUs for mobile backhauling, CHF 7.6 million to IT capital expenditure and CHF 7.1 million to other capital expenditures including shops and the new datacenter under financial lease.

For the nine months ended September 30, 2016, our capital expenditures amounted to CHF 58.8 million, of which CHF 50.9 million related to property, plant and equipment and CHF 7.9 million related to intangible assets. Of this CHF 58.8 million, CHF 49.5 million related to network capital expenditure, CHF 7.3 million to IT capital expenditure and CHF 2.0 million to other capital expenditures mostly related to shops.

For the year ended December 31, 2016, our capital expenditures amounted to CHF 97.9 million, of which CHF 76.7 million related to property, plant and equipment and CHF 21.2 million related to intangible assets. Of this CHF 97.9 million, CHF 84.9 million related to network capital expenditure, CHF 9.9 million to IT capital expenditure and CHF 3.1 million to other capital expenditures.

For the year ended December 31, 2015, our capital expenditures amounted to CHF 124.8 million, of which CHF 98.6 million related to property, plant and equipment and CHF 26.2 million related to intangible assets. Of this CHF 124.8 million, CHF 97.2 million related to network capital expenditure, CHF 18.7 million to IT capital expenditure and CHF 8.8 million to other capital expenditures.

## Quantitative and Qualitative Disclosures about Market Risk

*Unless otherwise specified, the following discussion with respect to quantitative and qualitative disclosures about market risk relates to the Group.*

We are exposed to various market risks, including interest rate, foreign currency exchange rate, credit and liquidity risks associated with our underlying assets, liabilities, forecast transactions and firm commitments. Our finance department is responsible for managing exposure to market risk that arises in connection with operations and financial activities, including interest rate, foreign currency exchange rate, credit and liquidity and credit risk management.

The following sections discuss our significant exposures to market risk. The following discussions do not address other risks that we face in the normal course of business, including country risk and legal risk.

### *Interest Rate Risk Management*

We manage our net exposure to interest rate risk through the proportion of fixed rate financial debt and variable rate financial debt in our total financial debt portfolio. To manage this mix, we may enter into interest rate swap agreements, in which we exchange periodic payments based on a notional amount and agreed-upon fixed and variable interest rates and into forward contracts, in which we exchange fixed amounts of foreign currency and fixed amounts of Swiss francs.

We are exposed to market risks as a result of changes in interest rates, particularly in relation to floating-rate indebtedness, including borrowings under the Revolving Credit Facility and indebtedness under the Floating Rate Senior Secured Notes. Financial liabilities issued at floating rates will expose us to cash-flow interest rate risk, while financial liabilities issued at fixed rates expose us to fair value interest rate risk. To manage the exposure to changes in interest rates under our current floating-rate indebtedness and to lower the overall costs of financing, we have used and generally expect to continue to use interest rate swaps to exchange the interest rate exposure on a portion of the indebtedness outstanding under the Floating Rate Senior Secured Notes from a floating interest rate to a fixed interest rate. We may enter into certain hedging agreements to fix a portion of our interest rates with respect to the Notes offered hereby. See "*Risk Factors—Risks Related to the Collateral—The Revolving Credit Facility and certain hedging obligations are entitled to be repaid with the proceeds of the collateral securing the Senior Secured Notes in priority to the Senior Secured Notes*."

### *Foreign Exchange Rate Risk Management*

We operate mainly in the currency of Switzerland, the primary jurisdiction in which we operate, which is the Swiss franc. Our exposure to currency risk has therefore been limited.

As much as possible, we use foreign currency inflows for our foreign currency outflows. If necessary, we buy foreign currency shortly before the transaction. If any material exposure arises, we may enter into foreign exchange rate hedging instruments.

To manage our exchange rate exposure in respect of the Revolving Credit Facility and the euro-denominated existing notes, we entered into and expect to generally continue to enter into, hedging foreign exchange transactions to effectively exchange a portion of our payment obligations for interest, principal, amortization and premium, if any, of such indebtedness from euros to Swiss Francs. We plan to enter into certain hedging agreements to fix a portion of our interest rates with respect to the euro-denominated Notes offered hereby. We believe such foreign exchange hedging transactions will enable us to match the currency of our interest expense to the currency of our revenue more accurately.

***Credit Risk Management***

Financial instruments that could potentially subject us to concentrations of credit risk consist primarily of cash, trade receivables and securities, investments and deposits.

We consider that we have a limited exposure to concentrations of credit risk with respect to trade accounts receivable due to our large and diverse customer base (residential and a broad range of business customers). In addition, the maximum value of the credit risk on these financial assets is equal to their recognized net book value.

We seek to minimize credit risk through a preventative credit check process that ensures that all subscribers requesting new products and services or changes to existing services are reliable and solvent. We also seek to minimize credit risk by preferring contracts that provide for the use of automatic payment methods with the aim of reducing the underlying credit risk, however, the use of direct debit is generally unpopular in the Swiss market. This control is carried out at the time of subscriber acceptance through the use of internal and external information.

We additionally exercise timely pre- and post-subscriber acquisition measures for the purpose of credit collection such as the following:

- attribution of a rating to new customers at subscription through the credit check (to anticipate defaults in payment, different measures may be implemented: deposits or advanced payments can be required to customers, limitation to prepaid offers, etc.);
- sending reminders to subscribers;
- employing measures for the collection of overdue receivables depending on strategy, portfolio and subscriber profiles (penalties, reconnection letter with an option for a new contract, etc.); and
- measuring and monitoring debt collection status through our internal reporting tools.

The following table provides the aging analysis of billed trade receivables as of December 31, 2015 and 2016.

| | Group | |
|---|---|---|
| | As of December 31, | |
| | 2015 | 2016 |
| | Gross Amount (CHF in thousands) | |
| Gross trade receivables past due: | | |
| under 60 days | 49,645 | 53,171 |
| 60-120 days | 4,177 | 5,900 |
| over 120 days | 31,209 | 16,267 |
| **Total gross trade receivables past due** | **85,031** | **75,338** |
| Trade receivables not past due | 355,761 | 300,324 |
| **Total gross trade receivables** | **440,791** | **375,662** |
| Provision for doubtful debts | (42,233) | (25,172) |
| **Net trade receivables** | **398,558** | **350,490** |

We send monthly bills to our postpaid mobile customers, payable within 18 days, and we monitor customer collections and payments. We also offer direct debit and e-payment. While a majority of our customers pay electronically, the use of direct debit is generally unpopular in the Swiss market. Overdue receivables that are uncollected are transferred to Intrum, a third-party factoring agency. We maintain a provision for estimated credit losses, based on a percentage of risk of payment default with reference to aging of overdue invoiced amounts. In particular, the provisions foresee different levels of risks for residential and business customers, sales partners and distributors, operators, and roaming partners.

Our customer bad debts were 4.2% and 2.5% of total revenue in the years ended December 31, 2015 and 2016, respectively. In 2015 and 2016, the decrease in bad debts was the result of, among other things, more stringent credit and ID checks at the time of subscription and a reduction in indirect distribution in 2016. For customers who pay for their device on monthly installments, as well as for customer's SIM-only contracts, depending on the customer's credit score, we may now also require a down payment.

We also receive guarantees, including sureties issued by primary banks, as collateral for the obligations resulting from supplies to, and receivables from, dealers.

On the dealer side, we have a certain degree of concentration offset by bank guarantees, credit limits delivered by credit insurers and the timing of payment of commissions after the activation of a new subscriber. Concentration of credit risk relating to accounts receivable from subscribers is limited due to their large number. For accounts receivable from foreign telecommunications operators, the concentration of credit risk is also limited due to netting agreements with accounts payable to these companies, prepayment obligations, imposed bank guarantees and credit limits delivered by credit insurers.

Credit risk relating to cash and cash equivalents, derivative financial instruments and financial deposits and money market funds arises from the risk that the counterparty becomes insolvent and, accordingly, is unable to return the deposited funds or execute the obligations under the derivative transactions as a result of the insolvency.

To mitigate this risk, wherever possible we conduct transactions and deposit funds with investment-grade rated financial institutions and monitor and limit the concentration of our transactions with any single party.

Our maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterparty fails to perform its obligations in relation to each class of recognized financial assets is the carrying amount of those assets as indicated on our statement of financial position.

***Liquidity Risk***

Liquidity risk arises primarily in connection with cash flows generated and used in financing activities, and particularly by servicing debt, in terms of both interest and principal, and from all of our payment obligations that result from business activities. In general, we manage our liquidity risk by monitoring our cash flow and rolling liquidity reserve forecast in order to ensure that we have sufficient committed facilities to meet our liquidity needs. In addition, we generally expect to use excess cash on hand to pay down outstanding debt under our Revolving Credit Facility to ensure continued availability of such facility and to effectively manage our interest expense under such facility.

## Critical Accounting Estimates

The preparation of our financial statements requires our management to make assumptions that affect the reported amount of assets and liabilities at the date of our statement of financial position and the reported amounts of revenue and expenses during the fiscal period. Estimates and judgments used in the determination of reported results are continuously evaluated.

Estimates and judgments are based on historical experience and on various other factors that are believed to be reasonable in the circumstances. Actual results may differ from these estimates under different assumptions or conditions. A description of our use of estimates and judgments and our significant accounting policies and are set out in notes 1.3 and 2, respectively, to our consolidated financial statements for the year ended December 31, 2016 included elsewhere in this Offering Memorandum.

## Future Accounting Changes

The IFRS standards and interpretations that are issued, but not yet effective, and expected to have a material impact on our financial statements are disclosed below. We intend to adopt these standards when they become effective. For a description of the standards that are issued, but not yet effective, see note 1.2.2 of the audited consolidated financial statements of the Group for the year ended December 31, 2016.

***IFRS 15: Revenue from contracts with customers:***

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

We are currently assessing the effects of applying the new standard on the Group's financial statements. As the revenue recognition related to bundle offers is already in line with IFRS 15, the potential impact would relate to acquisition costs. The mandatory application date, and the date of adoption by the Group, will be the financial year commencing on January 1, 2018.

***IFRS 16: Leases***

IFRS 16 was issued in January 2016 by IASB. IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. Accounting for lessors will not significantly change.

IFRS 16 will primarily affect the accounting for the Group's operating leases. The Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after January 1, 2019. The Group does not intend to adopt the standard before its effective date.

***IFRS 9: Financial Instruments***

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. While the Group has yet to undertake a detailed assessment of the classification and measurement of all financial assets, no significant impact is expected as the main financial asset corresponds to hedging derivative assets and there will be no change to the accounting for these assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group is yet to undertake a detailed assessment, it would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of IFRS 19.

The mandatory application date, and the date of adoption by the Group, will be the financial years commencing on January 1, 2018.

### Future Tax Changes

The Swiss parliament on June 17, 2016 passed a corporate tax reform package ("CTR III") with the aim of strengthening Switzerland's competitiveness as a business location. This reform package was rejected in a referendum on February 12, 2017. Prior to this referendum, on March 20, 2016, Canton Vaud had passed a resolution to reduce the corporate tax rate to 13.78% as of 2019. At federal level, a new proposal of the CTR III (the so-called "tax proposal 17") has been proposed and it is anticipated the Federal Assembly in Switzerland will consult on tax proposal 17 in 2018. On November 1, 2017, Canton Vaud has confirmed that the reduction will enter into force in 2019. From 2019, we expect a material impact to our results of operations.

## INDUSTRY OVERVIEW

### The Swiss Economy

The permanent resident population of Switzerland was 8.4 million at the end of 2016, with a distribution by age group as follows: 20.1% aged 0-19 years, 26.7% aged 20-39 years, 35.1% aged 40-64 years, and 18.1% over 65 years. According to the Swiss Federal Statistics Office, Switzerland's permanent resident population was split between Swiss (75.0%) and foreign residents (25.0%).

Switzerland is also one of the wealthiest countries in Europe with an estimated GDP per capita of $59,376 for 2016, which was higher than the European Union average of $38,849 for the same period and the GDP per capita of other key European economies such as Germany ($48,190), the United Kingdom ($42,514) and France ($42,384) (based on purchasing-power-parity valuation) according to the IMF's World Economic Outlook Database (October 2016). The Swiss economy is highly developed with "AAA" ratings from S&P, Moody's and Fitch and politically stable with a 98th percentile score regarding "Rule of Law."

The Swiss economy was relatively robust through the financial crisis compared to many other European economies and continued to grow steadily following the financial crisis. Coming out of the crisis, the Swiss economy grew by 4.1% in 2010 (compared to Eurozone economies that grew by 3.3%) and has continued to grow by 1.9% in 2015 and 2.3% in 2016 (based on purchasing-power-parity valuation) according to the IMF. Historically, Switzerland has had one of the lowest unemployment levels in Europe, with an approximate 2016 unemployment rate of 3.5%, compared to the EU average of 8.9% according to the IMF.

Switzerland provides an attractive business environment with relatively low interest rates and a spot interest rate of 0.02% for ten-year maturities of Swiss Confederation bonds according to the Swiss National Bank (October 25, 2017). This is significantly lower than other European countries that average of 1.26% interest rate on government bonds with maturities close to ten years among the EU-15 countries, according to the European Central Bank (September 2017). Switzerland also has attractive corporate and personal income tax rates (typically between 12% and 24% corporate tax as compared to 33% in France, 24% in Italy, 23% to 37% in Germany and 19% in the UK).

### The Swiss Telecommunications Market

The current structure of the Swiss mobile telecommunications market was established in the late 1990s, when Swisscom was created from the state-owned post and telecommunications monopoly. Since the late 1990s, mobile licenses have been offered to new market entrants to stimulate competition. Similarly, cable companies have been permitted to develop cable networks to compete in the landline segment. The Swiss Telecommunications Act came into force in 1998, and was revised in 2007, leading to a further liberalization of the Swiss mobile telecommunications market.

While Switzerland is not a member of the European Union and is, therefore, not subject to the EU telecommunications regulation, the liberalization of the Swiss mobile telecommunications market has moved largely in parallel with the deregulation in the European Union, and it is likely to develop further in line with developments in the European Union. Notwithstanding, there are differences between the Swiss regulation and EU telecommunications regulation, the most important being (i) the *ex-post* regulation in Switzerland as opposed to the *ex ante* regulation as applicable in the European Union, making it necessary for operators to first negotiate the conditions of access and only allowing an intervention of the regulator on request if such negotiations fail, (ii) the technology-limited Local-Loop Unbundling ("LLU") regime in Switzerland, under which access at replacement costs of modern equivalent assets ("MEA") and Long-Run Incremental Cost ("LRIC") conditions is granted only to the incumbent's copper infrastructure but not to other access technologies, such as fiber networks, and (iii) the lack of specific regulation on international and national roaming in Switzerland.

Today, the Swiss mobile telecommunications market is highly developed by international standards and characterized by a wide range of voice and data communications services. Notwithstanding, there are a number of significant regulatory changes that Swiss telecommunications players are navigating, namely:

(1) 45% reduction in microwave frequencies fees from January 1, 2016;

(2) revision of the Telecom Act (launched in December 2015) with draft law giving competence to the Federal Council to regulate roaming, consumer protection, youth protection, transparency and technology neutral access conditions;

(3) rejection of improved conditions for the development of mobile networks by the Council of states (the Federal Council will now decide further steps);

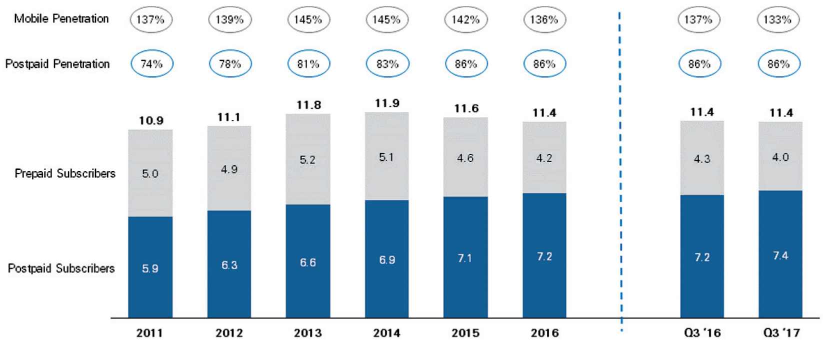
(4) steeper MTR glide path with MTR reductions of over 40% from January 1, 2017; and

(5) proceedings against Swisscom concerning the prices for fixnet termination and leased lines at ComCom for the years 2014–2017.

### The Swiss Mobile Telecommunications Market

The following graph sets forth the estimated mobile subscriber data and penetration rates in Switzerland for the periods indicated below:

**Mobile Subscribers in million and Penetration Rate**




Source: MNO's reported figures. Prepaid subscribers using a 12-month definition rule. Ortel and Lebara were acquired by Sunrise in 2013. upc Cablecom is not included

The Swiss mobile market comprises approximately 11.4 million subscribers and has a penetration rate of approximately 133%.

One of the factors behind the stability of the Swiss mobile telecommunications market is the large proportion of postpaid subscribers. Postpaid penetration rate was 86% as at September 30, 2017 as a result of a steady postpaid market volume increase of 3.7% CAGR from September 2012 to September 2017.

High levels of ARPU are supported by customers' focus on quality of services provided rather than price and the pro-investment *ex-post* regulatory approach. Swiss mobile ARPU decreased at an average of 2.7% per year, between 2012 and 2016, from CHF 48.2 to CHF 43.2 per month.

The decline in ARPUs in Switzerland and EU-15 countries is partly a result of reductions in MTRs. In Switzerland, MTRs have been set through bilateral agreements between operators, rather than *ex ante* by a regulatory authority, as is the case in the European Union. Despite these changes, MTRs in Switzerland have remained among the highest in Europe. While MTRs in Switzerland have followed, and are expected to continue to follow, the decline in MTRs applicable in the European Union, such decline has generally followed a slower pace in the past.

Continuing competition is another factor that has led to a decrease in mobile ARPU in Switzerland. Despite this, disruptive challengers in other European markets have tended to affect

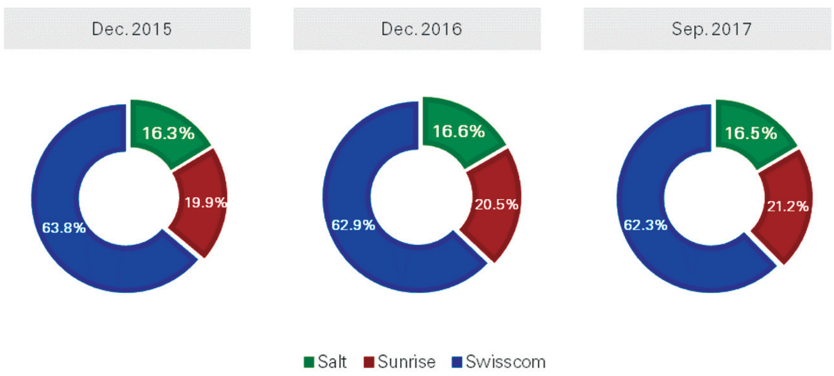
ARPU levels to a greater extent than in Switzerland. This is due to the relative indifference of Swiss consumers to price led competition and focus on quality of service. Evidence of this market dynamic is demonstrated by Swisscom's generally stable market share (relative to other European incumbents). Swisscom's postpaid market share has decreased by 1.7% between September 2012 and September 2017, from 64.1% to 62.3% of the postpaid market. Conversely, leading MNOs in some neighboring markets have been losing market share at a faster rate.

Mobile data traffic in Switzerland has shown significant growth driven primarily by smartphone uptake and increased usage of mobile broadband and data intensive applications. Continued growth in mobile data traffic and smartphone penetration should positively impact ARPU levels.

Based on the public filings of Swisscom and Sunrise, the three nationwide MNOs in Switzerland are Swisscom (51.0% owned by the Swiss Confederation), Sunrise (approximately 25% owned by Freenet AG) and ourselves with respective postpaid market shares of 62.3%, 21.2% and 16.5% based on postpaid subscribers as of September 2017. Over the last two years, the revenue market shares have been broadly stable, reflecting a stable competitive environment.

The following graphs set forth the estimated postpaid market share for the three major operators in Switzerland as of the periods indicated:

**Postpaid Market Share by Operator**




In the past, there have been a number of other players in the market. In&Phone, a MNO focused on small businesses without a nationwide network and with immaterial market share, entered into administration in 2012. Previously, Telefonica and TelCom (Tele2) also held mobile telecommunications licenses. While ComCom withdrew the license from Telefonica in 2006 since the telecommunications operator was not utilizing its license and not fulfilling the coverage conditions, TelCom (Tele2) surrendered its license in November 2008 after being acquired by Sunrise. In addition, there are wholesale resellers on all three mobile networks, including Coop (on our network). These wholesale resellers sell MNOs' services to subscribers and/or cooperate in the marketing of services pursuant to which MNOs enter into contracts directly with subscribers.

The final group of market participants are MVNOs which operate and are branded independently from the MNOs, but deliver their services over MNO networks under contractual agreement. MNOs are not, however, required to grant access to MVNOs under Swiss law. We have agreements to host an MVNO, UPC Schweiz GmbH. MVNOs contract directly with subscribers but rely on existing MNO networks to provide their services.

The MNOs provide 2G coverage utilizing GSM 900 MHz and/or 1800 MHz spectrum. Swisscom, Sunrise and ourselves also provide 3G coverage, having been awarded UMTS (2100 MHz) licenses in 2000. 4G coverage has been provided since 2013.

On February 23, 2012, ComCom and OFCOM announced the results of the auction of mobile radio frequencies. The auction, which ran from February 6 to February 22, 2012 related to the renewal of current licenses for the 900, 1800 and 2100 MHz bands, as well as the new 800 and 2600 MHz LTE bands. The licenses granted in the auction will run until the end of 2028. The three existing mobile operators, Swisscom, Sunrise and ourselves, took part in the auction. The results of the spectrum distribution auction were as follows:

| MHz | Salt | Sunrise | Swisscom |
|---|---|---|---|
| 800 | 20 MHz | 20 MHz | 20 MHz |
| 900 | 10 MHz | 30 MHz | 30 MHz |
| 1800 | 50 MHz | 40 MHz | 60 MHz |
| 2100 paired | 40 MHz | 20 MHz | 60 MHz |
| 2600 paired | 40 MHz | 50 MHz | 40 MHz |
| 2600 unpaired | — | — | 45 MHz |

*Current spectrum allocation (frequency division duplexing). Source: ComCom, OFCOM*

## BUSINESS

### Overview

We are one of the three major nationwide mobile network operators in Switzerland. We offer mobile voice and SMS, data and customer care products and services to predominantly postpaid residential and SME and SoHo business customers. We own and operate an extensive, high-quality mobile telecommunications network infrastructure. With our mobile telecommunications offerings, we aim to offer our competitive own-branded products and services that are easy to understand, easy to sell and easy to bill and collect.

We primarily focus on the postpaid customer segment, which represented 94.9% and 96.0% of our mobile subscriber revenue in the year ended December 31, 2016 and nine months ended September 30, 2017, respectively. In August 2015, we reconfigured and significantly simplified our postpaid product offering and introduced five *Salt*.-branded offerings with unlimited voice, SMS and data at competitive prices. We also offer *Surf.* subscriptions, which provide high-speed internet for tablets and laptops. Our product offering has been designed based on customer feedback and market analysis to cover the range of customer demand in the Swiss mobile market and is consistent with our strategy to provide the best-in-class price-to-value offering for our customers.

We distribute our products and services in Switzerland directly through our network of 88 *Salt*.-branded shops, online and via telesales. These direct distribution channels together represented 81% of total new subscriptions or contract extensions in 2016 and 86% in the nine months ended September 30, 2017. We intend to increase the number of our shops to 90 in the medium-term. We also distribute our products and services indirectly through almost 1,250 points of sale in our partners' distribution channels, including through wholesale resellers, such as Swiss Post and Coop, one of the largest retail trade groups in Switzerland, and an MVNO.

We provide mobile services through our own mobile 2G, 3G and 4G telecommunications access network throughout Switzerland and Liechtenstein. As of September 30, 2017, our 4G network population coverage was approximately 97% (outdoor data coverage) with download speeds of up to 300 Mbit/s. We are in the process of upgrading our mobile network from 4G (LTE) to 4G+ (LTE advanced) by deploying lower frequencies, in order to continue to improve our indoor coverage, which has increased by 4.4 percentage points since December 31, 2016, and to increase mobile internet speed from up to 300 Mbit/s to up to 450 Mbit/s in rural regions and 1 GB/s in cities. In addition to our mobile telecommunications access network, we have a transmission network that includes a mobile backhaul network, a national transmission backbone network (core transport network) and an IT/corporate data network comprised of owned and leased equipment. We have recently entered into an agreement to acquire IRUs for a mobile backhauling fiber to connect certain of our antenna sites and for a backbone network, which we expect to decrease the amount of fiber network we lease.

Under NJJ ownership, we have streamlined our management structure and created a more efficient organization with a more engaged workforce, with a management team focused on strict cost and capital expenditure discipline. Drawing on NJJ's experiences with managing Iliad and other NJJ portfolio companies, we have undertaken an internalization of our network operation, management and maintenance functions, following which we now manage and maintain our own network, and we plan to further internalize, manage and maintain our IT systems. We believe the internalization of these key operational functions positions us to achieve our network deployment and upgrade targets at a lower cost, with the aim of offering best in class price to value ratio for consumers and delivering strong cash flow generation on an ongoing basis.

Excluding installment accounting, for the years ended December 31, 2015 and 2016 and the nine-month periods ended September 30, 2016 and 2017, we generated total revenue of CHF 1,246.3 million, CHF 1,124.3 million, CHF 842.7 million and CHF 777.2 million, respectively. Excluding installment accounting, for the years ended December 31, 2015 and 2016 and the nine-month periods ended September 30, 2016 and 2017, our Adjusted EBITDA was CHF 380.1 million, CHF 441.1 million, CHF 338.5 million and CHF 355.6 million, respectively.

For the years ended December 31, 2015 and 2016 and the nine-month periods ended September 30, 2016 and 2017, free cash flow was CHF 177.4 million, CHF 344.5 million, CHF 253.0 million and CHF 228.4 million, respectively. For the years ended December 31, 2015 and 2016, our cash conversion was 58.8% and 77.0%, respectively.

## Our Strengths

We believe that the following strengths will allow us to execute our strategy.

### *Efficient Operator*

Under NJJ ownership, we have transformed Salt into an operationally efficient and highly profitable network operator, using best practices from Iliad and Free, as well as other NJJ portfolio companies.

We have simplified our postpaid offerings and are now focusing on *Plus.* and SIM-only offers through our improved in-house marketing channels. We use our in-house expertise to develop tailored marketing and sales campaigns leveraging our own sales force for customer insight and market research. As part of our transformation, we have reduced our annual advertising- and promotion-spend by approximately 47% from the year ended December 31, 2015 to the twelve months ended September 30, 2017.

We have also increased our focus on direct channel sales though our network of shops, online sales and telesales, which has significantly reduced cost inefficiencies and improved customer experience. We reduced our postpaid blended churn rate from 26.2% in 2015 to 18.6% in the nine months ended September 30, 2017.

Since 2015, we have significantly simplified our operations by streamlining our management structure and internalizing a significant portion of our network. The internalization of our network operation, management and maintenance functions has enhanced our control over, and quality of, our network and helped us achieve our network deployment and upgrade targets at a lower cost. We are also in the process of internalizing our IT systems and operations, which we believe will bring further cost and quality improvements in the future. We have reduced our FTEs by approximately 22.9% from December 31, 2014 to September 30, 2017, and our labor and employee costs have decreased by approximately 26% from the year ended December 31, 2015 to the twelve months ended September 30, 2017.

We believe that our focus on reducing our operational costs and our strict cost discipline have driven our increase in EBITDA margin from 26.4% in the year ended December 31, 2015 to 41.9% in the twelve months ended September 30, 2017. We believe that our EBITDA margin exceeds that of most of our European peers.

### *Extensive, High-Quality Network Infrastructure*

Our nationwide mobile network of 4,061 antenna sites is supported by a broad spectrum license. We are constantly strengthening our network by extending our geographical coverage and optimizing spectrum allocation in order to improve voice and data coverage and secure capacity for increasing data traffic. Since 2010, we have invested approximately €730 million in network roll out. As of September 30, 2017, our 4G LTE network population coverage in Switzerland was approximately 97% in outdoor data coverage and 71.9% (an increase of 4.4 percentage points from December 31, 2016) in indoor data coverage, with download speeds of up to 300 Mbit/s. According to a study performed by “Connect” magazine in 2016, we are ranked third in terms of overall network quality in Switzerland and sixth in terms of overall network quality out of seventeen operators in Austria, Germany, Spain, Switzerland and the United Kingdom. In a consumer quality test conducted by Kassensturz in November 2016, our samples, both during the day and evening, demonstrate that we usually offer faster surfing speeds than our competitors. We are also proud to be a provider of 4G+ services in the Gotthard base tunnel through the Alps, which opened on June 1, 2016.

### *Significant Barriers to Entry*

We believe that there are significant barriers to entry for potential new competitors in Switzerland, our core market. The long-term nature of the licenses granted in the 2012 spectrum auction in Switzerland constitutes a significant barrier to entry for potential new competitors. The technology neutral licenses are not tradeable by their terms and are valid until December 31, 2028. Accordingly, it could be difficult for any new potential entrant into the market to be able to acquire the right to use the relevant spectrum covered by these licenses. On May 31, 2017, ComCom launched a public consultation for the allocation of new mobile radio frequencies (700 MHz, 1400 MHz and 3.4—3.8 GHz). The consultation ended on July 31, 2017. On November 9, 2017, the responses, together with general information, were published by ComCom and OFCOM and we expect ComCom to provide further information on the allocation process and timing in the near future.

In addition, for a new market entrant, building a mobile telecommunications network in Switzerland is complex and time- and capital-intensive, due to a number of factors, including the difficult nature of the terrain and the need for local authority approval for each site. Furthermore, there are stringent environmental regulations which are embedded in building permits, limiting radiation levels. A new operator in Switzerland would need to deploy a greater number of sites to achieve similar network coverage compared to most other countries. In recent years, no new entrant has successfully established itself on a national scale. For instance, in 2006, ComCom withdrew Telefonica's 3G license because it failed to fulfill coverage requirements, and in 2008, Tele2 was acquired by Sunrise after failing to deploy a nationwide network. As a result, the Swiss mobile telecommunications market has become a relatively stable market of three major national mobile network operators: Swisscom, Sunrise and ourselves.

### *Increasing Market Share of Growing Postpaid Market*

We are one of three major mobile network operators in Switzerland with a nationwide network. With a primary focus on postpaid subscribers, we have established a firm position in the most attractive and profitable mobile market segment. Our product offering is predominantly targeted to postpaid residential and SME and SoHo business customers. Under NJJ ownership, our postpaid subscriber market share has increased from 16.3%, representing 1.15 million subscribers, as of December 31, 2015 to 16.5%, representing 1.22 million subscribers, as of September 30, 2017. In the nine months ended September 30, 2017, we had postpaid net adds (representing the net increase in subscriber base) of 13,730, comprising net adds of 33,577 handset subscriptions partially offset by MBB subscription losses. This compares to a net loss (representing the net decrease in subscriber base) of 4,452 in the year ended December 31, 2015. Our postpaid handset subscribers increased by 5.5% on a year-on-year basis as of September 30, 2017, which was a higher increase than the growth rate of the overall Swiss postpaid market of 2.9%. We believe that our growth among postpaid subscribers was mainly the result of our new product offering, which we believe is better aligned with customer demand in the Swiss mobile market, and our improved retention capabilities. We have focused on improving our churn and, from the year ended December 31, 2015 to the nine months ended September 30, 2017, we reduced overall postpaid churn by 7.7 percentage points to 18.6% and decreased forced churn by 3.5 percentage points to 2.5% as a result of better price plans, better service and an overall better customer experience.

The Swiss mobile telecommunications market generated revenue of approximately CHF 6.0 billion in the year ended December 31, 2016. Switzerland is one of the most advanced mobile telecommunications markets in Europe, with a mobile penetration rate as of September 30, 2017 of 133%. The Swiss mobile telecommunications market is primarily a postpaid market, and the Swiss postpaid market continues to grow. Based on management estimates, the number of postpaid mobile subscribers grew at a compound annual growth rate of 3.7% to reach a total of 7.4 million subscribers from September 30, 2012 to September 30, 2017. In addition, we believe Swiss mobile ARPU has been declining at a lower rate than in other European jurisdictions, declining by 2.7% per year, from an average of CHF 48.2 to CHF 43.2 per month between 2012 and 2016. The Swiss postpaid subscriber market is supported by a stable competitive environment of three major nationwide telecommunications networks and broadly stable postpaid market shares. The Swiss postpaid subscriber market is further supported by a stable regulatory environment, with practices in line with the European regulators and a history of emphasizing quality and universality of service and network investments.

***Cash Flow Generative Business***

We are a highly cash generative business, having improved all our key operating metrics over the past two years and comparing favorably to our European peers. In the years ended December 31, 2015 and 2016 and the twelve months ended September 30, 2017:

- we had EBITDA of CHF 339.6 million, CHF 427.8 million and CHF 444.2 million, respectively, with an increase in EBITDA margin from 26.4% for the year ended December 31, 2015 to 41.9% for the twelve months ended September 30, 2017;
- we had capital expenditures of CHF 124.8 million, CHF 97.9 million and CHF 171.7 million, respectively, with a decrease in capital expenditures as a percentage of revenue of 9.7% in 2015 to 8.7% in 2016;
- we had cash capital expenditures of CHF 139.8 million, CHF 98.2 million and CHF 112.5 million, respectively; and
- we generated free cash flow of CHF 177.4 million, CHF 344.5 million and CHF 319.8 million, respectively.

Our high cash generation has largely been the result of the combined efforts of our management team and the leadership of our shareholder, NJJ. Together, we have implemented processes to control operational and capital expenditures, with the effect of ensuring efficiency in our spending and improving the cash flow of our operations.

Operationally, we have driven profitable growth by ensuring efficiency in our spending and improving the cash flow of our operations. We have simplified our postpaid offerings and are now focusing on *Plus.* and SIM-only offers through an improved in-house marketing approach. Additionally, there is a renewed focus on our network of shops, online sales and telesales, which has significantly reduced cost inefficiencies and improved customer experience. From December 31, 2016 to September 30, 2017, we have driven cost savings by decreasing our FTEs by approximately 22.9%. We have also decreased labor and employee costs by approximately 26% and advertising- and promotion-spend by approximately 47% from the year ended December 31, 2015 to the last twelve months ended September 30, 2017.

As a business, we benefit from limited capital expenditure requirements as a result of our significantly invested and modern network and broad spectrum assets, and our strategy to internalize our network operations, which we believe allows us to deploy capital expenditures more efficiently than under our previous arrangements.

As we operate in Switzerland, we also have a low corporate tax rate. In the year ended December 31, 2016, our cash conversion was 77.0%, exceeding the average cash conversion of our European peers.

***Effective Management Team with a Supportive Shareholder***

We believe we have a highly effective management team that is focused on efficiency and driving subscriber and free cash flow growth. Dr. Andreas Schönenberger, our Chief Executive Officer since March 15, 2016, is the former General Manager of Google Switzerland, and has extensive knowledge of the Swiss mobile market, having been a former president of the Swiss mobile association. Our current management team has overseen the transformation of the Group under NJJ ownership and the significant growth in our free cash flow.

NJJ is a supportive and highly involved shareholder, with an average 16 years of experience in telecommunications and a track record of successfully operating other telecommunication companies, including Free in France. The four key members of the NJJ team are heavily involved in the Salt business and work hand-in-hand with the Salt management team. Furthermore, NJJ and our management team communicate on a weekly basis to review and to drive our strategy. Our costs, expenses and capital expenditures are reviewed on a continuous basis together with NJJ.

## Our Strategies

Our shareholder, NJJ Capital has the following strategic objectives for its portfolio companies in the telecommunication sector:

- run a highly efficient telecom operator with an entrepreneurial spirit and strong cost discipline, including with respect to capital expenditures, to create strong and sustainable cash flow generation and long term shareholder value;
- provide best in class price to value offering for our customers by offering attractive price plans and simple and innovative offers;
- invest in network, operations and solutions to provide full spectrum on high quality telecommunication services to retail consumers and SMEs;
- work hand-in-hand with a highly motivated, focused and efficiency-driven management team; and
- offer the full breadth of telecommunications services to retail consumers and SMEs.

Under the leadership of our current management team, with the support of NJJ, the key components of our business strategy are described below.

### *Deliver Strong Cash Flow Generation*

In the year ended December 31, 2016, our first full fiscal year under NJJ ownership, we generated CHF 344.5 million of free cash flow, which represented more than in the year ended December 31, 2014 and 2015 combined. During 2017, we have continued to generate strong cash flow with CHF 319.8 million of free cash flow for the twelve months ended September 30, 2017. We have established a strict approval process for all operating and capital expenditures, which has led to the elimination of numerous non-essential expenses and to greater cost discipline across the Company.

For example, expenses related to marketing activities were reduced from CHF 37.9 million in the year ended December 31, 2015 to CHF 20.2 million in the twelve months ended September 30, 2017, and our marketing team was reduced from over 50 at the beginning of 2015 to seven FTEs at the end of September 30, 2017. Across the Company, we have reduced our FTEs from 893 as of December 31, 2014 to 688 as of September 30, 2017, in order to create a more efficient organization focused on profitable growth. We believe that the reduction in the size of the team, together with the elimination of multiple layers of management, also fosters faster decision-making, better communication amongst the different parts of the Company and overall a more engaged workforce.

From 2014 to 2016, we have reduced our mobile capital expenditures by over one-third under NJJ ownership while maintaining the performance of our network as a result of the internalization of our network and the improvement in roll-out and maintenance costs. The internalization of network management and maintenance under NJJ ownership has allowed us in turn to conduct a deep analysis of our network coverage and performance to more efficiently target deployment and expand upgrades. Additionally, we are in the process of internalizing our IT systems and operations.

### *Grow Our Postpaid Subscriber Base*

We aim to grow our postpaid subscriber base and to mitigate ARPU decline through an upselling strategy. Having inherited a rapidly declining postpaid subscriber base in 2014 and early 2015, we sought to stabilize the postpaid subscriber base in 2015 and then to grow the base in 2016 and now aim to continue to grow the subscriber base in the years to come. In order to grow our postpaid subscriber base, we have restructured our product offering and price plans and are focusing on decreasing churn and bad debt.

We have restructured our product offerings around five *Salt.*-branded *Plus.* mainstream offers. Our product offerings and price plans, which were structured based on shop floor feedback and a review of the market, aim to be more closely aligned with customer demand in the Swiss mobile market and are centered around the *Plus. Swiss* offer at CHF 59 per month, with unlimited 4G data allowance in Switzerland. We believe that our product offerings are easy to understand, easy to sell, and easy to bill and collect. In the nine months ended September 30, 2017, we had total postpaid net adds (representing the net increase in subscriber base) of 13,730, comprising net adds of 33,577 handset subscriptions partially offset by MBB subscription losses.

As part of this strategy, we are also working to continuously reduce churn by improving our network and customer service and to continuously reduce bad debt. Churn and bad debt go hand-in-hand, as bad debt typically generates forced churn, i.e., non-paying subscribers who are forced out of the subscriber base. We reduced bad debt from 4.2% of total revenue in 2015 to 1.9% of total revenue for the nine months ended September 30, 2017. This decline has been the result of (i) more stringent credit and ID checks at the time of subscription, (ii) a larger proportion of new subscribers opting for SIM card only plans rather than handset plans and (iii) higher control over our distribution and reduced indirect distribution in 2016, all of which are a focus of our business strategy. Over the same period, we reduced forced churn from an average of 6.0% in 2015 to 3.3% in 2016 and to 2.5% as of September 2017. From the year ended December 31, 2015 to the nine months ended September 30, 2017, we reduced overall postpaid churn by 7.7 percentage points to 18.6% as a result of better price plans, better service and an overall better customer experience, in addition to the reduction in forced churn.

***Deliver Best in Class Coverage and Faster Mobile Broadband Speeds***

We believe that the foundation of a telecommunications operator is its network operations and its IT systems. We aim to deliver best in class coverage and ever faster download and upload speeds. In order to do so, we have cancelled most outsourcing contracts with major equipment manufacturers relating to network management and begun internalizing network management and maintenance. As part of the internalization, we have hired personnel to deploy and upgrade our antennas. In 2016 alone, we hired 70 members of staff in Vaud, mostly in the network and IT operations departments. In addition, network control is now managed by Salt France, which is owned by NJJ.

Operating our own network enables us to target deployment and upgrades in areas where it is most needed and where perceived quality can be most improved. In the nine months ended September 30, 2017, we deployed, upgraded or retrofitted 674 antenna sites, focusing on low frequency bands including our 4G+ (LTE advanced) network, resulting in a 4.4 percentage point increase in indoor coverage from December 31, 2016. The targeted deployment of low frequency bands allows us to offer an even better connection to our customers. The aggregation of low frequencies with existing high frequency bands—known as 4G+ technology—permits us to offer a distinctly faster transmission rate with a theoretical surf speed of up to 450 Mbit/s in rural regions and 1 GB/s in cities. As the range of the 800 and 900 MHz bands are higher than for high frequency bands, the indoor coverage of our clients will also improve as a result. Under our unlimited subscription, our customers are benefitting from increasingly high speed connections and improved coverage without volume or speed limitations.

***Focus on Direct Distribution and Select Indirect Channels***

We are focusing our distribution strategy on direct distribution and select indirect channels. We aim to maximize the number of new customers originating from our own shops and our online platform. Our decision to prioritize direct distribution channels is based on our observation of higher levels of both churn and bad debt from some indirect channels.

We opened four new shops in Switzerland in 2017 and we aim for a total network of 90 shops in the medium-term. We are also reshaping our online and telesales distribution. In 2016, we simplified our online order process for an improved customer experience. We are focusing on competitive SIM card only products and dedicated online offers. We have also upgraded our outbound telesales activities with a planned progressive ramp up in 2017. As of September 30, 2017, new subscriptions and contract extensions for digital channels represented 39% of our total new subscriptions and contract extensions. In investing in our direct distribution channels, which generated 86% of our subscriptions and contract extensions, we are also maintaining close control of spending, by streamlining our operations and monitoring the profitability of our shops.

In 2016, we modified our contracts with our distribution partners in order to further improve bad debt and churn and, as a result, also reduced the number of our distribution partners. Going forward, a focus of our indirect distribution channels will be Swiss Post and small local retailers, given their attractive performance and customer segments and cost effectiveness.

### *Deliver Superior Customer Care*

A number of cost optimizing measures in customer care were taken under previous ownership and have since then been reversed. We aim to deliver superior customer care to our customers through our shops, our customer hotline and our internet-based self-care.

In order to improve our customer care across our support functions, we have introduced standardized processes and constant performance management based on key performance indicators. All support functions are being merged into, and support services will be provided by, one department. Customer care is an important part of our anti-churn strategy across the life of a contract. We have improved our practices to process requests to cancel contracts from an average of 12 weeks to two weeks. Our faster response times allow us to propose better price plans to our customers and thereby reduce churn. Our hotline has been recognized as “Fastest Hotline” by “Connect” and our customer care program has been recognized as “best customer service” among telecommunication services in Switzerland for prepaid and postpaid mobile by SIQT in 2017.

As we aim to offer the best value for money for our customer, we constantly focus on identifying and reducing customer concerns to deliver a better and more efficient service. We are improving customer care, for example, by opening support centers in our shops for customers to trouble-shoot their products. As a result of our customer care efforts, Salt is now highly rated among telecommunications operators in Switzerland according to Bon à Savoir, a recognized consumer magazine in Switzerland.

We also believe that insourcing affords us better control of the billing cycle and a better ability to roll-out new offers faster and has improved our customer interface, all with significant cost savings. We have an established team of programmers based in France, who work in conjunction with the Salt team in Switzerland, to manage our IT systems. Whereas our “IT transformation” of 2014 caused major disruption for some Orange customers in 2014 and 2015, we believe we can migrate our existing customer base on the five *Plus*. offers to our new IT systems with little or no disruption to customers. As of September 30, 2017, 92% of the branded postpaid subscriber base had been migrated to our *Plus.* offerings.

### *Develop Fixed Broadband*

We aim to offer the full suite of telecommunication services in Switzerland, including ultra-fast broadband. We are in the process of laying the foundation for a launch of fixed broadband and have signed four major agreements, including with Swiss Fibre Net AG, the City of Zurich (ewz) and the City of Lausanne (LFO SA), for the use of their broadband network. Based on our agreements and current negotiations with the relevant utilities provider, the related committed capital expenditures to launch a fiber-to-the-home (“FTTH”) offer will be approximately CHF 240 million to be cashed out over several years and additional fixed offer capital expenditures will vary depending on the success of the offering.

## Our History

We were formed in January 1998 by Orange Overseas Holdings Ltd., VIAG AG and Swissphone Engineering AG. In the same year, we acquired the third mobile telecommunications license in Switzerland and launched mobile telecommunications services in June 1999. In 2000, France Telecom (now known as Orange SA) became the majority shareholder through the acquisition of a 42.5% stake in Orange from E. On (formerly VIAG AG) and a further 14.75% from other shareholders in 2001. In December 2000, we acquired a Swiss UMTS license.

In 2002, we expanded our operations to Liechtenstein with the acquisition of VIAG Europlatform, which thereafter became Salt (Liechtenstein) AG. In the same year, FT Group acquired the outstanding shares in Orange, thereby becoming its sole shareholder.

In 2012, we were acquired by Apax Partners LLP and in February 2015 we were acquired by NJJ Suisse Acquisition. In April 2015, under NJJ ownership, we rebranded our products and services, which were historically marketed under the *Orange* brand, to our in-house developed brand, *Salt*.

## Business Operations

### *Overview*

Our mobile telecommunications products and services generated the largest part of our revenue, accounting for 99.8%, 99.9%, 99.8% and 100.0% of our total revenue for the years ended December 31, 2015 and 2016 and the nine months ended September 30, 2016 and 2017, respectively. For the years ended December 31, 2015 and 2016 and the nine months ended September 30, 2016 and 2017, we generated total revenue of CHF 1,284.8 million, CHF 1,127.5 million, CHF 838.1 million and CHF 771.0 million (split between mobile subscriber revenue (71.3%, 73.1%, 74.7% and 72.0%), equipment revenue (16.8%, 15.5%, 14.0% and 15.1%), other network revenue and mobile services revenue (11.6%, 11.2%, 11.1% and 12.9%) and fixed revenue (0.2%, 0.1%, 0.2% and 0.0%), respectively).

### *Mobile Telecommunications Offerings*

As of September 30, 2017, we had approximately 1.9 million mobile subscribers. Our mobile service offerings include voice services, non-voice services (including SMS, MMS and data services on handsets) and mobile broadband services. We also offer mobile handsets, tablets, USB modems and other hardware devices, which we generally subsidize to promote our offerings.

We offer our mobile voice and data services on both a postpaid (or contract) and prepaid basis, through several price plans. Postpaid subscribers are invoiced periodically for services used, and generally enter into 12-month or 24-month long contracts. Prepaid subscribers pay in advance and can recharge ("top-up") their prepaid SIM card with additional credit. We have a strong focus on postpaid subscribers.

#### *Postpaid Offerings*

Postpaid subscribers represented 94.4%, 94.9% and 96.0% of our mobile subscriber revenue for the years ended December 31, 2015 and 2016 and the nine months ended September 30, 2017, respectively. A majority of these subscribers have entered into 24-month contracts. In August 2015, we fully restructured our postpaid product offering and introduced five *Salt*.-branded *Plus*. offerings, including our *Plus. Swiss* price plan at CHF 59 per month for SIM only contracts and CHF 69 per month for contracts with a handset, with unlimited 4G data allowance in Switzerland. We believe our new price plans are easy to understand, easy to sell and easy to bill and collect. We believe these products are more closely aligned with consumer demand in the Swiss mobile market.

Our key postpaid offerings to customers are our *Plus*. subscriptions. Our *Plus*. subscriptions allow customers to choose their monthly rates for calls, SMS, MMS and mobile internet, and allow customers to pay for new mobile phones through increased monthly payments. We provide unlimited data volumes with the *Plus*. *Swiss*, *Plus*. *Europe*, and *Plus*. *World* offerings and offer LTE/4G speed on all of our rate plans.

We have also launched our Young. product offering, which includes *Plus Basic Young* and *Plus Swiss Young*. Our *Plus Young* products are marketed towards the under-30 age group, and include unlimited calls, unlimited SMS/MMS and unlimited internet access (3 GB/month in LTE/4G and then limited speed) and roaming of up to 200 MB/month in the EU.

We also offer other subscriptions, including our *Surf.* product, which provides for 4G high-speed internet access for tablets and laptops.

The table below sets forth our *Plus.* pricing plans as of September 30, 2017.

| | *Plus.* | | | | |
|---|---|---|---|---|---|
| | ***Start*** | ***Basic*** | ***Swiss*** | ***Europe*** | ***World*** |
| Rate (CHF per month without handset) | 19.95 | 39 | 59 | 89 | 179 |
| Calls | Unlimited calls to the Salt network + 30 minutes in Switzerland | Unlimited in Switzerland | Unlimited in Switzerland + 60 minutes to the EU and USA | Unlimited in Switzerland and to the EU and USA | Unlimited in Switzerland and to 200 countries |
| SMS/ MMS | Unlimited in Switzerland | Unlimited in Switzerland | Unlimited in Switzerland | Unlimited in Switzerland and to the EU and USA | Unlimited in Switzerland and to 200 countries |
| Mobile Internet | 500 MB | 3 GB | Unlimited in Switzerland + 200 MB in EU | Unlimited in Switzerland + 1 GB in EU | Unlimited in Switzerland + 1 GB in EU and 1 GB in 170 countries |

The table below sets forth our *Young.*, *Surf.* and *Prepay.* pricing plans as of September 30, 2017.

| | *Young.* | | *Other* | |
|---|---|---|---|---|
| | ***Plus Basic Young*** | ***Plus Swiss Young*** | ***Surf.*** | ***Prepay.*** |
| Rate (CHF per month without handset) | 25 | 49 | 15-50 | — |
| Calls | Unlimited in Switzerland | Unlimited in Switzerland + 60 minutes to the EU and USA | — | 0.49 CHF per call, up to 60 minutes |
| SMS/ MMS | Unlimited in Switzerland | Unlimited in Switzerland | — | CHF 0.12 per SMS and CHF 0.49 per MMS |
| Mobile Internet | 3GB at 4G speed then unlimited at 56 KB/s | Unlimited in Switzerland + 200 MB in EU | 1 GB - Unlimited | Unlimited CHF 1.99 per day |

We also offer additional flat-rate services through our partnerships with Swiss Post and Coop. The table below sets forth our pricing plans with Swiss Post and Coop as of September 30, 2017.

| | *Swiss Post* | *CoopMobile* | |
|---|---|---|---|
| | ***Das Abo*** | ***Prepaid*** | ***Postpaid*** |
| Rate (CHF per month without handset) | 39 | — | 29.90 |
| Calls | Unlimited in Switzerland, EU & USA | CHF 0.15 per minute within Switzerland | Unlimited in Switzerland |
| SMS/MMS | Unlimited in Switzerland | CHF 0.10 per SMS and CHF 1.00 per MMS | Unlimited in Switzerland |
| Mobile Internet | 10GB at 4G speed then unlimited at 56 KB/s (promotion) | 10MB at 4G speed then additional 500 MB at CHF 4.90, additional 3GB at CHF 19.90 and additional 5GB at CHF 29.90 | 5GB at 4G speed then unlimited at 56 KB/s |
| Minimum Contract Duration | One month | — | — |

We target our retail offerings to retail and business customers, with a focus on SMEs.

We believe that we have substantially restored our competitive position with the launch of our *Plus., Young.* and *Surf.* product offerings, which we believe are more closely aligned with consumer demand in the Swiss mobile market. We have retired our previous offerings and continue to migrate our customers from our historical plans to our new *Salt.*-branded offerings. With respect to our legacy business customers, we are terminating our unprofitable large accounts at the end of such contracts or in other cases terminating such contracts prior to their expiry. Going forward, we plan to focus on SoHos and SMEs of up to 150 lines.

*Prepaid Offerings*

Our prepaid mobile voice and data offerings together accounted for 5.6%, 5.1% and 4.0% of our mobile subscriber revenue for the years ended December 31, 2015 and 2016 and the nine months ended September 30, 2017, respectively. Our *PrePay.* products provide flexibility to customers, offering prepaid customers a mobile connection as and when they require.

*MVNOs*

MVNOs are companies that provide mobile services without having their own licensed frequency allocation of radio spectrum and/or owning their own nationwide mobile network infrastructure through bilateral agreements with MNOs. They rely on a MNO to provide their customers with access to frequency allocation and network infrastructure. MVNOs enter into contracts directly with their customers and offer services solely under their own brand. MVNO customers are not counted as part of our subscriber base.

We have one MVNO, UPC, which is the leading Swiss cable company, on our network. We signed an agreement with UPC for the provision of MVNO services in 2011. UPC launched its commercial offering in September 2014 after a soft launch in June 2014. The agreement with UPC provides for an initial term until the end of 2018 with an early exit option, with the earliest effective termination date being July 1, 2018. On May 9, 2017, we signed an amendment to the MVNO agreement with UPC wherein new data prices and an extension of the initial term until December 31, 2018 were agreed. After expiration of the initial term, the agreement is, if no notice of termination is given, automatically extended for successive two-year periods. During the initial term, UPC is required to generate certain minimum revenue that can be waived under certain conditions.

*Wholesale Resellers*

Like MVNOs, wholesale resellers rely on a MNO to provide their customers with access to frequency allocation and network infrastructure. Unlike MVNOs, wholesale resellers do not enter into contracts with their customers. The MNO directly enters into a contractual arrangement with the customers of the reseller.

We offer flat-rate services through our distribution partner, Swiss Post, the national postal company operating approximately 1,464 post offices across Switzerland as of 2016. We have in place a non-exclusive agency agreement with Swiss Post, which came into effect on July 19, 2016. Under the contract, Swiss Post is entitled to enter into customer contracts on our behalf. The agreement has an indefinite duration and can be terminated by either party upon one month's notice in the first year and with three months' notice thereafter.

We currently have a postpaid as well as a prepaid reseller agreement in place with Coop, under which Coop resells prepaid and postpaid products and services on a co-branded basis. Coop is among the largest retail trade groups in Switzerland. In May 2014, our agreements with Coop were extended until the end of 2018. If neither party sends a termination notice by the end of 2017, these agreements will automatically extend for an additional twelve months. In exchange for its reseller activities, Coop is entitled to a revenue share or an activation commission, depending on the activation channel. Under our agreements with Coop, both parties are subject to exclusivity provisions. We are prohibited from entering into agreements for similar services with other retail chains active in Switzerland in the food, construction and hobby, consumer electronics, perfumery and furniture areas, as well as gas stations.

We have further entered into a number of reseller agreements under which our partners may resell our products and services as part of their offering to business customers.

*Handset Offerings and other Accessories*

We offer our subscribers a broad selection of handsets, tablets and related accessories, which we source from a number of well-known suppliers, including Apple, Samsung, Sony and Huawei.

Our customers can choose between the traditional upfront payment of the retail handset price, or spread the cost over 24 months, affording our customers greater flexibility in paying for their handset.

Depending on the customer's credit, we may increase or decrease the down payment required for purchasing a device. As part of our strategy, we primarily focus on SIM card only contracts, which lowers our subscriber acquisition costs and simplifies our billing and inventory systems.

We provide handset subsidies as a marketing strategy to grow our mobile subscriber base and reduce churn. The amount of the subsidy depends on the applied price plan that is combined with the handset and the length of the contract. Although handset subsidies increase subscription acquisition costs, they are a standard industry practice and an important part of subscriber acquisition and retention and are necessary in order to remain competitive.

*International Roaming*

We offer our subscribers international roaming through bilateral agreements with telecommunications operators outside of Switzerland.

***Additional Products and Services Offered***

Our offering of products and services includes Care, a portfolio of insurance and handset repair services, as well as Multi Surf which allows our customers to share their data subscriptions through the use of a special SIM card without tethering. We also provide *Go. Europe* and *Go. World* roaming options, as add-ons to our lower tier plans, offering our customers uniform tariffs for calls, SMS and data while abroad at Swiss national rates.

## Marketing

Our marketing team employs a multi-channel approach to advertise our products, with a strong online, telesales and social media focus. As part of the transformation of the Group under NJJ ownership, we have in-sourced our creative, campaign planning, copywriting and translation functions. Under NJJ ownership, we have consolidated our use of advertising agencies from 41 agencies to two agencies and eliminated 27 sponsored and trade fair marketing events. The main focus of our recent marketing activities has been to promote our renewed postpaid portfolio including unlimited roaming for voice calls and SMS and unlimited surfing for data. We also continue to focus on retaining our postpaid customers as well as cross-selling and up-selling. Our customer base is markedly younger than the average age of the Swiss population, representing a population which tends to be data-centric and adopt new technologies earlier.

## Sales and Distribution

We distribute our products and services both directly and indirectly through partners. For the years ended December 31, 2015 and 2016 and the nine months ended September 30, 2017, approximately 66%, 81% and 86%, respectively, of subscriptions and contract extensions by customers were generated through direct channels and approximately 34%, 19% and 14%, respectively, were generated through indirect channels.

We opened four shops in 2017, and our direct distribution channels are comprised of a total network of 88 *Salt.*-branded shops, many of which are located at attractive locations and in train stations and airports allowing more flexible opening hours than common in Switzerland and which attract a larger number of customers. We intend to increase the number of our shops to 90 in the medium-term. We also distribute our products directly through the Internet and telesales.

Our direct distribution channels (shops, online and telesales) account for the majority of total new contracts signed with our *Salt.*-branded offers (excluding specific partner offers). Relying on direct distribution channels and dedicated online offers are key factors for managing subscriber acquisition and retention costs, and we intend to optimize and further develop our own direct distribution channels to maintain our market presence, enhance customer experiences and manage subscriber acquisition and retention costs.

Our indirect distribution channel includes partners who sell our products and services through almost 1,250 points of sale, including Swiss Post, Coop and small local retailers. Indirect distributors are commissioned on each retained subscriber and new contracts signed. Wholesale resellers and the MVNO on our network generally distribute mobile telecommunications services under their own brand and through their own distribution network and channels.

### Customer Service and Retention

We provide customer care services, including commercial and technical support mainly through our contact centers, online self-care functionalities, and in our Salt shops.

In particular:

- We operate three contact centers, one in-house and two through our outsourcing partner, Teleperformance. In our contact centers, we have, among other things, implemented a skill-based routing of customer issues via an interactive voice response to provide direct access to an agent with relevant skills, in order to maximize the rate of first call resolution of issues.
- Our customers can access a broad range of internet-based self-care functionalities with their computer or mobile phone. Most of our customer care services are made available directly to our customers through several self-care options.
- We provide customer services in our own shops, where we aim to maximize customer satisfaction through a front-line academy for employee training, best practices sharing systems between the different shops and by incentivizing our employees, among other things.
- Our Care option is a further key element of our customer services providing insurance and express repair services.

### Network and Infrastructure

#### *Mobile Access Network*

We offer mobile services through our 2G GSM/GPRS, 3G UMTS/HSPA and 4G LTE mobile access network comprising approximately 3,354 base stations equipped with 2G technologies (GSM/GPRS/EDGE), 3,314 base stations equipped with 3G technologies (UMTS/HSPA) and 3,258 base stations equipped with 4G technologies (LTE) at 4,061 antenna sites.

- Our 2G mobile access network mainly consists of 1800 MHz antennas. We plan to retire our 2G mobile network by 2020.
- Our 3G mobile access network currently comprises 900 MHz and 2100 MHz antennas. We estimate, as of September 30, 2017, our 3G network covered approximately 99% of the Swiss population (outdoor voice coverage).
- Our 4G mobile access network currently comprises mainly 1800 MHz antennas, and we are currently deploying in 800 MHz, 2100 MHz and 2600 MHz. We estimate, as of September 30, 2017, our 4G network covered approximately 97% of the Swiss population (outdoor data coverage).

We are in the process of upgrading our mobile network from 4G (LTE) to 4G+ (LTE advanced) by deploying lower frequencies, in order to improve indoor coverage and to increase mobile internet speed from up to 300 Mbit/s to up to 450 Mbit/s in rural regions and 1 GB/s in cities. As of September 30, 2017, we deployed, upgraded or retrofitted 674 antenna sites (compared to 613 as of December 31, 2016) focusing on low frequency bands including our 4G+ (LTE advanced) network, resulting in an 4.4 percentage point increase in indoor coverage. As we progress the ongoing updates of our infrastructure we have also begun preparing our infrastructure for 5G technology.

Our macro 3G/4G low-band sites at the end of 2015 were 11.6% compared to 27.2% Macro 3G/4G Low-Band sites at the end of 2016 and 39.7% as of September 30, 2017. In 2016, we improved our indoor coverage by 8.6 percentage points to 67.5%. As of September 30, 2017, our indoor coverage has increased an additional 4.4 percentage points to 71.9%.

As part of the transformation of the Group under NJJ ownership, we have internalized network management. We plan to carry out our activation, mediation and rating services in-house. In addition to our change in strategy, we expect to benefit from our relationship with other NJJ companies, including IT Solutions Factory, an IT systems and logistics company owned by our principal shareholder and provider of software development services. We have also terminated our maintenance services where possible and enhanced our in-house maintenance capabilities.

#### *Transmission and Transport Network*

Our mobile transmission and transport network comprises a backhaul network (microwaves and fiber lines), metro-rings, a national backbone network (core transport network), as well as an IT data network. Historically, we have leased fiber lines. Going forward, our agreement will provide us with indefeasible rights of use for fiber lines. For additional information, see "*—Certain Contracts Relating to the Operation of Our Business—Agreement for Mobile Backhauling Fiber and Backbone Network*."

### IT Systems

Our information technology systems are highly integrated into every aspect of our business providing capabilities for a variety of purposes in relation to customer front-ends, middleware and back-ends and cover, among other things, the following fundamental areas:

- billing, customer relationship management;
- point-of sales support, commissioning, sales force automation;
- supply chain management;
- online services;
- data warehousing;
- controlling, finance; and
- HR.

The systems are mainly hosted in three data centers (Crissier, Zürich and Equinix (an outsourced data center in Zürich) with the Core and VAS network elements located in Crissier and Zürich). In 2014, we refreshed our legacy IT architecture in order to consolidate order management, customer relationship management and billing services (which had previously been allocated separately by distribution channel), and in-source ISP capabilities, which we believe has improved efficiency along with customer care and sales productivity. In 2017, we signed a 15-year contract with Interxion in relation to our new datacenter in Glattbrugg, which is expected to replace our current datacenter in Zurich in the mid-term. Our outsourcing contract with iGate for IT operations related to infrastructure, business applications and office systems has been terminated with effect October 31, 2017 as part of our strategy to insource our IT services. We began insourcing our IT systems in the second half of 2015 with an aim to develop in-house software better tailored to our needs, including by moving our billing processes in-house and purchasing and further customizing billing software from our previous supplier Qvantel.

### Licenses

We believe that we hold all necessary licenses to operate our business, see "*Regulation*." We are licensed to provide mobile telecommunications services in Switzerland and Liechtenstein. In Switzerland, our license awarded in the 2012 spectrum auction is due to expire on December 31, 2028. This spectrum license is a technology neutral license which includes the 800 MHz, 900 MHz, 1800 MHz, 2.1 GHz and 2.6 GHz spectrum awarded to us. This license covers the complete spectrum allocated to us and replaces the previous GSM license and the UMTS license. In December 2016, we renewed our licenses to operate point-to-point radio relay systems until December 31, 2021. On January 30, 2015, we were awarded a new license in Liechtenstein, which does not have an expiration date. This spectrum license is a technology neutral license which includes the 900 MHz, 1800 MHz, 2.1 GHz and 2.6 GHz spectrum awarded to us. This new license covers the complete spectrum granted to us and replaces the previous GSM and UMTS licenses.

As a result of the auction, we believe we have secured an adequate amount of spectrum, in-line with our two main competitors, Sunrise and Swisscom, to keep developing our network and to address our future needs with respect to new generation services. In addition, we have obtained the best price per MHz compared to Sunrise and Swisscom. See "*Regulation—Mobile Regulatory Environment—2012 Spectrum Auction.*"

### Certain Contracts Relating to the Operation of Our Business

We are a party to a number of agreements that are important to our business, including those set out below.

#### *Sourcing of Mobile Handsets, SIM Cards and Accessories*

We have stand-alone agreements with key suppliers of handsets, SIM cards and accessories, including Apple, Gemalto, HTC, Huawei Technologies, LG, Microsoft, Morpho Cards GmbH, Nokia, Samsung, Sony Mobile, TCT Mobile, Wiko and ZTE. On July 1, 2015, we entered into a new agreement with Apple for a three year term.

#### *Wholesale Interconnection Agreements*

We have entered into separate interconnection agreements with Swisscom, Sunrise and UPC regarding the connection of our network with their respective networks. For international interconnections, we have further entered into a limited number of interconnection agreements with operators regarding the international connection of our network with their respective networks.

#### *Distribution Agreements*

We have contractual relations with third-party distributors who sell our products and services. Our agreements with these distributors follow the model of our standard distribution partner agreement. Depending on the setup and targeted customer market of the distributor, the standard agreement can be extended by a sales point agreement and/or B2B partner agreement. Our distributor agreements are usually entered into for an indefinite period and may be terminated by either party by giving three months' notice. These contracts contain customary termination events which do not include a change of control, but, in light of the distribution of Apple products, contain an extraordinary termination right if we no longer have the agreement with Apple in place.

With regard to warehousing and distribution, we entered into a service agreement for logistics services and an extension agreement relating to this contract with ALSO Schweiz AG, our main logistics partner. The agreement has an indefinite term and provides for a six months' notice period for termination.

#### *Interxion Agreement*

On May 23, 2017, we entered into a services agreement for the rental of and allocation of power to private space with Interxion (Schweiz AG) for a period of 15 years from July 1, 2017. We may terminate the agreement for convenience, not earlier than five years from July 1, 2017, upon payment of a contractually agreed fee. We can extend the agreement for a period of five years. The contract will then automatically renew for successive periods of one year unless terminated by either party. The agreement is governed by Swiss law.

#### *Outsourcing Agreements with Teleperformance*

On May 1, 2013, we entered into an outsourcing agreement with Teleperformance Portugal and Teleperformance Athens, regarding the provision of call center services. The agreement contains customary termination events, as well as termination provisions for a change of control to a competitor and unethical environmental practices.

#### *Cooperation Agreement with UPC, ewz and Swisscom*

In September 2013, we entered into a ten-year agreement with UPC for the supply and implementation of 900 1 Gbps leased lines replacing low capacity microwaves and transmission lines at 4G sites to guarantee seamless data consumption by our customers using LTE. Implementation was completed in 2015. In September 2013, we entered into a cooperation agreement with ewz for the optic fiber connection of an initial 130 4G antennas in the City of Zurich. The agreement allows us to draw on the experience and expertise of ewz in the installation and operation of optical fiber connections as we continue to increase the capacity of our 4G network in Zurich. ewz has installed optical fiber connections, is responsible for their operation and is providing us with new locations for additional antennas in some cases and "small cells." By using small cells and connecting our antennas to the core network using optical fibers, we intend to increase our capacity even further and to densify the network in very busy locations. In October 2014, we signed a five-year high capacity leased lines agreement (1Gbps) replacing low capacity leased lines with Swisscom. On May 9, 2017, we signed an amendment to the MVNO agreement with UPC wherein new data prices and an extension of the initial term until December 31, 2018 were agreed. This agreement allows us to secure on a large scale the high capacity transmission of our 4G network by ensuring coverage that is geographically broader and more densely concentrated.

***Agreement for Mobile Backhauling Fiber and Backbone Network***

In 2017, we entered into an agreement to acquire indefeasible rights of use for a mobile backhauling fiber to connect certain of our antenna sites and for a backbone network. As a result of this agreement, we expect the amount of fiber network we lease to decrease.

***Fixline Agreements***

We have entered into four major agreements, including with Swiss Fibre Net AG, the City of Zurich (ewz) and the City of Lausanne (LFO SA), for the use of their broadband network.

***Insurance Agreements for Care***

Insurance for the devices we sell to our customers under our *Care*. Program was provided by AIG Europe Limited, London, Opfikon Branch ("AIG") and is in the process of migration to Great Lakes Reinsurance (UK) SE ("GLUK") and i-surance AG ("i-surance").

We entered into an insurance contract with AIG on April 10, 2013. Under the agreement, Salt and AIG share profits for sales of *Care*. We are migrating our customers from our AIG provided insurance products to GLUK and i-surance products.

Insurance for the devices we sell to our customers under our *Care*. Program is being transitioned to GLUK (the insurance underwriter) and i-surance (the coverholder) pursuant to an insurance contract between Salt, GLUK and i-surance, which we entered into on December 12, 2016. GLUK is the underwriter and policyholder, while i-surance has agreed to offer GLUK's products to Salt's customers. The agreement covers all *Care.* products and Salt's legacy insurance product, *Relax*. As required by the agreement, GLUK and i-surance migrated the existing AIG-insurance customer base to their products by June 30, 2017. The agreement entered into effect on January 1, 2017 and renews annually after an initial two year term. The agreement has customary termination provisions.

## Legal Proceedings

We are subject to various legal proceedings in the ordinary course of our business. Antenna site disputes are common issues for mobile telecommunications network operators, including us. We are currently subject to various legal proceedings related to our antenna sites where the required permits and/or the lease agreements for antenna sites under dispute. See "*Risk Factors—Risks Related to Our Market and Our Business—We face legal and regulatory dispute risks.*" The number of antenna site disputes has been stable in recent years. In addition, we are subject from time to time to audits and investigations, some of which may in the future result in proceedings being instituted against us. Other than as described below, we are not currently subject to any legal, regulatory or arbitration proceedings that may have a material adverse effect on our financial position.

***Distribution Partners***

Each of Mobilcom Swiss GmbH and Adarna Schweiz GmbH, two former distribution partners, have initiated proceedings against us with respect to the termination of their respective distribution agreements. The matters are pending in the Commercial Court in Zurich. We are contesting all of Mobilcom's and Adarna's claims vigorously at this point in time and have made provisions of CHF 1.6 million as of September 30, 2017. The aggregate amount of claims is approximately CHF 11.0 million.

## Environmental Matters

We are subject to a broad range of environmental laws and regulations. These laws and regulations impose increasingly stringent environmental obligations regarding, among other things, radiation emissions, zoning, the protection of employee health and safety, noise, and historical and artistic preservation. We could therefore be exposed to costs and liabilities, including liabilities associated with past activities. Our operations are subject to obligations to obtain environmental permits, licenses and/or authorizations, or to provide prior notification to the appropriate authorities.

Our objective is to comply in all material respects with applicable environmental and health control laws, and all related permit requirements. We believe that the principal environmental risks arising from our current operations relate to the potential for electromagnetic pollution and for damage to cultural and environmental assets. In extreme cases, the penalty for repeat violations of the applicable environmental laws in Switzerland could result in administrative sanction, suspension and even revocation of our license.

We use different network infrastructure strategies to achieve radiation emission ranges lower than the minimum levels permitted by applicable Swiss regulations. If the Swiss government or regulator were to set limits on electromagnetic emissions that are stricter than those currently in effect, we could be required to upgrade, move or make other changes to our mobile telephone infrastructure.

We enacted various guidelines—in particular with regard to the quality of antenna sites and minimization of safety risks in connection with non-ionizing radiations—as well as a health and safety policy. We have further obtained ISO 9001:2008 system certifications in connection with the circular of the Federal Office for the Environment regarding the quality assurance for compliance with the limits of antenna radiation. Our current certification is valid from August 30, 2016 until September 14, 2018. We have a yearly verification audit in connection with this certification, and have most recently passed our ISO verification audit in June 2017 in accordance with 2008 requirements without any nonconformities. Beginning in 2018, we will be subject to ISO 9001:2015 standards.

## Employees and Pension Obligations

As of September 30, 2017, our headcount comprised 688 FTEs.

We have a representative body for the employees, the Employee Forum. As the representative body, the Employee Forum ensures the implementation of the Swiss Federal Act on Information and Consultation of Workers in Business Operations. We have not entered into a collective labor agreement.

We provide retirement benefits to our employees as required by Swiss law through a pension fund that is a separate legal entity. The pension fund is organized as defined contribution scheme (treated as a defined benefit agreement for the purposes of IFRS) and consists three pension plans. The first pension plan covers all employees with an annual salary below 3.5 times the maximum "old age pension," i.e., currently approximately CHF 98,700. The second pension plan covers all employees who are not members of our management with an annual salary equal or above 3.5 times the maximum old age pension mentioned above. For members of management, there exists a specific third pension plan.

As of September 30, 2017, we had a pension liability of CHF 15.0 million (under IFRS). See "*Risk Factors—Risks Related to Our Market and Our Business—Our pension liability may reduce our cash flows, profitability, financial condition, net assets, distributable reserves and our ability to pay dividends.*"

We believe that our employee relations are good. We have not experienced any labor-related work stoppages during the past three years.

## Property and Leases

We currently use seven office buildings and 88 of our own *Salt.*-branded shops, including four shops that were opened in 2017. We focus on main commercial and flagship areas, including Bern, Zurich and the German-speaking regions of Switzerland, with 90 stores targeted in the medium-term. We lease six of the seven office buildings, including our headquarters in Renens, and we entered into a sale and lease back arrangement with respect to our office/call center in Biel in March 2012. We own our building in Crissier which measures approximately 3,416 square meters and hosts a switch and datacenter. This building is also used as an office and for storage.

We currently own approximately 3,354 2G GSM/GPRS base stations (BTS), 3,314 3G UMTS/HSPA base stations (node-B) and 3,258 4G LTE base stations at approximately 4,061 antenna sites. We lease the antenna sites from their respective owners. We use additional sites, regarding which we entered into joint use or similar agreements with the respective owners of the antenna sites.

## Intellectual Property

We control and own all intellectual property related to our brand name.

## Insurance

We maintain insurance coverage in amounts that we believe are sufficient to insure appropriately our risks, including insurance for third-party liability, property damage / business interruption, director and officer liability, buildings, construction and erection, special technical equipment and various other insurances.

## REGULATION

### Overview

Our activities in Switzerland are subject to statutory regulation and supervision by various Swiss national authorities, in particular ComCom and OFCOM. In addition to ComCom and OFCOM, ComCo and the Swiss price supervisor are also involved in regulatory issues relating to the telecommunications sector. Furthermore, the Post and Telecommunications Surveillance Service ("PTSS") is responsible for gathering data from telecommunications service providers if requested by law enforcement agencies and required for criminal investigations.

The relevant regulatory framework is set forth mainly in the FMG and associated ordinances and regulations (*e.g.*, the Swiss Federal Ordinance on Telecommunications Services (*Verordnung über Fernmeldedienste* or "FDV")), but also in the Swiss Cartel Act, the Swiss Federal Act relating to the interception of telecommunications and post services (*Bundesgesetz betreffend die Überwachung des Post- und Fernmeldeverkehrs* ("BÜPF")) and associated ordinance and regulations and some further pieces of legislation, such as the Swiss Federal Data Protection Act (*Bundesgesetz über den Datenschutz* ("DSG")) and associated ordinance and the Swiss Radio and Television Act ("RTVG").

While Switzerland is not a member of the European Union and is, therefore, not subject to the EU telecommunications regulation, the liberalization of the Swiss mobile telecommunications market has moved largely in parallel with the deregulation of the telecommunications market in the European Union, and it is likely to further develop in line with developments in the European Union. Notwithstanding, there are some conceptual differences, the most important being that mobile telecommunication is subject to *ex post* regulation in Switzerland as opposed to *ex ante* regulation in the European Union and the lack of specific regulation on international roaming in Switzerland, it being understood that general principles of the Swiss Cartel Act, however, apply.

The Swiss mobile telecommunications market was liberalized in 1998, when the FMG came into effect. While considerable progress was made under the 1998 liberalization regime, some deficiencies were identified, which led to a partial but important revision of the FMG in 2007. Revisions of the Swiss Telecommunications Act, the Data Protection Act and the ordinance relating to the interception of the telecommunications and post services are currently ongoing.

### Telecommunications Industry Regulation

#### *General*

The general framework for the transmission of information by means of landline and mobile telecommunication is set out in the FMG and associated ordinances and regulations. The scope of the regulation of the FMG includes all legacy landline and mobile voice transmission, narrow and broadband data transmission, as well as the transmission of television and radio programs (irrespective of the infrastructure used, but subject to overriding provisions of the RTVG).

According to the FMG, all providers must possess the technical skills and capabilities necessary to offer telecommunications services, they must comply with the applicable laws and regulations, obey the labor laws and particular labor conditions in the industry, and offer a reasonable number of apprenticeships. The FMG also sets forth general rules on resources, including rules regarding fixed line and mobile numbers, a fully-liberalized regime on telecommunications equipment, such as devices, installations, that only regulates technical compliance, a particular regime on universal services, including financing, confidentiality of the contents of communications, data protection, and particular obligations of telecommunications providers to protect vital national interests in certain extraordinary circumstances. The FMG provides certain sanctions for violations of the law, in particular penalties for abuses, such as manipulation and prohibited use of information and interference with telecommunications, and the potential withdrawal of the licenses.

The FMG also sets forth general rules on: (i) resources, including rules regarding landline and mobile numbers; (ii) telecommunications equipment, such as devices and installations; (iii) universal services, including financing (in practice, Swisscom is the only licensed provider of universal services), confidentiality of the contents of communications, and data protection; (iv) notification requirements and licenses; (v) granting of access by dominant providers; and (vi) particular obligations of telecommunications providers to protect vital national interests in certain extraordinary circumstances. Chapter 9 of the FMG (Articles 49 to 55) provides certain penalties for abuses, such as manipulation and prohibited use of information and interference with telecommunications and for other violations of the law. Any manipulation or abuse of communicated information or interference with telecommunications may be punished by imprisonment and fines. Less serious breaches, including, but not limited to, breaching notification and registration duties, are subject to fines that range from CHF 5,000 to CHF 100,000, depending on the specific facts of the case. While ComCom and OFCOM are the governing bodies that supervise the telecommunications market in Switzerland and enforce the regulatory framework, the FMG provides the due process regime.

***Telecommunications Installations***

In Switzerland, a permit by the cantonal and/or municipal authorities is required to construct telecommunications installations. Antennas are the most important telecommunications installations. The radio spectrum licenses do not grant the right to obtain such permit.

Depending on whether an antenna is planned within or outside of a building zone, different requirements by different authorities apply, i.e., the provisions regarding antennas within a building zone are defined by the cantons and towns whereas the provisions regarding antennas outside of a building zone (for which permits are only granted in exceptional cases) are defined at the national level. In addition, apart from the provisions regarding spatial planning, the provisions regarding nature and landscape protection, the protection for built landscapes, the protection from radio emissions, the protection from non-ionizing radiation with lower limit values for specific installations (e.g., 6 v/m for high bands, compared to similar general exposure limit values of, e.g., 61 v/m for high bands) than in the European Union, as well as the provisions of the FAV regulating technical compliance need to be taken into account. Numerous decisions of cantonal and federal courts have been issued in connection with telecommunications installations, which are relevant for future construction permits. In order to secure consistency in the application of various requirements, the federal authorities have issued guidelines regarding the construction of antennas. These guidelines, *inter alia*, set forth principles for the responsible authorities when deciding on the permit to construct an antenna. Furthermore, our license explicitly sets forth that we are obliged to respect, *inter alia*, the statutory provisions regarding spatial planning, protection from radio emissions, nature and landscape protection as well as the protection of built landscapes and the respective guidelines of the responsible federal authorities as well as the ordinance on the protection from non-ionizing radiation.

Accordingly, there is a risk that the further deployment of our mobile network could encounter problems and delays due to disputes and discussions regarding the positioning of particular antennas. All telecommunications service providers, including us, face certain disputes and particular negotiation situations in relation to the construction of antennas, see "*Risk Factors—Risks Related to Our Market and Our Business—Our business may be adversely affected by actual or perceived health risks and other environmental requirements relating to mobile telecommunications transmission equipment and devices, including the location of antennas*."

***Access Regime***

Pursuant to the FMG, any provider of telecommunications services that is determined to be market dominant must, upon request by another telecommunications provider, provide the following minimum access to its infrastructure and services on a transparent and non-discriminatory basis and at cost-based prices in accordance with the long run incremental costs ("LRIC") method:

- fully unbundled access to the local loop;
- bitstream access to offer broadband services during four years after the launch of the access service;
- direct billing to unbundled customers (*i.e.,* re-billing for fixed network local loops);
- interconnection services (including, at a minimum, origination, transit and termination of calls, number identification and suppression, access to value-added services (08xx, 09xx), and third-party physical interconnection for connection of services);

- leased lines; and
- access to cable ducts with sufficient capacities.

The above obligations to grant access apply to both mobile and landline telecommunication network operators, with the exception of the mandatory local loop unbundling which is limited to incumbent Swisscom's legacy landline infrastructure (twisted copper pair local loops) and notably excludes cable, fiber and mobile infrastructures. This exclusion has been criticized by ComCom in 2010 and the Swiss Federal Council in its latest supplementary evaluation of the Swiss mobile telecommunications market in March 2012. In its latest report of late November 2014, the Swiss Federal Council emphasized the need for extending cost-based access regulation from copper to fiber. In addition, bitstream access should be granted where access lines cannot be operated by individual operators, *e.g.*, for FTTB technologies. The Swiss Federal Council initially proposed to introduce such amendments only in a second phase in order not to disturb current investments in the roll-out of fiber access. However, the concept of a revision divided in two phases, as initially proposed, has been dropped due to heavy criticism and a new concept was introduced in September 2017 as described further below. Until such new concept is available, we will therefore only receive limited access to modern infrastructures (such as FTTH) for the foreseeable future; however, Swisscom, UPC and local utility operators are, in view of the threat of new regulation, under pressure to provide access to FTTH at non-discriminatory and competitive conditions.

On September 7, 2017, the Federal Council adopted a partial revision of the Swiss Telecommunications Act. The draft legislation will now be dealt with by parliament in spring/summer 2018. The earliest possible effective date of the legislation is January 1, 2019. Certain of the proposed new legal provisions strengthen the position of consumers. These include measures to combat unwanted telemarketing (advertising calls) more effectively, but also an entitlement to advice about technical measures to protect children and young people in entering into internet contracts. Transparency regulations will oblige internet providers to provide public information if they make distinctions between different types of content for data transmission. Internet providers must also provide information about the actual measured quality of their services, including internet access speed. In relation to international roaming, the draft legislation enables the Federal Council to combat disproportionately high end-user prices.

In the future, access to subscriber connections is expected to be determined by the Federal Council in a technology-neutral manner to the extent there are any market failures (such as anticompetitive conduct). In this case, market-dominant providers would have to guarantee access not only to the traditional copper access cables, but also to cabled connections which are based on new technologies (e.g. fibre). At the same time, network operators would acquire an entitlement to opening-up of the building access point and to shared use of telecommunications installations inside the building. In principle this gives end customers the possibility of accessing the services of all providers.

Frequency utilization is also expected to be made more flexible. A license to use the radio spectrum will only be required in exceptional cases, according to the draft legislation. In addition, spectrum trading and the shared use of infrastructures for mobile communication will be encouraged. The general obligation to register for telecommunications service providers will also be abolished. In the future, registration will be required only for those using specific public resources: radio frequencies subject to licensing or addressing resources such as blocks of telephone numbers.

The draft legislation provides for statutory provisions for domain names which fall within the competency of the Confederation. In particular, these are domain names with the endings .ch and .swiss. Also, a legal basis will be established for blocking internet sites with forbidden pornography and telecommunications service providers will be obliged to take measures to provide protection from cyber-attacks.

***Procedures and Disputes on Access***

A provider that is determined to be market dominant must publish the technical and financial conditions of its mandatory access services. If such market dominant provider chooses to offer additional access services at non-regulated conditions, it must publish those conditions as well. Non market-dominant providers may also offer a variety of access services at transparent, though unregulated, conditions. These offerings are generally published by the regulatory authority as well.

Access must be granted at cost-based prices. The provisions regarding the calculation of cost-based prices in the FDV were revised recently and the amendments became effective on July 1, 2014. The calculation is based on the MEA and LRIC, an added constant premium based on a proportional share of the relevant joint and common costs and a return on the capital used for investments as well as the replacement costs of modern equivalent assets (current cost accounting). According to the revised FDV, ducts are assessed based on infrastructure renewal accounting. Since January 1, 2014, costs are based on a modern fiber and IP-infrastructure (next generation network and access).

Upon request, access is granted by entering into an access agreement and an interconnection agreement (together referred to as "IC Agreements"). All IC Agreements, irrespective of whether a market dominant provider is involved, must be disclosed to OFCOM and OFCOM, upon request, provides access to IC Agreements to any interested party, unless justified private or public interests prevail.

The mandatory access regime for market dominant providers is an *ex-post* regulation scheme. The regulator (ComCom) determines the conditions and prices of access services of market dominant providers only upon request and only if negotiations during a three-month negotiation period have failed. The subject of an access dispute may concern whether the defending provider is market dominant, the scope of mandatory access obligation (or whether the defending provider, if deemed market dominant, must offer the technical access service as particularly requested by the claiming provider), and/or the price or other conditions at which the requested access should be granted. In summary, ComCom will only issue an order setting the scope of the access and the price conditions if the defending provider is held market dominant, the requested access is considered mandatory, and the parties disagree on the price or other terms.

### *Universal Services*

The regime on universal services regulates services to be offered throughout Switzerland to the entire population (including in remote regions). The provision of universal services requires ComCom to grant a license (*Grundversorgungskonzession*) for a limited time based on specified conditions. The Swiss Federal Council (*Bundesrat*) resolved to double the required speed for uploads and downloads effective as of January 1, 2015. Theoretically, any telecommunications provider may apply for a universal services license, which are auctioned and allocated to those providers that best satisfy the quality requirements. As a matter of practice, however, Swisscom is the only owner of a universal services license in Switzerland and is, therefore, obliged to supply a certain range of high-quality voice telephony, data transmission and additional services at *ex ante* regulated prices, while complying with the technical specifications issued by OFCOM. In return, Swisscom receives government compensation to cover parts of the costs incurred for providing universal services. This compensation is funded by fees obtained from all registered telecommunications service providers in Switzerland, including us, on the basis of each provider's gross revenue.

The universal service license granted to Swisscom expires at the end of 2017. In December 2016, ComCom granted the universal service license as of January 1, 2018 for a period of five years again to Swisscom. Swisscom was the only participant that tendered for the universal service license.

## Mobile Regulatory Environment

### *License Obligation*

Providers of mobile telecommunications services that wish to maintain their own mobile network must obtain licenses from ComCom or, in certain cases, from OFCOM to use radio frequencies. In Switzerland, we currently hold the license awarded in the 2012 spectrum auction (see "*2012 Spectrum Auction*") which is due to expire on December 31, 2028. This spectrum license is a technology neutral license which includes the 800 MHz, 900 MHz, 1800 MHz, 2.1 GHz and 2.6 GHz spectrum awarded to us. This license covers the complete spectrum granted to us and replaces the previous GSM license and UMTS license. In December 2016, we renewed our licenses to operate point-to-point radio relay systems (*Richtfunkkonzessionen*) until December 31, 2021. Since January 1, 2016, the license fees for point-to-point directional wireless communications (*Richtfunkkonzessionsgebühren*) have been reduced significantly. On January 30, 2015, we were awarded a new license in Liechtenstein, which does not have an expiration date. This spectrum license is a technology neutral license that includes the 900 MHz, 1800 MHz, 2.1 GHz and 2.6 GHz spectrum. This new license covers the complete spectrum granted to us and replaces the previous GSM and UMTS licenses.

### *2012 Spectrum Auction*

In February 2012, OFCOM, on behalf of ComCom, auctioned at the time free mobile radio frequencies and those which became free by 2014 and 2017, including those of the so-called digital dividend (former broadcasting frequencies). As a result of this new award, more spectrum is available to the mobile operators than they previously had in service and mobile operations are better able to meet the rapidly growing demand for mobile broadband services, expand their networks using the latest mobile radio technologies such as LTE (Long Term Evolution) and to offer high-quality mobile radio services to consumers in Switzerland. Under the auction process, the new frequency allocation between the three main mobile operators Salt, Sunrise and Swisscom, was determined by the bidders rather than a public authority. Salt obtained 160 MHz spread between the seven bands available for a purchase price of CHF 154.7 million. The licenses granted to Salt in the auction are valid until December 31, 2028. On July 4, 2012, Salt opted to pay for its spectrum allocations in installments of which 60% (equivalent to CHF 92.8 million) was paid by August 6, 2012, 20% was paid by June 30, 2015 and the remaining 20% was paid by January 3, 2017.

As a result of the auction, we believe we have secured an adequate amount of spectrum, in-line with our two main competitors, Sunrise and Swisscom, to keep developing our network and to address our future needs with respect to new generation services. In addition, we have obtained the best price / MHz (CHF 1.0 million / MHz; compared to CHF 3.0 million / MHz for Sunrise and CHF 1.4 million / MHz for Swisscom) and have received a sufficient spectrum allocation of 28%, compared to 28% for Sunrise and 44% for Swisscom. The detailed result of the auction is as follows:

| MHz | Salt | Sunrise | Swisscom |
|---|---|---|---|
| 800 | 20 MHz | 20 MHz | 20 MHz |
| 900 | 10 MHz | 30 MHz | 30 MHz |
| 1800 | 50 MHz | 40 MHz | 60 MHz |
| 2100 paired | 40 MHz | 20 MHz | 60 MHz |
| 2600 paired | 40 MHz | 50 MHz | 40 MHz |
| 2600 unpaired | — | — | 45 MHz |
| **Adjudication price** | **154,702,000** | **481,720,000** | **359,846,000** |

*Source: ComCom/OFCOM media conference, February 23, 2012*

### *5G Spectrum Auction*

It is expected that ComCom will conduct a tender procedure for the newly available spectrum in the 700 MHz, 1400 MHz and 3.4 – 3.8 GHz frequency bands in 2018. The tender and auction conditions are reasonably expected to be published by ComCom during 2017 and, if appropriate, we may tender in this auction. Neither the tender nor the auction-date have been officially confirmed yet. On May 31, 2017, ComCom launched the public consultation for the allocation of new mobile radio frequencies (700 MHz, 1400 MHz and 3.4 – 3.8 GHz). The consultation ended on July 31, 2017. On November 9, 2017, the responses, together with general information, were published by ComCom and OFCOM and we expect ComCom to provide further information on the allocation process and timing in the near future.

### *Network Infrastructure Roll-out and Deployment*

With regard to the roll-out and further deployment of our mobile network in Switzerland, we are particularly subject to the proceedings and regulations concerning the construction and maintenance of antennas. All mobile operators face, in the ordinary course of business, certain disputes and particular negotiation situations in relation to the deployment of particular antennas. See "*Risk Factors—Risks Related to Our Market and Our Business—We face legal and regulatory dispute risks*." Furthermore, the radio emissions of antennas are subject to both regulation that is more rigid than in the European Union and public discussion. Accordingly, there is a risk that the further deployment of our mobile network could encounter problems and delays due to disputes and discussions regarding the positioning of particular antennas. See "*Business—Legal Proceedings.*"

***Pricing***

As to pricing, mobile telecommunications providers are free to set wholesale (such as roaming or call termination) and retail prices, subject to antitrust standards applicable in general and interconnection obligations as set forth in the access regime discussed above. Following a request from another mobile network operator, ComCom could, pursuant to the FMG, regulate MTRs (or other types of interconnection and/or access fees) on a LRIC basis if the operator was held to be market dominant in the relevant market. In connection with MTRs, ComCo has found that the nationwide mobile network of each operator (including ours) is to be seen as a distinct product market where every operator has a market share of 100%. We may not exclude the possibility that one of our competitors could invoke interconnection and request from ComCom (and, following an appeal, the courts) to oblige us to interconnect at regulated (LRIC) prices, thereby lowering our MTRs.

There is also constant political pressure to lower MTRs and retail prices for mobile telecommunication in general. Swiss mobile operators, including us, had also been under antitrust scrutiny for alleged abuse of market dominant positions for the termination of mobile voice traffic in their respective networks. This investigation was terminated by ComCo in December 2011, without the imposition of any penalty on the involved parties. ComCo's decision to terminate the investigation can no longer be appealed.

In September 2011, the National Council (*Nationalrat*) voted in favor of a motion brought by a member of the Swiss Parliament to define maximum limits on international roaming prices. In November 2014, the Swiss Federal Council (*Bundesrat*) published a report on developments in roaming prices and potential regulatory measures recommending not to regulate roaming tariffs. As a result of political debates, political pressure and the pressure from regulatory authorities, all Swiss operators reduced their roaming prices. In January 2015, a committee of the Council of States (*Ständerat*), however, recommended to follow a parliamentary motion to enact maximum roaming tariffs. In March 2015, the Council of States (*Ständerat*) rejected the motion to regulate roaming tariffs due to the recent price reductions of Swisscom, Sunrise and ourselves, but the Swiss Federal Council and the Swiss Federal Price Supervisor continue to observe the development of roaming prices. The Swiss Federal Council and the Swiss Federal Price Supervisor both indicated that the impact of the local break out regulations in the European Union and the voluntary implementation of such local break out options by Swiss telecommunication services providers for their customers should be further observed. If the local break out regulation in the European Union has the intended effect and if Swiss telecommunication providers do not voluntarily implement such local break out options, the Swiss Federal Council may consider implementing additional measures. With the revision of the FMG, we may reasonably expect the introduction of administrative rules from the Swiss Federal Council to cap retail roaming prices, oblige operators to invoice per second for roaming and local break out as well as to set new price caps for value added services.

## Landline Regulatory Environment

Providers of telecommunications services in Switzerland are not subject to any authorization or licensing requirements but have an obligation to notify OFCOM of their intent to provide such services. OFCOM maintains a public list of registered telecommunications providers. The Company has been registered with OFCOM as landline telecommunication services provider since January 1, 2001. Foreign entities that wish to offer landline telecommunications services in Switzerland are, in addition to the requirement to register, subject to bi- or multilateral conventions and ComCom may prohibit a foreign entity from providing landline telecommunication services in Switzerland if the foreign provider's country of origin does not grant the same operational freedom to Swiss incorporated providers offering services in that particular country of origin.

The new draft FMG foresees an abolishing of the registration requirement for landline telecommunications services providers that do not use addressing elements from the E.164, the international public telecommunication numbering plan.

A landline telecommunication services provider may base its services either on its own landline network infrastructure or on the infrastructure of other providers by means of interconnection agreements. Any provider of telecommunication services may invoke the access regime, as discussed above, to access other providers' infrastructure for the provision of its own services. Furthermore, the infrastructure of providers that are determined to be market dominant may be used at regulated conditions and prices. The regulated access is limited to local loop unbundling of incumbent Swisscom's legacy landline infrastructure (twisted copper pair local loops) and notably excludes cable, fiber and mobile infrastructures.

Pursuant to the regulatory framework, landline telecommunications providers are free to set their wholesale and retail prices for landline telecommunications services, with the exception of providers that have been determined to be market dominant by OFCOM, who have to offer certain access services at *ex-post* regulated prices, and providers of universal services, who are subjected to *ex ante* regulation of universal services.

## Other Regulatory Environment

### *Regulation on Transmission of TV and Radio Programs*

The transmission of TV and radio programs is considered a telecommunications service and is, therefore, subject to the regulations set forth in the Swiss Telecommunications Act. Accordingly, while transmissions over mobile networks require mobile licenses, no such license is required for transmissions over landline networks.

TV offerings are further subject to specific regulations pertaining to the Swiss TV and radio market and particularly the RTVG. Under the RTVG, a mobile and/or landline network operator that transmits TV and radio programs in particular needs to offer distribution to all broadcasters on a non-discriminatory basis. The RTVG further regulates the permitted contents of TV and radio and network operators must comply with orders of the regulator (OFCOM) not to distribute prohibited content. Finally, the RTVG sets forth regulations for operators regarding content that must be carried.

### *International Roaming*

Currently, Switzerland does not provide for any regulation on roaming. In 2011, the Swiss National Council approved the motion calling for "an end to exorbitant mobile charges abroad." A similar motion was passed in spring 2013. The motion calls for fixed and binding maximum tariffs to be adopted by all telecommunication providers for inbound and outbound calls, SMS messages and data transfers abroad. The Swiss Council of States decided in March 2013 to suspend the motions until the end of 2014 and to commission the Swiss Federal Council (*Bundesrat*) to deliver a report to the Swiss Parliament by the end of 2014 on the trend in roaming prices, which was published in late November 2014. The Swiss Federal Council (*Bundesrat*) recommended not to regulate roaming tariffs, but to include specific instruments in a revision of the Swiss Federal Telecommunications Act (*Fernmeldegesetz*), such as local break out and specific charging obligations. In March 2015, the Council of States (*Ständerat*) ultimately rejected the motion to regulate roaming tariffs due to the recent price reductions of Swisscom, Sunrise and ourselves. With the revision of the FMG, we may reasonably expect the introduction of administrative rules from the Swiss Federal Council to cap retail roaming prices, oblige operators to per second invoices modalities for roaming and local break in case of market failure.

### *Network Neutrality*

In June 2014, the Swiss National Council approved the motion calling for the legal enforcement of network neutrality, although the Swiss Federal Council (*Bundesrat*) recommended to reject the motion. OFCOM established a voluntary network neutrality working group with the task of publishing a report by the fall of 2014 without proposing new regulations. In its report published in late November 2014, the Swiss Federal Council limits its proposals to the introduction of transparency requirements for differentiated services and subsequent monitoring of market developments to evaluate future regulation if necessary. In January 2015, a committee of the Council of States (*Ständerat*) followed the Swiss Federal Council and made a recommendation against the introduction of regulatory interventions going beyond transparency requirements. In March 2015, the Swiss Council of States, as the second chamber of parliament, rejected the introduction of network neutrality regulation. Nonetheless, with the revision of the FMG, we may reasonably expect the introduction of net neutrality obligations which could lead to additional restrictions in providing internet-based services.

The largest Swiss ICT companies (Swisscom, Sunrise, ourselves, UPC and Swisscable) recently agreed on a code of conduct regarding network neutrality in order to ensure open internet access in Switzerland. Under the code of conduct, the providers undertake not to lock services and applications and not to limit the freedom of speech and information. The code of conduct aims for all users to have access to the full range of content, services, applications, hardware and software. Internet providers are required to inform their customers upon request on whether and to what extent the capacity of the customer's internet connection is shared with services other than internet services. Users may call upon a conciliation body in the event of a provider's alleged breach of obligations under the code of conduct. The conciliation body will continuously evaluate the code of conduct and its impact on the openness of the Internet and will report on this subject matter on an annual basis.

### *Surveillance of Telecommunications Services*

Pursuant to the BÜPF, a telecommunications service provider is, upon request of the PTSS, obliged to gather data required for criminal investigations. Telecommunications service providers are therefore required to maintain own infrastructure appropriate for such surveillance and to be capable of running surveillance operations at any time. Telecommunications service providers are also bound to provide the PTSS with the names of particular internal contact persons. The revision of the BÜPF is currently ongoing and the revised law already been approved by the parliament. The related ordinance (VÜPF) is still in the revision process. The draft ordinance includes new requirements with regards to mandatory automation of the information requests, identification of postpay customers and the storage of an ID scan as well as logging of unsuccessful calls as part of the historical data. Federal Council plans to enact the VÜPF in its November 2017 session and it should enter into force as of March 1, 2018 with implementation deadlines from three to 24 months for compliance with the new requirements March. In addition, the extension of the surveillance obligations, past drafts also proposed abolishing the compensation fee for any surveillance/reporting work conducted by mobile operators and internet service providers. We face the risk of extended surveillance obligations which could result in additional capital expenditures and increased operational costs. The contemplated amendments to the BÜPF provide for a fine up to a maximum of CHF 100,000.

Additional surveillance and/or reporting obligations may arise from the new Federal Intelligence Services Act, which has been approved by the parliament and entered into force on September 1, 2017. The new law leads to extended surveillance obligations and the obligation to cooperate with the authorities in connection with interception of international traffic, which could result in higher capital expenditures and increased operational costs. Two new associated pre-draft ordinances that intend to specify the applicable rules have been sent out for consultation. Any of these changes in laws, regulations, governmental policy, interpretation or application thereof could materially adversely affect our business, financial condition and results of operations.

### *Further Regulations*

Telecommunications service providers are subject not only to the regulatory framework set forth in the FMG and associated ordinances, but also to a number of other laws, regulations and governmental activities that may affect their business, including antitrust law, the law against unfair competition, laws on data protection, laws on surveillance of post and telecommunications and, in case of excessive pricing by providers determined to be market dominant, general price regulation. A range of further laws are of relevance to our business, in particular laws on environment and public health, property and intellectual property, as well as laws on land use regulation and public and private construction.

# MANAGEMENT

## The Issuer

The Issuer is a *société anonyme* organized and existing under the laws of Luxembourg. The directors of the Issuer are Olivier Rozenfeld, Murielle Colart and Marcel Huber and three independent directors from Luxembourg: Geoffrey Henry, Leonardo Vozzi and Valerie Emond. The address for each of the directors of the Issuer is at Matterhorn Telecom S.A., 4, rue du Fort Wallis, L-2714 Luxembourg.

## The Company

### *Board of Directors*

The current board of directors of the Company (the "Board") consists of the following persons: Xavier Niel, Olivier Rozenfeld, Michael Golan (Michaël Boukobza), Franck Brunel and Dr. Andreas Schönenberger. The address for each of the directors and executive officers of Salt is Rue du Caudray 4, CH-1020 Renens, Switzerland.

### *Executive Officers*

Set forth below is information concerning certain executive officers of the Company.

| Name | Position |
|---|---|
| Dr. Andreas Schönenberger | Chief Executive Officer (CEO) |
| Mr. Franck Bernard | Chief Financial Officer |
| Ms. Lynn Strebel | Chief Sales Officer, *ad interim* |
| Mr. Antoine Caffin | Chief Marketing Officer |
| Mr. Stefano Orlando | Chief Customer Operations Officer |
| Mr. Eric Wolff | Chief Technology Officer |
| Mr. Marcel Huber | Chief of Corporate Affairs and General Counsel |

*Andreas Schönenberger* has served as Chief Executive Officer of the Company since March 15, 2016. Mr. Schönenberger has a wide experience in senior management roles including as former General Manager of Google Switzerland, and multiple board memberships including Sanitas health insurance, Publigroupe, Zanox, Bisnode, and others. Dr. Schönenberger holds an MA in Physics and a PhD in Theoretical Physics from ETH Zurich, as well as an MSc and an MBA from the London Business School.

*Franck Bernard* has served as Chief Financial Officer of the Company since October 2017 and as Head of Finance of the Company since April 2016. Mr. Bernard has been with the Group for four years and was previously the Central Controlling Manager at Salt. Prior to this, Mr. Bernard worked for eight years at KPMG Audit as Manager (Transaction Services) and Supervisor. Mr. Bernard graduated from Université Joseph Fourier (Grenoble I) with a Master's degree in physics (mechanics) and also holds a Master's degree from Ecole supérieure de Commerce de Clermont-Ferrand and an MBA from Cleveland State University.

*Lynn Strebel* has served as Chief Sales Officer *ad interim* since October 2017 and has been with the Group since January 2015. She holds a bachelor's degree from University of Illinois, Urbana-Champaign.

*Antoine Caffin* has served as Chief Marketing Officer of the Company since July 2015 and has been with the Company since 2002. Prior to becoming Chief Marketing Officer, he led the Company's strategy team for over three years. Mr. Caffin has 14 years of executive experience in the telecommunications industry. Mr. Caffin holds an MBA from IE Business School and a Masters of Management from IEA Paris.

*Stefano Orlando* has served as Chief Customer Operations Officer since November 2016 and has been with the Company since 2010. He has seven years of experience in the telecommunications industry. Before becoming Chief Customer Operations Officer of the Company, he served as Manager of Service Design and as Senior Project Manager with the Company. Mr. Orlando holds a Master's of Science in Management from HEC Lausanne and a Masters in Management from Universita Commerciale Luigi Bocconi.

*Eric Wolff has* served as Chief Technology Officer since July 2015. Prior to this, Mr. Wolff was Network Operations Director for fixed and mobile activities at SFR France, a position he held since 2006. Mr. Wolff was previously a director at Carrier Network and Nortel Networks. Mr. Wolff has 20 years of experience in the telecommunications industry. Mr. Wolff graduated from Ecole supérieure d'Electronique de l'Ouest.

*Marcel Huber* has served as Chief of Corporate Affairs and General Counsel of the Company since March 2007 and also serves as a director of Matterhorn Telecom Holding S.A. and Matterhorn Telecom S.A. Mr. Huber also currently serves as the President of Salt France. Prior to this, Mr. Huber was head of legal at UPC. Mr. Huber has 15 years of experience in the telecommunications industry. Mr. Huber holds a Master of Law from the University of Zurich.

### *Board of Directors' Practices*

The board is entrusted with the ultimate direction of the Company, as well as the supervision and control of the management. In connection with these functions, the articles of association and the organizational regulations set forth specific duties assigned to the board. The board has historically convened approximately four times per year or as required. In 2015, the board convened five times and, in 2016, the board convened five times. Meetings may also be called upon the request of any member of the board indicating the items and the proposals to be submitted. Board meetings require distribution of notice and an agenda at least ten business days in advance. With assent of at least two thirds of all members of the board, the board may waive notice of all or any agenda items. Resolutions may also be passed by circular resolution, unless a member of the board demands a verbal consultation at a meeting. Majority vote is required to pass a resolution. The Board elects the chairman and may elect one or more deputy chairman. In case the CEO is a member of the board of directors, the CEO will also carry the title of a delegate of the board of directors. The ordinary term of office for the members of the board of directors is one year. A re-election is possible.

### *Compensation of Directors and Executive Officers*

The total remuneration of our executive officers (including former and active executive officers) for the year ended December 31, 2016 was CHF 2.4 million. The members of the board of directors of the Issuer, Parent Guarantor and Salt do not receive remuneration for their directorships, other than Franck Brunel.

### *Incentive Plans*

Our employees have participated in bonus and/or sales incentive schemes, as set forth in our personnel regulations, which form a part of our employment contracts. The bonus entitlement of individual employees is based on the performance of the Company and on the individual performance and behavior of the individual employee.

## PRINCIPAL SHAREHOLDER

The Issuer is wholly owned by the Parent Guarantor, which is majority owned (through one or more holding entities) by NJJ.

Founded in 2010, NJJ is the private holding company of entrepreneur and telecommunications investor Xavier Niel, with a minority interest held by other NJJ executives. NJJ focuses on creating long-term shareholder value and excellence in operational and financial performance in its companies. NJJ has a track of record of successfully managed telecommunications companies, including Iliad and Free in France and the Principality of Monaco.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We enter into transactions with our principal shareholder and other entities owned by, or affiliated with, our shareholders in the ordinary course of business. The following discussion is a brief summary of certain material arrangements, agreements and transactions we have with related parties.

### NJJ Service Agreement

We entered into a service agreement with our principal shareholder, NJJ, on October 15, 2015 relating to the provision of certain consulting services. NJJ provides us with operational support on strategic matters, such as business and technical development, capital expenditures, relationships with major business partners or negotiation with banks and other financial institutions. NJJ also provides us with advice on accounting, legal and tax matters, marketing and communication, human resources and various other matters. The terms of this agreement entitle NJJ to a fixed annual consulting fee of CHF 1.0 million, plus a maximum annual variable fee of CHF 2.0 million.

### Free Mobile Agreements

On April 14, 2016, we entered into a core network services agreement with Free Mobile, a major telecommunications operator in France owned by Iliad, a company listed on the regulated market of Euronext in Paris in which our principal shareholder has a majority interest. Free Mobile provided us with assistance in the choice and upgrade of our core network equipment and its integration within the existing Salt network. Our services agreement with Free Mobile for core network services was terminated by mutual oral agreement with effect from the end of September 2017, with a written termination agreement to follow. Free Mobile also provided support for the resolution of incidents on our network and software licensing, installation and maintenance (IT services). Such agreement remains in full force and effect.

### IT Solutions Factory Agreement

On May 27, 2016, we have entered into a master IT services agreement with IT Solutions Factory, an IT systems and logistics company owned by our principal shareholder. IT Solutions Factory provides us with software development services. The agreement is renewable automatically for terms of one year from December 31, 2016 and can be terminated by either party upon three months' notice. IT Solutions Factory receives payment in an amount equal to a fixed daily fee multiplied by the number of days where services were provided. In 2016, we paid CHF 1.6 million to IT Solutions Factory.

### Salt France Agreement

On February 24, 2017, the shares of Salt France were sold by the Issuer to NJJ. Salt France provides us with technical support services including radio planning, transmission planning, network configuration management, software upgrades, network supervision services, a service management center and optimization of our network under a services agreement. Salt France also provides network operations services to other NJJ telecommunications companies, such as Free Mobile and Iliad in France. We expect to pay approximately CHF 3.5 million in fees to Salt France on an annual basis.

## DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

*The following summary of certain provisions of our indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.*

### Revolving Credit Facility

***Overview and Structure***

The Issuer and certain of its subsidiaries and the Parent Guarantor (as the parent of the Issuer) are party to a CHF 100 million super senior revolving credit facility agreement dated February 23, 2015, as amended from time to time (the "Revolving Credit Facility Agreement") with, among others, Société Générale, as facility agent, and Credit Suisse AG, London Branch, J.P. Morgan Limited, Natixis, Société Générale, Goldman Sachs Bank USA and BNP Paribas Fortis SA/NV, as arrangers. On April 23, 2015, the Revolving Credit Facility Agreement was amended by an amendment and restatement agreement to provide, among other changes, that (i) the definition of "Parent" shall refer to the Parent Guarantor and the definition of "Company" shall refer to the Issuer; (ii) the total committed amount available under the Revolving Credit Facility is CHF 150 million; (iii) the termination date of the Revolving Credit Facility be extended to March 31, 2020, and (iv) certain Leverage Ratio-based baskets are increased to reflect the new capital structure of the Group. On December 5, 2016, we reduced the total committed amount available under the Revolving Credit Facility from CHF 150 million to CHF 100 million.

The Revolving Credit Facility may be utilized by any current or future borrower under the Revolving Credit Facility Agreement in CHF, Euros, U.S. Dollars, Sterling or any other readily available or agreed currency by the drawing of cash advances or the issue of letters of credit and ancillary facilities. The Revolving Credit Facility may be used for financing or refinancing the Group's working capital and/or general corporate purposes.

In addition, the Parent Guarantor as the Parent (the "Parent") may elect to request additional facilities either as a new facility or as additional tranches of the Revolving Credit Facility (the "Additional Facility Commitments") in a maximum aggregate principal amount outstanding in respect of all such Additional Facility Commitments not exceeding CHF 35,000,000. The total amount of indebtedness (including under the Revolving Credit Facility and any Additional Facility Commitments but excluding any arising under certain hedging arrangements) secured by the Collateral that can have "super priority" status shall not exceed the greater of CHF 160 million and 0.4 multiplied by Consolidated EBITDA (measured at the time of the commitment of such indebtedness). The Parent and the lenders may agree to certain terms in relation to the Additional Facility Commitments, including the margin and the termination date (each subject to parameters as set out in the Revolving Credit Facility Agreement) and the availability period.

***Interest and Fees***

Loans under the Revolving Credit Facility Agreement will initially bear interest at rates *per annum* equal to LIBOR or, for loans denominated in euro, EURIBOR, plus a margin of 3.50% per annum. Beginning on February 23, 2016, the margin on the loans will be subject to reduction if certain leverage ratios are met. The margin on any loans under an Additional Facility Commitment will be agreed between the Parent and the relevant lenders.

A commitment fee will be payable on the aggregate undrawn and uncanceled amount of the Revolving Credit Facility from the Closing Date (as defined in "—*Guarantees*" below) to the end of the availability period for the Revolving Credit Facility at a rate of 40% of the applicable margin for the Revolving Credit Facility. The commitment fee will be payable quarterly in arrears, on the last date of availability of the Revolving Credit Facility and on the date the Revolving Credit Facility is cancelled in full or on the date on which a lender cancels its commitment.

Default interest will be calculated as an additional 1% on the overdue amount.

The Parent is also required to pay (or procure the payment of) customary agency fees to the facility agent and the security agent in connection with the Revolving Credit Facility.

### *Repayments*

Each advance will be repaid on the last day of the interest period relating thereto, subject to a netting mechanism against amounts to be drawn on such date. All outstanding amounts under the Revolving Credit Facility will be repaid on the termination date which is March 31, 2020. The termination date for a facility under an Additional Facility Commitment is the date agreed between the Parent and the relevant lenders. Amounts repaid by the borrowers on loans made under the Revolving Credit Facility may be reborrowed during the availability period for that facility, subject to certain conditions.

### *Mandatory Prepayment*

The Revolving Credit Facility Agreement allows for voluntary prepayments (subject to *de minimis* amounts). The Revolving Credit Facility Agreement also permits each lender to require the mandatory prepayment of all amounts due to that lender upon a Change of Control. The Revolving Credit Facility Agreement also requires the Parent to make an offer to prepay the Revolving Credit Facility with the net cash proceeds received by the Group from certain disposals of assets, to the extent that such net cash proceeds exceed certain agreed thresholds and have not been applied for other permitted purposes.

### *Guarantees*

The Parent, the Issuer, Matterhorn Mobile, Salt and Salt Network provide a senior guarantee of all amounts payable to the finance parties under the Revolving Credit Facility Agreement and the hedging banks under any secured hedging agreements.

The Revolving Credit Facility Agreement requires that (subject to agreed security principles) each subsidiary of the Parent incorporated in Luxembourg or Switzerland that is or becomes a Material Company (which definition includes, among other things, any member of the Group that has earnings before interest, tax, depreciation and amortization representing 5% or more of Consolidated EBITDA or total assets representing 5% or more of the total assets of the Group) from February 23, 2015 (the "Closing Date") will be required to become a guarantor under the Revolving Credit Facility Agreement.

Furthermore, if on the last day of a financial year of the Parent, the guarantors represent less than 80% of each of the consolidated EBITDA or the total assets of the Parent and its restricted subsidiaries (subject to certain exceptions), within 60 business days of delivery of the annual financial statements for the relevant financial year, such other restricted subsidiaries of the Parent (subject to agreed security principles) are required to become additional guarantors until the requirement is satisfied (to be calculated as if such additional guarantors had been guarantors on such last day of the relevant financial year).

### *Security*

The Revolving Credit Facility is secured (subject to agreed security principles) by the same Collateral as the Existing Senior Secured Notes.

In addition, any Material Company or other member of the Group which becomes a guarantor of the Revolving Credit Facility is required (subject to agreed security principles) to grant security over its material assets in favor of the security agent under the Revolving Credit Facility.

### *Representations and Warranties*

The Revolving Credit Facility Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated), including status and incorporation, binding obligations, non-conflict with constitutional documents, laws or other obligations, power and authority, authorizations, no default, validity and admissibility in evidence, governing law and enforcement, no insolvency, no breach of laws, legal ownership, financial indebtedness, no proceedings pending or threatened, taxation, original financial statements, no misleading information, anti-corruption law, sanctions, US margin regulations, acquisition agreement and no filings or stamp taxes.

***Covenants***

The Revolving Credit Facility Agreement contains certain incurrence covenants (as set out in a consent request letter in respect of the Revolving Credit Facility Agreement dated February 28, 2017 between the Parent Guarantor and Société Générale as facility agent) and a financial covenant (see "—*Financial Covenant*"). The Revolving Credit Facility Agreement also contains a "notes purchase condition" covenant. Subject to certain exceptions set out in the Revolving Credit Facility Agreement, the Parent may not, and shall procure that no other member of the Group will, repay, prepay, purchase, defease, redeem or otherwise acquire or retire the principal amount of the Notes (or, in each case, any replacement or refinancing thereof as permitted under the Revolving Credit Facility Agreement from time to time) prior to its scheduled repayment date in any manner which involves the payment of cash consideration of the Group to a person which is not a member of the Group. The exceptions to such covenant include (among other things) payments that do not exceed 50% of the aggregate original principal amount of the Notes in existence as of the Closing Date or incurred at any time after the Closing Date.

The Revolving Credit Facility Agreement also requires certain members of the Group to observe certain affirmative covenants (subject to certain exceptions and qualifications), including covenants relating to:

- maintenance of authorizations;
- compliance with laws;
- preservation of assets;
- maintenance of center of main interest;
- discharge of tax liabilities and maintain tax residence;
- comply with Swiss non-bank-rules;
- comply with anti-corruption laws;
- comply with sanctions laws;
- maintenance of guarantor and security coverage and further assurances;
- maintenance of insurance;
- maintenance of *pari passu* ranking of the Revolving Credit Facility; and
- maintenance of intellectual property.

Certain of the covenants under the Revolving Credit Facility Agreement will be suspended upon (i) a public offering of the Parent or certain of its holding companies or any other member of the Group and an achievement of a leverage ratio equal to or less than 3.00:1 (*pro forma* for any prepayment of certain indebtedness from the proceeds of such public offering) or (ii) an achievement by the Issuer (or any of its affiliates) of a long-term corporate credit rating of Baa3/BBB- or better by Moody's or S&P.

The Revolving Credit Facility contains an information covenant under which, among other things, the Parent is required to deliver to the facility agent annual financial statements, quarterly financial statements, compliance certificates and an annual budget.

***Financial Covenant***

The Revolving Credit Facility Agreement will require the Parent to comply with a Leverage Ratio (ratio of Consolidated Net Leverage at such date to Consolidated EBITDA for the period of the most recent four consecutive financial quarters). The covenant will be tested quarterly.

The Leverage Ratio for any relevant period ending: (i) on or before March 31, 2017 shall not exceed 6.5:1; (ii) in the period from and including April 1, 2017 to and including September 30, 2018 shall not exceed 6.0:1; and (iii) on or after October 1, 2018 shall not exceed 5.5:1, in each case provided that such financial covenant shall not be required to be satisfied (and accordingly, no event of default shall occur solely as a result of a failure to so ensure) unless, on the last day of the relevant period, the aggregate outstanding exposure under the Revolving Credit Facility is greater than CHF 35,000,000.

The Parent is permitted to prevent or cure breaches of the Leverage Ratio by applying any cure amount (being amounts received by the Parent in cash pursuant to any new equity or permitted subordinated debt) as if Consolidated Net Leverage had been reduced by such amount. There is no requirement to apply any cure amount in prepayment of the Revolving Credit Facility. No more than 3 cure amounts may be taken into account during the term of the Revolving Credit Facility and cure amounts in successive financial quarters will not be permitted.

### *Events of Default*

The Revolving Credit Facility contains events of default, with certain adjustments, as those applicable to the Notes as set forth in the respective section entitled "*Description of the Notes—Events of Default*." In addition, the Revolving Credit Facility contains the following events of default:

- breach of the financial covenant;
- inaccuracy of a representation or statement when made;
- unlawfulness, repudiation, rescission, invalidity or unenforceability of the finance documents entered into in connection with the Revolving Credit Facility;
- breach of intercreditor agreement;
- cessation of business;
- audit qualification; and
- expropriation.

## Intercreditor Agreement

### *General*

To establish the relative rights of certain of our creditors under our financing arrangements, MMH (the "Original Parent"), Matterhorn Mobile, in voluntary liquidation (the "Original Company"), each of the Guarantors and any other entity which accedes to the Intercreditor Agreement as a debtor (together the "Debtors") have entered into the Intercreditor Agreement dated January 30, 2012 and amended on February 3, 2012, February 21, 2012, September 11, 2012, February 23, 2015, and as amended and restated on April 23, 2015, and as further amended from time to time, with, among others, the Security Agent, the lenders under our Senior Facilities Agreement and the senior agent under our Senior Facilities Agreement (the "Senior Facility Agent"). The Parent Guarantor and the Issuer are parties to the Intercreditor Agreement as Debtors. The Parent Guarantor acceded to the Intercreditor Agreement on April 23, 2015 as the Parent. The Issuer acceded to the Intercreditor Agreement on April 23, 2015 as the Company. The Senior Notes Trustee and the Senior Secured Notes Trustee acceded to the Intercreditor Agreement on April 23, 2015. The Floating Rate Senior Secured Notes Trustee acceded to the Intercreditor Agreement on March 16, 2017. The Floating Rate Senior Secured Notes were designated as Permitted Senior Financing Debt in accordance with the terms of the Intercreditor Agreement on March 16, 2017. The Trustee will accede to the Intercreditor Agreement on the Issue Date. The Notes will be designated as Permitted Senior Financing Debt in accordance with the terms of the Intercreditor Agreement on the Issue Date. The Intercreditor Agreement is governed by English law and sets out, among other things, the relative ranking of certain indebtedness of the Debtors, the relative ranking of certain security granted by the Debtors, when payments can be made in respect of debt of the Debtors, when enforcement action can be taken in respect of that indebtedness, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

Capitalized terms set forth and used in this section entitled "*—Intercreditor Agreement*" have the same meanings as set forth in the Intercreditor Agreement (as amended and restated), which may have different meanings from the meanings given to such terms and used elsewhere in this Offering Memorandum. In particular, in this section, reference to the term "Permitted Senior Financing Debt" shall be construed to include indebtedness incurred under and in connection with the Notes offered hereby. A copy of the Intercreditor Agreement shall be made available to investors upon request.

## Amendments to Intercreditor Agreement

On April 23, 2015, the Intercreditor Agreement was amended by an amendment agreement between, among others, the Original Parent, the Original Company and the Security Agent (the "ICA Amendment Agreement"). The key effects of the amendments to the Intercreditor Agreement were to:

- provide that, on and from the April 23, 2015, the definition of Parent shall refer to the Parent Guarantor; and
- provide that, on and from the April 23, 2015, the definition of Company shall refer to the Issuer.

## Definitions:

The following defined terms are used in this summary of the Intercreditor Agreement:

"Hedge Counterparty" means any person that executes or accedes to the Intercreditor Agreement as a Hedge Counterparty.

"Permitted Parent Financing Agreement" means, in relation to any Permitted Parent Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Parent Financing Debt is made available or, as the case may be, issued.

"Permitted Parent Financing Creditors" means, in relation to any Permitted Parent Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Parent Financing Debt from time to time (including the applicable Senior Parent Creditor Representative).

"Permitted Parent Financing Debt" means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Parent in writing as indebtedness to be treated as "Permitted Parent Financing Debt" for the purposes of the Intercreditor Agreement, provided that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents (as defined below) and (b) the providers of such indebtedness or the agent, trustee or other relevant representative in respect of that Permitted Parent Financing Debt have agreed to become a party to the Intercreditor Agreement by executing and delivering to the Security Agent a creditor/agent accession undertaking, in each case unless already a party in that capacity.

"Permitted Parent Financing Documents" means, in relation to any Permitted Parent Financing Debt, the Permitted Parent Financing Agreement, any fee letter entered into under or in connection with the Permitted Parent Financing Agreement and any other document or instrument relating to that Permitted Parent Financing Debt and designated as such by the Parent and the Senior Parent Creditor Representative in respect of that Permitted Parent Financing Debt.

"Permitted Parent Financing Liabilities" means all liabilities of any Debtor to any Permitted Parent Financing Creditors under or in connection with the Permitted Parent Financing Documents.

"Permitted Senior Financing Agreement" means, in relation to any Permitted Senior Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Senior Financing Debt is made available or, as the case may be, issued.

"Permitted Senior Financing Creditors" means, in relation to any Permitted Senior Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Senior Financing Debt from time to time (including the applicable Senior Creditor Representative).

"Permitted Senior Financing Debt" means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Parent in writing as indebtedness to be treated as "Permitted Senior Financing Debt" for the purposes of the Intercreditor Agreement provided that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents (as defined below) and (b) the providers of such indebtedness or the agent, trustee or other relevant representative in respect of that Permitted Senior Financing Debt have agreed to become a party to the Intercreditor Agreement by executing and delivering to the Security Agent a creditor/agent accession undertaking, in each case to the extent not already a party in that capacity.

“Permitted Senior Financing Documents” means, in relation to any Permitted Senior Financing Debt, the Permitted Senior Financing Agreement, any fee letter entered into under or in connection with the Permitted Senior Financing Agreement and any other document or instrument relating to that Permitted Senior Financing Debt and designated as such by the Parent and the Senior Creditor Representative under that Permitted Senior Financing Debt.

“Permitted Senior Financing Liabilities” means all liabilities of any Debtor to any Permitted Senior Financing Creditors under or in connection with the Permitted Senior Financing Documents.

“Senior Creditor Representative” means in relation to any Permitted Senior Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Senior Financing Debt.

“Senior Creditors” means the Senior Lenders and the Hedge Counterparties.

“Senior Facilities Agreement” means the Revolving Credit Facility Agreement.

“Senior Parent Creditor Representative” means in relation to any Permitted Parent Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Parent Financing Debt.

“Senior Parent Creditors” means the Senior Parent Note holders, each trustee under any issue of such Senior Parent Notes and any Permitted Parent Financing Creditors.

***Debt Refinancing***

The Intercreditor Agreement permits any of the liabilities under the debt documents to be refinanced, replaced, increased or otherwise restructured in whole or in part including by way of Permitted Senior Financing Debt and/or Permitted Parent Financing Debt or the issue of additional Senior Notes and/or Senior Parent Notes and any super senior revolving credit facility (the “Priority Revolving Facility”) (each a, “Debt Refinancing”). Each party to the Intercreditor Agreement shall be required to enter into any amendment to or replacement of the then current Secured Debt Documents and/or take such other action as is required by the Parent in order to facilitate such a Debt Refinancing including changes to, the taking of, or release and retake of any guarantee or security, subject to certain conditions. At the option of the Parent, a Debt Refinancing may be made available on a basis which is senior to, *pari passu* with or junior to any of the other liabilities, shall be entitled to benefit from all or any of the security, may be made available on a secured or unsecured basis (subject to certain restrictions) and may be effected in whole or in part by way of a debt exchange, non-cash rollover or other similar or equivalent transaction, in each case unless otherwise prohibited by the Debt Financing Agreements. Under the terms of the Intercreditor Agreement each agent, each Secured Party and each Primary Creditor agrees that it shall co-operate with the Parent, each other member of the Group and each agent in order to facilitate any Debt Refinancing (including by way of, at the request and cost of the Parent, executing any document or agreement and/or giving instructions to any person). In the event of any refinancing or replacement of all or any part of the Senior Lender Liabilities (or any such refinancing or replacement indebtedness from time to time), the Parent shall be entitled to require that the definition of Instructing Group is amended such that the relevant refinancing or replacement indebtedness is treated in the same manner as the Senior Facilities (meaning that for the purpose of calculating the voting entitlement of any person, at the option of the Parent all or any part of the relevant refinancing or replacement indebtedness may be treated as Senior Secured Credit Participations of the Senior Creditors and not Senior Notes/Permitted Financing Credit Participations). In the event that any Priority Revolving Facility becomes subject to the provisions of the Intercreditor Agreement, the Parent shall be entitled to require that all or any part of the liabilities in relation to Hedging Liabilities (as defined in the Intercreditor Agreement) shall rank in right and priority of payment *pari passu* with that Priority Revolving Facility (which, for the avoidance of doubt, may result in such Hedging Liabilities ranking ahead of the Senior Notes liabilities and/or the Senior Parent Notes liabilities), and/or the Permitted Senior Financing Liabilities and/or the Permitted Parent Financing Liabilities, in each case unless otherwise prohibited by the Debt Financing Agreements.

Any Priority Revolving Facility implemented pursuant to a Debt Refinancing shall comply with, among others, the following limitations:

*Ranking of a Debt Refinancing*

No liabilities or obligations in respect of any Priority Revolving Facility may rank in right and priority of payment ahead of the amounts set out in paragraph (i) of the section captioned "—*Application of Proceeds*."

Subject to the paragraph above and to the extent not otherwise prohibited by the Debt Financing Agreements, any Priority Revolving Facility shall rank in right and priority of payment as determined by the Parent.

*Enforcement: Debt Refinancing*

The right of the lenders or other creditors in respect of a Priority Revolving Facility to:

(a) instruct the Security Agent to enforce the security;

(b) give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the security as they see fit; and/or

(c) otherwise provide instructions as, or as part of, an Instructing Group,

shall be generally consistent with, or otherwise not materially less favorable to the other Secured Parties than, those customary for facilities of a similar nature to that Priority Revolving Facility (if any), in each case as at the date such Priority Revolving Facility is contractually committed by the relevant member(s) of the Group and as determined by the Parent (with any such determination to be conclusive).

*Option to Purchase*

(a) The Senior Note holders and the Permitted Senior Financing Creditors shall be provided with an 'option to purchase' right in relation to any liabilities in respect of a Priority Revolving Facility consistent in all material respects with the 'option to purchase' right provided in relation to the Senior Lender Liabilities as set out in the paragraph captioned "—*Restrictions Relating to Senior Secured Liabilities—Option to Purchase: Senior Secured Creditors*."

(b) The Senior Parent Agent(s) shall be provided with an 'option to purchase' right in relation to any liabilities in respect of a Priority Revolving Facility consistent in all material respects with the 'option to purchase' right as set out in the paragraph captioned "—*Payment Obligations and Capitalization of Interest Continue—Option to Purchase: Senior Parent Creditors*."

***Ranking and Priority***

*Priority of Debts*

Subject to the provisions set out in the caption "—*Senior Parent Liabilities and Security*" below, the Intercreditor Agreement provides that the liabilities owed by the Debtors (other than the Parent) to the creditors in relation to the Senior Facilities, certain hedging obligations, the Senior Notes, the Senior Parent Notes, the Permitted Senior Financing Debt and the Permitted Parent Financing Debt (the "Primary Creditors") shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

- first, the liabilities of the lenders, issuing banks and ancillary lenders under the Senior Facilities (each a "Senior Lender" and such liabilities the "Senior Lender Liabilities"), the Senior Notes liabilities and the Permitted Senior Financing Liabilities, the Hedging Liabilities, amounts due to the Senior Notes Trustee and amounts due to the Senior Parent Notes Trustee *pari passu* and without any preference between them; and
- second, the Senior Parent Notes liabilities and the Permitted Parent Financing Liabilities *pari passu* between themselves and without any preference between them.

The liabilities owed by the Parent to the Primary Creditors shall rank *pari passu* in right and priority of payment without any preference among them.

*Priority of Security*

The security shall secure the relevant liabilities (but only to the extent that such security is expressed to secure the relevant liabilities) in the order provided for under the caption "—*Application of Proceeds*."

*Senior Parent Liabilities and Security*

The Senior Parent Notes liabilities and the Permitted Parent Financing Liabilities owed by the Parent are senior obligations of the Parent. Notwithstanding the preceding sentence, until the date the Senior Lender Liabilities, the Hedging Liabilities, the Senior Notes liabilities and the Permitted Senior Financing Liabilities have been discharged (the "Senior Discharge Date"), creditors in relation to the Senior Parent Notes liabilities and the Permitted Parent Financing Liabilities may not take any steps to appropriate the assets of the Parent subject to the Security Documents in connection with any Enforcement Action (as defined below), other than as expressly permitted by the Intercreditor Agreement.

*Intra-Group Liabilities and Investor Liabilities*

The Intercreditor Agreement provides that the intra-group liabilities of the Group and the liabilities of the Group to an investor are postponed and subordinated to the liabilities owed by the Debtors to the Primary Creditors.

*Additional and/or Refinancing Debt*

The creditors under the Intercreditor Agreement acknowledge in the Intercreditor Agreement that the Debtors (or any of them) may wish to incur incremental borrowing liabilities (including guarantees of such liabilities) or refinance or replace borrowing liabilities (including incurring guarantee liabilities in respect of such refinancing or replacement). Such liabilities are intended to rank *pari passu* with any other liabilities and/or share *pari passu* in any security and/or to rank behind any other liabilities and/or to share in any security behind any such other liabilities.

The creditors under the Intercreditor Agreement undertake in the Intercreditor Agreement (at the cost of the Debtors) to co-operate with the Parent and the Debtors with a view to enabling and facilitating such financing, refinancing or replacement and such sharing in the security to take place in a timely manner. In particular, each of the secured parties authorizes and directs each of its respective agents and the Security Agent to execute any amendment to the Intercreditor Agreement and such other debt documents required by the Parent to reflect, enable and/or facilitate any such arrangements.

***Restrictions Relating to Senior Secured Liabilities***

The Parent and the Debtors may make payments of the Senior Secured Liabilities (as defined below) at any time, provided that following the occurrence of an acceleration event with respect to the Senior Facilities Agreement, the Senior Notes and/or any Permitted Senior Financing Debt, which is continuing, no Debtor may make (and no Senior Secured Creditor (as defined below) may receive) payments of Senior Lender Liabilities, Senior Notes liabilities or Permitted Senior Financing Liabilities except for recoveries distributed in accordance with the provisions set out under the caption "—*Application of Proceeds*."

The Intercreditor Agreement provides that the Senior Secured Creditors (as defined below), the Parent and the Debtors may at any time amend or waive the terms of the finance documents in relation to the Senior Facilities, the Senior Notes and the Permitted Senior Financing Debt, in accordance with their respective terms from time to time (and subject only to any consent required under them).

*Security and Guarantees: Senior Secured Creditors*

The Senior Lenders, the Hedge Counterparties, the Senior Note holders, the Senior Notes Trustee and any Permitted Senior Financing Creditors (the "Senior Secured Creditors") may take, accept or receive the benefit of:

- any security from any member of the Group in respect of any of the Senior Lender Liabilities, the Hedging Liabilities, the Senior Notes liabilities or the Permitted Senior Financing Liabilities in addition to the shared security provided that, to the extent legally possible and subject to certain agreed security principles:
- the security provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);
- all amounts actually received or recovered by any Senior Secured Creditor with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption "—*Application of Proceeds*"; and
- any such security may only be enforced in accordance with the provisions set out under the caption "—*Enforcement of Security—Security Held by Other Creditors*."
- any guarantee, indemnity or other assurance against loss from any member of the Group regarding any of the Senior Lender Liabilities, the Hedging Liabilities, the Senior Notes liabilities or the Permitted Senior Financing Liabilities in addition to those in:
  - the Senior Facilities Agreement, the Senior Notes Indenture or any Permitted Senior Financing Document;
  - the Intercreditor Agreement; or
  - any guarantee, indemnity or other assurance against loss in respect of any of the liabilities, the benefit of which (however conferred) is, to the extent legally possible and subject to certain agreed security principles, given to all the senior secured parties in respect of their senior secured liabilities,

provided that, to the extent legally possible, and subject to certain agreed security principles,

  - the guarantee provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);
  - such guarantee, indemnity or assurance against loss is expressed to be subject to the Intercreditor Agreement; and
  - any security, guarantee, indemnity or other assurance against loss from any member of the Group in connection with:
  - any escrow or similar or equivalent arrangements entered into in respect of amounts which are being held (or will be held) by a person which is not a member of the Group prior to release of those amounts to a member of the Group; or
  - any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Senior Lender Liabilities, Senior Notes liabilities and any Permitted Senior Financing Liabilities (in each case provided that such defeasance, redemption, prepayment, repayment, purchase or other discharge is not prohibited by the terms of the Intercreditor Agreement).

*Restriction on Enforcement: Senior Lenders and Senior Notes Creditors*

The Intercreditor Agreement provides that none of the Senior Lenders, the Senior Note holders, the Senior Notes Trustee or any Permitted Senior Financing Creditors may take certain Enforcement Action without the prior written consent of an Instructing Group (as defined below).

Notwithstanding the above restriction or anything to the contrary in the Intercreditor Agreement, after the occurrence of certain specified insolvency events (each an "Insolvency Event") in relation to a Debtor, each Senior Lender, Senior Note holder, Senior Notes Trustee or Permitted Senior Financing Creditor may, to the extent it is able to do so under the relevant debt documents, take certain

Enforcement Action and/or claim in the winding up, dissolution, administration, reorganization or similar insolvency event of that Debtor for liabilities owing to it (but may not direct the Security Agent, pursuant to this paragraph, to enforce the common security in any manner).

*Option to Purchase: Senior Secured Creditors*

Senior Note holders holding at least a simple majority of the Senior Notes liabilities or Permitted Senior Financing Creditors holding at least a simple majority of the Permitted Senior Financing Liabilities (the "Senior Secured Acquiring Creditors") may, after the occurrence of an acceleration event which is continuing, by giving not less than ten (10) days' notice to the Security Agent, require the transfer to them (or to a nominee or nominees), in accordance with the applicable transfer provisions of the Intercreditor Agreement, of all, but not part, of the rights, benefits and obligations in respect of the Senior Lender Liabilities if:

(i) that transfer is lawful and, subject to paragraph (ii) below, otherwise permitted by the terms of the Senior Facilities Agreement;

(ii) any conditions relating to such a transfer contained in the Senior Facilities Agreement are complied with, other than:

(A) any requirement to obtain the consent of, or consult with, a member of the Group in relation to such transfer, which consent or consultation shall not be required; and

(B) to the extent to which all the Senior Secured Acquiring Creditors provide cash cover for any letter of credit, the consent of the relevant letter of credit issuing bank relating to such transfer;

(iii) the Senior Facility Agent, on behalf of the Senior Lenders, is paid an amount equal to the aggregate of:

(A) any amounts provided as cash cover by the Senior Secured Acquiring Creditors for any letter of credit (as envisaged in paragraph (ii)(B) above);

(B) all of the Senior Lender Liabilities at that time (whether or not due), including all amounts that would have been payable under the Senior Facilities Agreement if the Senior Facilities were being prepaid by the relevant Debtors on the date of that payment; and

(C) all costs and expenses (including legal fees) incurred by the Senior Facility Agent and/or the Senior Lenders and/or the Security Agent as a consequence of giving effect to that transfer;

(iv) as a result of that transfer, the Senior Lenders have no further actual or contingent liability to a Debtor under the Senior Facilities finance documents;

(v) an indemnity is provided from each of the Senior Secured Acquiring Creditors (other than any Senior Agent) or from another third party acceptable to all the Senior Lenders in a form reasonably satisfactory to each Senior Lender in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Senior Lender in consequence of any sum received or recovered by any Senior Lender from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Senior Lender for any reason;

(vi) the transfer is made without recourse to, or representation or warranty from, the Senior Lenders, except that each Senior Lender shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer; and

(vii) the Senior Parent Creditors have not exercised their rights to purchase as described under the provisions set out in the paragraph captioned "*—Payment Obligations and Capitalization of Interest Continue—Option to Purchase: Senior Parent Creditors*" or, having exercised such rights, have not failed to complete the acquisition of the relevant Senior Secured Liabilities in accordance with such provisions.

Subject to the Intercreditor Agreement, the Senior Secured Acquiring Creditors may only require a Senior Lender Liabilities transfer if, at the same time, they require a transfer of the hedging agreements in accordance with the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no Senior Lender Liabilities transfer may be required to be made.

At the request of a Senior Agent (on behalf of the Senior Secured Acquiring Creditors), the Senior Facility Agent shall notify that Senior Agent of the foregoing payable sums in connection with such transfer.

"Instructing Group" means at any time:

(a) prior to the Senior Discharge Date:

(i) in relation to any instructions to the Security Agent to enforce the Transaction Security or refrain or cease from enforcing the Transaction Security or to take any other Enforcement Action:

(A) those Senior Instructing Group Creditors whose Senior Secured Credit Participations at that time aggregate to more than 66 2/3% of the Total Senior Instructing Group Credit Participations at that time; and/or

(B) prior to the Senior Lender Discharge Date, the Majority Senior Creditors,

in each case as applicable in accordance with the provisions set out under the caption "*—Consultation Period*"; or

(ii) in relation to any other matter:

(A) those Senior Instructing Group Creditors whose Senior Secured Credit Participations at that time aggregate to more than 66 $^{2}/_{3}$% of the Total Senior Instructing Group Credit Participations at that time; and

(B) prior to the Senior Lender Discharge Date, the Majority Senior Creditors; and

(b) on or after the Senior Discharge Date but before the Senior Parent Discharge Date, and subject always to the provisions set out under the caption "*—Payment Obligations and Capitalization of Interest Continue—Restrictions on Enforcement by Senior Parent Creditors*," the Majority Senior Parent Creditors.

In this definition of "Instructing Group":

"Majority Senior Parent Creditors" means, at any time, those Senior Parent Creditors whose Senior Parent Credit Participations at that time aggregate to more than 66 $^{2}/_{3}$% of the total aggregate amount of all Senior Parent Credit Participations at that time.

"Senior Instructing Group Creditors" means:

(a) prior to the Senior Lender Discharge Date, the Senior Secured Creditors (other than the Senior Creditors); and

(b) on and after the Senior Lender Discharge Date, the Senior Secured Creditors (other than the Senior Lenders).

"Senior Lender Discharge Date" means the first date on which all Senior Lender Liabilities have been fully and finally discharged, whether or not as the result of an enforcement, and the Senior Lenders are under no further obligation to provide financial accommodation to any of the Debtors under any of the Senior Facilities finance documents.

"Senior Notes/Permitted Financing Credit Participations" means the aggregate of all the Senior Secured Credit Participations at any time of the Senior Note holders and the Permitted Senior Financing Creditors.

"Senior Parent Credit Participation" means:

(a) in relation to a Senior Parent Note holder, the principal amount of outstanding Senior Parent Notes Liabilities held by that Senior Parent Note holder; and

(b) in relation to a Permitted Parent Financing Creditor, the aggregate amount of its commitments under each Permitted Parent Financing Agreement (drawn or undrawn and calculated in a manner consistent with the senior commitments) and/or the principal amount of outstanding Permitted Parent Financing Debt held by that Permitted Parent Financing Creditor (as applicable and without double counting).

"Senior Secured Credit Participation" means:

(a) in relation to a Senior Creditor, its Senior Credit Participation in relation to the Senior Facilities Agreement and the hedging agreements only;

(b) in relation to a Senior Note holder, the principal amount of outstanding Senior Notes liabilities held by that Senior Note holder; and

(c) in relation to a Permitted Senior Financing Creditor, the aggregate amount of its commitments under each Permitted Senior Financing Agreement (drawn or undrawn and calculated in a manner consistent with the senior commitments) and/or the principal amount of outstanding Permitted Senior Financing Debt held by that Permitted Senior Financing Creditor (as applicable and without double counting).

"Total Senior Instructing Group Credit Participations" means:

(d) prior to the Senior Lender Discharge Date, the aggregate of all the Senior Secured Credit Participations at any time (excluding the Senior Secured Credit Participations of the Senior Creditors); and

(e) on and after the Senior Lender Discharge Date, the aggregate of all the Senior Secured Credit Participations at any time (excluding the Senior Secured Credit Participations of the Senior Lenders).

"Total Senior Secured Credit Participations" means the aggregate of all the Senior Secured Credit Participations at any time.

***Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities***

*Restriction on Payment and Dealings*

The Intercreditor Agreement provides that, until the Senior Discharge Date, the Parent shall not (and shall ensure that no member of the Group will):

(i) pay, repay, prepay, redeem, acquire or defease any principal, interest or other amount on or in respect of, or make any distribution in respect of, any Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities in cash or in kind or apply any such money or property in or towards discharge of any Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities except as permitted by the provisions set out below under the captions "*—Permitted Senior Parent Payments*," "*—Payment Obligations and Capitalization of Interest Continue—Permitted Senior Parent Enforcement*" and the fourth paragraph under the caption "*—Effect of Insolvency Event; Filing of Claims*" or by a refinancing of the Senior Parent Notes or the Permitted Parent Financing Debt as permitted by the Intercreditor Agreement;

(ii) exercise any set-off against any Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities, except as permitted by the provisions set out in the caption "*—Permitted Senior Parent Payments*" below, the provisions set out in the caption "*—Payment Obligations and Capitalization of Interest Continue—Restrictions on Enforcement by Senior Parent Creditors*" below or the fourth paragraph under the caption "*—Effect of Insolvency Event; Filing of Claims*" below or by a refinancing of the Senior Parent Notes or the Permitted Parent Financing Debt as permitted by the Intercreditor Agreement; or

(iii) create or permit to subsist any security over any assets of any member of the Group or give any guarantee (and the Senior Parent Notes Trustee or Senior Parent Creditor Representative, as the case may be, may not, and no Senior Parent Creditor may, accept the benefit of any such security or guarantee from any member of the Group) for, or in respect of, any Senior Parent Notes liabilities or any Permitted Parent Financing Liabilities other than:

(a) guarantees by a member of the Group of any obligations of the Group under the Senior Parent Notes finance documents and/or the Permitted Parent Financing Documents;

(b) at the option of the Parent, all or any of the security (provided that, for the avoidance of doubt, each of the parties agrees that the security shall rank and secure any Senior Parent Notes and any Permitted Parent Financing Debt as set out in "*—Ranking and Priority—Priority of Security*"); and

(c) any security over any assets of the Parent (other than, without prejudice to paragraph (b) above, shares and loan receivables in the Company over which the Parent has granted security);

(d) any other security or guarantee provided by a member of the Group (the "Credit Support Provider") provided that, to the extent legally possible:

(I) the Credit Support Provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);

(II) all amounts actually received or recovered by the Senior Parent Notes Trustee, the Senior Parent Creditor Representative or the Senior Parent Creditors, as the case may be, with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption "*—Application of Proceeds*";

(III) any such security may only be enforced in accordance with the provisions set out under the caption "*—Enforcement of Security—Security Held by Other Creditors*"; and

(IV) such guarantee is expressed to be subject to the Intercreditor Agreement; and

(e) any security, guarantee, indemnity or other assurance against loss from any member of the Group in connection with:

(I) any escrow or similar or equivalent arrangements entered into in respect of amounts which are being held (or will be held) by a person which is not a member of the Group prior to release of those amounts to a member of the Group; or

(II) any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Senior Lender Liabilities, Senior Notes liabilities and any Permitted Senior Financing Liabilities (in each case provided that such defeasance, redemption, prepayment, repayment, purchase or other discharge is not prohibited by the terms of the Intercreditor Agreement).

*Permitted Senior Parent Payments*

Prior to the Senior Discharge Date, any member of the Group may make payments with respect to the Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities then due in accordance with the finance documents in relation to the Senior Parent Notes and the Permitted Parent Financing Debt (such payments, collectively, "Permitted Senior Parent Payments"):

(i) if:

(a) the payment is of:

(I) any of the principal amount of the Senior Parent Notes liabilities and the Permitted Parent Financing Liabilities which is either (1) not prohibited from being paid by the Senior Facilities Agreement, the Senior Notes Indenture or any Permitted Senior Financing Agreement; or (2) paid on or after the final maturity date of the relevant Senior Parent Notes liabilities and Permitted Parent Financing Liabilities (subject to certain conditions); or

(II) any other amount which is not an amount of principal or capitalized interest;

(b) no Senior Parent Payment Stop Notice (as defined below) is outstanding; and

(c) no payment default under the Senior Facilities Agreement, the Senior Notes or the Permitted Senior Financing Documents ("Senior Payment Default") has occurred and is continuing; or

(ii) if the Majority Senior Lenders, the Senior Notes Trustee and the Majority Permitted Senior Financing Creditors or the Senior Creditor Representative in respect of that Permitted Senior Financing Debt (as applicable) (the "Required Senior Consent") give prior consent to that payment being made; or

(iii) if the payment is of certain amounts due to the Senior Parent Notes Trustee for its own account;

(iv) if the payment is made by the Parent and funded directly or indirectly with amounts which have not been received by the Parent from another member of the Group;

(v) of any costs and expenses of any holder of security in relation to protection, preservation or enforcement of such security;

(vi) of costs, commissions, taxes, fees and expenses incurred in respect of or in relation to (or reasonably incidental to) any of the Senior Parent Notes Indenture and any Permitted Parent Financing Documents (including in relation to any reporting or listing requirements under such documents);

(vii) if the payment is funded directly or indirectly with Permitted Parent Financing Debt; or

(viii) of any other amount not exceeding CHF 5,000,000 (or its equivalent) in aggregate in any financial year of the Parent.

On or after the Senior Discharge Date, the Debtors may make payments to the Senior Parent Creditors in respect of the Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities in accordance with the Senior Parent Notes Indenture and the Permitted Parent Financing Documents, as applicable.

*Payment Blockage Provisions*

Until the Senior Discharge Date, except with the Required Senior Consent, the Parent shall not make (and shall procure that no other member of the Group shall make), and neither the Senior Parent Notes Trustee, any holder of Senior Parent Notes or the Permitted Parent Financing Creditors may receive from the Parent or any other members of the Group, any Permitted Senior Parent Payment (other than certain amounts due to the Senior Parent Notes Trustee for its own account, payments funded by amounts not received from another member of the Group or payments funded by Permitted Parent Financing Debt) if:

- a Senior Payment Default is continuing; or
- an event of default under the Senior Facilities Agreement, the Senior Notes Indenture and/or any Permitted Senior Financing Agreement (a "Senior Event of Default") (other than a Senior Payment Default) is continuing, from the date which is one business day after the date on which any of the Senior Facility Agent, the Senior Notes Trustee and any Senior Creditor Representative (together, the "Senior Agents") delivers a payment stop notice (a "Senior Parent Payment Stop Notice") specifying the event or circumstance in relation to that Senior Event of Default to the Parent, the Security Agent and the Senior Parent Agents (as defined below) until the earliest of:
  - the date falling 179 days after delivery of that Senior Parent Payment Stop Notice;
  - in relation to payments of the Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities, if a Senior Parent Standstill Period (as defined below) is in effect at any time after delivery of that Senior Parent Payment Stop Notice, the date on which that Senior Parent Standstill Period expires;
  - the date on which the relevant Senior Event of Default has been remedied or waived in accordance with the Senior Facilities Agreement, the Senior Notes Indenture or any Permitted Senior Financing Agreement (as applicable);
  - the date on which the Senior Agent which delivered the relevant Senior Parent Payment Stop Notice delivers a notice to the Parent, the Security Agent and the Senior Parent Agents (as defined below) cancelling the Senior Parent Payment Stop Notice;
  - the Senior Discharge Date; and
  - the date on which the Security Agent, the Senior Parent Notes Trustee or any Senior Parent Creditor Representative takes Enforcement Action permitted under the Intercreditor Agreement against a Debtor.

Unless the Senior Parent Agents (as defined below) waive this requirement, (i) a new Senior Parent Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Senior Parent Payment Stop Notice, and (ii) no Senior Parent Payment Stop Notice may be delivered by a Senior Agent in reliance on a Senior Event of Default more than 45 days after the date that Senior Agent received notice of that Senior Event of Default.

The Senior Agents may only serve one Senior Parent Payment Stop Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of the Senior Agents to issue a Senior Parent Payment Stop Notice in respect of any other event or set of circumstances. No Senior Parent Payment Stop Notice may be served in respect of a Senior Event of Default which had been notified to the Senior Agents at the time at which an earlier Senior Parent Payment Stop Notice was issued.

Any failure to make a payment due under the Senior Parent Notes Indenture and any Permitted Parent Financing Documents as a result of the issue of a Senior Parent Payment Stop Notice or the occurrence of a Senior Payment Default shall not prevent (i) the occurrence of an Event of Default (as defined in the Senior Parent Notes Indenture or any Permitted Parent Financing Documents, as applicable) as a consequence of that failure to make a payment in relation to the relevant Senior Parent Notes Indenture and any Permitted Parent Financing Documents; or (ii) the issue of a Senior Parent Enforcement Notice (as defined below) on behalf of the Senior Parent Creditors.

***Payment Obligations and Capitalization of Interest Continue***

No Debtor shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under the Senior Parent Notes Indenture and any Permitted Parent Financing Document by the operation of the provisions set out under each section above under the caption "*—Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities*" even if its obligation to make such payment is restricted at any time by the terms of any of those provisions.

The accrual and capitalization of interest (if any) in accordance with the Senior Parent Notes Indenture and any Permitted Parent Financing Document shall continue notwithstanding the issue of a Senior Parent Payment Stop Notice.

*Cure of Payment Stop*

If:

(i) at any time following the issue of a Senior Parent Payment Stop Notice or the occurrence of a Senior Payment Default, that Senior Parent Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Payment Default ceases to be continuing; and

(ii) the relevant Debtor then promptly pays to the Senior Parent Creditors an amount equal to any payments which had accrued under the Senior Parent Notes Indenture and any Permitted Parent Financing Document and which would have been Permitted Senior Parent Payments but for that Senior Parent Payment Stop Notice or Senior Payment Default,

then any Event of Default (including any cross default or similar provision under any other debt document) which may have occurred as a result of that suspension of payments shall be waived and any Senior Parent Enforcement Notice which may have been issued as a result of that Event of Default shall be waived, in each case without any further action being required on the part of the Senior Parent Creditors or any other Creditor.

*Restrictions on Amendments and Waivers*

The Intercreditor Agreement provides that the Senior Parent Creditors, the Parent and the other Debtors may amend or waive the terms of the Senior Parent Notes finance documents and/or the Permitted Parent Financing Documents in accordance with their terms at any time (and subject only to any consent required under them).

*Restrictions on Enforcement by Senior Parent Creditors*

Until the Senior Discharge Date, except with the prior consent of or as required by an Instructing Group:

(i) no Senior Parent Creditor shall direct the Security Agent to enforce, or otherwise require the enforcement of any security; and

(ii) no Senior Parent Creditor shall take or require the taking of any Enforcement Action in relation to the guarantees by a member of the Group of any of the obligations of any member of the Group under the Senior Parent Notes finance documents and/or Permitted Parent Financing Documents,

except as permitted under the provisions set out under the caption "*—Permitted Senior Parent Enforcement*" below, *provided, however*, that no such action required by the Security Agent need be taken except to the extent the Security Agent otherwise is entitled under the Intercreditor Agreement to direct such action.

"Enforcement Action" is defined as:

- in relation to any liabilities:
  - the acceleration of any liabilities or the making of any declaration that any liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Senior Secured Creditor or a Senior Parent Creditor to perform its obligations under, or of any voluntary or mandatory prepayment arising under, any of the debt documents);
  - the making of any declaration that any liabilities are payable on demand;
  - the making of a demand in relation to a liability that is payable on demand;
  - the making of any demand against any member of the Group in relation to any guarantee liabilities of that member of the Group;
  - the exercise of any right to require any member of the Group to acquire any liability (including exercising any put or call option against any member of the Group for the redemption or purchase of any liability but excluding any such right which arises as a result of the permitted debt purchase transactions provisions of the Senior Facilities Agreement (or any other similar or equivalent provision of any of the Senior Facilities finance documents, the Senior Notes finance documents, the Permitted Senior Financing Documents, the hedging agreements regulated by the Intercreditor Agreement, the Senior Parent Notes finance documents and/or the Permitted Parent Financing Documents (the "Secured Debt Documents")) and/or any other acquisition of liabilities, acquisition or transaction which any member of the Group is not prohibited from entering into by the terms of the Secured Debt Documents and excluding any mandatory offer arising as a result of a change of control or asset sale (howsoever described) as set out in the Senior Notes finance documents or the Senior Parent Notes finance documents (or any other similar or equivalent provision of any of the Secured Debt Documents);
  - the exercise of any right of set-off, account combination or payment netting against any member of the Group in respect of any liabilities other than the exercise of any such right:
    - as close-out netting by a Hedge Counterparty or by a hedging ancillary lender;
    - as payment netting by a Hedge Counterparty or by a hedging ancillary lender;
    - as inter-hedging agreement netting by a Hedge Counterparty;
    - as inter-hedging ancillary document netting by a hedging ancillary lender; and/or
    - which is otherwise permitted by the terms of any of the Secured Debt Documents, in each case to the extent that the exercise of that right gives effect to a permitted payment; and
  - the suing for, commencing or joining of any legal or arbitration proceedings against any member of the Group to recover any liabilities;
- the premature termination or close-out of any hedging transaction under any hedging agreement, save to the extent permitted by the Intercreditor Agreement;
- the taking of any steps to enforce or require the enforcement of any security (including the crystallization of any floating charge forming part of the security),
- the entering into of any composition, compromise, assignment or similar arrangement with any member of the Group which owes any liabilities, or has given any security, guarantee or indemnity or other assurance against loss in respect of the liabilities (other than any action permitted under the Intercreditor Agreement or any debt buy-back, tender offer, exchange offer or similar or equivalent arrangement not otherwise prohibited by the debt documents); or

- the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, administrator or similar officer) in relation to the winding up, dissolution, administration or reorganization of any member of the Group which owes any liabilities, or has given any security, guarantee, indemnity or other assurance against loss in respect of any of the liabilities, or any of such member of the Group's total assets or any suspension of payments or moratorium of any indebtedness of any such member of the Group, or any analogous procedure or step in any jurisdiction,

except that the following shall not constitute Enforcement Action:

- the taking of any action falling above which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of liabilities, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods; or
- a Senior Secured Creditor or Senior Parent Creditor bringing legal proceedings against any person solely for the purpose of: (a) obtaining injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any debt document to which it is party, (b) obtaining specific performance (other than specific performance of an obligation to make a payment) with no claim for damages or (c) requesting judicial interpretation of any provision of any debt document to which it is party with no claim for damages; or
- bringing legal proceedings against any person in connection with any securities violation, securities or listing regulations or common law fraud; or
- to the extent entitled by law, the taking of any action against any creditor (or any agent, trustee or receiver acting on behalf of that creditor) to challenge the basis on which any sale or disposal is to take place pursuant to the powers granted to those persons under any relevant documentation; or
- any person consenting to, or the taking of any other action pursuant to or in connection with, any merger, consolidation, reorganization or any other similar or equivalent step or transaction initiated or undertaken by a member of the Group (or any analogous procedure or step in any jurisdiction) that is not prohibited by the terms of the Secured Debt Documents to which it is a party.

*Permitted Senior Parent Enforcement*

The restrictions set out in the caption "—*Restrictions on Enforcement by Senior Parent Creditors*" above will not apply if:

(i) an Event of Default (as defined in the Senior Parent Notes Indenture and any Permitted Parent Financing Agreement, as applicable, each a "Senior Parent Event of Default") (the "Relevant Senior Parent Default") is continuing;

(ii) each Senior Agent has received a notice of the Relevant Senior Parent Default specifying the event or circumstance in relation to the Relevant Senior Parent Default from the Senior Parent Notes Trustee or the Senior Parent Creditor Representative, as the case may be;

(iii) a Senior Parent Standstill Period (as defined below) has elapsed; and

(iv) the Relevant Senior Parent Default is continuing at the end of the relevant Senior Parent Standstill Period.

Promptly upon becoming aware of a Senior Parent Event of Default, the Senior Parent Notes Trustee or the Senior Parent Creditor Representative, as the case may be, may by notice (a "Senior Parent Enforcement Notice") in writing notify the Senior Agents of the existence of such Senior Parent Event of Default.

*Senior Parent Standstill Period*

In relation to a Relevant Senior Parent Default, a Senior Parent Standstill Period shall mean the period beginning on the date (the "Senior Parent Standstill Start Date") the relevant Senior Agent serves a Senior Parent Enforcement Notice on each of the Senior Agents in respect of such Relevant Senior Parent Default and ending on the earlier to occur of:

(i) the date falling 179 days after the Senior Parent Standstill Start Date (the "Senior Parent Standstill Period");

(ii) the date the Senior Secured Parties take any Enforcement Action in relation to a particular guarantor of the Senior Parent Notes and any Permitted Parent Financing Debt (a "Senior Parent Guarantor"), *provided, however*, that if a Senior Parent Standstill Period ends pursuant to this paragraph, the Senior Parent Creditors may only take the same Enforcement Action in relation to the Senior Parent Guarantor as the Enforcement Action taken by the Senior Secured Parties against such Senior Parent Guarantor and not against any other member of the Group;

(iii) the date of an Insolvency Event in relation to the Parent or a particular Senior Parent Guarantor against whom Enforcement Action is to be taken;

(iv) the expiry of any other Senior Parent Standstill Period outstanding at the date such first mentioned Senior Parent Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);

(v) the date on which the consent of each of the Senior Facility Agent (acting on the instructions of the Majority Senior Lenders), any Senior Parent Notes Trustee (acting on behalf of the Senior Note holders) and any Senior Creditor Representative (acting on the instructions the Majority Permitted Senior Financing Creditors) has been obtained; and

(vi) a failure to pay the principal amount outstanding under the Senior Parent Notes or on any Permitted Parent Financing Debt, as the case may be, at the final stated maturity of the amounts outstanding under the Senior Parent Notes or on the Permitted Parent Financing Debt, as the case may be (provided that, unless the Senior Lender Discharge Date has occurred or as otherwise agreed by the Majority Senior Lenders and the Parent, such final stated maturity has not been amended to fall on a date prior to the date falling seven years and six months after the date of first utilization under the Senior Facilities Agreement).

*Subsequent Senior Parent Event of Default*

The Senior Parent Finance Parties and the Parent, as applicable, may take Enforcement Action under the provisions set out in caption "*—Permitted Senior Parent Enforcement*" above in relation to a Relevant Senior Parent Default even if, at the end of any relevant Senior Parent Standstill Period or at any later time, a further Senior Parent Standstill Period has begun as a result of any other Senior Parent Event of Default.

*Enforcement on Behalf of Senior Parent Creditors*

If the Security Agent has notified each of the Senior Parent Notes Trustee and any Senior Parent Creditor Representative (the "Senior Parent Agents") that it is enforcing security created pursuant to any Security Document over shares of a Senior Parent Guarantor, no Senior Parent Creditor may take any action referred to under the provisions set out under the caption "*—Permitted Senior Parent Enforcement*" above against that Senior Parent Guarantor while the Security Agent is taking steps to enforce that security in accordance with the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

*Option to Purchase: Senior Parent Creditors*

Subject to the following paragraphs, any of the Senior Parent Agents (on behalf of the Senior Parent Creditors) may, after an acceleration event under any of the Senior Facilities Agreement, the Senior Notes or in relation to any Permitted Senior Financing Debt which is continuing, by giving not less than 10 days' notice to the Security Agent, require the transfer to the Senior Parent Creditors of all, but not part, of the rights, benefits and obligations in respect of the Senior Lender Liabilities, the Senior Notes liabilities and the Permitted Senior Financing Liabilities (the "Senior Secured Liabilities") if:

(i) that transfer is lawful and, subject to paragraph (ii) below, otherwise permitted by the terms of the Senior Facilities Agreement (in the case of the Senior Lender Liabilities), the Senior Notes

Indenture (in the case of the Senior Notes Liabilities) and any Permitted Senior Financing Agreement (in the case of the Permitted Senior Financing Liabilities) (as applicable);

(ii) any conditions relating to such a transfer contained in the Senior Facilities Agreement (in the case of the Senior Lender Liabilities), the Senior Notes Indenture (in the case of the Senior Notes liabilities) and any Permitted Senior Financing Agreement (in the case of the Permitted Senior Financing Liabilities) are complied with, in each case, other than as specified in the Intercreditor Agreement;

(iii) each of the Senior Facility Agent, on behalf of the Senior Lenders, the Senior Notes Trustee, on behalf of the relevant Senior Note holders and the applicable Senior Creditor Representative, on behalf of the relevant Permitted Senior Financing Creditors, is paid the amounts required under the Intercreditor Agreement;

(iv) as a result of that transfer the Senior Lenders, the Senior Note holders and the Permitted Senior Financing Creditors have no further actual or contingent liability to the Parent or any Debtor under the relevant Secured Debt Documents;

(v) an indemnity is provided from each Senior Parent Creditor (other than any Senior Parent Agent) in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Senior Lender, Senior Note holder or Permitted Senior Financing Creditor in consequence of any sum received or recovered by any such party from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Senior Lender, Senior Note holder or Permitted Senior Financing Creditor for any reason; and

(vi) the transfer is made without recourse to, or representation or warranty from, the Senior Lenders, the Senior Note holders or the Permitted Senior Financing Creditors, except that each of them shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer.

Subject to the Intercreditor Agreement, a Senior Parent Agent (on behalf of all the Senior Parent Creditors) may only require a transfer of Senior Secured Liabilities if, at the same time, they require a transfer of hedging agreements regulated by the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no transfer of Senior Secured Liabilities may be required to be made.

At the request of a Senior Parent Agent (on behalf of all the Senior Parent Creditors), the Senior Facility Agent, the Senior Notes Trustee and any relevant Senior Creditor Representative shall notify the Senior Parent Agents of the foregoing payable sums in connection with such transfer.

***Effect of Insolvency Event; Filing of Claims***

The Intercreditor Agreement provides that, among other things, after the occurrence of an Insolvency Event in relation to any Debtor, or, following an acceleration event which is continuing, any member of the Group, any party entitled to receive a distribution out of the assets of that member of the Group in respect of liabilities owed to that party shall, (if prior to a distress event, only if required by the Security Agent arising on the instructions of an Instructing Group), subject to receiving payment instructions and any other relevant information from the Security Agent and to the extent it is able to do so, direct the person responsible for the distribution of the assets of that member of the Group to pay that distribution to the Security Agent until the liabilities owing to the secured parties have been paid in full. In this respect, the Security Agent shall apply distributions paid to it in accordance with the provisions set out under the caption "—*Application of Proceeds*" below.

Subject to certain exceptions, to the extent that any member of Group's liabilities are discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that member of the Group, any creditor which benefited from that set-off shall (if prior to a distress event, only if required by the Security Agent arising on the instructions of an Instructing Group), subject to receiving payment instructions and any other relevant information from the Security Agent, pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out in the caption "—*Application of Proceeds*" below and subject to certain exceptions.

Subject to the provisions set out in the caption "—*Application of Proceeds*" below, if the Security Agent or any other secured party receives a distribution in a form other than in cash in respect of any of the liabilities, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards the liabilities.

After the occurrence of an Insolvency Event in relation to any Debtor or, following an acceleration event which is continuing, any member of the Group, each creditor irrevocably authorizes the Security Agent, on its behalf, to:

(i) take any Enforcement Action (in accordance with the terms of the Intercreditor Agreement) against that member of the Group;

(ii) demand, sue, prove and give receipt for any or all of that member of Group's liabilities;

(iii) collect and receive all distributions on, or on account of, any or all of that member of Group's liabilities; and

(iv) file claims, take proceedings and do all other things the Security Agent considers reasonably necessary to recover that member of Group's liabilities.

Each creditor will (i) do all things that the Security Agent reasonably requests in order to give effect to the matters referred to in this "—*Effect of Insolvency Event; Filing of Claims*" section and (ii) if the Security Agent is not entitled to take any of the actions contemplated by this "—*Effect of Insolvency Event; Filing of Claims*" section or if the Security Agent requests that a creditor take that action, undertake that action itself in accordance with the instructions of the Security Agent or grant a power of attorney to the Security Agent (on such terms as the Security Agent may reasonably require, although the Senior Notes Trustee and the Senior Parent Notes Trustee shall be under no obligation to grant such powers of attorney) to enable the Security Agent to take such action.

***Turnover***

Subject to certain exceptions, the Intercreditor Agreement provides that if any creditor receives or recovers from any member of the Group:

(i) any payment or distribution of, or on account of or in relation to, any of the liabilities which is prohibited under the Intercreditor Agreement;

(ii) other than as referred to in the second paragraph of the caption "—*Effect of Insolvency Event; Filing of Claims*" any amount by way of set-off in respect of any of the liabilities owed to it which does not give effect to a payment permitted under the Intercreditor Agreement;

(iii) any amount:

(A) on account of, or in relation to, any of the liabilities after the occurrence of a distress event including as a result of any other litigation or proceedings against a member of the Group other than after the occurrence of an Insolvency Event in respect of that member of the Group; or

(B) by way of set-off in respect of any of the liabilities owed to it after the occurrence of a distress event,

other than, in each case, any amount received or recovered in accordance with the provisions set out below the caption "—*Application of Proceeds*";

(iv) the proceeds of any enforcement of any security except in accordance with the provisions set out below under the caption "—*Application of Proceeds*"; or

(v) subject to certain exceptions, any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any member of Group which is not in accordance with the provisions set out in the caption "—*Application of Proceeds*" and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that member of Group,

that creditor will, subject to certain exceptions: (i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for the Security Agent and subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement and (y) subject to receiving payment instructions and any other relevant information the Security Agent, promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement, and (ii) in relation to receipts and recoveries received or recovered by way of set-off, subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay an amount equal to that receipt or recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

***Enforcement of Security***

*Enforcement Instructions*

The Security Agent may refrain from enforcing the security unless instructed otherwise by (i) an Instructing Group; or (ii) if required as set out under the third paragraph of this section, the Majority Senior Parent Creditors.

Subject to the security having become enforceable in accordance with its terms (i) an Instructing Group; or (ii) to the extent permitted to enforce or to require the enforcement of the security prior to the Senior Discharge Date under the provisions under the caption "*—Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities*" above, the Majority Senior Parent Creditors, may give or refrain from giving, instructions to the Security Agent to enforce, or refrain from enforcing, the security as they see fit.

Prior to the Senior Discharge Date, (i) if an Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the security or (ii) in the absence of instructions from an Instructing Group, and, in each case, an Instructing Group has not required any Debtor to make a distressed disposal, the Security Agent shall give effect to any instructions to enforce the security which the Majority Senior Parent Creditors are then entitled to give to the Security Agent under the provisions under the caption "*—Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities*" above.

Subject to certain provisions of the Intercreditor Agreement, no secured party shall have any independent power to enforce, or to have recourse to enforce, any security or to exercise any rights or powers arising under the Security Documents except through the Security Agent.

*Manner of Enforcement*

If the security is being enforced as set forth above under the caption "*—Enforcement Instructions*," the Security Agent shall enforce the security in such manner (including, without limitation, the selection of any administrator of any Debtor to be appointed by the Security Agent) as:

- an Instructing Group; or
- prior to the Senior Discharge Date, if (i) the Security Agent has, pursuant to the third paragraph of this "*—Enforcement of Security*" section, given effect to instructions given by the Majority Senior Parent Creditors to enforce the security, and (ii) an Instructing Group has not given instructions as to the manner of enforcement of the security, the Majority Senior Parent Creditors,

shall instruct or, in the absence of any such instructions, as the Security Agent sees fit.

*Exercise of Voting Rights*

To the fullest extent permitted under applicable law, each creditor (other than the Senior Notes Trustee and the Senior Parent Notes Trustee) shall agree with the Security Agent that it will cast its vote in any proposal put to the vote by, or under the supervision of, any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Group as instructed by the Security Agent. The Security Agent shall give instructions for the purposes of this paragraph as directed by an Instructing Group. Notwithstanding the foregoing, no party can exercise or require any other creditor under the Intercreditor Agreement to exercise its power of voting or representation to waive, reduce, discharge, extend the due date for payment or otherwise reschedule any of the liabilities owed to that creditor.

*Waiver of Rights*

To the extent permitted under applicable law and subject to certain provisions of the Intercreditor Agreement, each of the secured parties and the Debtors waives all rights it may otherwise have to require that the security be enforced in any particular order or manner or at any particular time, or that any sum received or recovered from any person, or by virtue of the enforcement of any of the security or of any other security interest, which is capable of being applied in or towards discharge of any of the secured obligations, is so applied.

*Security Held by Other Creditors*

If any security is held by a creditor other than the Security Agent, then that creditor may only enforce that security in accordance with instructions given by an Instructing Group pursuant to the terms of the Intercreditor Agreement (and for this purpose references to the Security Agent shall be construed as references to that creditor).

*Duties Owed*

Pursuant to the Intercreditor Agreement, each of the secured parties and the Debtors acknowledges that, in the event that the Security Agent enforces, or is instructed to enforce, the security prior to the Senior Discharge Date, the duties of the Security Agent and of any receiver or delegate owed to any Senior Parent Creditors in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that security shall be no different to or greater than the duty that is owed by the Security Agent, receiver or delegate to the Debtors under general law.

***Consultation Period***

(a) Subject to paragraph (d) below, before giving any instructions to the Security Agent to enforce the Transaction Security or refrain or cease from enforcing the Transaction Security or to take any other Enforcement Action, the Agent(s) of the Creditors represented in the Instructing Group concerned (and, if applicable, any relevant Hedge Counterparties) shall consult with each other Agent, Hedge Counterparty and the Security Agent in good faith about the instructions to be given by the Instructing Group for a period of not less than 30 days from the date on which details of the proposed instructions are received by such Agents, Hedge Counterparties and the Security Agent (or such shorter period as each Agent, Hedge Counterparty and the Security Agent shall agree) (the "Consultation Period"), and only following the expiry of a Consultation Period shall the Instructing Group be entitled to give any instructions to the Security Agent to enforce the Transaction Security or refrain or cease from enforcing the Transaction Security or take any other Enforcement Action.

(b) Subject to paragraph (c) below, in the event conflicting instructions are received from any other Instructing Group, the Security Agent shall enforce the Transaction Security, refrain or cease from enforcing the Transaction Security or, as the case may be, take the relevant other Enforcement Action in accordance with the instructions given by an Instructing Group referred to in paragraph (a)(i)(A) of the definition of Instructing Group (in each case provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the Transaction Security Documents) and the terms of all instructions given by any other Instructing Group shall be deemed revoked.

(c) Prior to the Senior Lender Discharge Date, if:

(i) the Senior Creditors have not been fully repaid within six months of the end of the first Consultation Period;

(ii) the Security Agent has not commenced any enforcement of the Transaction Security (or a transaction in lieu thereof) or other Enforcement Action within three months of the end of the first Consultation Period; or

(iii) an Insolvency Event has occurred and the Security Agent has not commenced any enforcement of the Transaction Security (or a transaction in lieu thereof) or other Enforcement Action at that time,

then the Security Agent shall follow the instructions given by the Majority Senior Creditors (in each case provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the Transaction Security Documents).

(d) Subject to paragraph (c) above, no Agent or Hedge Counterparty shall be obliged to consult in accordance with paragraph (a) above and an Instructing Group shall be entitled to give any instructions to the Security Agent to enforce the Transaction Security or take any other Enforcement Action prior to the end of a Consultation Period (in each case provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the Transaction Security Documents) if:

(i) the Transaction Security has become enforceable as a result of an Insolvency Event; or

(ii) the Instructing Group or any Agent of the Creditors represented in the Instructing Group determines in good faith (and notifies each other Agent, the Hedge Counterparties and the Security Agent) that to enter into such consultations and thereby delay the commencement of enforcement of the Transaction Security would reasonably be expected to have a material adverse effect on:

(A) the Security Agent's ability to enforce any of the Transaction Security; or

(B) the realization proceeds of any enforcement of the Transaction Security,

and, where this paragraph (d) applies:

(1) any instructions shall be limited to those necessary to protect or preserve the interests of the Senior Secured Creditors on behalf of which the relevant Instructing Group is acting in relation to the matters referred to in (A) and (B) above; and

(2) the Security Agent shall act in accordance with the instructions first received.

***Proceeds of Disposals***

*Non-Distressed Disposals*

The Security Agent is irrevocably authorized and instructed (at the request and cost of the relevant Debtor or the Parent) to promptly release (or procure that any other relevant person releases):

(i) any security (and/or any other claim relating to a debt document) over any asset which is the subject of:

(A) a disposal not prohibited by the terms of the Senior Facilities Agreement, the Senior Notes Indenture, any Permitted Senior Financing Agreement, the Senior Parent Notes Indenture and any Permitted Parent Financing Agreement (each a "Debt Financing Agreement") (including a disposal to a member of the Group, but without prejudice to any obligation of any member of the Group in a Debt Financing Agreement to provide replacement security); or

(B) any other transaction not prohibited by the terms of any Debt Financing Agreement pursuant to which that asset will cease to be held or owned by a member of the Group;

(ii) any security (and/or any other claim relating to a debt document) over any document or agreement in order for any member of the Group to effect any amendment or waiver in respect of that document or agreement or otherwise exercise any rights, comply with any obligations or take any action in relation to that document or agreement (in each case to the extent not prohibited by the terms of any Debt Financing Agreement);

(iii) any security (and/or any other claim relating to a debt document) over any asset of any member of the Group which has ceased to be a Debtor; and

(iv) any security (and/or any other claim relating to a debt document) over any other asset to the extent that such release is in accordance with the terms of the Debt Financing Agreements.

In the case of a disposal of shares in a Debtor (or any holding company of any Debtor), or any other transaction pursuant to which a Debtor (or any holding company of any Debtor) will cease to be a member of the Group, the Security Agent shall promptly release (or procure the release of) that Debtor and its subsidiaries from all present and future liabilities under the Secured Debt Documents.

When making any request for a release pursuant to this "—*Non-Distressed Disposals*" section, the Parent shall confirm in writing to the Security Agent that:

(i) in the case of any release requested pursuant to paragraph (i) or (ii) above, the relevant disposal or other action is not prohibited by the terms of any Debt Financing Agreement; or

(ii) in the case of any release requested pursuant to paragraph (iv) above, the relevant release is in accordance with terms of the Debt Financing Agreements,

and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

In the case of any release of security requested by the Parent pursuant to the applicable provisions of the Senior Facilities Agreement as part of a permitted transaction under the Senior Facilities Agreement, when making that request the Parent shall confirm to the Security Agent that:

(i) such request is a permitted transaction request (and absent any such statement in a request for a release the Security Agent shall be entitled to assume for all purposes that such request is not a permitted transaction request); and

(ii) it has determined in good faith (taking into account any applicable legal limitations and other relevant considerations in relation to that permitted transaction) that it is either not possible or not desirable to implement that permitted transaction on terms satisfactory to the Parent by instead granting additional security and/or amending the terms of the existing security,

and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

The Security Agent shall (at the cost and expense of the relevant Debtor or the Parent but without the need for any further consent, sanction, authority or further confirmation from any Creditor or Debtor) promptly enter into and deliver such documentation as the Parent (acting reasonably) shall require to give effect to any release described above.

If any member of the Group is required or permitted under the Senior Debt Documents to apply the proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of the Senior Lender Liabilities, the Hedging Liabilities, the Senior Notes liabilities or the Permitted Senior Financing Liabilities (as applicable) (together, the "Senior Liabilities") then no such application of those proceeds shall require the consent of any other party or result in any breach of any Senior Parent Finance Documents and such application shall discharge in full any obligation to apply those proceeds in prepayment, redemption or other discharge or reduction of any Senior Parent Liabilities.

*Distressed Disposals*

A "Distressed Disposal" is a disposal of an asset which is (a) being effected at the request of an Instructing Group in circumstances where the security has become enforceable in accordance with the terms of the relevant Security Documents, (b) being effected by enforcement of security in accordance with the terms of the relevant Security Documents or (c) being disposed of to a third party subsequent to a distress event.

If a Distressed Disposal of any asset is being effected, the Security Agent is irrevocably authorized (at the cost of the relevant Debtor or the Parent and without any consent, sanction, authority or further confirmation from any creditor or Debtor):

(i) to release the security or any other claim over that asset and execute and deliver or enter into any release of that security or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(ii) if the asset which is disposed of consists of shares in the capital of a Debtor to release:

(A) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities, its guarantee liabilities and its other liabilities;

(B) any security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and

(C) any other claim of an investor, an intra-group lender, or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor,

on behalf of the relevant creditors, Debtors and agents;

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release:

(A) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities, its guarantees liabilities and its other liabilities;

(B) any security granted by that holding company or any subsidiary of that holding company over any of its assets; and

(C) any other claim of any investor, any intra-group lender or another Debtor over that holding company's assets or the assets of any subsidiary of that holding company,

on behalf of the relevant creditors, Debtors and agents;

(iv) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the liabilities or the Debtor liabilities owed by that Debtor or holding company or any subsidiary of that Debtor or holding company:

(A) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those liabilities or Debtor liabilities (the "Transferee") will be treated as a Primary Creditor or the Security Agent, any receiver or delegate and each of the agents, the arrangers, the Senior Secured Creditors and the Senior Parent Creditors (each a "Secured Party") for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all or part of those liabilities or Debtor liabilities, *provided* that, notwithstanding any other provision of any debt document, the Transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and

(B) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of: all (and not part only) of the liabilities owed to the Primary Creditors and all or part of any other liabilities and the Debtor liabilities,

on behalf of, in each case, the relevant creditors and Debtors;

(v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "Disposed Entity") and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the "Receiving Entity") all or any part of the Disposed Entity's obligations or any obligations of any subsidiary of that Disposed Entity in respect of the intra-group liabilities or the Debtor liabilities, to execute and deliver or enter into any agreement to:

(A) agree to the transfer of all or part of the obligations in respect of those intra-group liabilities or Debtor liabilities on behalf of the relevant intra-group lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

(B) (if the Receiving Entity is a holding company of the Disposed Entity which is also a guarantor of Senior Liabilities) to accept the transfer of all or part of the obligations in respect of those intra-group liabilities or Debtor liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those intra-group liabilities or Debtor liabilities are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities or Debtor liabilities) shall be paid to the Security Agent for application in accordance with the provisions set out under the caption "—*Application of Proceeds*" as if those proceeds were the proceeds of an enforcement of the security and, to the extent that any disposal of liabilities or Debtor liabilities has occurred, as if that disposal of liabilities or Debtor liabilities had not occurred.

In the case of a Distressed Disposal (or a disposal of liabilities) effected by, or at the request of, the Security Agent (acting in accordance with the Intercreditor Agreement), the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of liabilities in order to achieve a higher price).

Where borrowing liabilities in respect of any Senior Liabilities would otherwise be released pursuant to the Intercreditor Agreement, the creditor concerned may elect to have those borrowing liabilities transferred to the Parent or the Company (provided, in the case of a transfer to the Company, it will remain a subsidiary of the Parent after the relevant Distressed Disposal), in which case the Security Agent is irrevocably authorized (to the extent legally possible and at the cost of the relevant Debtor or the Parent and without any consent, sanction, authority or further confirmation from any creditor or Debtor) to execute such documents as are required to so transfer those borrowing liabilities.

Subject to the immediately following paragraph, in the case of a Distressed Disposal effected by or at the request of the Security Agent, unless the consent of each Senior Agent is otherwise obtained, it is a further condition to any release, transfer or disposal that the proceeds of such disposal are in cash (or substantially all in cash) and such sale or disposal is made pursuant to a public auction in respect of which the Primary Creditors are entitled to participate or where a financial advisor selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view.

If prior to the discharge date for the Senior Parent Notes or any Permitted Parent Financing Debt, a Distressed Disposal is being effected such that the Senior Parent Notes Guarantees and the guarantees of any Permitted Parent Financing Debt or any security over the assets of the Parent or any Senior Parent Guarantor (including the shares in and/or any loan to the Company) will be released and/or the Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities will be released, it is a further condition to the release that either:

- the Senior Parent Agents have approved the release; or
- where shares or assets of a Senior Parent Guarantor or assets of the Parent are sold:

(A) the proceeds of such sale or disposal are in cash (or substantially in cash);

(B) all claims of the Senior Secured Creditors (other than in relation to performance bonds or guarantees or similar instruments) against a member of the Group (if any), all of whose shares (other than any minority interest not owned by members of the Group) are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all security under the Security Documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, provided that, if each Senior Agent (acting reasonably and in good faith):

(I) determines that the Senior Secured Creditors will recover a greater amount if such claim is sold or otherwise transferred to the purchaser or one of its affiliates and not released or discharged; and

(II) serves a written notice on the Security Agent confirming the same,

the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

(C) such sale or disposal is made:

(I) pursuant to a public auction in respect of which the Primary Creditors are entitled to participate; or

(II) where a financial advisor selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view.

### *Application of Proceeds*

The Intercreditor Agreement provides that secured parties may only benefit from Recoveries (as defined below) to the extent that the liabilities of such secured parties has the benefit of the guarantees or security under which such Recoveries are received and provided that, in all cases, the rights of such secured parties shall in any event be subject to the priorities set out in this section. This shall not prevent a Senior Secured Creditor benefiting from such Recoveries where it was not legally possible for the Senior Secured Creditor to obtain the relevant guarantees or security.

*Order of Application*

The Intercreditor Agreement provides that all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any debt document or in connection with the realization or enforcement of all or any part of the security (for the purposes of this "*—Application of Proceeds*" section and the "*—Equalization of the Senior Secured Creditors*" section, the "Recoveries") shall be applied by the Security Agent at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this "*—Application of Proceeds*" section), in the following order of priority:

(i) in discharging any sums owing to the Senior Facility Agent (in respect of the amounts due to the Senior Facility Agent), any Senior Creditor Representative (in respect of amounts due to the Senior Creditor Representative), any Senior Parent Creditor Representative (in respect of amounts due to the Senior Parent Creditor Representative) or any Senior Notes Trustee amounts or Senior Parent Notes Trustee amounts, or any sums owing to the Security Agent, any receiver or any delegate on a pro rata and *pari passu* basis;

(ii) in payment of all costs and expenses incurred by any agent or Primary Creditor in connection with any realization or enforcement of the security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(iii) in respect of Recoveries resulting from the realization or enforcement of all or any part of the Transaction Security or a transaction in lieu thereof, in payment to:

(A) the Senior Facility Agent on its own behalf and on behalf of the senior arrangers and the Senior Lenders; and

(B) the Hedge Counterparties,

for application towards the discharge of:

(I) the liabilities of the Debtors owing to the arrangers under or in connection with the Senior Facilities and the Senior Lender Liabilities (in accordance with the terms of the finance documents relating to the Senior Facilities); and

(II) the Hedging Liabilities (on a pro rata basis between the Hedging Liabilities of each Hedge Counterparty);

on a pro rata basis and *pari passu* between the immediately preceding paragraphs (I) and (II) above;

(iv) in payment to:

(A) the Senior Facility Agent on its own behalf and on behalf of the senior arrangers and the Senior Lenders;

(B) the Hedge Counterparties;

(C) each Senior Notes Trustee on its own behalf and on behalf of the holders of the Senior Notes; and

(D) each Senior Creditor Representative on its own behalf and on behalf of the arrangers with respect to the Permitted Senior Financing Debt and the Permitted Senior Financing Creditors; and

(v) for application towards the discharge of:

(I) the liabilities of the Debtors owed to the senior arrangers under or in connection with the Senior Facilities and the Senior Lender Liabilities (in accordance with the terms of the finance documents in relation to the Senior Facilities);

(II) the Hedging Liabilities (on a pro rata basis between the Hedging Liabilities of each Hedge Counterparty); and

(III) the Senior Notes liabilities (other than sums owing to the Security Agent) (in accordance with the terms of the Senior Notes finance documents);

(IV) the liabilities of the Debtors owed to the arrangers of the Permitted Senior Financing Debt and the Permitted Senior Financing Liabilities (other than the liabilities owing to a Senior Creditor Representative) (in accordance with the terms of the Permitted Senior Financing Documents and, if there is more than one Permitted Senior Financing Agreement, on a pro rata basis between the Permitted Senior Financing Debt in respect of each Permitted Senior Financing Agreement);

on a pro rata basis and *pari passu* between the immediately preceding paragraphs (I), (II), (III) and (IV) above;

(vi) in payment to:

(A) each Senior Parent Notes Trustee on its own behalf and on behalf of the Senior Parent Note holders; and

(B) each Senior Parent Creditor Representative on its own behalf and on behalf of the arrangers under the Permitted Parent Financing Debt and the Permitted Parent Financing Creditors,

for application towards the discharge of:

(I) the Senior Parent Notes liabilities (other than any sums owing to the Security Agent) (in accordance with the terms of the Senior Parent Notes finance documents); and

(II) the liabilities of the Debtors owed to the arrangers of the Permitted Parent Financing Debt and the Permitted Parent Financing Liabilities (other than the liabilities owing to a Senior Parent Creditor Representative) (in accordance with the terms of the Permitted Parent Financing Documents and, if there is more than one Permitted Parent Financing Agreement, on a pro rata basis between the Permitted Parent Financing Debt in respect of each Permitted Parent Financing Agreement),

on a pro rata basis and *pari passu* between the immediately preceding paragraphs (I) and (II) above;

(vii) if none of the Debtors is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor; and

(viii) the balance, if any, in payment to the relevant Debtor.

*Liabilities of the Parent*

All amounts from time to time received or recovered by the Security Agent from or in respect of the Parent pursuant to the terms of any debt document (other than in connection with the realization or enforcement of all or any part of the security) shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law in the following order of priority:

(i) in accordance with paragraph (i) of the section captioned "*Application of Proceeds—Order of Application*";

(ii) in accordance with paragraphs (iv) and (v) of the section captioned "*Application of Proceeds—Order of Application*," *provided* that payments will be made on a *pro rata* basis and *pari passu* between each of the payments referred to in paragraphs (iv) and (v);

(iii) if none of the Debtors is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor; and

(iv) the balance, if any, in payment to the relevant Debtor.

### *Equalization of the Senior Secured Creditors*

The Intercreditor Agreement provides that if, for any reason, any Senior Liabilities remain 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 (or, in the case of Recoveries resulting from the realization or enforcement of all or any part of the Transaction Security or a transaction in lieu thereof, in a manner reflecting the order of priority contemplated in the section captioned "*—Application of Proceeds—Order of Application*"), the Senior Secured Creditors (subject, in the case of amounts owing to the applicable trustee, to the terms of the Intercreditor Agreement) will make such payments among 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 (or, as the case may be, to otherwise reflect the order of priority contemplated in the section captioned "*—Application of Proceeds—Order of Application*").

### *Required Consents*

The Intercreditor Agreement provides that, subject to certain exceptions, it and/or a Security Document may be amended or waived only with the written consent of:

(i) if the relevant amendment or waiver (the "Proposed Amendment") is prohibited by the Senior Facilities Agreement, the Senior Facility Agent (acting on the instructions of the requisite Senior Lenders in accordance with the applicable provisions of the Senior Facilities Agreement);

(ii) if the Proposed Amendment is prohibited by the terms of the relevant Senior Notes Indenture, the Senior Notes Trustee;

(iii) if any Permitted Senior Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Senior Financing Agreement, the Senior Creditor Representative in respect of that Permitted Senior Financing Debt (if applicable, acting on the instructions of the Majority Permitted Senior Financing Creditors);

(iv) if the Proposed Amendment is prohibited by the terms of the relevant Senior Parent Notes Indenture, the Senior Parent Notes Trustee;

(v) if any Permitted Parent Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Parent Financing Agreement, the Senior Parent Creditor Representative in respect of that Permitted Parent Financing Debt (if applicable, acting on the instructions of the Majority Permitted Parent Financing Creditors);

(vi) if a Hedge Counterparty is providing hedging to a Debtor under a hedging agreement, that Hedge Counterparty (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Hedge Counterparty and is an amendment or waiver which is expressed to require the consent of that Hedge Counterparty under the applicable hedging agreement, as notified by the Parent to the Security Agent at the time of the relevant amendment or waiver);

(vii) any investors which have acceded to, and as permitted under, the Intercreditor Agreement; and

(viii) the Parent.

Notwithstanding the foregoing, any amendment or waiver of any Secured Debt Document that is made or effected in connection with any Debt Refinancing (see "*—Debt Refinancing*"), any incurrence of additional and/or refinancing debt (as referred to in "*—Ranking and Priority—Additional and/or Refinancing Debt*") or Non-Distressed Disposal (see "*—Proceeds of Disposals—Non-Distressed Disposals*") is binding on all parties to the Intercreditor Agreement.

The Intercreditor Agreement or a Security Document may be amended by the Parent and the Security Agent without the consent of any other party, to cure defects, resolve ambiguities or reflect changes in each case of a minor technical or administrative nature or as otherwise for the benefit of all or any of the Secured Parties. Any amendment, waiver or consent which relates only to the rights or obligations applicable to creditors under a particular Debt Financing Agreement (and which does not materially and adversely affect the rights or interests of creditors under other Debt Financing Agreements) may be approved with only the consent of the agent in respect of that Debt Financing Agreement and the Parent.

*Amendments and Waivers: Security Documents*

Subject to the paragraph below and to certain exceptions under the Intercreditor Agreement, the Security Agent may, if authorized by an Instructing Group, and if the Parent consents, amend the terms of, waive any of the requirements of or grant consents under, any of the Security Documents which shall be binding on each party to the Intercreditor Agreement.

Subject to the second and third paragraphs of the section captioned "*—Exceptions*" below, any amendment or waiver of, or consent under, any Security Document which would adversely affect the nature or scope of the charged property or the manner in which the proceeds of enforcement of the security are distributed requires approval as set out under the section captioned "*—Required Consents.*"

*Exceptions*

Subject to the following paragraphs of this "*—Exceptions*" section, an amendment, waiver or consent which adversely relates to the express rights or obligations of an agent, an arranger or the Security Agent (in each case in such capacity) may not be effected without the consent of that agent, that arranger or the Security Agent (as the case may be) at such time.

The foregoing shall not apply:

- to any release of security, claim or liabilities; or
- to any consent,

which, in each case, the Security Agent gives in accordance with the provisions set out in the caption *"—Application of Proceeds" and—"Proceeds of Disposals*" above.

The first paragraph of this "*—Exceptions*" section shall apply to an arranger only to the extent that the arranger liabilities are then owed to that arranger.

*Agreement to Override*

Unless expressly stated otherwise in the Intercreditor Agreement, the Intercreditor Agreement overrides anything in the debt documents to the contrary.

## Existing Notes

### *Senior Notes*

*Overview*

On April 23, 2015 and March 16, 2017, the Parent Guarantor issued €250 million aggregate principal amount and €117 million aggregate principal amount, respectively, of 4.875% senior notes due 2023 (the "Senior Notes"). The Senior Notes issued on March 16, 2017 were offered as additional notes under the senior notes indenture dated April 23, 2015 (the "Senior Notes Indenture"), pursuant to which the Parent Guarantor issued the initial Senior Notes.

The Senior Notes are subject to the provisions of the Intercreditor Agreement. The Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market. Following the Offering, the Parent Guarantor intends to delist the Senior Notes from the Official List of the Luxembourg Stock Exchange and the Euro MTF Market, and apply to the Authority for the listing of the Senior Notes on the Official List of the Exchange.

*Interest Rate and Maturity*

The Senior Notes are payable semi-annually in arrears on May 1 and November 1 until and including May 1, 2023. The Senior Notes have a scheduled maturity of May 1, 2023.

*Prepayments and Redemptions*

The Senior Notes may be redeemed at any time prior to May 1, 2018, in whole or in part, at the Parent Guarantor's option, upon not less than 10 nor more than 60 days prior written notice to the Holders of the Notes at a redemption price equal to 100% of the principal amount of such notes plus the relevant applicable premium as of, and accrued and unpaid interest and additional amounts, if any, to the redemption date.

At any time and from time to time on or after May 1, 2018, the Parent Guarantor may redeem the Senior Notes in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to the redemption date:

| Twelve month period commencing May 1 in: | Percentage |
|---|---|
| 2018 | 102.438% |
| 2019 | 101.219% |
| 2020 and thereafter | 100.000% |

At any time and from time to time prior to May 1, 2018, the Parent Guarantor may redeem Notes with the net cash proceeds received by the Parent Guarantor from any equity offering at a redemption price equal to 104.875% plus accrued and unpaid interest to the redemption date, in an aggregate principal amount for all such redemptions not to exceed 40% of the original aggregate principal amount of the Senior Notes.

The Senior Notes may also be redeemed for certain tax reasons.

*Guarantees and Security*

The Senior Notes are guaranteed by the Issuer, Matterhorn Mobile (in voluntary liquidation), Salt and Salt Network. The collateral, which secures the Senior Notes on a second priority basis, also secures, on a prior basis, the liabilities under the Revolving Credit Facility, the Senior Secured Notes and certain existing hedging obligations, and may secure the liabilities under additional hedging obligations.

*Certain Covenants*

The Senior Notes are subject to substantially the same covenants as the Notes as described in "*Description of the Notes—Certain Covenants*."

***Fixed Rate Senior Secured Notes***

*Overview*

On April 23, 2015, the Issuer issued CHF 450 million aggregate principal amount of 3.625% senior secured notes due 2022, of which CHF 410,637,000 is outstanding as of the date of this Offering Memorandum (the "CHF Fixed Rate Senior Secured Notes") and €1 billion aggregate principal amount of 3.875% senior secured notes due 2022 (the "Euro Fixed Rate Senior Secured Notes" and, together with the CHF Fixed Rate Senior Secured Notes, the "Fixed Rate Senior Secured Notes").

The Fixed Rate Senior Secured Notes have a scheduled maturity of May 1, 2022. The Fixed Rate Senior Secured Notes are subject to the provisions of the Intercreditor Agreement. The Fixed Rate Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market. Following the Offering, the Issuer intends to delist the Fixed Rate Senior Secured Notes from the Official List of the Luxembourg Stock Exchange and the Euro MTF Market, and apply to the Authority for the listing of the Fixed Rate Senior Secured Notes on the Official List of the Exchange.

*Interest Rate*

The Fixed Rate Senior Secured Notes are payable semi-annually in arrears on May 1 and November 1 until and including May 1, 2022. Interest on the Fixed Rate Senior Secured Notes accrued from April 23, 2015.

*Prepayments and Redemptions*

The CHF Fixed Rate Senior Secured Notes may be redeemed by the Issuer at any time prior to May 1, 2018, at 100% of their principal amount plus accrued and unpaid interest, if any, and any other amounts payable thereon, to the date of redemption, plus a “make whole” redemption premium.

On or after May 1, 2018, the Issuer may redeem all or part of the CHF Fixed Rate Senior Secured Notes initially at 101.813%, then at 100.906% on or after May 1, 2019 and then at 100.000% on or after May 1, 2020 and thereafter, plus accrued and unpaid interest, if any, to the redemption date (excluded).

At any time and from time to time prior to May 1, 2018, the Issuer may redeem the CHF Fixed Rate Senior Secured Notes with the net cash proceeds from a qualifying equity offering at a redemption price equal to 103.625% plus accrued and unpaid interest to the redemption date (excluded), in an aggregate principal amount for all such redemptions not to exceed 40% of the original aggregate principal amount of the CHF Fixed Rate Senior Secured Notes (including additional notes).

The Euro Fixed Rate Senior Secured Notes may be redeemed by the Issuer at any time prior to May 1, 2018, at 100% of their principal amount plus accrued and unpaid interest, if any, and any other amounts payable thereon, to the date of redemption, plus a “make whole” redemption premium.

On or after May 1, 2018, the Euro Fixed Rate Issuer may redeem all or part of the Euro Fixed Rate Senior Secured Notes initially at 101.938%, then at 100.969% on or after May 1, 2019 and then at 100.000% on or after May 1, 2020 and thereafter, plus accrued and unpaid interest, if any, to the redemption date (excluded).

At any time and from time to time prior to May 1, 2018, the Issuer may redeem the Euro Fixed Rate Senior Secured Notes with the net cash proceeds from a qualifying equity offering at a redemption price equal to 103.875% plus accrued and unpaid interest to the redemption date (excluded), in an aggregate principal amount for all such redemptions not to exceed 40% of the original aggregate principal amount of the Euro Fixed Rate Senior Secured Notes (including additional notes).

*Guarantees and Security*

The Fixed Rate Senior Secured Notes are guaranteed, jointly and severally on a senior basis, by the Parent Guarantor, Matterhorn Mobile (in voluntary liquidation), Salt and Salt Network. The Fixed Rate Senior Secured Notes are secured by (i) shares of capital stock of each of Matterhorn Mobile (in voluntary liquidation), Salt, Salt Network and the Issuer, (ii) certain bank accounts, (iii) intragroup receivables, and (iv) the rights of Matterhorn Mobile under the Apax Acquisition Agreement; provided that lenders under the Revolving Credit Facility and counterparties to certain hedging obligations will receive proceeds from the enforcement of the security in priority to holders of the Fixed Rate Senior Secured Notes.

*Certain Covenants*

The Fixed Rate Senior Secured Notes are subject to substantially the same covenants as the Notes as described in “*Description of the Notes—Certain Covenants*.”

### ***Floating Rate Senior Secured Notes***

*Overview*

On March 16, 2017, the Issuer issued €525 million aggregate principal amount of floating rate senior notes due 2023 (the "Floating Rate Senior Secured Notes"). The Floating Rate Senior Secured Notes issued on March 16, 2017 were offered under an indenture dated March 16, 2017.

The Floating Rate Senior Secured Notes are subject to the provisions of the Intercreditor Agreement. The Floating Rate Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market. Following the Offering, the Issuer intends to delist the Floating Rate Senior Secured Notes from the Official List of the Luxembourg Stock Exchange and the Euro MTF Market, and apply to the Authority for the listing of the Floating Rate Senior Secured Notes on the Official List of the Exchange.

*Interest Rate and Maturity*

Interest on the Floating Rate Senior Secured Notes will accrue at a rate per annum, reset quarterly, equal to EURIBOR plus 3.25%, as determined by the calculation agent. The Floating Rate Senior Secured Notes are payable quarterly in arrears on February 1, May 1, August 1 and November 1. The Floating Rate Senior Secured Notes have a scheduled maturity of February 1, 2023.

*Prepayments and Redemptions*

The Floating Rate Senior Secured Notes may be redeemed by the Issuer at any time prior to March 15, 2018, in whole or in part, at its option, upon not less than 10 nor more than 60 days prior written notice at a redemption price equal to 100% of the principal amount of such Floating Rate Senior Secured Notes plus the relevant applicable premium as of, and accrued and unpaid interest and additional amounts, if any, to the redemption date.

At any time and from time to time on or after March 15, 2018, the Issuer may redeem the Floating Rate Senior Secured Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to the redemption date:

| Twelve month period commencing March 15 in: | Percentage |
|---|---|
| 2018 and thereafter | 100.000% |

The Floating Rate Senior Secured Notes may also be redeemed for certain tax reasons.

*Guarantees and Security*

The Floating Rate Senior Secured Notes are guaranteed by the Parent Guarantor, Salt and Salt Network. The collateral, which secures the Floating Rate Senior Secured Notes on a first priority basis, also includes (i) shares of capital stock of each of Salt, Salt Network and the Issuer, (ii) certain bank accounts, and (ii) intragroup receivables; provided that lenders under the Revolving Credit Facility and counterparties to certain hedging obligations will receive proceeds from the enforcement of the security in priority to holders of the Floating Rate Senior Secured Notes.

*Certain Covenants*

The Floating Rate Senior Secured Notes are subject to substantially the same covenants as the Notes as described in "*Description of the Notes—Certain Covenants*."

## DESCRIPTION OF THE NOTES

The following is a description of the €400,000,000 aggregate principal amount of % Senior Secured Notes due 2027 (the “Notes”). The Notes will be issued by Matterhorn Telecom S.A., a *société anonyme* organized under the laws of the Grand Duchy of Luxembourg (the “Issuer”), and unconditionally guaranteed on a senior secured basis by its direct parent, Matterhorn Telecom Holding S.A. (the “Company”), and its subsidiaries Salt Mobile SA (“Salt”) and Salt Network SA (“Salt Network”).

In this “*Description of the Notes*,” the “Issuer” refers only to Matterhorn Telecom S.A., and any successor obligor to Matterhorn Telecom S.A. on the Notes, and not to any of its subsidiaries or to its parent, the Company. The Issuer has issued, under an existing indenture dated April 23, 2015, as amended and supplemented on March 8, 2017 (the “Existing Senior Secured Fixed Rate Indenture”), (a) CHF 450 million aggregate principal amount of 3.625% Senior Secured Notes due 2022 (the “Existing CHF Senior Secured Fixed Rate Notes”), of which approximately €410.6 million aggregate principal amount remains outstanding as of the date of this Offering Memorandum and (b) €1.0 billion aggregate principal amount of 3.875% Senior Secured Notes due 2022 (the “Existing Euro Senior Secured Fixed Rate Notes”). The Issuer has also issued, under an indenture dated March 16, 2017 (the “Existing Senior Secured Floating Rate Indenture” and, together with the Existing Senior Secured Fixed Rate Indenture, the “Existing Senior Secured Indentures”), €525,000,000 aggregate principal amount of Floating Rate Senior Secured Notes due 2023, of which €475 million aggregate principal amount remains outstanding as of the date of this Offering Memorandum (the “Existing Euro Senior Secured Floating Rate Notes” and, together with the Existing CHF Senior Secured Fixed Rate Notes and the Existing Euro Senior Secured Fixed Rate Notes, the “Existing Senior Secured Notes”). The Company has issued, under an existing indenture dated April 23, 2015, as amended and supplemented on March 8, 2017 (the “Existing Senior Indenture”), €367 million aggregate principal amount of 4.875% senior unsecured notes due 2023 (the “Existing Senior Notes”), comprising €250 million aggregate principal amount issued on April 23, 2015 and €117 million additional aggregate principal amount issued on March 16, 2017, of which €298.9 million remains outstanding as of the date of this Offering Memorandum. The Issuer and the Subsidiary Guarantors have guaranteed the Existing Senior Notes on a senior subordinated basis.

The proceeds of the offering of the Notes sold on the Issue Date will be used by the Issuer, together with cash on balance sheet, to repurchase and/or redeem €400 million aggregate principal amount of Existing Euro Senior Secured Floating Rate Notes and to pay fees, costs and expenses payable in connection therewith and in connection with this offering, in all cases as set forth in this offering memorandum under the caption “*Use of Proceeds*.”

Upon the initial issuance of the Notes, the Notes will be obligations of the Issuer and will be guaranteed by the Company (the “Parent Guarantee”) and the Subsidiary Guarantors. The Guarantors that are Restricted Subsidiaries (as defined below) of the Issuer are referred to herein as the “Subsidiary Guarantors” and each guarantee provided by such a Subsidiary Guarantor, a “Subsidiary Guarantee.”

The Issuer will issue the Notes under an indenture to be dated as of the Issue Date among, *inter alios*, the Issuer, the Company, the Subsidiary Guarantors and Deutsche Trustee Company Limited, as Trustee (the “Indenture”). The Notes will be issued in private transactions that are not subject to the registration requirements of the Securities Act. See “*Notice to Investors*.” The terms of the Notes include those set forth in the Indenture. The Indenture will not be qualified under, incorporate provisions by reference or otherwise or be subject to any provision of the Trust Indenture Act. The Notes are subject to all such terms pursuant to the provisions of the Indenture, and Holders of the Notes are referred to the Indenture for a statement thereof.

The following is a summary of the material provisions of the Indenture and the Security Documents and refers to the Intercreditor Agreement and does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all provisions of the Indenture, the Security Documents and the Intercreditor Agreement, respectively. Because this is a summary, it may not contain all the information that is important to you. You should read the Indenture and the Security Documents in their entirety. Copies of the Indenture and the Intercreditor Agreement are available as described under "*Available Information*." You can find the definitions of certain terms used in this description under "*—Certain Definitions.*"

We estimate that, as of September 30, 2017, we would have been able to make Restricted Payments in the amount of CHF 120.0 million pursuant to clause (c) of the first paragraph of the covenant described below under "*—Certain Covenants—Limitation on Restricted Payments*".

**Brief Description of the Notes and the Notes Guarantees**

***The Notes***

The Notes will upon issuance:

- be senior obligations of the Issuer, secured by the Collateral described below under "*—Security—The Collateral*" on a first-priority basis along with obligations under the Revolving Credit Facility, the Existing Senior Secured Notes and certain hedging agreements (although any liabilities in respect of obligations under the Revolving Credit Facility and such hedging agreements that are secured by the Collateral will receive priority over the Holders with respect to any proceeds received upon any enforcement action over the Collateral);
- be senior in right of payment to any Subordinated Indebtedness of the Issuer, including the senior subordinated guarantee of the Existing Senior Notes given by the Issuer;
- be effectively senior in right of payment to any existing or future unsecured obligations of the Issuer, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes;
- 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 or assets securing such indebtedness;
- be effectively subordinated to any existing and future indebtedness of subsidiaries of the Issuer that do not guarantee the Notes; and
- be unconditionally guaranteed on a senior secured basis by the Guarantors, subject to the guarantee limitations described herein and in "*Risk Factors—Risks Related to the Notes and Our Structure—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*."

***The Parent Guarantee***

The Parent Guarantee of the Notes will upon issuance:

- be a senior obligation of the Company, secured by the Collateral described below under "*—Security—The Collateral*" on a first-priority basis along with obligations under the Revolving Credit Facility, the Existing Senior Secured Notes and certain hedging agreements (although any liabilities in respect of obligations under the Revolving Credit Facility and such hedging agreements that are secured by the Collateral will receive priority over the Holders with respect to any proceeds received upon any enforcement action over the Collateral);
- be senior in right of payment to any Subordinated Indebtedness of the Company;
- be senior in right of payment to any future Subordinated Shareholder Funding of the Company;
- be effectively senior in right of payment to any existing or future unsecured obligations of the Company, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes;
- is effectively senior in right of payment to any existing or future obligations of the Company secured on a basis junior to the Notes, including the Existing Senior Notes, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes;
- be effectively subordinated to any existing and future indebtedness of the Company that is secured by property or assets that do not secure the Parent Guarantee, to the extent of the value of the property or assets securing such indebtedness; and

- be subject to the guarantee limitations described herein an in "*Risk Factors—Risks Related to the Notes and Our Structure—Each Guarantee and security interest is subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*."

***The Subsidiary Guarantees***

Each Subsidiary Guarantee of the Notes will upon issuance:

- be the senior obligation of the relevant Subsidiary Guarantor, secured by the Collateral described below under "*—Security—The Collateral*" on a first-priority basis along with obligations under the Revolving Credit Facility, the Existing Senior Secured Notes and certain hedging agreements (although any liabilities in respect of obligations under the Revolving Credit Facility and such hedging agreements that are secured by the Collateral will receive priority over the Holders with respect to any proceeds received upon any enforcement action over the Collateral);
- be senior in right of payment to any Subordinated Indebtedness of the relevant Subsidiary Guarantor, including the guarantees of the Existing Senior Notes, as applicable;
- be senior in right of payment to any future subordinated shareholder funding of the Subsidiary Guarantors;
- be effectively senior in right of payment to any existing or future unsecured obligations of the Subsidiary Guarantors, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes; and
- be effectively senior in right of payment to any existing or future obligations of the relevant Subsidiary Guarantor secured on a basis junior to the Notes, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes.
- be effectively subordinated to any existing and future indebtedness of the Subsidiary Guarantors that is secured by property or assets that do not secure the Guarantor's guarantee, to the extent of the value of the property or assets securing such indebtedness; and
- be subject to the guarantee limitations described herein and in "*Risk Factors—Risks Related to the Notes and Our Structure—Each Guarantee and security interest is subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability.*"

**Principal and Maturity**

The Issuer will issue €400.0 million aggregate principal amount of Notes. The Notes will mature on , 2027. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The rights of holders of beneficial interests in the Notes to receive the payments on such Notes are subject to applicable procedures of Euroclear and Clearstream. 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.

**Interest**

Interest on the Notes will accrue at the rate of % per annum and will be payable, in cash, semi-annually in arrears on and of each year, commencing on , 2018, to holders of record on the Business Day immediately preceding the relevant interest payment date. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period shall end on (but not include) the relevant interest payment date. The interest amount will be calculated by applying the applicable rate to the aggregate principal outstanding of the Notes.

## Additional Notes

From time to time, subject to the Issuer's compliance with the covenants described under the headings "*—Certain Covenants—Limitation on Indebtedness*" and "*—Certain Covenants—Limitation on Liens*," the Issuer is permitted to issue additional Notes, which shall have terms substantially identical to the Notes, as applicable except in respect of any of the following terms which shall be set forth in an Officer's Certificate supplied to the Trustee ("Additional Notes"):

(1) the title of such Additional Notes;

(2) the aggregate principal amount of such Additional Notes;

(3) the date or dates on which such Additional Notes have been issued;

(4) the rate or rates (which may be fixed or floating) at which such Additional Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;

(5) the currency or currencies in which such Additional Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;

(6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;

(7) if other than denominations of €100,000 and in integral multiples of €1,000 in excess thereof, the denominations in which such Additional Notes shall be issued and redeemed; and

(8) the ISIN, Common Code, CUSIP or other securities identification numbers with respect to such Additional Notes.

Such Additional Notes will be treated, along with all other series of Notes, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series; provided, however, that any Additional Notes that are not fungible for U.S. federal income tax purposes with the Notes will be issued with a unique CUSIP and/or other identifying number. Unless the context otherwise requires, for all purposes of the Indenture and this "*Description of the Notes*," references to "Notes" shall be deemed to include references to the Notes initially issued on the Issue Date as well as any Additional Notes.

## Methods of Receiving Payments on the Notes

Principal, premium, if any, interest and Additional Amounts (defined below), if any, on the Global Notes (as defined below) will be payable at the specified office or agency of the applicable Paying Agent; *provided* that all such payments with respect to Notes represented by one or more Global Note registered in the name of or held by a nominee of Euroclear or Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, premium, if any, interest and Additional Amounts, if any, on any certificated securities ("Definitive Registered Notes") will be payable at the specified office or agency of the Paying Agent in London maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by bank transfer to the person entitled thereto as shown on the register for the Definitive Registered Notes. See "*—Paying Agent and Registrar for the Notes*."

## Paying Agent and Registrar for the Notes

The Issuer will maintain one or more paying agents (each a "Paying Agent") for the Notes. The initial Paying Agent for the Notes will be Deutsche Bank AG, London Branch in London. The Issuer will also maintain one or more registrars (each, a “Registrar”) for the Notes. The initial Registrar will be Deutsche Bank Luxembourg S.A. The Issuer will also maintain one or more transfer agents (each, a “Transfer Agent”) for the Notes. The initial Transfer Agent will be Deutsche Bank Luxembourg S.A. The Paying Agent, the Registrar and the Transfer Agent, as applicable, will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of the Notes on behalf of the Issuer. Each transfer agent shall perform the functions of a Transfer Agent.

The Issuer may change any Paying Agent, Registrar or Transfer Agent for the Notes without prior notice to the Holders of the Notes. 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 initially be issued in the form of registered notes in global form without interest coupons, as follows:

- The Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by global notes in registered form without interest coupons attached (the “144A Global Notes”).
- The 144A Global Notes will, upon issuance, be deposited with and registered in the name of the common depositary (or its nominee) for the accounts of Euroclear and Clearstream.
- The Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by global notes in registered form without interest coupons attached (the “Regulation S Global Notes” and, together with the 144A Global Notes, the “Global Notes”).
- The Regulation S Global Notes will, upon issuance, be deposited with and registered in the name of the common depositary (or its nominee) for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes (“Book-Entry Interests”) will be limited to persons that have accounts with Euroclear or Clearstream or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under “*Notice to Investors*.” In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear or Clearstream, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable, and their respective participants.

Book-Entry Interests in the 144A Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Prior to 40 days after the date of initial issuance of the Notes, ownership of Book-Entry Interests in Regulation S Global Notes will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Notice to Investors*” and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 aggregate principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Transfer Restrictions*."

Subject to the restrictions on transfer referred to above, the Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in aggregate principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, 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 such Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of such 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 applicable to such Notes; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Registrar, the Transfer Agent and the Paying Agent will be entitled to treat the Holder of a Note as the owner of it for all purposes.

**Restricted Subsidiaries and Unrestricted Subsidiaries**

On the Issue Date, all of the Company's Subsidiaries will be Restricted Subsidiaries. In the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*," the Company will be permitted to designate Restricted Subsidiaries (other than the Issuer) as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

**Notes Guarantees**

The obligations of the Issuer pursuant to the Notes, including any payment obligation resulting from a Change of Control, will (subject to the Agreed Security Principles) be guaranteed, jointly and severally on a senior basis, by the Company and each material subsidiary of the Company that is a guarantor under the Revolving Credit Facility (each a "Guarantor" and such guarantee, a "Notes Guarantee").

The initial Guarantors, the type of Guarantee and their respective jurisdictions of incorporation will be as follows:

| | | |
|---|---|---|
| Matterhorn Telecom Holding S.A. | Parent Guarantee | Luxembourg |
| Salt Mobile SA | Subsidiary Guarantee | Switzerland |
| Salt Network SA | Subsidiary Guarantee | Switzerland |

As of and for the twelve months ended September 30, 2017, the Senior Secured Notes Guarantors that will guarantee the Notes represented 101.8% of the Group's EBITDA, 99.9% of the Group's revenue and 99.9% of the Group's total assets.

In addition, as described below under "*—Certain Covenants—Additional Guarantees*" and subject to the Intercreditor Agreement and the Agreed Security Principles, each Restricted Subsidiary of the Company that guarantees the Revolving Credit Facility, Public Debt or certain other indebtedness shall also enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Revolving Credit Facility, the Notes, the Existing Senior Secured Notes and the Existing Senior Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance, corporate benefit, fraudulent preference, "thin capitalization" rules, retention of title claims and similar matters.

Each Notes Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Notes Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Related to the Notes and Our Structure—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*," "*Risk Factors—Risks Related to the Notes and Our Structure—The Swiss collateral is subject to hardening periods and the Swiss Guarantees are subject to fraudulent transfer (avoidance actions)*" and "*Risk Factors—Risks Related to the Notes and Our Structure—The insolvency laws of Luxembourg and Switzerland may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes*."

The Notes Guarantee of a Guarantor will terminate and release upon:

- except in the case of the Parent Guarantee, a sale, disposition, exchange or other transfer (including by way of consolidation, merger, amalgamation or combination) of ownership interests in the Guarantor (directly or through a parent company) such that the Guarantor does not remain a Restricted Subsidiary or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Company or a Restricted Subsidiary), in each case, otherwise permitted by the Indenture;
- except in the case of the Parent Guarantee, the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;
- defeasance or discharge of the Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";
- except in the case of the Parent Guarantee, with respect to a Guarantor that is not a Significant Subsidiary, so long as no Event of Default has occurred and is continuing, to the extent that such Guarantor (i) is unconditionally released and discharged from its liability with respect to the Revolving Credit Facility and (ii) does not guarantee any other Credit Facility or Public Debt;
- in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement; or
- as described under "*—Amendments and Waivers*."

Substantially all the operations of the Company (and the Issuer) are conducted through its Subsidiaries. Claims of creditors of non-guarantor Subsidiaries, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred and minority stockholders (if any) of those Subsidiaries generally will have priority with respect to the assets and earnings of those Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Notes. The Notes and each Notes Guarantee therefore will be effectively subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of Subsidiaries of the Company (other than the Guarantors). As of and for the twelve months ended September 30, 2017, after giving effect to this offering and the use of proceeds therefrom, the total liabilities of the Company and the Issuer's Subsidiaries that will not guarantee the Notes were immaterial. Although the Indenture limits the incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture does not impose any limitation on the incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "*—Certain Covenants—Limitation on Indebtedness*."

## Security

### *The Collateral*

Pursuant to the Security Documents to be entered into on or prior to the Issue Date, each of the Issuer and the Guarantors has granted or will grant in favor of Société Générale as security agent (the "Security Agent") liens and security interests on an equal and ratable first-priority basis, subject to the operation of the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens, over those of its assets listed below:

(a) shares of capital stock of each of Salt, Salt Network and the Issuer;

(b) certain bank accounts; and

(c) intragroup receivables.

(together the "Initial Collateral"),

*provided* that lenders under the Revolving Credit Facility and counterparties to certain Hedging Obligations will receive proceeds from the enforcement of the security in priority to holders of the Notes.

In addition, subject to the Intercreditor Agreement and subject to the Agreed Security Principles, each subsidiary of the Company that accedes to the Revolving Credit Facility as a guarantor after the Issue Date and grants security in connection with such accession shall also enter into a supplemental indenture as a Guarantor with respect to the Notes and accede to the Intercreditor Agreement, and security will be granted over the ownership interests in such Subsidiary Guarantor and certain of its material assets including operating bank accounts and intercompany receivables (together with the Initial Collateral, the "Collateral"). All Collateral shall be subject to the operation of the Agreed Security Principles and any Permitted Collateral Liens.

The Collateral will be granted in favor of the Security Agent on behalf of the Holders of the Notes on the Issue Date.

Notwithstanding the foregoing, certain assets will not be pledged (or the Liens not perfected) to secure the Notes in accordance with the Agreed Security Principles, including:

- if the cost of providing security is not proportionate to the benefit accruing to the Holders;
- if there is material incremental cost involved in creating security over all assets of a Guarantor in a particular category of assets, only the material assets in that category will be subject to security;
- if providing such security requires consent before such assets may be secured or where providing such security would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations of the Company, the Issuer or any of their Subsidiaries in respect of those assets or require any of them to take any action materially adverse to their interests and where (subject to certain conditions being met) such consent cannot be obtained after the use of reasonable endeavors;
- if providing such security would be prohibited by applicable law, general statutory limitations, financial assistance, corporate benefit, fraudulent preference, "thin capitalization" rules or

similar matters or providing security would be outside the applicable pledgor's capacity or conflict with fiduciary duties of directors or cause material risk of personal or criminal liability after the use of reasonable endeavors to overcome such prohibitions (if possible);

- if in certain jurisdictions it may be either impossible or impractical to create security over certain categories of assets, security will not be taken over such assets;
- if providing such security would have a material adverse effect (as reasonably determined in good faith by such Subsidiary) on the ability of such Subsidiary to conduct its operations and business in the ordinary course as otherwise permitted by the Indenture and any requirement under the Agreed Security Principles to seek consent of any person or take or not take any other action shall be subject to this principle;
- no perfection action will be required in jurisdictions where a Guarantor is not located but perfection action may be required in the jurisdiction of one Guarantor in relation to security granted by another Guarantor located in a different jurisdiction and (where otherwise consistent with the Agreed Security Principles) in any supra-national registries agreed between the Company and the Security Agent from time to time;
- in the case of bank accounts, if providing such security or perfecting liens thereon would require giving notice to the banks with whom the accounts are maintained, such notice will only be provided after the Notes are accelerated; and
- in the case of receivables, notification of receivables security to debtors and of security over goods held by third parties will only be provided after the Notes are accelerated, subject to certain exceptions.

The Collateral also secures, on an equal and ratable basis, the liabilities under the Revolving Credit Facility and certain Hedging Obligations, the Existing Senior Secured Notes and any Additional Notes. Subject to certain conditions, including compliance with the covenant described under "*—Certain Covenants—Impairment of Security Interest*," the Company and the Guarantors are permitted to grant security over the Collateral in connection with future issuances of its Indebtedness or Indebtedness of its Restricted Subsidiaries, including any Additional Notes, in each case, as permitted under the Indenture.

Subject to the Agreed Security Principles, if material property is acquired by the Company or any Guarantor that is not automatically subject to a perfected security interest under the Security Documents and which will be subject to a security interest in favor of the lenders under the Revolving Credit Facility, then (to the extent the security interest is not already granted in favor of the Security Agent for the Holders of the Notes) the Company or such Guarantor will within 60 days provide security over this property in favor of the Security Agent pursuant to the covenant entitled "*Additional Guarantees*."

***Administration of Security and Enforcement of Liens***

The Security Documents and the Collateral will be administered by the Security Agent, in each case pursuant to the Intercreditor Agreement for the benefit of all holders of secured obligations. The enforcement of the Security Documents will be subject to the procedures set forth in the Intercreditor Agreement. For a description of the Intercreditor Agreement, see "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The ability of holders of the Notes to realize upon the Collateral will be subject to various bankruptcy law limitations in the event of the Issuer's or a Guarantor's bankruptcy. See "*Risk Factors—Risks Related to the Notes and Our Structure—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*" *and* "*Risk Factors—Risks Related to the Notes and Our Structure—The insolvency laws of Luxembourg and Switzerland may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes*." In addition, the enforcement of the Collateral will be limited to the maximum amount required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. As a result of these limitations, the enforceable amounts of the Issuer's obligation under the

Notes and a Guarantor's obligation under its Notes Guarantee could be significantly less than the total amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Related to the Notes and Our Structure—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*."

Subject to the terms of the Security Documents, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes (other than as set forth in the Security Documents), to freely operate the Collateral and to collect, invest and dispose of any income therefrom.

No appraisals of any of the Collateral have been prepared by or on behalf of the Issuer in connection with the issuance of the Notes. There can be no assurance that the proceeds from the sale of the Collateral would be sufficient to satisfy the obligations owed to the holders of the Notes, the payment of obligations under the Revolving Credit Facility and certain Hedging Obligations. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral can 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 cause the sale of some of the Collateral. These limitations may include requirements that some or all of the Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The Trustee for the Notes has, and the Indenture will provide that by accepting a Note, each Holder will be deemed to have:

- irrevocably appointed Société Générale, as Security Agent to act as its agent under the Intercreditor Agreement and the other relevant documents to which it is a party (including, without limitation, the Security Documents);
- 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 other documents to which it is a party (including, without limitation, the Security Documents), together with any other incidental rights, power and discretions; and (ii) execute each document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf; and
- accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement (as defined below) and each Holder will also be deemed to have authorized the Trustee to enter into any such Additional Intercreditor Agreement.

***Priority***

The relative priority with regard to the Collateral as between (a) the lenders under the Revolving Credit Facility, (b) the counterparties under certain Hedging Obligations, (c) the Trustee and the Holders under the Indenture, (d) the trustee and the holders under the Existing Senior Secured Indentures and (e) the trustee and the holders of the Existing Senior Notes, is established by the terms of the Intercreditor Agreement and the Security Documents, which provide that the obligations under the Notes will receive proceeds of enforcement of security over the Collateral only after the claims of the Revolving Credit Facility and certain Hedging Obligations are satisfied but before the claims of the Existing Senior Notes are satisfied. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*." In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. Under certain circumstances, the creditors under such Indebtedness will receive proceeds from an enforcement of the Collateral in priority to the Trustee and the Holders under the Indenture. See "*—Release of Liens*," "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens*."

***Release of Liens***

The Security Agent will take any action required to effectuate any release of Liens over the property and other assets constituting Collateral required by a Security Document:

(1) upon payment in full of principal, interest and all other obligations in respect of the Notes issued under the Indenture or discharge or defeasance thereof in accordance with the Indenture;

(2) upon release of a Notes Guarantee in accordance with the Indenture, the release of the property, assets and Capital Stock of such Guarantor;

(3) in connection with any disposition of Collateral, directly or indirectly, to (a) any Person other than the Company or any of its Restricted Subsidiaries (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation—The Company*" or "*—Certain Covenants—Merger and Consolidation—The Issuer*") that is permitted by the Indenture (with respect to the Lien on such Collateral) or (b) the Company or any Restricted Subsidiary consistent with the Intercreditor Agreement;

(4) in accordance with the covenant described under "*—Certain Covenants—Impairment of Security Interest*";

(5) automatically without any action by the Trustee, if the Lien granted in favor of any Indebtedness that gave rise to the obligation to grant the Lien over such Collateral is released (other than pursuant to the repayment and discharge thereof); *provided* that such release would otherwise be permitted by another clause above;

(6) as otherwise provided in the Intercreditor Agreement; and

(7) as described under "*—Amendments and Waivers*."

Each of these releases shall be effected by the Security Agent and the Trustee without the consent of the Holders.

The Company, the Issuer and its Restricted Subsidiaries may also, among other things, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to Collateral, including, without limitation, (i) selling or otherwise disposing of, in any transaction or series of related transactions, any property subject to the Lien under the Security Documents which has become worn out, defective or obsolete or not used or useful in the business; (ii) selling, transferring or otherwise disposing of current assets in the ordinary course of business; and (iii) any other action permitted by the Security Documents or the Intercreditor Agreement.

**Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements**

In connection with the Incurrence of any Indebtedness by the Company or any of its Restricted Subsidiaries that is permitted to share the Collateral, the Trustee and the Security Agent shall, at the request of the Company, enter into with the Company, the relevant Restricted Subsidiaries and the holders of such Indebtedness (or their duly authorized representatives) one or more intercreditor agreements or deeds (including a restatement, replacement, amendment or other modification of the Intercreditor Agreement) (an "Additional Intercreditor Agreement"), on substantially the same terms as the Intercreditor Agreement (or terms that are not materially less favorable to the Holders) and substantially similar as applies to sharing of the proceeds of security and enforcement of security, priority and release of security; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or adversely affect the personal rights, duties, liabilities, indemnification or immunities of the Trustee or the Security Agent under the Indenture or the Intercreditor Agreement. In connection with the foregoing, the Company shall furnish to the Trustee such documentation in relation thereto as it may reasonably require. As used herein, a reference to the Intercreditor Agreement will also include any Additional Intercreditor Agreement.

In relation to the Intercreditor Agreement, the Trustee 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 herein under "*—Certain Covenants—Limitation on Restricted Payments*."

The Indenture will also provide that, at the written direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement 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 Intercreditor Agreement that may be Incurred by the Company or its Restricted Subsidiaries that is subject to any such Intercreditor Agreement (provided that such Indebtedness is Incurred in compliance with the Indenture), (3) add Guarantors or other Restricted Subsidiaries to the Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes or to implement any Permitted Collateral Liens or (6) make any other change to any such agreement that does not adversely affect the Holders of Notes in any material respect. The Issuer shall not otherwise direct the Trustee or Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendments and Waivers*" or as permitted by the terms of such Intercreditor Agreement, and the Issuer may only direct the Trustee or Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or any Intercreditor Agreement.

The Indenture will also provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have authorized the Trustee and the Security Agent to enter into the Intercreditor Agreement, any amendments referenced in the preceding paragraph and any Additional Intercreditor Agreement on each Holder's behalf.

A copy of the Intercreditor Agreement or an Additional Intercreditor Agreement shall be made available to the Holders upon request and will be made available for inspection during normal business hours on any Business Day upon prior written request at the office of the Issuer and at the offices of the Paying Agent in London.

**Optional Redemption**

Except as set forth herein and under "*—Redemption for Taxation Reasons*," the Notes are not redeemable at the option of the Issuer.

At any time prior to , 2022, the Issuer may redeem the Notes in whole or in part, at its option, upon not less than 10 nor more than 60 days prior written notice to the Holders of the Notes (with a copy to the Trustee and the Paying Agent) at a redemption price equal to 100% of the principal amount of such Notes plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the redemption date.

At any time and from time to time on or after , 2022, the Issuer may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to the redemption date:

| Twelve month period commencing in: | Percentage |
|---|---|
| 2022 | % |
| 2023 | % |
| 2024 | % |
| 2025 and thereafter | 100.000% |

At any time and from time to time prior to , 2022, the Issuer may redeem Notes with the net cash proceeds received by the Issuer from any Equity Offering at a redemption price equal to % plus accrued and unpaid interest to the redemption date, in an aggregate principal amount for all such redemptions not to exceed 40% of the original aggregate principal amount of the Notes (including Additional Notes), provided that:

(1) in each case the redemption takes place not later than 180 days after the closing of it related Equity Offering; and

(2) not less than 60% of the original principal amount of the Notes being redeemed (including the principal amount of any Additional Notes) remain outstanding immediately thereafter.

Notice of any redemption upon any Equity Offering may be given prior to the completion thereof.

***General***

Any redemption and notice of redemption may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering). In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied (provided, however, that, in any case, such redemption date shall be no more than 60 days from the date on which such notice is first given), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

Notwithstanding the foregoing, in connection with any tender offer for the Notes at a price of at least 100.000% of the principal amount of the Notes tendered, plus accrued and unpaid interest thereon to, but excluding, the applicable tender settlement date, if Holders of Notes of not less than 90% in aggregate principal amount of the applicable outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes 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 tender offer expiration date, to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other Holder of Notes in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, such redemption date.

If the Issuer effects an optional redemption of the Notes, it will, for so long as the Notes are listed on the Official List of the The International Stock Exchange (the "Exchange") and the rules of the Exchange so require, inform the Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

The Issuer or its Affiliates may at any time and from time to time purchase Notes. Any such purchases may be made through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices as well as with such consideration as the Issuer or any such Affiliate may determine.

**Sinking Fund**

The Issuer will not be required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

**Selection and Notice**

If less than all of the Notes are to be redeemed at any time, the Registrar will select the Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, as certified to the Trustee or the Registrar, as applicable, by the Issuer, and in compliance with the requirements of Euroclear or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream or Euroclear or Clearstream prescribe no method of selection, on a *pro rata* basis or by use of a pool factor; *provided*, *however*, that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. Neither the Trustee nor the Registrar will be liable for any selections made in accordance with this paragraph.

So long as any Notes are listed on the Official List of the Exchange and the rules of the Exchange so require, any such notice to the Holders of the relevant Notes shall, to the extent and in the manner permitted by such rules, be notified to the Exchange and, in addition to such release, not less than 10 days nor more than 60 days prior to the redemption date, the Issuer will mail, or at the expense of the Issuer, cause to be mailed, such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar.

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 which case a portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original 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 (including any conditions contained therein), 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 them called for redemption.

**Redemption for Taxation Reasons**

The Issuer or Successor Issuer (as defined below) may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days prior written notice to the Holders of the Notes (which notice will be irrevocable), with a copy to the Trustee and the Paying Agent, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "Tax 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) and all Additional Amounts (see "*—Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer, a Successor Issuer or the relevant Guarantor determines in good faith that, as a result of:

(1) any change in, or amendment to, the law (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any change in, or amendment to, or the introduction of, an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction) of a Relevant Taxing Jurisdiction (each of the foregoing in clauses (1) and (2), a "Change in Tax Law"),

the Issuer, a Successor Issuer or the relevant Guarantor is, or on the next interest payment date in respect of the Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuer, the Successor Issuer or the relevant Guarantor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable and would not cause the Issuer to incur additional out-of-pocket costs, but not including assignment of the obligation to make payment with respect to the Notes). In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at the date of this Offering Memorandum, such Change in Tax Law must become effective on or after the date of this Offering Memorandum. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after the date of this Offering Memorandum, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction, unless the Change in Tax Law would have applied to the predecessor of the Successor Issuer. Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*—Selection and Notice*." Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Issuer, a Successor Issuer or the relevant Guarantor would be obliged to make such payment of Additional Amounts if a payment in respect of the Notes were then due and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer or Successor Issuer will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that it would not be able to avoid the obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Issuer, Successor Issuer or Guarantor has or have been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

The foregoing will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer is incorporated or organized or any political subdivision or taxing authority or agency thereof or therein.

**Withholding Taxes**

All payments made by the Issuer, a Successor Issuer or any Guarantor (a "Payor") on the Notes or the Notes Guarantees will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) Luxembourg or any political subdivision or Governmental Authority thereof or therein having power to tax;

(2) any jurisdiction from or through which payment on any such Note or Notes Guarantee is made by a Payor or its agents, or any political subdivision or Governmental Authority thereof or therein having the power to tax; or

(3) any other jurisdiction in which a Payor is incorporated or organized, resident for tax purposes, or any political subdivision or Governmental Authority thereof or therein having the power to tax (each of clause (1), (2) and (3), a "Relevant Taxing Jurisdiction"),

will at any time be required from any payments made by a Payor with respect to any Note or Notes Guarantee, including payments of principal, redemption price, premium, if any, or interest, the Payor will pay (together with such payments) such additional amounts (the "Additional Amounts") as may be necessary in order that the net amounts received in respect of such payments, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will equal the amounts which would have been received in respect of such payments on any such Note or Notes Guarantee in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment or a dependent agent in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment in respect thereof;

(2) any Taxes that are imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor addressed to the Holder, after reasonable notice, to provide certification, information, documents or other evidence concerning the nationality, residence or identity or connection with the Relevant Taxing Jurisdiction of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by applicable law, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Taxes;

(3) any Taxes that are payable otherwise than by deduction or withholding from a payment with respect to the Notes;

(4) any estate, inheritance, gift, value added, sales, excise, use, transfer, personal property or similar Taxes;

(5) any Taxes imposed in connection with a Note presented for payment (where presentation is permitted or required for payment) by or on behalf of a Holder or beneficial owner who

would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accepting payment from, another paying agent;

(6) any Tax that is imposed pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any regulations or other official guidance thereunder, any intergovernmental agreement entered into in connection therewith, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to any of the foregoing or any agreements entered into pursuant to section 1471(b)(1) of the Code; or

(7) any combination of the above.

Such Additional Amounts also will not be payable (x) if the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Note for payment (where presentation is permitted or required for payment) within 15 days after the relevant payment was first made available for payment to the Holder or (y) where, had the beneficial owner of the Note been the Holder, such beneficial owner would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (7) inclusive above.

In addition, no Additional Amounts shall be paid with respect to any payment to any Holder who is a fiduciary or a partnership or other than the sole beneficial owner of such Notes to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership or the beneficial owner of such Notes would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Notes directly.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction and as is reasonably available to the Payor and will provide such certified copies to the Trustee. Such copies shall be made available to the Holders upon request and will be made available at the offices of the Issuer.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on any Note or Notes Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises, or the Payor becomes aware of such obligation, less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee and the Paying Agent will be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes Guarantees or this "*Description of the Notes*" there are mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, court or documentary taxes, or any other property or similar Taxes that arise in any jurisdiction from the execution, delivery, registration or enforcement of any Notes, the Indenture, the Security Documents or any other document or instrument in relation thereto (other than a transfer or exchange of the Notes), excluding any such Taxes imposed by any jurisdiction that is not a Relevant Taxing Jurisdiction, and the Payor agrees to indemnify the Holders for any such taxes paid by such Holders. The foregoing obligations of this paragraph will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer is organized or any political subdivision or taxing authority or agency thereof or therein.

**Change of Control**

If a Change of Control occurs, subject to the terms hereof, each Holder will have the right to require the Issuer to repurchase all or part (equal to €100,000 aggregate principal amount and integral multiples of €1,000 in excess thereof) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Issuer shall not be obliged to repurchase Notes as described under this "*—Change of Control*" section in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the "Change of Control Offer") to each Holder of any such Notes, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase 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 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");

(3) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(4) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(5) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly deliver by bank transfer to each Holder of Definitive Registered Notes so tendered the Change of Control

Payment for such Notes, and the Trustee or its authenticating agent will promptly authenticate (or cause to be authenticated) and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Note equal in aggregate principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in an aggregate principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

If and for so long as the Notes are listed on the Official List of the Exchange and the rules of the Exchange so require, the Issuer will notify the Exchange of any Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Company or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

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 (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations, or require a repurchase of the Notes, under the Change of Control provisions of the Indenture by virtue of the conflict.

Under the Revolving Credit Facility, the occurrence of a change of control would require the repayment of such debt. Future debt of the Company or its Subsidiaries may prohibit the Issuer from purchasing Notes in the event of a Change of Control or provide that a Change of Control is a default or requires repurchase upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to purchase the Notes could cause a default under, or require a repurchase of, other debt, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer.

Finally, the Issuer's ability to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "*Risk Factors—Risks Related to the Notes and Our Structure—We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Indentures and the change of control provision contained in the Indentures may not necessarily afford you protection in the event of certain important corporate events*."

Holders of the Notes may not be entitled to require the Issuer to purchase their Notes in certain circumstances involving a significant change in the composition of the Company's board of directors, including in connection with a proxy contest, where the Company's board of directors initially publicly opposes the election of a dissident slate of directors, but subsequently approves such directors for the purposes of the Indenture. This may result in a change in the composition of the board of directors that, but for such subsequent approval, would have otherwise constituted a Change of Control requiring a repurchase offer under the terms of the Indenture.

The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of the Company and its Restricted Subsidiaries taken as a whole to specified other

Persons. Although there is limited 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. In addition, you should note that case law suggests that, in the event that incumbent directors are replaced as a result of a contested election, the Company may nevertheless avoid triggering a change of control under a clause similar to clause (2) of the definition of "*Change of Control*," if the outgoing directors were to approve the new directors for the purpose of such change of control clause.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding aggregate principal amount of the Notes under the Indenture.

**Certain Covenants**

***Limitation on Indebtedness***

The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*, that the Company and any of the Restricted Subsidiaries may Incur Indebtedness if on the date of such Incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), the Consolidated Net Leverage Ratio of the Company and its Restricted Subsidiaries is less than 5.0 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Indebtedness Incurred pursuant to any Credit Facility (including letters of credit or bankers' acceptances issued or created under any Credit Facility), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness, in a maximum aggregate principal amount at any time outstanding not exceeding (i) the greater of CHF 350.0 million and 75% of Consolidated EBITDA, plus (ii) 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 Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary; or

(b) without limiting the covenant described under "*—Limitation on Liens*," Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Company or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Company owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any Restricted Subsidiary; *provided*, *however*, that:

(a) 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 Company or a Restricted Subsidiary of the Company; and

(b) any sale or other transfer of any such Indebtedness to a Person other than the Company or a Restricted Subsidiary of the Company, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be;

(4) Indebtedness represented by (a) the Notes (other than any additional Notes), (b) any Indebtedness (other than Indebtedness described in clauses (1) and (3) of this paragraph) outstanding on the Issue Date after giving effect to the Transactions, including the Existing Senior Secured Notes, the Existing Senior Notes, loans of the proceeds of and the guarantees of and security granted with respect to the Existing Senior Secured Notes and the Existing Senior Notes, (c) Refinancing Indebtedness Incurred in respect of any

Indebtedness described in this clause (4), or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant and (d) Management Advances;

(5) Indebtedness of any Person (i) Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary of the Company or another Restricted Subsidiary of the Company or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any Restricted Subsidiary or (ii) 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 or was otherwise acquired by the Company or a Restricted Subsidiary; *provided*, *however*, with respect to each of clause (5)(i) and (5)(ii), that at the time of such acquisition or other transaction (x) the Company would have been able to Incur CHF 1.00 of additional Indebtedness pursuant to 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 of the Company and its Restricted Subsidiaries would not be greater than it was immediately prior to giving effect to such acquisition or other transaction;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements entered into for *bona fide* hedging purposes of the Company or its Restricted Subsidiaries and not for speculative purposes (as determined in good faith by the Board of Directors or Senior Management of the Company);

(7) Indebtedness represented by Capitalized Lease Obligations or Purchase Money Obligations, and in each case 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 (7) and then outstanding, will not exceed the greater of (A) CHF 68.0 million and (B) 15.0% of Consolidated EBITDA;

(8) 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 or performance or other similar guarantees and warranties provided by the Company or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business (including, without limitation, for asset rentals and/or purchases of goods or services) or in respect of any governmental requirement, including in relation to a governmental requirement to provide a guarantee or bond for any spectrum acquisition, or any other contingent or similar obligations or commitments incurred in the ordinary course of business, (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 or in respect of any governmental requirement, including in relation to a governmental requirement to provide a letter of credit, guarantee or similar obligation for any spectrum acquisition; *provided*, *however*, that upon the drawing of such letters of credit or similar instruments, the 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;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earn-outs 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 Company and its Restricted Subsidiaries in respect of all such Indebtedness will 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 Company and its Restricted Subsidiaries in connection with such disposition;

(10) (a) 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 five Business Days of Incurrence;

(b) customer deposits and advance payments received in the ordinary course of business from customers for goods purchased in the ordinary course of business;

(c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions incurred in the ordinary course of business of the Company and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Company and its Restricted Subsidiaries; and

(d) Indebtedness incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case incurred or undertaken in the ordinary course of business on arm's length commercial terms on a recourse basis;

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the aggregate principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of CHF 200.0 million and 50% of Consolidated EBITDA;

(12) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Company from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or its 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 Company, 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 (11) of the third paragraph of the covenant described below under "*—Limitation on Restricted Payments*" to the extent the Company and its Restricted Subsidiaries incur 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 (12) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (11) of the third paragraph of the covenant described below under "*—Limitation on Restricted Payments*" in reliance thereon;

(13) Indebtedness Incurred by a Receivables Subsidiary in a Qualified Receivables Financing;

(14) Indebtedness under daylight borrowing facilities incurred in connection with the Transactions or any refinancing of Indebtedness (including by way of set-off or exchange) so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is Incurred; and

(15) Indebtedness consisting of local lines of credit or working capital facilities at any time outstanding not exceeding the greater of CHF 25.0 million and 5.5% of Consolidated EBITDA.

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 Company, 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;

(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), (7), (11) or (12) 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 Company or a Restricted Subsidiary, or Preferred Stock of 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;

(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; and

(7) for the purposes of determining "Consolidated EBITDA" under the second paragraph of this covenant, (i) *pro forma* effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio for the Company and its Restricted Subsidiaries and (ii) Consolidated EBITDA shall be measured on the most recent date on which new commitments are obtained (in the case of revolving facilities) or the date upon which Indebtedness is incurred (in the case of term facilities) and for the period of the four most recent consecutive fiscal quarters ending prior to such date for which internal consolidated financial statements of the Company are available.

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, including a change of IFRS to U.S. GAAP, will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "—*Limitation on Indebtedness*." The amount of any Indebtedness outstanding as of any date shall be calculated as specified under the definition of "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 of the Company as of such date.

For purposes of determining compliance with any CHF-denominated restriction on the Incurrence of Indebtedness, the CHF Equivalent of the aggregate 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, at the option of the Company, 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 CHF, and such refinancing would cause the applicable CHF-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such CHF-denominated restriction shall be deemed not to have been exceeded so long as the aggregate principal amount of such Refinancing Indebtedness does not exceed the aggregate principal amount of such Indebtedness being refinanced; (b) the CHF Equivalent of the aggregate 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 and for so long as any such Indebtedness is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness will be, if such Currency Agreement requires such amount to be paid in CHF, the amount of the principal payment required to be made under such Currency Agreement or, if such Currency Agreement requires such amount to be paid in a currency other than CHF, the CHF Equivalent of the amount of the principal payment required to be made under such Currency Agreement, plus the CHF Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company 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. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

***Limitation on Restricted Payments***

The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any distribution on or in respect of the Company's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) except:

   (a) dividends or distributions payable in Capital Stock of the Company (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Company or in Subordinated Shareholder Funding;

   (b) dividends or distributions payable to the Company 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 Company or another Restricted Subsidiary on no more than a pro rata basis, measured by value); and

   (c) dividends or distributions payable to any Parent in respect of Indebtedness of such Parent which is guaranteed by the Company or any Restricted Subsidiary;

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company or any direct or indirect Parent of the Company held by Persons other than the Company or a Restricted Subsidiary of the Company (other than in exchange for Capital Stock of the Company (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 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*"); or

(4) make any payment (other than by capitalization of interest) on or with respect to, or purchase, repurchase, 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 Company or such Restricted Subsidiary makes such Restricted Payment:

   (a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

   (b) the Company is not able to Incur an additional CHF 1.00 of Indebtedness pursuant to the first paragraph under the "*—Limitation on Indebtedness*" covenant 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 subsequent to April 23, 2015 (and not returned or rescinded) (including

Permitted Payments permitted below by clauses (6), (11), (12), (13) and (18) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the first fiscal quarter commencing prior to April 23, 2015 to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to April 23, 2015 or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company subsequent to April 23, 2015 (other than (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary, (y) 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 second succeeding paragraph and (z) Excluded Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary from the issuance or sale (other than to the Company or a Restricted Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) by the Company or any Restricted Subsidiary subsequent to April 23, 2015 of any Indebtedness that has been converted into or exchanged for Capital Stock of the Company (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 next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary upon such conversion or exchange);

(iv) the amount equal to the net reduction in Restricted Investments made by the Company or any of its Restricted Subsidiaries resulting from:

   (A) 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 Company 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 Company or any Restricted Subsidiary; or

   (B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued, in each case, as provided in the definition of "*Investment*") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount, in each case under this clause (iv), was included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c); *provided*, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Company's option) included under this clause (iv); and

(v) the amount of the cash and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or of marketable securities received by the Company or any of its Restricted Subsidiaries in connection with:

(A) the sale or other disposition (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Company; and

(B) any dividend or distribution made by an Unrestricted Subsidiary or Affiliate to the Company or a Restricted Subsidiary;

*provided*, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Company's option) included under this clause (v); *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). Upon a Specified Change of Control Event, all amounts calculated pursuant to this clause (c) shall be reset to zero and all references to April 23, 2015 in this clause (c) shall thereafter refer to the date of such Specified Change of Control Event.

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by the Board of Directors of the Company.

The foregoing provisions will not prohibit any of the following (collectively, "Permitted Payments"):

(1) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock, Disqualified Stock, Designated Preference Shares, Subordinated Shareholder Funding or Subordinated Indebtedness made by 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 proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares), 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 Company; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock, Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Company or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Company or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) (i) from Net Available Cash to the extent permitted under "*—Limitation on Sales of Assets and Subsidiary Stock*" below, but only if the Company 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;

(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 the Company 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;

(c) (i) 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 Company or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness; or

(d) so long as no Default or Event of Default has occurred and is continuing (or would result immediately thereafter from), for the purposes of purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring the Existing Senior Notes, in an amount up to the principal amount of such Existing Senior Notes to be purchased, repurchased, redeemed, defeased, acquired or retired, multiplied by the redemption price in effect for the Existing Senior Notes from and after May 1, 2018 (as set forth in the Existing Senior Indenture), plus accrued and unpaid interest on such Existing Senior Notes to the date of such transaction;

(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 any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Company to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of 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 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 (i) CHF 15.0 million multiplied by the number of calendar years that have commenced since April 23, 2015 plus (ii) the Net Cash Proceeds received by the Company or its Restricted Subsidiaries since April 23, 2015 (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 Company 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 describing 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 Company or any Restricted Subsidiary in amounts equal to (without duplication):

   (a) the amounts required for any Parent to pay any Parent Expenses or any Related Taxes; or

   (b) amounts constituting or to be used for purposes of making payments (i) of fees and expenses Incurred in connection with the Transactions or (ii) to the extent specified in clauses (2), (3), (5), (7), (11) and (12) of the second paragraph under "—*Limitation on Affiliate Transactions*";

(10) any Restricted Payment pursuant to or in connection with the Transactions as described in this Offering Memorandum;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from), the declaration and payment by the Company of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Company or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Company from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company or loaned as Subordinated Shareholder Funding to the Company and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; provided that after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio of the Company and its Restricted Subsidiaries shall be equal to or less than 4.00 to 1.00 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio of the Company and its Restricted Subsidiaries shall be equal to or less than 4.25 to 1.00;

(12) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed CHF 100.0 million or, if greater, 22.5% of Consolidated EBITDA;

(13) payments by the Company, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Company 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 the Board of Directors of the Company);

(14) Investments 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 to the extent made in exchange for or using as consideration Investments previously made under this clause (14);

(15) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Company issued after April 23, 2015; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent issued after April 23, 2015; *provided*, *however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by the Company or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or, in the case of Designated Preference Shares by Parent or an Affiliate, the issuance of Designated Preference Shares) of the Company or loaned as Subordinated Shareholder Funding to the Company, from the issuance or sale of such Designated Preference Shares;

(16) dividends or other distributions of Capital Stock of Unrestricted Subsidiaries;

(17) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing; and

(18) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any dividend, distribution, loan or other payment to any Parent; *provided* that the Consolidated Net Leverage Ratio of the Company and its Restricted Subsidiaries on a *pro forma* basis after giving effect to any such dividend, distribution, loan or other payment does not exceed 4.25 to 1.0.

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 (18) above, or is permitted pursuant to the first paragraph of this covenant, the Company and its Restricted Subsidiaries will be entitled to (i) classify such Restricted Payment (or portion thereof) on the date of its payment in any manner that complies with this covenant or (ii) later reclassify such Restricted Payment (or portion thereof) in any manner that complies with this covenant. 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 Company 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 shall be determined conclusively by the Board of Directors of the Company acting in good faith.

***Limitation on Liens***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien (other than Permitted Liens) upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Company), 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 Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Notes 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 asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to clause (a)(2) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*—Security—Release of Liens*."

***Limitation on Restrictions on Distributions from Restricted Subsidiaries***

The Company will not, and will not permit any Restricted Subsidiary 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 or pay any Indebtedness or other obligations owed to the Issuer;

(B) make any loans or advances to the Issuer; or

(C) sell, lease or transfer any of its property or assets to the Issuer,

*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 Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company 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 (a) any Credit Facility (including the Revolving Credit Facility) or (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date, including the indenture governing the Existing Senior Secured Notes and the Existing Senior Notes;

(2) 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 such Person was acquired by or merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Company or any Restricted Subsidiary in connection with an acquisition of assets (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 Company or was merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Company or any Restricted Subsidiary when such Person becomes the Successor Company;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an "Initial Agreement") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *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 Company);

(4) 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, charges or other security agreements permitted under the Indenture or securing Indebtedness of the Company or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges, charges or other security agreements; or

    (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;

(6) 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;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;

(9) 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;

(10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(11) 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 than (i) the encumbrances and restrictions contained in the Revolving Credit Facility and the Intercreditor Agreement, together with the security documents associated therewith as in effect on the Issue Date, or (ii) in comparable financings (as determined in good faith by the Company) or where the Company determines when such Indebtedness is Incurred that such encumbrances or restrictions will not adversely affect, in any material respect, the Company's ability to make principal or interest payments on the Notes;

(12) any encumbrance or restriction existing by reason of any lien permitted under "*—Limitation on Liens*"; or

(13) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors of the Company, are necessary or advisable to effect such Qualified Receivables Financing.

***Limitation on Sales of Assets and Subsidiary Stock***

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Company 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 the Board of Directors of the Company, 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);

(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 (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 Company or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments; and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Company or such Restricted Subsidiary, as the case may be:

    (a) to the extent the Company or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness of a Restricted Subsidiary), (i) to prepay, repay or purchase any Indebtedness of a non-Guarantor Restricted Subsidiary (in each case, other than Indebtedness owed to the Company or any Restricted Subsidiary) (or any Refinancing Indebtedness in respect thereof) within 395 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided*, *however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a), the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) (except in the case of any revolving Indebtedness) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased; or (ii) to prepay, repay or purchase Pari Passu Indebtedness 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 or purchase; *provided* that the Company shall redeem, repay or repurchase Pari Passu Indebtedness that is Public Debt pursuant to this clause (ii) only if the Company makes (at such time or subsequently in compliance with this covenant) 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; or

(b) to the extent the Company or such Restricted Subsidiary elects, to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Company or another Restricted Subsidiary) within 425 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 Company that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 425th day,

*provided* that, pending the final application of any such Net Available Cash in accordance with clause (a) or clause (b) above, the Company and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the preceding paragraph will be deemed to constitute "Excess Proceeds" under the Indenture. On the 426th day after an Asset Disposition, or at such earlier date that the Company elects, if the aggregate amount of Excess Proceeds under the Indenture exceeds CHF 75.0 million, the Company will be required to make an offer ("Asset Disposition Offer") to all Holders of Notes issued under the Indenture and, to the extent the Company elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum aggregate 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 such Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing such Pari Passu Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Company may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the aggregate principal amount of any such Indebtedness not denominated in CHF, including the Notes, such Indebtedness shall be calculated by converting any such aggregate principal amounts into their CHF Equivalent determined as of a date selected by the Company that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds will 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 will not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Company upon converting such portion 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 Business Days after the termination of the Asset Disposition Offer Period (the "Asset Disposition Purchase Date"), the Company will purchase the aggregate principal amount of Notes and, to the extent they elect, Pari Passu Indebtedness required to be purchased 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 Company 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 such 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 minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Company will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this covenant. The Company or the Paying Agent, as the case may be, will promptly (but in any case not later than five 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 Company for purchase, and the Company will promptly issue a new Note (or amend the Global Note), and the Trustee or its authenticating agent, upon delivery of an Officer's Certificate from the Company, will authenticate (or cause to be authenticated) and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in an aggregate principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in an aggregate principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book-entry) by the Company 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 Company or Indebtedness of a Restricted Subsidiary (other than Subordinated Indebtedness of the Company or a Guarantor) and the release of the Company 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 Company or any Restricted Subsidiary of the Company from the transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;

(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 Company and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;

(4) consideration consisting of Indebtedness of the Company (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Company or any Restricted Subsidiary; and

(5) any Designated Non-Cash Consideration received by the Company 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 CHF 102.0 million and 22.5% of Consolidated EBITDA (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of this covenant, the Company will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

### *Limitation on Affiliate Transactions*

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company (an "Affiliate Transaction") involving aggregate value in excess of CHF 10 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Company 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 CHF 40 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors of the Company.

Any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in clause (2) of this paragraph if such Affiliate Transaction is approved by a majority of the Disinterested Directors. If there are no Disinterested Directors, any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in this covenant if the Company or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Company or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favorable to the Company or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person on an arm's length basis.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*," any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the fourth 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 (11) 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 Company, 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 Company, 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 Company and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Company, any Restricted Subsidiary of the Company or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) the Transactions and the entry into and performance of obligations of the Company 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 in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering;

(7) execution, delivery and performance of any Tax Sharing Agreement or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or the Senior Management of the Company 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 Company or any Restricted Subsidiary and any Affiliate of the Company or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary or any Affiliate of the Company 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 Company 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 Company in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture;

(11) without duplication in respect of payments made pursuant to clause (12) hereof, (a) payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual customary management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed CHF 4 million per year and (b) customary payments by the Company 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 Company in good faith;

(12) payment to any Permitted Holder of all reasonable out-of-pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Company and its Subsidiaries; and

(13) any transaction effected as part of a Qualified Receivables Financing.

***Reports***

For so long as any Notes are outstanding, the Company will provide to the Trustee the following reports:

(1) within 120 days after the end of the Company's fiscal year beginning with the first fiscal year ending after the Issue Date, annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets of the Company or its predecessor as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company or its predecessor for the two most recent fiscal years, 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 Company (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 material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (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 Company, and a discussion of material commitments and contingencies and critical accounting policies, with a scope that is similar in material respects to the discussion of the same items included in this Offering Memorandum; (d) description of the business, management and shareholders of the Company, 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;

(2) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Company beginning with the quarter ending March 31, 2018, all quarterly reports of the Company containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) unaudited *pro forma* income statement information and balance sheet information of the Company (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 material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant quarter; (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 of the Company, 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; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring or any senior executive officer changes at the Company or change in auditors of the Company or any other material event that the Company or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

All financial statement and *pro forma* financial 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 applicable 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 any Subsidiaries of the Company. The filing of an annual report on Form 20-F within the time period specified in (1) will satisfy such provision.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Company, then the annual and quarterly financial information required by clauses (1) and (2) of the first paragraph of this covenant shall include either (i) 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 Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Company and its Subsidiaries, which reconciliation shall include the following items: revenues, EBITDA, net income, cash, total assets, total debt, shareholders equity, capital expenditures and interest expense.

Substantially concurrently with the issuance to the Trustee of the reports specified in clauses (1), (2) and (3) of the first paragraph of this covenant, the Company 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 Company and its Subsidiaries or (ii) otherwise to provide substantially comparable availability of such reports (as determined by the Company in good faith) or (b) to the extent the Company determines in good faith that it cannot make such reports 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 request, prospective purchasers of the Notes. The Company will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant at the offices of the Paying Agent in London or, to the extent and in the manner permitted by such rules, post such reports on the official website of the Exchange.

In addition, so long as the Notes remain outstanding and during any period during which the Company is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Company shall furnish to the Holders and, upon their request, prospective purchasers of 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 convey, transfer or lease all or substantially all its assets to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "Successor Issuer") will be a Person organized and existing under the laws of any member state of the European Union or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Issuer (if not the Issuer) will expressly assume (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Security Documents (and, to the extent required by the Intercreditor Agreement, the Intercreditor Agreement);

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Issuer or any Subsidiary of the Successor Issuer as a result of such transaction as having been Incurred by the Successor Issuer or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing; and

(3) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Issuer (in each case, reasonably satisfactory to the Trustee), provided that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact, including as to satisfaction of clauses (1) and (2) above.

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 Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under such Indenture or the Notes.

Notwithstanding the preceding clauses (2) and (3) and the provisions described below under "*—The Company*" and "*—Subsidiary Guarantors*" (which do not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary of the Company may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer, (b) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary and (c) the Company and its Restricted Subsidiaries may undertake the Transactions. Notwithstanding the preceding clauses (2) and (3) (which do not apply to the transactions referred to in this sentence), 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 covenant) will not apply to the creation of a new subsidiary of the Issuer that becomes a parent of one or more of the Issuer's Subsidiaries.

The Issuer shall remain a Wholly-Owned Subsidiary of the Company.

*The Company*

The Company will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "Successor Company") will be a Person organized and existing under the laws of any member state of the European Union or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Company (if not the Company) will expressly assume (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Company under the Indenture and the Parent Guarantee and (b) all obligations of the Company under the Security Documents (and, to the extent required by the Intercreditor Agreement, the Intercreditor Agreement);

(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 effect to such transaction, either (a) the Successor Company would be able to Incur at least an additional CHF 1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Consolidated Net Leverage Ratio of the Company and its Restricted Subsidiaries would not be greater than it was immediately prior to giving effect to such transaction; and

(4) the Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, reasonably satisfactory to the Trustee), provided that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact, including as to satisfaction of clauses (2) and (3) above.

Any Indebtedness that becomes an obligation of the Company or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*—Limitation on Indebtedness*."

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 Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

Notwithstanding the preceding clauses (2) and (3) and the provisions described above under "*—The Issuer*" and below under "*—Subsidiary Guarantors*" (which do not apply to transactions referred to in this sentence) and, other than with respect to the second preceding paragraph, clause (4) of the paragraph described under "*—The Company*" in this covenant, (a) any Restricted Subsidiary of the Company may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Company, (b) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary and (c) the Company and its Restricted Subsidiaries may undertake the Transactions. Notwithstanding the preceding clauses (2), (3) and (4) (which do not apply to the transactions referred to in this sentence), the Company may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Company, reincorporating the Company in another jurisdiction, or changing the legal form of the Company.

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 covenant) will not apply to the creation of a new subsidiary as a Restricted Subsidiary of the Company.

*Subsidiary Guarantors*

No Subsidiary Guarantor may:

(1) consolidate with or merge with or into any Person;

(2) sell, convey, transfer or 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 such Guarantor, unless

- (A) the other Person is the Company or any Restricted Subsidiary that is Guarantor or becomes a Guarantor concurrently with the transaction); or
- (B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Notes Guarantee and the Security Documents (and, to the extent required by the Intercreditor Agreement, the Intercreditor Agreement); and
  - (2) immediately after giving effect to the transaction, no Default has occurred and is continuing; or
- (C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (in each case other than to the Company or a Restricted Subsidiary)) otherwise permitted by the Indenture.

Notwithstanding the preceding clause (3)(B)(2) and the provisions described above under "*—The Issuer*" and "*—The Company*" (which do 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 Subsidiary Guarantor, (b) any Subsidiary Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Subsidiary Guarantor and (c) the Subsidiary Guarantors may undertake the Transactions. Notwithstanding the preceding clause (3)(B)(2) (which does not apply to the transactions referred to in this sentence), a Subsidiary 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 Subsidiary Guarantor reincorporating the Subsidiary Guarantor in another jurisdiction, or changing the legal form of the Subsidiary Guarantor.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

***Suspension of Covenants on Achievement of Investment Grade Status***

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until the Reversion Date, the provisions of the Indenture summarized under the following captions will not apply to such Notes: "*—Limitation on Restricted Payments*," "*—Limitation on Indebtedness*," "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*," "*—Limitation on Affiliate Transactions*," "*—Limitation on Sales of Assets and Subsidiary Stock*," "*—Additional Guarantees*" and the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation—The Company*," and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Company and its 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 Company properly taken during the continuance of the Suspension Event, and the "*—Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Company'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*."

***Limited Condition Acquisition and Irrevocable Repayment***

In connection with any action being taken in connection with a Limited Condition Acquisition or Irrevocable Repayment, for purposes of determining compliance with any provision of the Indenture which requires that no Default or Event of Default, as applicable, has occurred, is continuing or would result from any such action, as applicable, such condition shall, at the option of the Issuer, be deemed satisfied, so long as no Default or Event of Default, as applicable, exists on the date the definitive agreements for such Limited Condition Acquisition or Irrevocable Repayment are entered into after giving *pro forma* effect to the applicable Limited Condition Acquisition or Irrevocable Repayment. For the avoidance of doubt, if the Issuer has exercised its option under the first sentence of this paragraph, and any Default or Event of Default occurs following the date the definitive agreements for the applicable Limited Condition Acquisition or Irrevocable Repayment were entered into and prior to the consummation of such Limited Condition Acquisition or Irrevocable Repayment, any such Default or Event of Default shall be deemed not to have occurred or be continuing for purposes of determining whether any action being taken in connection with such Limited Condition Acquisition or Irrevocable Repayment is permitted hereunder.

In connection with any action being taken in connection with a Limited Condition Acquisition or Irrevocable Repayment for purposes of:

(1) determining compliance with any provision of the Indenture which requires the calculation of a ratio; or

(2) testing baskets set forth in the Indenture;

in each case, at the option of the Issuer (the Issuer's election to exercise such option in connection with any Limited Condition Acquisition or Irrevocable Payment, an "LCA Election"), the date of determination of whether any such action is permitted hereunder, may be deemed to be the date the definitive agreements for such Limited Condition Acquisition or Irrevocable Repayment are entered into (the "LCA Test Date"). If, after giving *pro forma* effect to the Limited Condition Acquisition or Irrevocable Repayment and the other transaction to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they had occurred at the beginning of the most recent four consecutive fiscal quarters ending prior to the LCA Test Date for which consolidated financial statements of the Company are available, the Issuer could have taken such action on the relevant LCA Test Date in compliance with such ratio or basket, such ratio or basket shall be deemed to have been complied with.

If the Issuer has made an LCA Election, then in connection with any subsequent calculation of any ratio or basket availability with respect to the Incurrence of Indebtedness or Liens, or the making of Asset Dispositions, mergers, the conveyance, lease or other transfer of all or substantially all of the assets of the Issuer or the designation of an Unrestricted Subsidiary on or following the relevant LCA Test Date and prior to the earlier of the date on which such Limited Condition Acquisition or Irrevocable Repayment is consummated or the definitive agreement for such Limited Condition Acquisition or Irrevocable Repayment is terminated or expires without consummation of such Limited Condition Acquisition or Irrevocable Repayment, any such ratio or basket shall be calculated on a *pro forma* basis assuming such Limited Condition Acquisition or Irrevocable Repayment and other transactions in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) have been consummated. If the Issuer has made an LCA Election and any of the ratios or baskets for which compliance was determined or tested as of the LCA Test Date are exceeded as a result of fluctuations in any such ratio or basket, including due to fluctuations in Consolidated EBITDA of the Company or the Person subject to such Limited Condition Acquisition or Irrevocable Repayment, at or prior to the consummation of the relevant transaction or action, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations.

The foregoing provisions described under "*—Limited Condition Acquisition and Irrevocable Repayment*" shall not be applied to any determination as to whether a Specified Change of Control Event has occurred.

### *Additional Guarantees*

The Company will not cause or permit any of its Restricted Subsidiaries that are not Guarantors, directly or indirectly, to Guarantee any Indebtedness under the Revolving Credit Facility (or other Indebtedness that is Incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*") or Public Debt and any refinancing thereof in whole or in part unless such Restricted Subsidiary becomes a Guarantor on the date on which such other Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Notes Guarantee, which Notes Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness.

A Restricted Subsidiary that is not a Guarantor may become a Guarantor if it executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Notes Guarantee.

Concurrently with the provision of any additional Notes Guarantees as described above, subject to the Intercreditor Agreement and any Additional Intercreditor Agreement (if such security is being granted in respect of the other Indebtedness), and subject to the Agreed Security Principles, any such Guarantor will provide security over certain of its material assets (excluding any assets of such Guarantor which are subject to a Permitted Lien at the time of the execution of such supplemental indenture if providing such security interest would not be permitted by the terms of such Permitted Lien or by the terms of any obligations secured by such Permitted Lien) to secure its Notes Guarantee on a first priority basis consistent with the Collateral.

Each additional Notes 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 Company shall not be obligated to cause such Restricted Subsidiary to Guarantee the Notes to the extent and for so long as the Incurrence of such Notes 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 Notes 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 Company or a Restricted Subsidiary; or (4) an inconsistency with the Intercreditor Agreement.

***Impairment of Security Interest***

The Company 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 Collateral (it being understood that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Company shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents, any Lien over any of the Collateral that is prohibited by the covenant entitled "*—Limitation on Liens*"; *provided*, that the Company and its Restricted Subsidiaries may Incur Permitted Collateral Liens and the Collateral may be discharged, transferred or released in accordance with the Indenture, the Intercreditor Agreement or the applicable Security Documents.

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) add to the Collateral; or (iv) make any other change thereto that does not adversely affect the Holders in any material respect; *provided, however*, that, except where permitted by the Indenture or the Intercreditor Agreement, no Security Document 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), unless contemporaneously with such amendment, extension, renewal, restatement, supplement or modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Company delivers to the Security Agent and the Trustee, either (1) a solvency opinion, reasonably satisfactory to the Security Agent and the Trustee, from an independent financial advisor or appraiser or investment bank of international standing which confirms the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), (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 Liens 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), reasonably satisfactory to the Security Agent and the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), the Lien or Liens created under the Security Document, so amended, extended, renewed, restated, supplemented, modified or released and replaced are valid and perfected 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 and to which the new Indebtedness secured by the Permitted Collateral Lien is not subject.

In the event that the Company and its Restricted Subsidiaries comply with the requirements of this covenant, the Trustee and the Security Agent will (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

***Events of Default***

Each of the following is an Event of Default under the Indenture:

(1) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Company or any of its Restricted Subsidiaries to comply for 60 days after written notice by the Trustee on behalf of the Holders or by the Holders of 30% in aggregate principal amount of the outstanding Notes with its other agreements contained in the Indenture;

(4) 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 Company or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Company or any of its Restricted Subsidiaries) other than Indebtedness owed to the Company or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the date hereof, which default:

   (a) is caused by a failure to pay principal at Stated Maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("*payment default provision*"); or

   (b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross acceleration provision*");

   and, in each case, the aggregate principal amount of any such Indebtedness, together with the aggregate 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 CHF 30 million or more;

(5) certain events of bankruptcy, insolvency or court protection of the Company, the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "*bankruptcy provisions*");

(6) failure by the Company, the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of CHF 30 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*");

(7) any security interest under the Security Documents on any Collateral having a fair market value in excess of CHF 20.0 million 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 and the Indenture) for any reason other than the satisfaction in full of all obligations under the Indenture or the release or amendment of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement or such Security Document or any such security interest created thereunder shall be declared invalid or unenforceable or the Company or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days (the "*security default provision*"); and

(8) any Notes Guarantee of the Company or a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Notes Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Notes Guarantee and any such Default continues for 10 days (the "*guarantee provision*").

However, a default under clauses (3), (4) or (6) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 30% in aggregate principal amount of the outstanding Notes notify the Company of the default and, with respect to clauses (3), (4) and (6), the Company does not cure such default within the time specified in clauses (3), (4) or (6), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Company or the Holders of at least 30% in aggregate principal amount of the outstanding Notes by written notice to the Company and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest, including Additional Amounts, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) under "*Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest, including Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

The Holders of a majority in aggregate principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium or interest, or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee, and the Trustee has received, indemnity and/or security (including by way of pre-funding) satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) Holders of at least 30% in aggregate principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;

(3) such Holders have offered to the Trustee, and the Trustee has received, security and/or indemnity (including by way of pre-funding) satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the written request and the offer of security and/or indemnity; and

(5) the Holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in aggregate principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security (including by way of pre-funding) satisfactory to it against all losses and expenses caused by taking or not taking such action.

The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Company, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Company. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the Holders. The Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Company is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Company is taking or proposes to take in respect thereof.

The Notes provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity and/or security (including by way of pre-funding) satisfactory to it, and it will be for Holders to take action directly.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and subject to the Intercreditor Agreement and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

**Amendments and Waivers**

Subject to certain exceptions, the Note Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in aggregate principal amount of the 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 aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes); *provided* that, if any amendment, waiver or other modification will only affect one series of the Notes, only the consent of a majority in principal amount of the then outstanding Notes of such series shall be required.

However, without the consent of Holders holding not less than 90% (or, in the case of clause (8), 75%) of the then outstanding aggregate principal amount of Notes affected, or if any amendment, waiver or other modification will only amend, waive or modify one series of the Notes, without the consent of Holders holding not less than 90% (or, in the case of clause (8), 75%) of the then outstanding aggregate principal amount of Notes of such series amended, waived or modified, an amendment or waiver may not, with respect to any such series of the Notes held by a non-consenting Holder:

(1) reduce the principal amount of such Notes whose Holders must consent to an amendment;

(2) reduce the stated rate of or extend the stated time for payment of interest on any such Note;

(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*";

(5) make any such Note payable in money other than that stated in such Note;

(6) impair the right of any Holder to receive payment of principal of and interest on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes;

(7) make any change in the provision of the Indenture described under "—*Withholding Taxes*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release (i) the security interest granted for the benefit of the Holders in the Collateral or (ii) any Notes Guarantee, in each case, other than pursuant to the terms of the Security Document or the Indenture, as applicable, except as permitted by the Intercreditor Agreement;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration); or

(10) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Company, the Trustee and the other parties thereto, as applicable, may amend or supplement any Note Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency, conform any provision of any Note Document to this "*Description of the Notes,*" or reduce the minimum denomination of the Notes;

(2) provide for the assumption by a successor Person of the obligations of the Company, the Issuer or any Guarantor under any Note Document;

(3) provide for uncertificated Notes in addition to or in place of certificated Notes (provided that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 4701(b)(1)(B) of the Code);

(4) add to the covenants or provide for a Notes Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Company or any Restricted Subsidiary;

(5) make any change that does not adversely affect the rights of any Holder in any material respect;

(6) make such provisions as necessary (as determined in good faith by the Company) for the issuance of Additional Notes;

(7) to provide for any Restricted Subsidiary to provide a Notes Guarantee in accordance with the Covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and "*—Certain Covenants—Additional Guarantees*," to add Notes Guarantees, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Notes Guarantee or Lien (including the Collateral and the Security Documents) with respect to or securing the Notes when such release, termination, discharge or retaking is provided for under the Indenture, the Intercreditor Agreement or the Security Documents;

(8) to evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee pursuant to the requirements thereof or to provide for the accession by the Trustee to any Note Document; or

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of parties to the Revolving Credit Facility, in any property which is required by the Revolving Credit Facility (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture and the covenant described under "*—Certain Covenants—Impairment of Security Interest*" is complied with.

In formulating its decisions on such matters, the Trustee shall be entitled to rely on such evidence as it deems appropriate including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Note Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

**Acts by Holders**

In determining whether the Holders of the required aggregate principal amount of the Notes have concurred in any direction, waiver or consent, any Notes owned by the Company or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Company will be disregarded and deemed not to be outstanding.

**Defeasance**

The Issuer at any time may terminate all its and each Guarantor's obligations under the Notes and the Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registrations 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 in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantor's obligations under the covenants described under "*—Certain Covenants*" (other than with respect to clauses (1) and (2) of each of the covenants described under "*—Certain Covenants—Merger and Consolidation—The Issuer*," "*—Certain Covenants—Merger and Consolidation—The Company*" and "*—Certain Covenants—Merger and Consolidation—Subsidiary Guarantors*") and "*—Change of Control*" and the default provisions relating to such covenants described under "*—Events of Default*" above, the operation of the cross acceleration provision, the payment default provision, the bankruptcy provisions with respect to the Company, the Issuer and its Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*—Events of Default*" above ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to the Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of each of the covenants described under "*—Certain Covenants—Merger and Consolidation—The Issuer*," "*—Certain Covenants—Merger and Consolidation—The Company*" and "*—Certain Covenants—Merger and Consolidation—Subsidiary Guarantors*"), (4), (5) (with respect only to the Company, the Issuer and Significant Subsidiaries), (6), (7) or (8) under "*—Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "defeasance trust") with the Trustee (or such entity designated by the Trustee for this purpose) cash in euros or euro-denominated European Government Obligations or a combination thereof or a combination thereof for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that Holders of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law since the issuance of the Notes);

(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 and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(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; and

(5) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

**Satisfaction and Discharge**

The Indenture, and the rights of the Trustee and the Holders under the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Company) have been delivered to the Trustee for cancellation; or (b) all Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or such entity designated by the Trustee for this purpose), euros or euro-denominated European Government Obligations or a combination thereof, as applicable in an amount sufficient to pay and discharge the entire indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions under the Indenture to apply the deposited money towards payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "—*Satisfaction and Discharge*" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, provided that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

**No Personal Liability of Directors, Officers, Employees and Shareholders**

No director, officer, employee, incorporator or shareholder of the Company or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Company under the Note 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.

**Concerning the Trustee and Certain Agents**

Deutsche Trustee Company Limited is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in such Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Company and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Company and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Company may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, taxes and expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture.

**Notices**

All notices to Holders of Notes will be validly given if mailed to them at their respective addresses in the register of the Holders of the Notes, if any, maintained by the Registrar. In addition, for so long as any of the Notes are listed on the Official List of the Exchange and the rules of the Exchange shall so require, notices with respect to the Notes will be notified to the Exchange. In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes will be delivered to Euroclear and Clearstream, each of which will give such notices to the holders of Book-Entry Interests.

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.

**Prescription**

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes will be prescribed five years after the applicable due date for payment thereof. Claims against the Issuer for the payment of interest on the Notes will be prescribed three years after the applicable due date for payment of interest.

**Currency Indemnity and Calculation of CHF-Denominated Restrictions**

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Notes and the relevant Notes Guarantees, as the case may be, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount, which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Notes Guarantee or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any CHF-denominated restriction herein, the CHF Equivalent amount for purposes hereof that is denominated in a non-CHF currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-CHF amount is Incurred or made, as the case may be.

**Enforceability of Judgments**

Since substantially all the assets of the Company are held by Subsidiaries 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, if any, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes or the Notes Guarantees, may not be collectable within the United States. In addition, judgments obtained in the United States may not be enforceable in Switzerland and other countries.

**Consent to Jurisdiction and Service**

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes and the Notes Guarantees, the Issuer and each Guarantor will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

### Governing Law

The Indenture and the Notes, including any Notes Guarantees, and the rights and duties of the parties thereunder will be governed by and construed in accordance with the laws of the State of New York.

### Certain Definitions

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary of the Company or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Company 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) used or to be used by the Company, a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in Similar Business or to replace any property or assets that are the subject of such 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 Company or a Restricted Subsidiary of the Company; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Company.

"*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 the Agreed Security Principles as set out in an annex to the Revolving Credit Facility as in effect on the Issue Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Company.

"*Applicable Premium*" means the greater of (A) 1% of the principal amount of such Note and (B):

with respect to any Note on any redemption date, the excess (to the extent positive) of:

(1) the present value at such redemption date of (i) the redemption price of such Note at , 2022 (such redemption price (expressed in percentage of principal amount) being set forth in the table under "—*Optional Redemption*" (excluding accrued but unpaid interest)), plus (ii) all required interest payments due on such Note to and including , 2022 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the applicable Bund Rate at such redemption date plus 50 basis points; over

(2) the outstanding principal amount of such Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium is not an obligation of the Trustee, the Paying Agent, the Registrar or the Transfer Agent.

"*Asset Disposition*" means 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 Company or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory, consumer equipment, trading stock, communications capacity or other assets in the ordinary course of business;

(4) a disposition of obsolete, surplus or worn out equipment or other assets or equipment or other assets that are no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries;

(5) transactions permitted under "*—Certain Covenants—Merger and Consolidation—The Company*" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Company 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 Company;

(7) any dispositions 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 Company) of less than CHF 54.0 million or, if greater, 11.9% of Consolidated EBITDA;

(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*" and the making of any Permitted Payment or Permitted Investment or, solely for purposes of clause (3) of the first paragraph under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*," asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(9) dispositions in connection with Permitted Liens;

(10) dispositions 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 sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or 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 and for credit management purposes) 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) any disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(15) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Company 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;

(16) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(17) any disposition 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 Company or any Restricted Subsidiary to such Person; *provided*, *however*, that the Board of Directors of the Company shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to the Company and its 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 (17), does not exceed CHF 50.0 million or, if greater, 2.0% of Total Assets;

(18) any disposition with respect to property built, owned or otherwise acquired by the Company or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture; and

(19) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business.

"*Associate*" means (i) any Person engaged in a Similar Business of which the Company or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Company or any Restricted Subsidiary of the Company.

"*Board of Directors*" means (1) with respect to the Company 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. For the purposes of the definition of Change of Control only, Board of Directors of the Company shall mean the Company's supervisory board or its managing board. Whenever any provision requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

"*Bund Rate*" means, with respect to any redemption date, the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (Bunds or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to , 2022; *provided*, *however*, that if the period from the redemption date to , 2022, is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to , 2022, is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Zurich, Switzerland, Luxembourg, London, United Kingdom, or New York, United States are authorized or required by law to close; *provided*, *however*, that for any payments to be made under the Indenture, such day shall also be a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer ("TARGET") payment system is open for the settlement of payments.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, 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 represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of 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.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a Permissible Jurisdiction, Switzerland or Norway or, 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 any lender or by any 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 the 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 province of Canada, any Permissible Jurisdiction, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above;

(9) for purposes of clause (2) of the definition of "Asset Disposition," the marketable securities portfolio owned by the Company and its Subsidiaries on the Issue Date; and

(10) other instruments customarily utilized for high quality investments that can be readily monetized without material risk of loss in the good faith judgment of a responsible financial or accounting officer of the Company or any of its Restricted Subsidiaries.

"*Change of Control*" means:

(1) the Company becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company, provided that for the purposes of this clause, (x) no Change of Control shall be deemed to occur by reason of the Company becoming a Subsidiary of a Successor Parent and (y) any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) shall not be included in any Voting Stock of which any such person or group is the "beneficial owner" (as so defined), unless that person or group is not an affiliate of a Permitted Holder and has greater voting power with respect to that Voting Stock;

(2) following the Initial Public Offering of the Company or any Parent, during any period of two consecutive years, individuals who at the beginning of such period constituted the majority of the directors (excluding any employee representatives, if any) on the Board of Directors of the Company or any Parent (together with any new directors whose election by the majority of such directors on the Board of Directors of the Company or any Parent or whose nomination for election by shareholders of the Company or any Parent, as applicable, was approved by a vote of the majority of such directors on the Board of Directors of the Company or any Parent then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) ceased for any reason to constitute the majority of the directors (excluding any employee representatives, if any) on the Board of Directors of the Company or any Parent, then in office; or

(3) the 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 Company and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders;

*provided that*, in each case, a Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event.

"*CHF Equivalent*" means, with respect to any monetary amount in a currency other than CHF, at any time of determination thereof by the Company or the Trustee, the amount of CHF obtained by converting such currency other than CHF involved in such computation into CHF at the spot rate for the purchase of CHF with the applicable currency other than CHF 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 Company) on the date of such determination.

"*Clearstream*" means Clearstream Banking, a *société anonyme* as currently in effect or any successor securities clearing agency.

"*Code*" means the United States Internal Revenue Code of 1986, as amended.

"*Commodity Hedging Agreements*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"*Consolidated EBITDA*" for any period means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense and Receivables Fees;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization or impairment expense;

(5) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including one-time amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made in connection with such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (in each case whether or not successful) in each case, as determined in good faith by an Officer of the Company;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period;

(7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*" and any brand or management fees or charges paid or to be paid to France Telecom SA (now Orange SA) and/or its Affiliates; 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 items classified by the Company as extraordinary, exceptional, unusual or nonrecurring items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period).

Notwithstanding the foregoing, the provision for taxes and the depreciation, amortization, non-cash items, charges and write-downs of a Restricted Subsidiary shall be added to Consolidated Net Income to compute Consolidated EBITDA only to the extent (and in the same proportion, including by reason of minority interests) that the net income (loss) of such Restricted Subsidiary was included in calculating Consolidated Net Income for the purposes of this definition.

"*Consolidated Income Taxes*" means taxes or other payments, including deferred Taxes, based on income, profits or capital (including without limitation withholding taxes) and franchise taxes of any of the Company and its 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 Company and its Restricted Subsidiaries, whether paid or accrued, including any pension liability interest cost, 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, debt issuance cost and premium;

(3) non-cash interest expense;

(4) commissions, discounts and other fees and charges owed with respect to financings not included in clause (2) above;

(5) costs associated with Hedging Obligations;

(6) dividends on other distributions in respect of all Disqualified Stock of the Company and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Company or a subsidiary of the Company;

(7) the consolidated interest expense that was capitalized during such period; and

(8) interest actually paid by the Company or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Company and its 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 Company'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 Company or a Restricted Subsidiary as a dividend or other distribution or return on investment or could have been distributed, as reasonably determined by an Officer of the Company (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 (other than Guarantors) 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 Company or a Guarantor 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 or the Indenture, and (c) restrictions specified in clause (11)(i) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*," except that the Company'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 actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company 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 or other disposition of any asset or disposed operations of the Company or any Restricted Subsidiaries (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 or the Board of Directors of the Company);

(4) any extraordinary, exceptional, unusual or nonrecurring gain, loss, expense or charge (including for the avoidance of doubt, (i) in respect of any rebranding of the business (or any part thereof), acquisition costs, disposition costs, business optimization costs, information technology implementation or development costs; (ii) any separation of the business from the seller and/or its Affiliates (including any working capital impact); (iii) any spectrum related or similar fees; and/or (iv) any tax referable to any payments, dividends or other distributions made or declared intra-group) or any charges or reserves in respect of any restructuring, relocation, refinancing, redundancy or severance expense or other similar post-employment arrangements, signing, retention or completion bonuses, or other costs related to the Transactions, in each case, as determined in good faith by the Company;

(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 any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction 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 Company or any Restricted Subsidiary owing to the Company or any Restricted Subsidiary;

(11) any purchase accounting effects including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenues in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Company and the Restricted Subsidiaries), as a result of any consummated acquisition or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);

(12) any goodwill or other intangible asset impairment charge, amortization or write-off;

(13) Consolidated Income Taxes to the extent in excess of cash payments made in respect of such Consolidated Income Taxes; and

(14) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"*Consolidated Net Leverage*" means the sum, without duplication of, (i) the aggregate outstanding Indebtedness of the Company and its Restricted Subsidiaries (excluding Hedging Obligations) on a consolidated basis less (ii) cash and Cash Equivalents of the Company and its 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 Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available; *provided*, *however*, that for the purposes of calculating Consolidated EBITDA for such period, if, as of such date of determination:

(1) since the beginning of such period the Company or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a "Sale") or if the transaction giving rise to the need to calculate the Consolidated Net Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

(2) since the beginning of such period, the Company 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 (any such Investment or acquisition, a "Purchase"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Purchase occurred on the first day of such period;

(3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Company 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 Company or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period; and

(4) since the beginning of such period, a transfer of shares of, or other transaction has occurred or is contractually committed with respect to, the Company or any Restricted Subsidiary, that constitutes an event that is contemplated by the definition of "*Specified Change of Control Event*" (any such transaction, a "Specified Change of Control Transaction"), and solely for the purposes of making the determination pursuant to the definition of "*Specified Change of Control Event*," Consolidated EBITDA for such period shall be calculated after giving *pro forma* effect thereto (including any cost savings and synergies that can reasonably expected to be obtained from cooperation and other arrangements associated with the Specified Change of Control Transaction) as if such Specified Change of Control Transaction (including such cost savings and synergies associated with the Specified Change of Control Transaction) had occurred on the first day of such period; *provided* that any determination made pursuant to the definition of "*Consolidated Net Leverage Ratio*" shall also give effect to any payments required under the relevant acquisition or similar business combination agreement with respect to such Specified Change of Control Transaction.

For the purposes of the definitions of Consolidated EBITDA, calculations will be determined in accordance with the terms set forth above.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense and Consolidated Net Income, (a) whenever *pro forma* effect is to be given to any transaction or calculation, the *pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of the Company (including without limitation in respect of anticipated expense and cost reductions) including, without limitation, as a result of, or that would result from any actions taken, committed to be taken or with respect to which substantial steps have been taken, including, without limitation, in connection with any cost reduction synergies or cost savings plan or program or in connection with any transaction, investment, acquisition, disposition, restructuring, corporate reorganization or otherwise (regardless of whether these cost reduction synergies and cost savings could then be reflected in *pro forma* financial statements to the extent prepared), and (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*; provided*, however, that *pro forma* effect shall not be given to (i) any Indebtedness incurred on the date of the *pro forma* calculations pursuant to the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (ii) the discharge on the date of the *pro forma* calculations of any Indebtedness to the extent that such Indebtedness was Incurred pursuant to the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*".

"*Consolidated Secured Net Leverage Ratio*" means the Consolidated Net Leverage Ratio, but calculated by excluding all Indebtedness other than Secured Indebtedness.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("primary obligations") of any other Person (the "primary obligor"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facility*" means, with respect to the Company or any of its Subsidiaries, one or more debt facilities, indentures or other arrangements (including the Revolving Credit Facility or commercial paper facilities and overdraft facilities) with banks, other financial institutions or investors providing for revolving credit loans, term loans, notes, 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), 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 other banks or institutions and whether provided under the original Revolving Credit Facility or one or more other 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 Company 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, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after notice or 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 Company) of non-cash consideration received by the Company or one of its Restricted Subsidiaries 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 Company or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees to the extent funded by the Company or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Company 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 Company 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 Company shall be deemed not to have such a financial interest by reason of such member's holding Capital Stock of the Company 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 Company 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 Company 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 (x) a sale of Capital Stock of the Company (other than Disqualified Stock) other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions, or (y) the sale of Capital Stock or other securities, the proceeds of which are contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of, or as Subordinated Shareholder Funding to, the Company or any of its Restricted Subsidiaries.

"*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 single currency of the participating member states of the economic and monetary union as contemplated in the Treaty on European Union, and, to the extent such currency ceases to exist, an equivalent amount of Swiss francs as mandated by the Swiss Central Bank with respect to the Notes.

"*Euroclear*" means Euroclear Bank SA/NV, or any successor securities clearing agency.

"*European Government Obligations*" means any security that is (1) a direct obligation of Belgium, the Netherlands, France, Germany or any Permissible Jurisdiction, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"*European Union*" means all members of the European Union as of January 1, 2004.

"*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 Company as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company after April 23, 2015 or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Company.

"*fair market value*" may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Company setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Governmental Authority*" means any nation, sovereign or government, any state, province, territory or other political subdivision thereof, and any entity or authority exercising executive, legislative, judicial, regulatory, self-regulatory or administrative functions of or pertaining to government, including a central bank or stock exchange.

"*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. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantor*" means the Company and any Restricted Subsidiary that Guarantees the Notes.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement (each, a "Hedging Agreement").

"*Holder*" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Clearstream and Euroclear.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) ("IFRS") endorsed from time to time by the European Union or any variation thereof with which the Company or its Restricted Subsidiaries are, or may be, required to comply; *provided* that at any date after the Issue Date the Company may make an irrevocable election to establish that "IFRS" shall mean IFRS as in effect on a date that is on or prior to the date of such election.

"*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 such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred," "Incurring" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have 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 property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, 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 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 Company) 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 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 Subordinated Shareholder Funding or any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on April 23, 2015, any asset retirement obligations, any prepayments of deposits received from clients or customers in the ordinary course of business, or obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to April 23, 2015 or in the ordinary course of business. For the avoidance of doubt and notwithstanding the above, the term "Indebtedness" excludes any accrued expenses, trade payables and amounts payable in respect of Operating IRUs.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) 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:

(1) Contingent Obligations Incurred in the ordinary course of business and obligations under or in respect of Qualified Receivables Financings;

(2) in connection with the purchase by the Company 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; or

(3) 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.

"*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 Company.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Company or any Parent or any successor of the Company or any Parent (the "IPO Entity") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the Intercreditor Agreement dated January 30, 2012, among, *inter alios*, the lenders and agent under the Revolving Credit Facility as well as certain hedging counterparties, as amended on February 3, 2012, February 21, 2012, September 11, 2012, February 23, 2015, and as amended and restated on the April 23, 2015, and as further amended from time to time, and to which the Trustee will accede on the Issue Date.

"*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 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 Company 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 Company or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time.

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*":

(1) "Investment" will include the portion (proportionate to the Company'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 of the Company 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 Company will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Company's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by the Board of Directors of the Company 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, in each case as determined in good faith by the Board of Directors of the Company.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Company's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully Guaranteed or insured by a Permissible Jurisdiction or Switzerland, Norway or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "A-" or higher from S&P or "A3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization, but excluding any debt securities or instruments constituting loans or advances among the Company and its Subsidiaries; and

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

"*Investment Grade Status*" shall occur when the Notes receive a rating of "BBB-" or higher from S&P and an equivalent of such rating by another Nationally Recognized Statistical Rating Organization or, if no rating of S&P then exists, the equivalent of such rating by any two other Nationally Recognized Statistical Rating Organizations.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Irrevocable Repayment*" means any repayment, repurchase or refinancing of Indebtedness with respect to which an irrevocable notice of repayment (or similar irrevocable notice) has been delivered.

"*Issue Date*" means , 2017.

"*Lien* "means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Limited Condition Acquisition*" means any acquisition, including by way of merger, amalgamation or consolidation, by the Company or one or more of its Restricted Subsidiaries whose consummation is not conditioned upon the availability of, or on obtaining, third party financing.

"*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 Company 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 Company, its Subsidiaries or any Parent with (in the case of this sub-clause (b)) the approval of the Board of Directors of the Company;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) not exceeding CHF 10 million in the aggregate outstanding at any time.

"*Management Investors*" means the officers, directors, employees and other members of the management of or consultants to any Parent, the Company or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company, any Restricted Subsidiary or any Parent.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*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*" means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under 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 by its terms or by applicable law are required to 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 Company 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 any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds*," with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, 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).

"*NJJ*" means the private holding company of the Principal and any of its direct or indirect subsidiaries, from time to time.

"*NJJ Acquisition*" means the acquisition of Matterhorn Financing & Cy S.C.A. pursuant to the share purchase agreement, dated as of December 18, 2014, by and among Matterhorn Topco & Cy S.C.A., Matterhorn S.à r.l. and NJJ Capital SAS.

"*Note Documents*" means the Notes (including Additional Notes), the Indenture and the Security Documents.

"*Offering Memorandum*" means this offering memorandum in relation to the Notes.

"*Officer*" means, with respect to any Person, (1) the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Managing Director, or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Operating IRU*" means an indefeasible right of use of, or operating lease or payable for lit or unlit fiber optic cable or telecommunications conduit or the use of either thereof for a period constituting all or substantially all of the expected useful life thereof.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

"*Parent*" means any Person of which the Company at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Company 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 the Company and its Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Company and its Subsidiaries;

(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 Company or any of its Restricted Subsidiaries or (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions or the ownership, directly or indirectly, by any Parent;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Company 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 Company, in an amount not to exceed CHF 5.0 million in any fiscal year; and

(7) expenses Incurred by any Parent in connection with any Public Offering or other sale of Capital Stock or Indebtedness:

    (x) where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or a Restricted Subsidiary;

    (y) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

    (z) 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 Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Pari Passu Indebtedness*" means Indebtedness of the Company or any Guarantor if such Indebtedness or Guarantee ranks equally in right of payment to the Notes or the Notes Guarantees, as the case may be, and, in each case, is secured by a Lien on assets of the Company.

"*Paying Agent*" means any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Note on behalf of the Company.

"*Permissible Jurisdiction*" means any member state of the European Union.

"*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 Company or any of its 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 Business*" means the business, operations or activities that are similar in nature to the business, operations or activities that of the Company or any of its Restricted Subsidiaries are engaged in as of the date of the Indenture (without any regard to subsequent amendments of the Indenture) or any other businesses, operations or activities in the broader telecommunications industry; provided that such person has engaged in substantial businesses, operations or activities in the telecommunications industry for at least twelve months prior to the date of the Specified Change of Control Event.

"*Permitted Collateral Liens*" means (w) Liens on the Collateral (i) arising by operation of law that are described in one or more of clauses (3), (4) and (9) of the definition of "Permitted Liens" and that, in each case, would not materially interfere with the ability of the Security Agent to enforce the Liens in the Collateral or (ii) that are Liens in secured accounts equally and ratably granted to cash management banks securing cash management obligations, (x) Liens on the Collateral to secure Indebtedness of the Company or a Restricted Subsidiary that is permitted to be Incurred under clauses (1), (2) (in the case of (2), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (4)(a), (4)(b) (only in respect of the Existing Senior Secured Notes), (4)(c) (in each case, if the original Indebtedness was so secured), (5)(i) (covering only the shares and assets of the acquired Person the Indebtedness of which is so secured), (5)(ii) (but only if after giving effect to such Incurrence on that date, the Consolidated Secured Net Leverage Ratio is either (a) less than 4.5 to 1.0 or (b) not greater than prior to such Incurrence), (6), (11) or (12) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and any Refinancing Indebtedness in respect of such Indebtedness; *provided*, *however*, that (a) such Lien will not give an entitlement to be repaid with proceeds of enforcement of the Collateral in a manner which is inconsistent with the Intercreditor Agreement and any Additional Intercreditor Agreement and (b) notwithstanding the terms of any Intercreditor Agreement or Additional Intercreditor Agreement, no Indebtedness shall be given super priority status, except that in the context of a full refinancing of the Revolving Credit Facility, super priority status may be incurred with respect to a super priority credit facility (limited to an aggregate amount of commitments not to exceed the greater of CHF 160 million and 40.0% of Consolidated EBITDA (measured at the time of commitment of such facility)) and to Hedging Obligations, (y) Liens on the Collateral securing Indebtedness incurred under the first paragraph of "*—Certain Covenants—Limitation on Indebtedness*"; *provided* that, in the case of this clause (y), after giving effect to such incurrence on that date, the Consolidated Secured Net Leverage Ratio is less than 4.5 to 1.0 and (z) Liens on the Collateral that secure Indebtedness on a basis junior to the Notes; *provided* further that, in the case of this clause (z), the holders of such Indebtedness (or their representative) accede to the Intercreditor Agreement or an Additional Intercreditor Agreement.

"*Permitted Holders*" means, collectively, (1) the Principal; (2) any Related Person of the Principal; and (3) any Person who is acting as an underwriter in connection with any public or private offering of Capital Stock of the Company or any parent company of the Company. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by the Company or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Company or (b) a 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 Company or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business;

(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 Company or any Restricted Subsidiary, 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;

(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 (but excluding a Permitted Asset Swap), in each case, that was made in compliance with "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";

(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 in compliance with "*—Certain Covenants—Limitation on Indebtedness*";

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of CHF 100.0 million and 30.0% of Consolidated EBITDA; *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 or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," 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;

(12) 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 CHF 120.0 million and 35.7% of Consolidated EBITDA 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);

(13) 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*";

(14) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock) or Capital Stock of any Parent as consideration;

(15) 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);

(16) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business and in accordance with the Indenture;

(17) guarantees, keepwells and similar arrangements not prohibited by the covenant described under "—*Certain Covenants—Limitation on Indebtedness*"; and

(18) Investments in the Notes.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not the Issuer or a Guarantor securing Indebtedness of any Restricted Subsidiary that is not the Issuer or 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), 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 delinquent 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) Liens in favor of the Company 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 Company or any Restricted Subsidiary in the ordinary course of its 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 Company and its 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 Company and its Restricted Subsidiaries;

(7) Liens on assets or property of the Company or any Restricted Subsidiary securing Hedging Obligations permitted under the Indenture;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award 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 Company or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be

Incurred under the Indenture and (b) any such Lien may not extend to any assets or property of the Company 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 Company and its Restricted Subsidiaries in the ordinary course of business;

(13) Liens existing on the Issue Date, excluding Liens securing the Revolving Credit Facility and the Notes and the Existing Notes;

(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 Company 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 Company 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 Company or any Restricted Subsidiary securing Indebtedness or other obligations of the Company or such Restricted Subsidiary owing to the Company or another Restricted Subsidiary, or Liens in favor of the Company or any Restricted Subsidiary;

(16) Liens (other than Permitted Collateral Liens) securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interests, 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 Company or any Restricted Subsidiary of the Company 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 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 cash accounts securing Indebtedness incurred under clause (11) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" with local financial institutions;

(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) 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, or liens over cash accounts securing cash pooling arrangements;

(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;

(25) Liens Incurred in the ordinary course of business with respect to obligations which do not exceed the greater of CHF 82.0 million and 18.1% of Consolidated EBITDA at any one time outstanding;

(26) Permitted Collateral Liens;

(27) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(28) any security granted over the marketable securities portfolio described in clause (9) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third party;

(29) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing; and

(30) Liens on Indebtedness permitted to be Incurred pursuant to clause (15) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*."

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Principal*" means Xavier Niel.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Market*" means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of CHF 100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

"*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) the Board of Directors of the Company 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 Company 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 Company), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Company) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Company or any of its Restricted Subsidiaries (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.

"*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 Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Company 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 Company 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 Company 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 Company (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Company in which the Company or any Subsidiary of the Company makes an Investment and to which the Company or any Subsidiary of the Company transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Company 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 Company (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 Company or any other Restricted Subsidiary of the Company (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 Company or any other Restricted Subsidiary of the Company, (iii) is recourse to or obligates the Company or any other Restricted Subsidiary of the Company in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Company or any other Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Company nor any other Restricted Subsidiary of the Company has any contract, agreement, arrangement or understanding other than on terms which the Company reasonably believes to be no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company; and

(3) to which neither the Company nor any other Restricted Subsidiary of the Company 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 Company shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*Refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Company or another Restricted Subsidiary) 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); and

(3) except in the case of Refinancing Indebtedness incurred to refinance the Existing Senior Notes, if the Indebtedness being refinanced is expressly subordinated to the Notes or the Notes Guarantees, such Refinancing Indebtedness is subordinated to the Notes or the Notes Guarantees on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

*provided*, *however*, that Refinancing Indebtedness shall not include Indebtedness of the Company or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Related Person*" with respect to any Permitted Holder means:

(1) any controlling equityholder or Subsidiary of such Person; or

(2) in the case of an individual, any spouse, civil union or similar partner, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, civil union or similar partner, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) in the case of the Principal any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"*Related Taxes*" means

(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 imposed on payments made by any Parent), required to be paid (provided such Taxes are in fact paid) by any Parent by virtue of its:

 (a) being organized 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 Company or any of the Company's Subsidiaries);

 (b) issuing or holding Subordinated Shareholder Funding;

 (c) being a holding company parent, directly or indirectly, of the Company or any of the Company's Subsidiaries;

 (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Company or any of the Company's Subsidiaries; or

 (e) having made any payment in respect to any of the items for which the Company 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 Company 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 Company and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Company and its Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Company and its Subsidiaries.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"*Reversion Date*" means, after the Notes have achieved Investment Grade Status, the date, if any, that such Notes shall cease to have such Investment Grade Status.

"*Revolving Credit Facility*" means the super senior revolving credit facility agreement dated February 23, 2015, among Matterhorn Mobile Holdings S.A., certain of the Issuer's Subsidiaries, as borrowers and guarantors, the senior lenders (as named therein), and Société Générale, as facility agent and security agent, as further amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Salt*" means Salt Mobile SA (formerly known as Orange Communications SA) and its successors and assigns.

"*SEC*" means the U.S. Securities and Exchange Commission or any successor thereto.

"*Secured Indebtedness*" means any Indebtedness secured by a Lien on a basis *pari passu* with or senior to the security in favor of the Notes.

"*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 Documents*" means the Intercreditor Agreement and each collateral pledge agreement, security assignment agreement or other document under which collateral is pledged to secure the Notes.

"*Senior Management*" means the officers, directors, and other members of senior management of the Company or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company or any Parent and with an equity investment in excess of CHF 250,000.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Company's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Company's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Company's and its 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 Company and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (a) any businesses, services or activities engaged in by the Company or any of its Subsidiaries or any Associates on the Issue Date, (b) the telecommunications business, 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 in relation thereto and (c) any businesses, services and activities engaged in by the Company or any of its Subsidiaries or any Associates that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Specified Change of Control Event*" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; provided that the Company or substantially all of the assets of the Company and its Restricted Subsidiaries taken together are merged, consolidated, amalgamated, or otherwise combined with, or acquired by, through any legal form or structure of such transaction or combination whatsoever, another person engaged in a Permitted Business; provided further that the Consolidated Net Leverage Ratio of the Company and its Restricted Subsidiaries would have been less than 4.5 to 1.0, after giving *pro forma* effect to such event. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Company or any Subsidiary of the Company which the Company 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 security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes or its Notes Guarantees pursuant to a written agreement.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Company by a Parent in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by a Parent or a Permitted Holder, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Company or any funding meeting the requirements of this definition);

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;

(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 first anniversary of the Stated Maturity of the Notes;

(4) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Subsidiaries; and

(5) pursuant to its terms 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.

"*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 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.

"*Successor Parent*" with respect to any Person means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority.

"*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 or Canada, (ii) any Permissible Jurisdiction, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Company 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 lender under the Revolving Credit Facility;

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above; or

(c) 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 Company or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any Permissible Jurisdiction or Switzerland, Norway 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, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan 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

"A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Total Assets*" means the consolidated total assets of the Company and its Restricted Subsidiaries in accordance with IFRS as shown on the most recent balance sheet of such Person, excluding the effect of any purchase price accounting or adjustments to goodwill as a result of the NJJ Acquisition.

"*Transactions*" means the issuance of the Notes and the application of the net proceeds therefrom, together with cash on balance sheet, to repurchase and/or redeem €400 million of our Existing Euro Senior Secured Floating Rate Notes and to pay fees and the payment or incurrence of any fees, expense or charges associated with any of the foregoing.

"*Trust Indenture Act*" means the Trust Indenture Act of 1939, as amended.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Company that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Company in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Company may designate any Subsidiary of the Company (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 but not including the Issuer) 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 Company or any other Subsidiary of the Company 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 Company in such Subsidiary complies with "*—Certain Covenants—Limitation on Restricted Payments*."

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors of the Company 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 Company 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 Company could Incur at least CHF 1.00 of additional Indebtedness pursuant to the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Consolidated Net Leverage Ratio would not be greater 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 of the Company shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of such Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*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 the Company, all of the Voting 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 the Company or another Wholly Owned Subsidiary) is owned by the Company or another Wholly Owned Subsidiary.

## BOOK-ENTRY; DELIVERY AND FORM

### General

Notes sold within the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "Rule 144A Global Floating Rate Senior Secured Note"). Notes sold to non-U.S. persons outside the United States in reliance on 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 Floating Rate Senior Secured Note").

Notes sold within the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "Rule 144A Global Notes"). Notes sold to non-U.S. persons outside the United States in reliance on 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 Rule 144A Global Notes, the "Global Notes"). On the Issue Date, the Global Notes will be deposited with a common depositary and registered in the name of the nominee of the common depositary for the account of Euroclear and Clearstream.

Ownership of interests in the Rule 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 Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Book-Entry Interests will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in Book-Entry form by Euroclear and Clearstream and their participants. The Book-Entry interests will not be held in definitive form. Instead Euroclear and Clearstream will credit on their Book-Entry transfer and registration systems a participants 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 those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the sole holders of the Global Notes for all purposes under the Indenture. In addition, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

None of the Issuer, the Guarantors, the Trustee, the Paying Agent, the Registrar or the Transfer Agent or any of their respective agents will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

### Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes only in the following circumstances:

(i) if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary or has ceased to be a clearing agency required under the Exchange Act and, in either case, a successor depositary is not appointed by the Issuer within 120 days; or

(ii) the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an Event of Default under the Indenture and enforcement action is being taken in respect thereof under the Indenture.

Euroclear and Clearstream have advised the Issuer that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (ii), their current procedure is to request that the Issuer issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream or the Issuer, as applicable (in accordance with its respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in "*Transfer Restrictions*" and the Indenture, unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Guarantors, the Trustee, the Paying Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. 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 Euroclear and Clearstream.

The Issuer will not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (i) the record date for any payment of interest on the Notes, (ii) any date fixed for redemption of the Notes or (iii) the date fixed for selection of the Notes to be redeemed in part. Moreover, the Issuer is not required to register the transfer or exchange of any Notes selected for redemption or which the holder has tendered (and not withdrawn) for repurchase in connection with a change of control offer or asset sale offer. In the event of the transfer of any Definitive Registered Note, the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents as will be described in the Indenture. The Issuer may require a holder to pay any transfer taxes and fees required by law and permitted by the relevant Indenture and the Notes.

If Definitive Registered Notes are issued and a holder thereof claims that such a Definitive Registered Note has been lost, destroyed or wrongfully taken, or if such Definitive Registered Note is mutilated and is surrendered to the Registrar or at the office of a transfer agent, the Issuer will issue and the Trustee, or an authentication agent, will authenticate a replacement Definitive Registered Note if the Trustee's and such Issuer's requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both to protect themselves, the Trustee or the Paying Agent appointed pursuant to the relevant Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for any expenses incurred by it in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer, in its discretion, may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged only after the transferor first delivers to the relevant Trustee a written certification (in the form provided in the relevant Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Transfer Restrictions*."

**Redemption of the Global Notes**

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global

Note from the amount received by them in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under the existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate, provided, however, that no Book-Entry Interest of less than €100,000 principal amount, as applicable, 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 common depositary or its nominee for Euroclear and Clearstream. Euroclear and Clearstream will distribute such payments to participants in accordance with their customary procedures. The Issuer expects 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 the Indenture, the Issuer, the Trustee, the Paying Agent, the Registrar and the Transfer Agent and their respective agents will treat the registered holders of the Global Notes (e.g., Euroclear or Clearstream (or their respective nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Guarantors, the Trustee, the Paying Agent, the Registrar, the Transfer Agent or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- any other matter relating to the actions and practices of Euroclear, Clearstream or any participant or indirect participant or any participant or indirect participant; or
- the records of the common depositary.

Payments by participants to owners of Book-Entry interests held through participants are the responsibility of such participant.

**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 Notes will be paid to holders of interests in the Notes through Euroclear and/or Clearstream in euro.

**Action by Owners of Book-Entry Interests**

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of a Note (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. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, Euroclear and Clearstream, at the request of the holders of such Notes, reserve the right to exchange the Global Notes for definitive registered Notes in certificated form (the "Definitive Registered Notes"), and to distribute such Definitive Registered Notes to their participants.

**Transfers**

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a holder of a

Note requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states that require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Global Notes will bear a legend to the effect set forth under "*Transfer Restrictions*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer Restrictions*."

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the relevant Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act or any other exemption (if available under the Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the relevant 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 laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Notes—Transfer and Exchange*," and, if required, only if the transferor first delivers to the Trustee or Registrar a written certificate (in the form provided in the relevant Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to the Notes. See "*Transfer Restrictions*."

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.

### Pledges

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a Book-Entry Interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited.

### Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. None of the Issuer, the Guarantors, any of the Initial Purchasers, the Trustee, the Paying Agent, the Registrar, the Transfer Agent or any of their respective agents is responsible for those operations or procedures.

The Issuer understands as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the 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 Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can act only on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive 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 persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

**Special Timing Considerations**

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Notes through Euroclear or Clearstream on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Euroclear and/or Clearstream on the same business day as in the United States. United States investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day, may find that the transactions will not be performed until the next business day in Brussels, if Euroclear is used, or in Luxembourg, if Clearstream is used.

**Global Clearance and Settlement Under the Book-Entry System**

The Notes represented by the Global Notes are expected to be admitted to trading on The International Stock Exchange (formerly The Channel Islands Securities Exchange Authority Limited) (the "**Exchange**"), and listed on the Official List of the Exchange. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Guarantors, the Initial Purchasers, the Trustee, the Paying Agent, the Registrar, the Transfer Agent or any of their respective agents will have any responsibility for the performance by Euroclear, Clearstream or their 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. Book-Entry Interests owned through 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 Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

**Secondary Market Trading**

The Book-Entry Interests will trade through participants of Euroclear and 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.

# TAXATION

*Prospective purchasers of Notes are advised to consult their own tax advisors as to the tax consequences, under the tax laws of the country of which they are resident, of a purchase of Notes including without limitation, the consequences of receipt of interest and premium, if any, on and sale or redemption of Notes or any interest therein.*

## Swiss Tax Considerations

The following statements contain an overview of the Swiss tax implications resulting from the Notes. The following statements are based upon Swiss tax laws and administrative practices as currently in force. Modifications of the applicable legal regulations may necessitate a re-evaluation of the tax consequences. The summary below is not a substitute for legal or tax advice sought by interested parties. Prospective investors should seek advice of their tax advisors to clarify any tax implications resulting from an investment in the Notes.

### *Swiss Income Tax*

*Swiss Resident Private Noteholders*: The Notes will be classified as ordinary Notes in accordance with Circular No 15 issued by the Swiss Federal Tax Administration on 3 October 2017. Therefore, for private noteholders resident in Switzerland who hold the Notes as private assets (*Privatvermögen*), the interest payments are treated as taxable interest and, thus, subject to Swiss federal income and cantonal and municipal income taxes. Capital gains realized on the sale or redemption of the Notes are exempt from Swiss federal income and cantonal and municipal income taxes.

*Business Noteholders*: Swiss residents who hold the Notes as business assets and foreign residents who hold the Notes through a permanent establishment or a fixed place of business (*Geschäftsvermögen*) are in general taxed according to Swiss statutory accounting principles (*Massgeblichkeitsprinzip*) for purposes of Swiss federal income and cantonal and municipal income taxes. Interest payments are in general part of the taxable business profit. Capital gains realized on the sale or redemption of the Notes are part of their taxable business profit subject to Swiss federal income and cantonal and municipal income taxes. This provision also applies to individuals who qualify as so-called professional securities dealers (*gewerbsmässige Wertschriftenhändler*) for tax purposes.

*Non-Swiss Resident Noteholders*: Noteholders who (i) are not resident in Switzerland and (ii) during the taxable year have not engaged in trade or business through a permanent establishment or a fixed place of business within Switzerland and (iii) are not subject to taxation in Switzerland for any other reason, will not be subject to any Swiss federal, cantonal or municipal income or other taxes on income realized on interest payments received or on capital gains resulting from a sale or redemption of the Notes.

### *Swiss Withholding Tax*

Payments of periodic interest in respect of the Notes by the Issuer will not be subject to Swiss withholding tax (*Verrechnungssteuer*), and the Issuer will not be required to withhold tax at such rate from any payments of interest under the Notes, if the proceeds of the Notes are neither directly nor indirectly used in Switzerland by any kind of intragroup financing which would constitute a harmful "use of proceeds in Switzerland" as interpreted by the Swiss Federal Tax Administration for purposes of Swiss Withholding Tax.

### *Swiss Federal Stamp Duty*

The issue of the Notes to their initial holders will not be subject to Swiss federal stamp issuance duty ("*Emissionsabgabe*") or Swiss securities transfer tax ("*Umsatzabgabe*") (primary market). A transfer of the Notes in a secondary market transaction where a bank or another securities dealer in Switzerland or Liechtenstein (as defined in the Swiss Federal Stamp Tax Act) acts as an intermediary or is a party to the transaction may be subject to Swiss securities transfer tax at an aggregate rate of up to 0.3% of the consideration paid for such Notes.

### *Automatic Exchange of Information*

On November 19, 2014, Switzerland signed the Multilateral Competent Authority Agreement (the MCAA). The MCAA is based on article 6 of the OECD/Council of Europe administrative assistance convention and is intended to ensure the uniform implementation of automatic exchange of information (the AEOI). The Federal Act on the International Automatic Exchange of Information in Tax Matters (the AEOI Act) entered into force on January 1, 2017. The AEOI Act is the legal basis for the implementation of the AEOI standard in Switzerland. The new regulations supersedes the obligations under the EU savings agreements for all payments made after January 1, 2017 and it replaces also the agreements that were formerly concluded with particular partner states, i.e. the United Kingdom or Austria.

The AEOI is being introduced in Switzerland through bilateral agreements or multilateral agreements. The agreements have, and will be, concluded on the basis of guaranteed reciprocity, compliance with the principle of specialty (i.e., the information exchanged may only be used to assess and levy taxes (and for criminal tax proceedings)) and adequate data protection.

Based on such multilateral agreements and bilateral agreements and the implementing laws of Switzerland, Switzerland will begin to collect data in respect of financial assets, including, as the case may be, notes, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in a EU member state or in a treaty state from, depending on the effective date of the respective agreement, in 2017 or 2018, as the case may be, and begin to exchange such data in 2018 or 2019, as the case may be. A list of the AEOI agreements of Switzerland in effect or signed and becoming effective can be found on the website of the State Secretariat for International Financial Matters.

## Luxembourg Tax Considerations

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective 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 assessment purposes only. In addition, any reference 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 encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*impôt de solidarité*) as well as personal income tax (*impôt sur le revenu*) generally. Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

### *Taxation of the Holders of the Notes*

#### *Withholding Tax*

Under Luxembourg general tax laws currently in force and subject to certain exceptions (as described below), there is no withholding tax on payments of interest (including accrued but unpaid interest).

In accordance with the law of 25 November 2014, Luxembourg elected out of the withholding tax system in favor of an automatic exchange of information under the Council Directive 2003/48/EC on the taxation of savings income from January 1, 2015. Payments of interest by Luxembourg paying agents to non-resident individual noteholders and to certain residual entities are thus no longer subject to any Luxembourg withholding tax.

In accordance with the law of 23 December 2005, as amended, (the "2005 Law") interest payments made by Luxembourg paying agents to Luxembourg individual residents are subject to a 20% withholding tax. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his or her private wealth. Responsibility for withholding such tax will be assumed by the Luxembourg paying agent.

*Income Taxation*

*Non-resident holders of Notes*

A non-resident holder of Notes, not having a permanent establishment or permanent representative in Luxembourg to which such Notes are attributable, is not subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes. A gain realized by such non-resident holder of Notes on the sale or disposal, in any form whatsoever, of the Notes is further not subject to Luxembourg income tax.

A non-resident corporate holder of Notes or an individual holder of Notes acting in the course of the management of a professional or business undertaking, who has a permanent establishment or a permanent representative in Luxembourg to which such Notes are attributable, is 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, in any form whatsoever, of the Notes.

*Resident holders of Notes*

A resident corporate holder of Notes 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. The same inclusion applies to an individual holder of Notes, acting in the course of the management of a professional or business undertaking.

A resident holder of Notes that is governed by the law of 11 May 2007 on family estate management companies, or by the law of 17 December 2010 on undertakings for collective investment, by the law of 13 February 2007 on specialized investment funds, or by the law of 23 July 2016 on reserved alternative investment funds, is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium or issue discount, nor on gains realized on the sale or disposal, in any form whatsoever, of the Notes.

A resident individual holder of Notes, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts, under the Notes, except if (i) withholding tax has been levied on such payments in accordance with the 2005 Law, or (ii) the individual holder of the Notes has opted for the application of a 20% tax in full discharge of income tax in accordance with the 2005 Law, which applies if a payment of interest has been made or ascribed by a paying agent established in an EU Member State (other than Luxembourg), or in a Member State of the European Economic Area (other than an EU Member State). A gain realized by an individual holder of Notes, 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 or assimilated thereto (e.g., issue discount, redemption premium, etc.) is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the 2005 Law.

*Net Wealth Taxation*

A corporate holder of Notes, whether it is resident of Luxembourg for tax purposes or, if not, if it maintains a permanent establishment or a permanent representative in Luxembourg to which such Notes are attributable, is subject to Luxembourg wealth tax on such Notes, except if the holder of Notes is governed by the law of 11 May 2007 on family estate management companies, or by the law of 17 December 2010 on undertakings for collective investment, or by the law of 13 February 2007 on specialized investment funds, or is a securitization company governed by the law of 22 March 2004 on securitization, or is a capital company governed by the law of 15 June 2004 on venture capital vehicles, as amended, or is a reserved alternative investment fund governed by the law of 23 July 2016.

An individual holder of Notes, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

***Other Taxes***

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Holders as a consequence of the issuance or the transfer of the Notes. However, a fixed registration duty of EUR 12 may be due upon voluntary registration of the Notes in Luxembourg. Should other documents be registered along with the Notes, an ad valorem rate could be applied, depending on the nature of the registered document.

Where a holder of Notes 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.

## Certain U.S. Federal Income Tax Considerations

The following discussion summarizes certain U.S. federal income tax considerations that may be relevant to you if you invest in the Notes and are a U.S. holder. For purposes of this discussion, a "U.S. holder" is a beneficial owner that is, for purposes of U.S. federal income taxation, (i) an individual who is a citizen or resident alien of the United States, (ii) a corporation (or other business entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) a trust (a) that is subject to the control of a U.S. person and the primary supervision of a U.S. court or (b) which has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person, or (iv) an estate, the income of which is subject to U.S. federal income taxation regardless of its source. This summary deals only with U.S. holders that purchase the Notes in their initial issuance and hold the Notes as capital assets. It does not address considerations that may be relevant to you if you are an investor that is subject to special tax rules, such as a bank, thrift, real estate investment trust, regulated investment company, partnership or partner therein, insurance company, dealer in securities or currencies, trader in securities or commodities that elects mark-to-market treatment, person subject to the alternative minimum tax or Medicare tax on net investment income, person that will hold the Notes as a hedge against currency risk or as a position in a "straddle" or conversion transaction, tax-exempt organization, U.S. expatriate or a person whose "functional currency" is not the U.S. dollar.

This summary is based on laws, regulations, rulings and decisions in effect as of the date of this Offering Memorandum, all of which may change. Any change could apply retroactively and could affect the continued validity of this summary.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the Notes, you should consult your tax advisors.

This discussion assumes that the Notes will not be issued with more than a *de minimis* amount of original issue discount for U.S. federal income tax purposes.

You should consult your tax advisors about the tax consequences of holding the Notes, including the relevance to your particular situation of the considerations discussed below, as well as the relevance to your particular situation of state, local or other tax laws.

**Payments or Accruals of Stated Interest**

Subject to the discussion of the foreign currency rules below, stated interest paid on a Note generally will be taxable to you as ordinary income at the time it is received or accrued, depending on your method of accounting for U.S. federal income tax purposes. Accordingly, payments of stated interest, any Additional Amounts, and any tax withheld from such payments on a Note will be taxable to you as ordinary income at the time that such payments are accrued or are received (in accordance with your method of tax accounting).

If you use the cash method of tax accounting and receive a payment of interest in a currency other than U.S. dollars (a "foreign currency"), the amount of interest income you will realize is the U.S. dollar value of the foreign currency payment translated at the spot rate of exchange in effect on the date you receive the payment, regardless of whether you convert the payment into U.S. dollars. If you are an accrual-basis U.S. holder, the amount of interest income you will realize will be based on the average exchange rate in effect during the interest accrual period (or with respect to an interest accrual period that spans two taxable years, at the average exchange rate for the partial period within the taxable year). Alternatively, if you are an accrual-basis U.S. holder, you may elect to translate all interest income on such Notes at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year, in the case of an accrual period that spans more than one taxable year) or on the date that you receive the interest payment if that date is within five business days of the end of the accrual period. If you make this election, you must apply it consistently to all debt instruments from year to year and you cannot change the election without the consent of the IRS. If you use the accrual method of accounting for tax purposes, you will recognize foreign currency gain or loss on the receipt of a foreign currency interest payment if the spot rate of exchange on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. This foreign currency gain or loss will constitute ordinary income or loss and generally will be treated as U.S. source income or loss, but generally will not be treated as an adjustment to interest income received on the Note.

Interest on a Note (including Additional Amounts) generally will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. The rules relating to foreign tax credits and the timing thereof are complex. You should consult your own tax advisors regarding the application of the foreign tax credit rules to your investment in, and disposition of, the Notes.

**Disposition of Notes**

Your adjusted tax basis generally will be the cost at which you acquire such Note. The cost to you of a Note will be the U.S. dollar value of the foreign currency purchase price on the date of purchase calculated at the spot rate of exchange on that date. If the Notes are traded on an established securities market and you are a cash-basis taxpayer (or if you are an accrual-basis taxpayer that makes a special election), you will determine the U.S. dollar value of the cost of the Notes by translating the amount of the foreign currency that you paid for the Notes at the spot rate of exchange on the settlement date of your purchase. If you convert U.S. dollars into a foreign currency and then immediately use that foreign currency to purchase a Note, you generally will not have any taxable gain or loss as a result of the conversion or purchase.

Upon the sale, exchange or retirement of a Note, you generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued but unpaid qualified stated interest, which will be taxable as such) and your tax basis in such Note. If you sell or exchange a Note for a foreign currency, or receive foreign currency on the retirement of a Note, the amount you will realize for U.S. tax purposes generally will be the dollar value of the foreign currency that you receive calculated at the spot rate of exchange on the date the foreign currency Note is disposed of or retired. If you dispose of a Note that is traded on an established securities market and you are a cash-basis U.S. holder (or if you are an accrual-basis holder that makes a special election), you will determine the U.S. dollar value of the amount realized by translating the amount at the spot rate of exchange on the settlement date of the sale, exchange or retirement.

The special election available to you if you are an accrual-basis taxpayer in respect of the purchase and sale of Notes traded on an established securities market, which is discussed in the two preceding paragraphs, must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Except as discussed below with respect to foreign currency gain or loss, the gain or loss that you recognize on the sale, exchange or retirement of a Note generally will be capital gain or loss. The gain or loss on the sale, exchange or retirement of a Note will be long-term capital gain or loss if you have held the Note for more than one year on the date of disposition. Long-term capital gains recognized by an individual U.S. holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. Capital gain or loss, if any, recognized by a U.S. holder generally will be treated as U.S. source income or loss for U.S. foreign tax credit limitation purposes. The ability of U.S. holders to offset capital losses against income is limited.

Gain or loss that you recognize on the sale, exchange or retirement of a Note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in exchange rates with respect to the principal amount of the Note during the period in which you held the Note. For these purposes, the principal amount of the Note is your purchase price for the Note calculated in foreign currency on the date of purchase, and the amount of exchange gain or loss recognized is equal to the difference between (i) the U.S. dollar value of the principal amount determined on the date you sell, exchange, retire or otherwise dispose of the Note and (ii) the U.S. dollar value of the principal amount determined on the date you purchased the Note. The amount of exchange gain or loss will be limited to the amount of overall gain or loss realized on the disposition of the Note. This foreign currency gain or loss will not be treated as an adjustment to interest income that you receive on the Note.

**Exchange of Foreign Currencies**

A U.S. holder may receive euros in payment for interest and principal of the Notes. The tax basis of any euros received by a U.S. holder generally will equal the U.S. dollar equivalent of such euros at the spot rate of exchange on the date the euros are received. Upon any subsequent exchange of euros for U.S. dollars, a U.S. holder generally will recognize exchange gain or loss equal to the difference between the amount of U.S. dollars received and the U.S. holder's tax basis in the euros. Upon any subsequent exchange of euros for property, a U.S. holder generally will recognize exchange gain or loss equal to the difference between the U.S. dollar value of the euros exchanged for such property based on the U.S. dollar spot rate for such euros on the date of the exchange and the U.S. holder's tax basis in the euros so exchanged. Any such exchange gain or loss generally will be treated as U.S. source ordinary income or loss.

**Reportable Transactions**

A U.S. holder that recognizes exchange loss with respect to the Notes would be required to report the loss on IRS Form 8886 (Reportable Transaction Disclosure Statement) if the loss exceeds the thresholds set forth in the Treasury regulations. For individuals and trusts, this loss threshold is USD 50,000 in any single year. For other types of taxpayers and other types of losses, the thresholds are higher. You are urged to consult your own tax advisors regarding the application of these rules to the acquisition, holding or disposition of the Notes.

**Information Reporting and Backup Withholding**

In general, payments of interest (including Additional Amounts) and the proceeds from sales or other dispositions (including retirements or redemptions) of Notes held by a U.S. holder may be required to be reported to the IRS unless the U.S. holder is an exempt recipient and, when required, demonstrates this fact generally by providing IRS Form W-9 (Request for Taxpayer Identification Number and Certification). In addition, a U.S. holder that is not an exempt recipient may be subject to backup withholding unless it provides a taxpayer identification number and otherwise complies with applicable certification requirements.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability and may entitle you to a refund, provided that the appropriate information is timely furnished to the IRS.

**Foreign Financial Asset Reporting**

Certain U.S. holders are required to report information to the IRS with respect to their ownership of “specified foreign financial assets,” which generally will include the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). U.S. holders who fail to report required information could become subject to substantial penalties. You are encouraged to consult with your own tax advisors regarding the possible implications of these rules on your investment in Notes.

## PLAN OF DISTRIBUTION

The Issuer, the Guarantors, Credit Suisse Securities (Europe) Limited, as representative of the initial purchasers (the "Representative") and as an initial purchaser, and BNP Paribas, Goldman Sachs International, J.P. Morgan Securities plc, Natixis and Société Générale, as initial purchasers, entered into a purchase agreement dated , 2017, with respect to the Notes (the "Purchase Agreement").

Subject to the terms and conditions set forth in the Purchase Agreement, the Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Issuer, the entire principal amount of the Notes.

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase Notes from the Issuer, are several and not joint.

The Initial Purchasers initially propose to offer the Notes for resale at the respective issue price that appears on the cover of this Offering Memorandum for the Notes. After the initial Offering, the Initial Purchasers may change the Offering's price and any other selling terms without notice. The Initial Purchasers may offer and sell Notes through certain of their affiliates or through registered broker-dealers.

In the Purchase Agreement, we have agreed that:

- the obligations of the Initial Purchasers to pay for and accept delivery of the relevant Notes are subject to, among other conditions, the delivery of certain opinions by counsel;
- during the period from the date of the Purchase Agreement through and including the date that is 90 days after such dates, none of the Issuer, Guarantors, or any of their respective subsidiaries will, without the prior written consent of the Representative, offer, sell, contract to sell or otherwise dispose of any debt securities issued or guaranteed by the Issuer or any of the Guarantors and having a tenor of more than one year; and
- the Issuer and the relevant Guarantors will indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and/or will contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

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.

In addition, until 40 days following the later of (i) the commencement of this Offering and (ii) the Issue Date, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A of the Securities Act or another exemption from registration under the Securities Act. During this 40-day period, neither Clearstream nor Euroclear will monitor compliance by dealers with section 4(3) of the Securities Act.

In addition, the Notes are subject to certain restrictions on resale and transfer as described under "*Transfer Restrictions*." The Notes are a new issue of securities for which there currently is no market. An application will be made to the Authority through our Listing Sponsor, for the listing of the Notes on the Official List of the Exchange; however, we cannot assure you that the Notes will be approved for listing or that such listing will be maintained.

We do not intend to apply for the Notes to be listed on any securities exchange other than the Exchange or to arrange for the Notes to be quoted on any quotation system. The Initial Purchasers have advised us that they intend to make a market in the Notes, but they are not obligated to do so. The Initial Purchasers may discontinue any market making in the Notes at any time in their sole discretion. In addition, such market making activities will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you that a liquid trading market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell will be favorable.

In connection with the Offering of the Notes, the Initial Purchasers may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the Offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate-covering transactions may cause the price of the Notes to be higher than it would otherwise be in the absence of those transactions. If the Initial Purchasers engage in stabilizing or syndicate-covering transactions, they may discontinue them at any time.

The Issuer expects that delivery of the Notes will be made against payment on the respective 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 Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T + "). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the next business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

In the Purchase Agreement, each Initial Purchaser has represented and agreed that:

- it has complied and will comply with all applicable provisions of the U.K. Financial Services and Markets Act 2000, or "FSMA," with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- 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 the Issuer or the Guarantors.

No action has been taken in any jurisdiction, including Luxembourg, the United States and the United Kingdom, 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 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 Notes. See "*Transfer Restrictions*."

The Issuer and the Guarantors have also agreed that they 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(2) of the Securities Act or the safe harbors of Rule 144A and Regulation S under the Securities Act to cease to be applicable to the offer and sale of the Notes.

The Initial Purchasers and their affiliates have provided and may, from time to time, continue to provide various financial advisory, investment banking, commercial banking and other services to us in the ordinary course of business, for which they have received (and expect to continue to receive) customary fees and reimbursement of expenses. The Initial Purchasers and their respective affiliates may in the future provide investment banking or other financial services to the Issuer or its affiliates, for which they may receive customary fees and reimbursement of expenses. Certain of the Initial Purchasers or their respective affiliates may be holders of the Floating Rate Senior Secured Notes and their bonds may be repaid, redeemed or repurchased with the proceeds from the Offering of the Notes. See *"Use of Proceeds."*

In addition, Credit Suisse Securities (Europe) Limited, BNP Paribas, Goldman Sachs International, J.P. Morgan Securities plc, Natixis and Société Générale or their respective affiliates are lenders under the Revolving Credit Facility and such entities may act as counterparties in the hedging arrangements we may enter into in connection with the Notes offered hereby, and will receive customary fees for their services in such capacities. In addition, affiliates of certain of the Initial Purchasers are lenders under a loan provided to an affiliate of our principal shareholder, NJJ. Such loan is secured by, among other assets, shares of an affiliate of the NJJ entity which indirectly owns OCH-AT Holding S.A., the parent of the Parent Guarantor and its subsidiaries.

## TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

### General

The Notes and the Guarantees have not been and will not be registered under the Securities Act, or the securities laws of any other jurisdiction, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and securities laws of any other applicable jurisdiction. Accordingly, the Notes offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A under the Securities Act and in offshore transactions in reliance on Regulation S under the Securities Act.

We have not registered and will not register the Notes or the Guarantees under the Securities Act and, therefore, the Notes may not be offered or sold within the United States or to U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, we are offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States to “qualified institutional buyers,” commonly referred to as “QIBs,” as defined in Rule 144A under the Securities Act in compliance with Rule 144A; and
- outside the United States in an offshore transaction in accordance with Regulation S under the Securities Act.

We use the terms “offshore transaction,” “U.S. person” and “United States” with the meanings given to them in Regulation S under the Securities Act.

### Important Information about the Offering

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and Guarantors and the Initial Purchasers as follows:

1) You understand and acknowledge that the Notes and the Guarantees have not been registered under the Securities Act or the securities laws of any other applicable jurisdiction and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A under the Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

2) You are not our “affiliate” (as defined in Rule 144 under the Securities Act) or acting on our behalf and you are either:

a. a QIB, within the meaning of Rule 144A under the Securities Act, and are aware that any sale of these Notes to you will be made in reliance on Rule 144A under the Securities Act, and such acquisition will be for your own account or for the account of another QIB; or

b. not a “U.S. person” or purchasing for the account or benefit of a U.S. person (other than a distributor), and you are purchasing the Notes in an offshore transaction in accordance with Regulation S under the Securities Act.

3) You acknowledge that neither we, nor any of the Guarantors or the Initial Purchasers, nor any person representing any of them, has made any representation to you with respect to the Issuer and its subsidiaries or the offer or sale of any of the Notes, other than 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 no person other than the Issuer make any 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 have 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 are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any other applicable securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within its or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act.

5) You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "Resale Restriction Termination Date") that is one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the date of the original issue and the last date on which the Issuer or any of its affiliates was the owner of such Notes (or any predecessor thereto) only:

a. to the Issuer, the Guarantors or any subsidiary thereof;

b. pursuant to a registration statement that has been declared effective under the Securities Act;

c. for so long as the Notes are eligible for resale pursuant to Rule 144A under the Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act;

d. pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act; or

e. pursuant to any other available exemption from the registration requirements of the Securities Act;

subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations.

You acknowledge that the Issuer, the Trustee, the registrar and the Transfer Agent reserve the right prior to any offer, sale or other transfer of the Notes (i) pursuant to clause (d) or (e) above prior to the Resale Restriction Termination Date of the Notes to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to each of them, the Issuer, the Trustee, the registrar and the Transfer Agent, and (ii) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

6) Each purchaser acknowledges that each Global Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A

UNDER THE SECURITIES ACT ("RULE 144A")) OR (B) IT IS ACQUIRING THIS SECURITY IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH 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 AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

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.

7) You agree that you will, and each subsequent holder is required to, give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes, if then applicable.

8) You acknowledge that until 40 days after the commencement of the relevant Offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made other than in accordance with Rule 144A under the Securities Act.

9) You acknowledge that the registrar will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to us and the registrar that the restrictions set forth therein have been complied with.

10) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and you agree that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer accurate and complete, you shall promptly notify us and the Initial Purchasers in writing. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

11) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantors or the Initial Purchasers that would result in a public offering of Notes

or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer, any of the Guarantors or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of Notes will be subject to the selling restrictions set forth in this section of this Offering Memorandum and/or in the front of this Offering Memorandum under "*Notice to Investors*," "*Notice to Certain Investors*" and "*Plan of Distribution*."

## AVAILABLE INFORMATION

Each purchaser of Notes from the Initial Purchasers was furnished with a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to this Offering Memorandum was deemed to acknowledge that:

(1) such person was afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person did not rely on any of the Initial Purchasers or any person affiliated with any of the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to paragraph (1) above, no person was authorized to give any information or to make any representation concerning the Notes or each Guarantee offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or any of the Initial Purchasers.

For so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will, during any period in which it is neither subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the Exchange Act, make available to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act. Any such request should be directed to the Issuer at 4, rue du Fort Wallis, L-2714 Luxembourg.

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

For so long as the Notes are listed on the Exchange, and the rules of that exchange so require, copies of such information may also be requested from the Issuer at 4, rue du Fort Wallis, L-2714 Luxembourg. See "*Transfer Restrictions*" and "*Listing and General Information—Listing*."

## INDEPENDENT AUDITORS

The independent auditors (Réviseur d'Entreprises agréé) of the Group for the year ended December 31, 2016 were PricewaterhouseCoopers, *Société coopérative*. The consolidated financial statements as of and for the year ended December 31, 2016 included, in this Offering Memorandum, have been audited by PricewaterhouseCoopers, *Société coopérative*, as stated in their report appearing herein.

PricewaterhouseCoopers, *Société coopérative* are members of the *Luxembourg Institut des Réviseurs d'Entreprises*.

## LEGAL MATTERS

The validity of the Notes, the Guarantees and certain other legal matters are being passed upon for us by Shearman & Sterling (London) LLP, with respect to matters of U.S. federal, New York state and English law, by Bär & Karrer AG, with respect to matters of Swiss law, and by McSorley Legal, with respect to matters of Luxembourg law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Simpson Thacher & Bartlett LLP, with respect to matters of U.S. federal, New York State and English law, by Linklaters LLP, with respect to matters of Luxembourg law, and by Pestalozzi Attorneys at Law Ltd, with respect to matters of Swiss law.

## LISTING AND GENERAL INFORMATION

### Listing Information

The Issuer will make an application to the Authority for the listing of the Notes on the Official List of The International Stock Exchange (formerly The Channel Islands Securities Exchange Authority Limited) (the "**Exchange**") and permission to deal in the Notes thereon. For the period of at least 14 days from the date of admitting the Notes to the Official List of the Exchange and for as long as the rules and regulations of that exchange so require, copies of the following documents may be physically inspected and obtained at the specified office of the Listing Sponsor during normal business hours on any business day:

- the organizational documents of the Issuer;
- the financial statements included in this Offering Memorandum; and
- our most recent audited consolidated financial information and any interim financial information published by us.

Application may be made to the Exchange to have the Notes removed from listing on the Official List of the Exchange, including, if necessary, to avoid any new withholding taxes in connection with the listing.

The Issuer has appointed Carey Olsen Corporate Finance Limited as Listing Sponsor, Issuer reserves the right to change this appointment.

The Issuer accepts responsibility for the information contained in this Offering Memorandum. The Issuer declares that, having taken all reasonable care to ensure that such is the case, to the best of its knowledge, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect its import. This Offering Memorandum may only be used for the purposes for which it has been published.

### Clearing Information

The Issuer expects that the Notes sold pursuant to Regulation S and the Notes sold pursuant to Rule 144A will be accepted for clearance through the facilities of Euroclear and Clearstream.

The ISIN and Common Code for the Notes sold pursuant to Regulation S and Rule 144A under the U.S. Securities Act are set forth below:

| | Regulation S Global Notes | Rule 144A Global Notes |
|---|---|---|
| Common Code: | | |
| ISIN: | | |

### General Information

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in our prospects since September 30, 2017, the date of our last published consolidated financial information;
- there has been no material adverse change in our financial or trading position or our prospects since our respective dates of incorporation; and
- none of the Issuer, the Guarantors, or any of their direct or indirect subsidiaries has been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issuance of the Notes and, so far as the Issuer is aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

For the avoidance of doubt, any website referred to in this Offering Memorandum and the information on the referenced website does not form part of this Offering Memorandum prepared in connection with the proposed offering of the Notes.

## Material Contracts

Contracts not entered into in the ordinary course of our business that could result in any member of the Group being under an obligation or entitlement that is material to our ability to meet our obligations to holders in respect of the Notes are summarized in "*Certain Relationships and Related Party Transactions,*" "*Description of Certain Financing Arrangements*" and "*Description of the Notes.*"

## Corporate Information

The Issuer, Matterhorn Telecom S.A., is a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg on March 25, 2015. It is registered at the Luxembourg Trade and Companies Register under number B 195.769. The address of the Issuer's registered office is 4, rue du Fort Wallis, L-2714, Grand Duchy of Luxembourg. The share capital of the Issuer consists of 10,740,000 ordinary shares of CHF 1 each, all of which are held by the Parent Guarantor and are fully paid.

The Parent Guarantor, Matterhorn Telecom Holding S.A., is a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg on March 25, 2015. It is registered at the Luxembourg Trade and Companies Register under number B 195.766. The address of the Parent Guarantor's registered office is 4, rue du Fort Wallis, L-2714, Grand Duchy of Luxembourg. The share capital of the Parent Guarantor consists of 8,200,000 ordinary shares of CHF 1 each, all of which are fully paid.

Matterhorn Mobile S.A. is a public limited liability company (*société anonyme*) in voluntary liquidation, incorporated under the laws of Luxembourg on December 23, 2011. It is registered at the Luxembourg Trade and Companies Register under number B 165.835. The address of Matterhorn Mobile's registered office is 4, rue du Fort Wallis, L-2714, Grand Duchy of Luxembourg. The share capital of Matterhorn Mobile consists of 149,446,990 ordinary shares of CHF 1 each, all of which are fully paid.

The Company, Salt Mobile SA, is a Swiss stock corporation (*société anonyme*) incorporated under the laws of Switzerland on January 20, 1998. It is registered at the Commercial Registry Office of the Canton of Vaud under number CHE-106.836.776. The address of the Company's registered office is Rue du Caudray 4, CH-1020 Renens, Switzerland. The share capital of the Company consists of 8,000,000 registered shares of CHF 33.50 each, all of which are held by the Issuer and are fully paid.

Salt Network SA is a Swiss stock corporation (*société anonyme*) incorporated under the laws of Switzerland on December 4, 2007. It is registered at Commercial Registry Office of the Canton of Vaud under number CHE-113.963.374. The address of Salt Network's registered office is Rue du Caudray 4, c/o Salt Mobile SA, CH-1020 Renens, Switzerland. The share capital of Salt Network consists of 6,201,000 registered shares of CHF 100 each, all of which are held by the Company and are fully paid.

## GLOSSARY OF TECHNICAL TERMS

The following technical terms and abbreviations when used in this Offering Memorandum have the definitions ascribed to them opposite below, except where otherwise indicated.

| Abbreviation | Definitions |
|---|---|
| "2G" | Second Generation Mobile System of which GSM represents one universal standard. |
| "3G" | Third Generation Mobile System of which UMTS represents one universal standard. |
| "4G" | Fourth Generation Mobile System of which LTE represents one universal standard. |
| "5G" | Fifth Generation Mobile System currently under development. |
| "ADSL" | Asymmetric Digital Subscriber Line, or a modem technology that converts existing twisted-pair telephone lines into access paths for high-speed data communications at transmission speeds at relatively high transmission rates that can be 50 times or more faster than dial-up internet access. |
| "average mobile revenue per user" or "ARPU" | Average mobile revenue per user is a telecom industry metric generally calculated by dividing total revenue for a product group by the average number of subscribers during a period. See "*Presentation of Financial and Other Data—Market, Economic and Subscriber Data; Market Share Data*" for an explanation of the Company's calculation methodology for relevant ARPU. |
| "backbone" | A high speed line, or a series of connections forming a major communication pathway within a network, which uses a much faster protocol than that employed by a single local area network and has the highest traffic intensity. |
| "band" | In wireless communication, band refers to a frequency or contiguous range of frequencies. |
| "base station" or "sites" | Base transceiver station. Landline transmitter/receiver equipment in each geographic area or cell of a mobile telecommunications network that communicates by radio signal with mobile telephones in the cell. |
| "bit" | The smallest unit of binary information. |
| "bitstream" | A service consisting of the supply by Swisscom to the alternative operator of the transmissions capacity between the final customer's workstation and the interconnection point, or POP (as defined below) of an alternative operator which wants to offer broadband services to its final customers. |
| "capacity" | The amount of bandwidth or throughput that can be handled by a network element. |
| "churn" | A telecom industry measure of the number or proportion of subscribers that disconnected from a telecommunications provider's service over a period of time. See "*Presentation of Financial* |

| Abbreviation | Definitions |
|---|---|
| | *and Other Data—Market, Economic and Subscriber Data; Market Share Data*" for an explanation of the Company's calculation methodology for mobile subscriber churn. |
| "ComCo" | The Swiss Competition Authority (*Wettbewerbskommission*) established by the Federal Act on Cartels and other Restraints of Competition of 6 October 1995. Also known as "WEKO." |
| "ComCom" | The Federal Communications Commission of Switzerland (*Die Eidgenössische Kommunikationskommission*) established by the Swiss Telecommunications Act. |
| "digital" | A signaling technology in which a signal is encoded into digits for transmission. |
| "DSL" | Digital Subscriber Line, a technology enabling a local loop copper pair to transport high-speed data between a central office and the subscribers' premises. |
| "EDGE" | Enhanced Data rates for GSM Evolution; effectively, the latest stage in the evolution of the GSM standard, EDGE uses a new modulation scheme to enable theoretical data speeds of up to 384 Kbps within the existing GSM spectrum. |
| "fiber-optic cable" | A transmission medium comprised of extremely pure and uniform glass. Digital signals are transmitted across fiber-optic cable as pulses of light. While signals transmitted over fiber-optic cable travel at the same speed as those transmitted over traditional copper cable, fiber-optic cable benefits from greater transmission capacity and lower distortion of signals transmitted. |
| "FTTH" | Fiber-to-the-home, the fiber-optic technology linking residential customers directly to the fiber network. |
| "frequency" | The rate at which an electrical current alternates, usually measured in Hertz (Hz). Also the way to note a description of a general location on the radio frequency spectrum such as 800 MHz, 900 MHz or 2100 MHz. |
| "GPRS" | A packet-based telecommunications service designed to send and receive data at rates from 56 Kbps to 114 Kbps that allows continuous connection to the Internet for mobile phone and computer users. GPRS is a specification for data transfer over GSM networks. |
| "GSM" | A comprehensive digital network for the operation of all aspects of a cellular telephone system. |
| "Hertz" | A unit of frequency of one cycle per second. |
| "HSPA" | High-Speed Packet Access. A 3G mobile telephone protocol that allows networks based on Universal Mobile Telecommunications System to have higher data transfer speeds and capacity. |

| Abbreviation | Definitions |
|---|---|
| “HSPA+” | Evolved High-Speed Packet Access. A 3G mobile telephone protocol based on HSPA but allowing for higher data transfer speeds and capacity. |
| “indefeasible rights of use” or “IRU” | Indefeasible rights of use acquired by the Group correspond to the right to use cable or capacity transmission cable granted for a fixed period. |
| “interconnection” | The way in which networks are connected to each other and the charges payable by one network operation for accepting traffic from or delivering traffic to another. |
| “Internet Protocol” or “IP” | A standard procedure whereby internet-user data is divided into packets to be sent onto the correct network pathway. In addition, IP gives each packet an assigned number so that the message completion can be verified. Before packets are delivered to their destination, the protocol carries out unifying procedures so that they are delivered in their original form. |
| “landline” | A physical line connecting the subscriber to the telephone exchange.<br>In addition, landline includes fixed wireless systems, in which the users are in fixed locations using a wireless connection (e.g. cordless telephones) to the telephone exchange. |
| “landline broadband” | High data rate internet access services typically transmitted over copper wires, cable or fiber networks. |
| “leased line” | Voice or data circuits leased to connect two or more locations for the exclusive use of the subscriber. |
| “LTE” | 3GPP Long Term Evolution, a mobile data transmission technology that generally provides for faster transmission than 3G. |
| “machine-to-machine” | Direct communication between devices using any communications channel, including wired and wireless. |
| “MHz” | Megahertz; a unit of frequency equal to 1 million Hertz. |
| “MMS” | Multimedia Messaging Service. An evolution of SMS that enables users to send multimedia content including images, audio and video clips to other users. |
| “mobile network operator” or “MNO” | A company that has frequency allocations and the required infrastructure to run an independent mobile network, as opposed to an MVNO. |
| “mobile termination rates” or “MTRs” | The tariff chargeable by operators for terminating calls on their mobile networks. See “*Regulation*.” |
| “mobile virtual network operator” or “MVNO” | A mobile operator that does not own its own spectrum and usually does not have its own network infrastructure. Instead, MVNOs have business arrangements with traditional mobile operators to buy minutes of use for sale to their own subscribers. |

| Abbreviation | Definitions |
|---|---|
| "net adds" | The number of new subscribers less the number customers that drop the service. |
| "network" | An interconnected collection of telecom components consisting of switches connected to each other and to customer equipment by real or virtual transmission links. Transmission links may be based on fiber-optic or metallic cable or point-to-point radio connections. |
| "OFCOM" | The Swiss Federal Office of Communications, also referred to as "BAKOM." |
| "operator" | A term for any company engaged in the business of building and running its own network facilities. |
| "penetration" | A measurement, usually as a percentage, of the take-up of telecommunication services. Penetration is typically calculated by dividing the number of subscribers or lines by either the number of households or the population to which the service is available. See "*Presentation of Financial and Other Data—Market, Economic and Subscriber Data; Market Share Data*" for an explanation of the Company's calculation of penetration rates. |
| "postpaid" | Mobile subscriptions paid for on a recurring basis and requiring customers to remain subscribers for a specified duration. |
| "prepaid" | Mobile subscriptions requiring customers to pay for usage credit in advance without any durational commitment. |
| "quadruple-play" | Bundling of fixed-mobile (retail voice, landline internet and mobile services) with TV services. |
| "reseller" / "wholesale reseller" | A company that partners with us to resell or market our mobile services in connection with its brand, resulting in direct contracts between the customers and us. |
| "SMS" | Short Message Service; a text message service which enables users to send short messages to other users. |
| "spectrum" | A continuous range of frequencies, usually wide in extent within which waves have some certain common characteristics. |
| "subscriber" | A person who is party to a contract with the provider of publicly available telecommunication services for the supply of such services. See "*Presentation of Financial and Other Data—Market, Economic and Subscriber Data; Market Share Data*" for an explanation of the Company's calculation of its relevant subscriber bases. |
| "SIM cards" | Cards that contain a smart chip with memory that allows for data storage and software applications. |
| "Swiss Cartel Act" | Federal Act on Cartels and other Restraints of Competition of 6 October 1995. |
| "Swiss Telecommunications Act" | The Swiss Federal Telecommunications Act of 30 April 1997. |

| Abbreviation | Definitions |
|---|---|
| “triple-play” | Bundling of mobile with fixed voice and landline internet services. |
| “UMTS” or “Universal Mobile Telecommunications System” | A third generation (or 3G) mobile technology |
| “Value Added Services” or “VAS” | All non-core services provided by an operator that are beyond standard voice calls and transmissions such as e-mail, music downloads, communal gaming and interactive advertising. |
| “VDSL” | Very-high-bit-rate digital subscriber line, a particular DSL implementation that provides for higher bitrates than most ADSL variants. |
| “WLAN” | Wireless Local Area Network, a type of local-area network in which devices communicate wirelessly. |

## INDEX TO FINANCIAL STATEMENTS

**MATTERHORN TELECOM HOLDING S.A.**

**Consolidated financial statements**

**for the year ended December 31, 2015**

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## CONSOLIDATED STATEMENT OF PROFIT / (LOSS)

| (in thousands of Swiss Francs) | Notes | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) |
|---|---|---|---|---|
| **Revenue** | *5* | **885,325** | **399,431** | **1,316,090** |
| Access, backbone, interconnection and content costs | *6* | (145,882) | (58,047) | (189,135) |
| Commercial expenses and cost of equipment sold | *6* | (242,755) | (111,166) | (410,698) |
| Network, IT, property expenses and other purchases | *6* | (107,541) | (47,337) | (163,876) |
| Labour expenses | *10* | (60,491) | (34,693) | (107,013) |
| Other operating expenses | *13* | (61,471) | (22,917) | (31,149) |
| Other operating income | *13* | 10,097 | 8,429 | 18,515 |
| Result on disposal and other gains | | 1 | 2 | 844 |
| Restructuring, transition and transaction costs | *6* | (43,414) | (21,945) | (35,618) |
| Corporate and brand fees | | (734) | (5,333) | (19,617) |
| Depreciation, amortization and impairment | *7* | (197,241) | (79,395) | (258,534) |
| **Operating profit / (loss)** | | **35,895** | **27,030** | **119,810** |
| Finance costs | *11* | (103,995) | (69,669) | (114,475) |
| Finance income | *11* | 3,509 | 56 | 14,176 |
| **Finance costs, net** | | **(100,486)** | **(69,614)** | **(100,299)** |
| **Profit / (loss) before tax** | | **(64,591)** | **(42,583)** | **19,510** |
| Income tax (expenses) / benefit | *8* | 8,083 | (1,525) | (3,983) |
| **Profit / (loss)** | | **(56,509)** | **(44,108)** | **15,527** |
| Profit / (loss) attributable to equity owners | | (56,509) | (44,108) | 15,527 |

the accompanying notes are an integral part of the consolidated financial statements

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME / (LOSS)

| (in thousands of Swiss Francs) | Notes | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) |
|---|---|---|---|---|
| **Profit / (loss)** | | **(56,509)** | **(44,108)** | **15,527** |
| Gains / (losses) on cash flow hedge | ***11*** | 13,051 | (20,938) | (3,045) |
| Deferred tax on items recognized directly in other comprehensive income / (loss) | ***8*** | (2,779) | 5,221 | 750 |
| **Net other comprehensive income / (loss) to be reclassified to profit and loss in subsequent periods** | | **10,272** | **(15,717)** | **(2,295)** |
| Remeasurement of defined benefit obligation | ***10*** | (3,150) | — | (9,743) |
| Deferred tax on items recognized directly in other comprehensive income / (loss) | ***8*** | 659 | — | 2,216 |
| **Net other comprehensive income / (loss) not to be reclassified to profit and loss in subsequent periods** | | **(2,491)** | **—** | **(7,527)** |
| **Other comprehensive income / (loss) after tax** | | **7,780** | **(15,717)** | **(9,822)** |
| **Total comprehensive income / (loss) for the year** | | **(48,728)** | **(59,826)** | **5,705** |

the accompanying notes are an integral part of the consolidated financial statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (in thousands of Swiss Francs) | Notes | December 31, 2015 (Successor) | December 31, 2014 (Predecessor) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | ***4*** | 1,313,793 | 465,561 |
| Other intangible assets | ***4,7*** | 955,920 | 751,904 |
| Property, plant and equipment | ***4,7*** | 700,481 | 684,003 |
| Trade receivables | ***5,12*** | 46,075 | 35,081 |
| Hedging derivative assets | ***11*** | 54,664 | 13,290 |
| Other non-current assets | ***12,13*** | 7,582 | 11,909 |
| Deferred tax assets | ***8*** | — | 17,788 |
| **Total non-current assets** | | **3,078,515** | **1,979,537** |
| **Current assets** | | | |
| Inventories | ***6*** | 23,155 | 17,119 |
| Trade receivables | ***5,12*** | 352,483 | 317,202 |
| Other current assets | ***12,13*** | 6,565 | 7,372 |
| Hedging derivative assets | ***11*** | — | 6,959 |
| Prepaid expenses | | 718 | 492 |
| Cash and cash equivalents | ***12,13*** | 153,693 | 115,674 |
| **Total current assets** | | **536,614** | **464,818** |
| **TOTAL ASSETS** | | **3,615,129** | **2,444,355** |

the accompanying notes are an integral part of the consolidated financial statements

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (in thousands of Swiss Francs) | Notes | December 31, 2015 (Successor) | December 31, 2014 (Predecessor) |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | ***13*** | 8,200 | 147,741 |
| Share premium | ***13*** | 832,981 | 444,557 |
| Retained earnings / (Accumulated deficit) | | (56,509) | (150,261) |
| Other reserves | ***8,10,11*** | 7,780 | 10,486 |
| **Total equity** | | **792,453** | **452,523** |
| **Non-current liabilities** | | | |
| Fixed assets payables | ***7,12*** | — | 33,254 |
| Borrowings and other financial liabilities | ***11,12*** | 2,070,745 | 1,214,934 |
| Hedging derivative liabilities | ***11*** | — | 15,499 |
| Employee benefits obligations | ***10*** | 36,939 | 40,747 |
| Provisions | ***9*** | 59,610 | 96,586 |
| Other liabilities | ***13*** | — | 4,400 |
| Deferred tax liabilities | ***8*** | 140,043 | 78,688 |
| **Total non-current liabilities** | | **2,307,337** | **1,484,108** |
| **Current liabilities** | | | |
| Trade payables | ***12*** | 347,367 | 316,265 |
| Fixed assets payables | ***7,12*** | 83,948 | 99,393 |
| Borrowings and other financial liabilities | ***11,12*** | 13,685 | 23,230 |
| Hedging derivative liabilities | ***11*** | — | 8,821 |
| Employee benefits obligations | ***13*** | 14,364 | 11,806 |
| Provisions | ***9*** | 13,705 | 4,855 |
| Other liabilities | ***13*** | 17,362 | 18,280 |
| Deferred income | ***5*** | 24,908 | 25,073 |
| **Total current liabilities** | | **515,338** | **507,723** |
| **TOTAL EQUITY AND LIABILITIES** | | **3,615,129** | **2,444,355** |

the accompanying notes are an integral part of the consolidated financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (in thousands of Swiss Francs) | Notes | Share capital | Share premium | Cash flow hedging reserve | Actuarial gains & losses | Retained earnings / (Accumulated deficit) | Total equity attributable to equity holders |
|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2014 (Predecessor)** | | **147,741** | **500,836** | **(3,246)** | **23,554** | **(165,789)** | **503,097** |
| Profit / (loss) | | | | | | 15,527 | 15,527 |
| Gains / (losses) on cash flow hedge | *11* | | | (3,045) | | | (3,045) |
| Remeasurement of defined benefit obligation | *10* | | | | (9,743) | | (9,743) |
| Deferred tax on items recognized directly in other comprehensive income / (loss) | *8* | | | 750 | 2,216 | | 2,966 |
| **Total comprehensive income / (loss)** | | **—** | **—** | **(2,295)** | **(7,527)** | **15,527** | **5,705** |
| Share Premium decrease | | | (56,279) | | | | (56,279) |
| **Balance at December 31, 2014 (Predecessor)** | | **147,741** | **444,557** | **(5,540)** | **16,027** | **(150,261)** | **452,523** |
| Profit / (loss) | | | | | | (44,108) | (44,108) |
| Gains / (losses) on cash flow hedge | *11* | | | (20,938) | | | (20,938) |
| Remeasurement of defined benefit obligation | *10* | | | | | | — |
| Deferred tax on items recognized directly in other comprehensive income / (loss) | *8* | | | 5,221 | | | 5,221 |
| **Total comprehensive income / (loss)** | | **—** | **—** | **(15,717)** | **—** | **(44,108)** | **(59,826)** |
| Share Premium decrease | | | (15,068) | | | | (15,068) |
| **Balance at April 22, 2015 (Predecessor)** | | **147,741** | **429,489** | **(21,257)** | **16,027** | **(194,369)** | **377,629** |
| **Balance at April 23, 2015 (Successor)** | *13* | **50** | **—** | **—** | **—** | **—** | **50** |
| Profit / (loss) | | | | | | (56,509) | (56,509) |
| Gains / (losses) on cash flow hedge | *11* | | | 13,051 | | | 13,051 |
| Remeasurement of defined benefit obligation | *10* | | | | (3,150) | | (3,150) |
| Deferred tax on items recognized directly in other comprehensive income / (loss) | *8* | | | (2,779) | 659 | | (2,121) |
| **Total comprehensive income / (loss)** | | **—** | **—** | **10,272** | **(2,491)** | **(56,509)** | **(48,728)** |
| Share Premium increase | *13* | 8,150 | 832,981 | | | | 841,131 |
| **Balance at December 31, 2015 (Successor)** | | **8,200** | **832,981** | **10,272** | **(2,491)** | **(56,509)** | **792,453** |

the accompanying notes are an integral part of the consolidated financial statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

| (in thousands of Swiss Francs) | Notes | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| **Profit / (loss)** | | **(56,509)** | **(44,108)** | **15,527** |
| Adjustments to reconcile profit/(loss) to funds generated from operations | | | | |
| Depreciation, amortization and impairment | *7* | 197,241 | 79,395 | 258,534 |
| Result on disposal of PPE | | (1) | (2) | (844) |
| Change in other provisions | *9* | 1,692 | (4,218) | (3,195) |
| Income tax recognized in the income statement | *8* | (8,083) | 1,525 | 3,983 |
| Finance costs, net | *11,12* | 100,486 | 69,614 | 100,299 |
| Change in inventories, trade receivables and trade payables | | | | |
| Decrease/(increase) in inventories | *6* | 565 | (6,601) | 4,047 |
| Decrease/(increase) in trade receivables | *5* | (36,332) | (9,944) | (57,315) |
| Increase/(decrease) in trade payables | *12* | 16,195 | 14,907 | (94,331) |
| Other changes in working capital requirements | | | | |
| Decrease/(increase) in other receivables and payables | | 23,170 | (21,187) | (5,347) |
| Other items | | | | |
| Income tax paid | *8* | (269) | (42) | (169) |
| Decrease / (increase) in deposits | | (111) | (193) | 165 |
| **Net cash provided by operating activities** | | **238,046** | **79,144** | **221,356** |
| **INVESTING ACTIVITIES** | | | | |
| Purchases/sales of property, plant and equipment and intangible assets | | | | |
| Purchases of property, plant and equipment and intangible assets | *7* | (66,061) | (73,702) | (160,154) |
| Proceeds from sales of property, plant and equipment and intangible assets | | 1 | 2 | 844 |
| Purchase of interests in subsidiaries, net of cash acquired | *4* | (1,007,869) | — | — |
| Spectrum licence payment | *7* | (33,717) | — | — |
| **Net cash used in investing activities** | | **(1,107,646)** | **(73,700)** | **(159,310)** |
| **FINANCING ACTIVITIES** | | | | |
| Issuance | | | | |
| Issuance of bonds | *11,12* | 2,021,358 | — | — |
| Bonds issuance costs | *11,12* | (19,064) | — | — |
| Redemptions and repayments | | | | |
| New Revolving Credit Facility fees | *11* | — | (2,600) | — |
| Consent fees for old bonds | *11* | — | (2,775) | — |
| Cash payment to shareholder | *11* | (150,000) | — | — |
| Bonds redemption and derivatives settlement at Matterhorn Mobile Holdings level | *11* | (1,431,489) | — | — |
| Bonds redemption and derivatives settlement at Matterhorn Midco and Materhorn Financing | *11* | (447,334) | — | — |
| Proceeds from / (repayment of) Other financial debt | *11* | 1,007,869 | — | 30,414 |
| Interest paid, net effect of interest rates on derivatives and net FX impacts on bonds and derivatives and other financial charges | *11* | (40,843) | (32,914) | (82,910) |
| Equity | | | | |
| Initial Equity contribution | *13* | 50 | — | |
| Share capital & share premium increase / (decrease) | *13* | 20,000 | (15,068) | (56,279) |
| Other changes | | | | |
| Interest income received | | 224 | 47 | 364 |
| **Net cash provided by / (used in) financing activities** | | **960,770** | **(53,310)** | **(108,411)** |
| **Net change in cash and cash equivalents** | | **91,170** | **(47,866)** | **(46,365)** |
| **Cash and cash equivalents at beginning of period** | | **64,748** | **115,674** | **164,972** |
| Effect of exchange rates changes on cash and cash equivalents | | (2,225) | (3,082) | (2,932) |
| Net change in cash and cash equivalents | | 91,170 | (47,866) | (46,365) |
| **Cash and cash equivalents at end of period** | | **153,693** | **64,727** | **115,674** |

the accompanying notes are an integral part of the consolidated financial statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 1—Description of business and basis of preparation of the consolidated financial statements

### 1.1 Description of business and purpose of preparation

On 23 April 2015 (“The Acquisition Date”), Matterhorn Mobile Holdings S.A. (former Parent Company) sold its shares in Matterhorn Mobile S.A. (owner of Salt Mobile SA previously named as “Orange Communications SA” and its affiliates) to the recently created Matterhorn Telecom S.A.

Matterhorn Telecom S.A. and Matterhorn Telecom Holding S.A. were incorporated as at March 25, 2015 as Luxemburg public limited liability Companies (S.A.) governed by the laws of the Grand Duchy of Luxembourg. Their registered office is established in Luxembourg-city.

Matterhorn Telecom Holding S.A. “The Company” (parent of Matterhorn Telecom S.A.) is now the new ultimate parent entity for financial information purpose.

As at December 31, 2015, the Company indirectly held 100% of its principal operating company, Salt Mobile SA, which was incorporated on January 10, 1998 in Lausanne, Switzerland and its subsidiaries (all together, the “Group”).

Salt Mobile SA and its subsidiaries (hereafter “Salt Switzerland”) provide consumers, businesses and other telecommunication operators with a wide range of services including mobile telecommunications, data transmission, Internet and other value-added services.

In these audited consolidated financial statements, “Successor” refers to the Company and “Predecessor” refers to Matterhorn Mobile Holdings S.A.

The consolidated financial statements are presented for Successor and Predecessor periods, which relate to the accounting periods after and before the Acquisition date. The Successor and Predecessor periods have been separated by a vertical line on the face of the consolidated financial statements to highlight the fact that the financial information for such periods represents information for different legal entities.

(a) Successor periods

For periods from and after April 23, 2015, the audited consolidated financial statements include the operating results and financial position of the Company and its subsidiaries, including Salt Switzerland.

(b) Predecessor periods

For comparative purposes, the audited financial statements of Matterhorn Mobile Holdings S.A. have been included in the consolidated financial statements for periods prior to April 23, 2015. Matterhorn Mobile Holdings S.A.’s financial performance and financial condition reflected in these accompanying financial statements may not be indicative of the Company’s financial performance and financial condition in the future.

### 1.2 Basis of preparation of the 2015 consolidated financial statements

**These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed by the European Union.**

2015 is the first financial year of Matterhorn Telecom Holding S.A. Matterhorn Mobile Holdings S.A. has been considered as an ongoing IFRS issuer, since Matterhorn Mobile Holdings S.A. issued consolidated financial statements as at December 31, 2012, 2013 and 2014.

These consolidated financial statements have been prepared using the same accounting policies as those applied by Matterhorn Mobile Holdings S.A. during the past few years.

These audited consolidated financial statements as at December 31, 2015 (Successor) and the related consolidated statements of income, comprehensive income, changes in equity and cash flows

**Note 1—Description of business and basis of preparation of the consolidated financial statements (Continued)**

for the period from April 23, 2015 to December 31, 2015 (Successor) and for the period from January 1, 2015 to April 22, 2015 (Predecessor) were approved and authorised for issue on April 04, 2016 by the Board of Directors of Matterhorn Telecom Holding S.A.

**1.2.1 New standards and Amendments to IFRS affecting amounts reported in the financial statements**

The following revised standards and amendments which are effective for annual periods starting as from January 1, 2015, have been properly applied by the Group:

**Annual improvements to IFRSs 2010 – 2012 Cycle and 2011-2013 Cycle:** The Group has applied the amendments to IFRSs included in the *Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle* for the first time in the current year. One of the annual improvements requires entities to disclose judgements made by management in applying the aggregation criteria set out in paragraph 12 of IFRS 8 *Operating segments*. The Group has not aggregated several operating segments into a single operating segment and made the required disclosures in Note 3 in accordance with the amendments. The application of the other amendments has had no impact on the disclosures or amounts recognized in the Group's consolidated financial statements.

**1.2.2 New and revised IFRS in issue but not yet effective**

The Group has not early adopted any IFRS as endorsed by the European Union, which is not yet effective.

It is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed. The Group is currently assessing the impact of the application of these standards, amendments and interpretations.

New standards and interpretations issued but not yet effective are the following:

**IFRS 15 *Revenue from contracts with customers:*** In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction contracts* and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: identify the contract(s) with a customer
- Step 2: identify the performance obligations in the contract
- Step 3: determine the transaction price
- Step 4: allocate the transaction price to the performance obligations in the contract
- Step 5: recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the good or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future will have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

**Note 1—Description of business and basis of preparation of the consolidated financial statements (Continued)**

**IFRS 16 *Leases*:** This standard relates to the accounting for leases and will be compulsory applicable from January 1, 2019 or on a retrospective basis from January 1, 2018 together with IFRS 15.

It is retrospective either at the first application date or at the opening date of the reported comparative period. This standard will mainly change the lease accounting for lessees with the recognition of an asset and a liability which represents the right of use at the delivery date granted by the lessor. As a consequence, it will impact the presentation of the income statement (depreciation and interest expense instead of rental expense) and the statement of cash flows (interest expense will only impact the operating cash flows whereas the debt repayment will affect the financing cash flows). In the statement of financial position, the net equity will be reduced at the beginning of the arrangement (due to the acceleration of expenses attributable to the interest component) and the intangible and tangible assets as well as the lease liability will increase. Thus, the standard introduces a new basis for splitting supplier arrangements based on a new accounting definition of a lease and a service arrangement.

The directors of the Company anticipate that the application of IFRS 16 in the future will have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the Group performs a detailed review.

**IFRS 9 *Financial Instruments***: IFRS 9 issued in July 2014 superseded IFRS 9 (2009) and introduced new requirements for the classification and measurement of financial assets:

- Debt instruments meeting both a "business model" test and a "cash flow characteristics" test are measured at amortised cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as "fair value through other comprehensive income" with only dividends being recognised in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss
- The concept of "embedded derivatives" does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Group anticipates that the application of this standard will not have a material impact on amounts reported in the consolidated financial statements.

**Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation***: The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- when the Intangible asset is expressed as a measure of revenue; or

**Note 1—Description of business and basis of preparation of the consolidated financial statements (Continued)**

- when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

**Amendments to IFRS 11 *Accounting for Acquisitions if Interests in Joint Operations***: The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 *Impairment of Assets* regarding impairment testing of a CGU to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations. The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to IFRS 11 will have a material impact on the Group's consolidated financial statements.

**Amendments to IAS 16 and IAS 41 *Agriculture: Bearer plants***: The Group anticipates that the application of this standard will not have any impact on amounts reported in the consolidated financial statements.

**Amendments to IAS 1 *Disclosure initiative*:** The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2016. The directors of the Company do not anticipate that the application of these amendments to IAS 1 will have a material impact on the Group's consolidated financial statements.

**Amendments to IFRS 10 and IAS 28 *Sale or contribution of assets between an investor and its associates or joint venture*:** The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investor's interests in the new associate or joint venture. The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after January 1, 2016. The directors of the Company anticipate that the application of these amendments to IFRS 10 and IAS 28 may have a material impact on the Group's consolidated financial statements in future periods should such transactions arise.

**Amendments to IFRS 10, IFRS 12 and IAS 28 *Investments entities: applying the consolidation exception*:** The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirements for an investment entity to consolidate a subsidiary providing services related to the former's investment

**Note 1—Description of business and basis of preparation of the consolidated financial statements (Continued)**

activities applies only to subsidiaries that are not investment entities themselves. The directors of the Company do not anticipate that the application of these amendments to IFRS 10, IFRS 12 and IAS 28 will have a material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

**Annual Improvements to IFRS 2012-2014 Cycle:** The annual improvements to IFRS 2012-2014 Cycle include a number of amendments to various IFRS (IFRS 5, IFRS 7 and IFRS 19). The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued. The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets. The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead. The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

## 1.3 Use of estimates and judgements

In preparing the Group financial statements, the Group's management makes estimates, judgements and assumptions, insofar as many elements included in the financial statements cannot be measured with precision. These estimates and underlying assumptions are revised if the underlying circumstances evolve or in light of new information or experience.

Consequently, estimates made as at December 31, 2015 may subsequently be changed. The underlying assumptions used for significant estimates are as follows:

| | | **Nature of estimate and judgement** |
|---|---|---|
| Note 4 | Business Combinations | Selection of the key measurement methods and assumptions used to identify and value intangible assets in business combinations. |
| Note 4 | Impairment | Level of grouping of CGUs for goodwill impairment testing<br>Key assumptions used to determine recoverable amounts: value in use (discount rate, perpetual growth rate, expected cash flows), market value (revenue and EBITDA multiples for comparable companies or transactions, cash flows)<br>Assessment of economic and financial environment |
| Note 5 | Revenue and Trade Receivables | Allocation of each separable component of a bundled offer based on the relative fair value of the individual components<br>Straight-line recognition of revenue relating to invoiced service access fees depending on the nature of the product and historical contractual relationship<br>Reporting of revenue on a net versus gross basis (depending on an analysis of the Group's involvement as either agent or principal)<br>Relative fair value used for Equipment sales and SIM-only service access fees |

**Note 1—Description of business and basis of preparation of the consolidated financial statements (Continued)**

| | | Nature of estimate and judgement |
|---|---|---|
| | | Determination of the bad debt based on an assessment of the future recoverable amount |
| Note 6 | Purchases of property, plant and equipment & intangible assets other than goodwill | Determination of the useful life of the assets based on an assessment of the technological, legal or economic environments |
| Note 8 | Income tax, deferred tax assets and liabilities | Assumptions used for recognition of deferred tax assets arising from the carry forward of unused tax losses |
| | | Consequences of changes in tax laws and rates |
| Note 9 | Provisions | Provisions for termination benefits and restructuring: discount rate, plan success rate |
| | | Provisions for claims and litigation: assumptions underlying risk assessment and measurement |
| | | Provisions for dismantling: churn rate, inflation rate, discount rate, antenna residual useful life and restoring cost |
| Note 10 | Employee benefits | Discount rate, inflation rate, salary increases, mortality table |
| Note 11,12 | Fair value of financial assets and liabilities | Financial models, selection of parameters |

The consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue its operations under the scope defined above.

### 1.4 Audit fees

The Group's consolidated financial statements are audited by Deloitte Audit, Luxembourg. The total fees are shown below:

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | December 31, 2014 (Predecessor) |
|---|---|---|
| Audit fees | 447 | 519 |
| Other services | 304 | 10 |
| **Fees** | **751** | **528** |

## Note 2—Accounting policies

This note describes the accounting policies applied to prepare the consolidated financial statements for the years ended December 31, 2015 (Successor) and December 31, 2014 (Predecessor). When applicable, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

### 2.1 Presentation of the consolidated financial statements

***Consolidated statement of profit / (loss)***

Expenses are presented in the statement of profit / (loss) based on their nature.

Operating profit / (loss) corresponds to net income / (loss) before:

- finance costs;
- finance income;
- income tax (current and deferred taxes).

**Note 2—Accounting policies (Continued)**

***Consolidated statement of other comprehensive income / (loss)***

This statement reconciles the consolidated net profit / (loss) to the comprehensive income / (loss) for the year. It presents other items of income and expense before tax ("components of other comprehensive income / (loss)"), as well as the tax relating to such items which are not recognised in consolidated net profit for the year:

- remeasurement of cash flow hedge instruments;
- remeasurement of defined benefit obligations;
- total amount of tax relating to the above items.

***Consolidated statement of financial position***

Current and non-current items are presented separately in the statement of financial position: assets and liabilities with a term of no more than twelve months are classified as current, whereas assets and liabilities with a term of more than twelve months are classified as non-current.

***Consolidated statement of cash flows***

The statement of cash flows is reported using the indirect method from the consolidated net profit and is broken down into three categories:

- net cash provided by / (used in) operating activities;
- net cash provided by / (used in) investing activities;
- net cash provided by / (used in) financing activities.

Income taxes are included in the cash flows arising from operating activities. Finance expenses are included in the cash flows arising from financing activities.

***Segment reporting***

The operating segments are components of the Group that engage in business activities and whose operating results based on the internal reporting are reviewed by the Board of Directors (the chief operating decision-maker) in order to determine the allocation of resources and to assess of the operating segments' performance.

The Group operates in two main operating segments: Consumer and Enterprise.

**2.2 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

**Note 2—Accounting policies (Continued)**

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control on the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit / (loss) and other comprehensive income / (loss) from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup transactions and balances are eliminated in consolidation.

**2.3 Business combinations and goodwill**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred to the former owners of the acquiree by the Group, and the equity interests issued by the Group in exchange for control of the acquiree. Transaction costs are recognised as a profit or loss as incurred.

At the acquisition date, the identifiable assets and the liabilities assumed are recognised at their fair value, except that:

—deferred tax assets or liabilities, and assets or liabilities related to employee benefits arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively and;

—assets that are classified as held for sale in accordance with IFRS 5—*Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of identifiable assets, liabilities and contingent liabilities taken over, regardless of the level of the investment held, is recognised as goodwill. Goodwill is not amortised, but tested annually for impairment.

Therefore, the evolution of general economic and financial trends, the different levels of resilience of the telecommunication operators with respect to the decline of local economic environments, the changes in the market capitalisation values of telecommunication companies, as well as actual economic performance compared to market expectations represent external indicators that are analysed by the Group, together with internal performance indicators, in order to assess whether an impairment test should be performed more than once a year.

IAS 36 requires that these tests be performed at the level of each Cash Generating Unit (CGU) or groups of CGUs which are likely to benefit from acquisition-related synergies, within an operating segment. A CGU is defined as 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. This allocation is reviewed if the Group changes the level at which it monitors return on investment for goodwill testing purposes. To determine whether an impairment loss should be recognised, the carrying value of the assets and liabilities of the CGUs or groups of CGUs is compared to recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use.

The Company considers that the smallest groups are the operational segments described in Note 3, Consumer and Enterprise.

Impairment loss for goodwill is recorded in operating expenses and is never reversed subsequently.

Intangible assets acquired in business combinations and recognised separately from goodwill are initially recognised at their fair value at the acquisition date.

**Note 2—Accounting policies (Continued)**

Contingent consideration, if any, is recognised against the acquisition cost at the acquisition date if the adjustment is probable and can be measured reliably. Subsequent changes in contingent consideration are accounted for against goodwill during the measurement period. After the measurement period, any change in contingent consideration is accounted in profit or loss.

### 2.4 Effect of changes in foreign exchange rates

***Functional and presentation currency***

The Swiss Franc (CHF) is the functional currency of all entities within the Group and is the Group's presentation currency.

***Transactions in foreign currencies***

Transactions in foreign currencies are converted into the entities' functional currency at the exchange rate of the transaction date. Monetary assets and liabilities are remeasured at the exchange rate of the end of each reporting period and the resulting translation differences are recorded in the income statement:

- in operating profit for commercial transactions;
- in finance income or finance expenses for financial transactions.

Both for transactions qualifying as hedge accounting and for transactions qualifying as economic hedge, the change in fair value of derivatives that can be attributed to changes in exchange rates is recorded in operating profit when the underlying hedged item is a trade commercial transaction and in financial income when the underlying hedged item is a financial receivable or a liability. As the hedged item is not recognised in the statement of financial position in the context of a cash flow hedge of a highly probable forecast transaction, the effective portion of change in fair value of the hedging instrument is recorded in other comprehensive income and reclassified in:

- profit or loss in accordance with the precedent method with respect to financial assets and liabilities;
- the initial cost of the hedged item with respect to the non-financial assets and liabilities.

### 2.5 Revenue

Revenue from the Group activities is measured and accounted for in accordance with IAS 18 "Revenue".

***Separable components of bundled offers***

Most products sold by the Group include two components: equipment (e.g. a mobile handset) and service (e.g. a voice/non-voice plan). As far as a sale with multiple products or services is concerned, the Group analyses all deliverables in the arrangement to determine whether they represent separate units of accounting. A component (product or service) is considered to be a separate unit of accounting if (i) it has a standalone value to the customer and (ii) there is objective and reliable evidence of the fair value of the undelivered component(s).

The fixed or determinable total amount in the arrangement is allocated to the components based on their relative fair value. However, when an amount allocated to a delivered component is contingent upon the delivery of additional components or the satisfaction of specific performance conditions, the amount allocated to that delivered component is limited to the non-contingent amount. This case arises for sales of bundled offers including a handset and a telecommunication access service. The handset is considered to have a standalone value to the customer, and there is objective and reliable evidence of fair value for the telecommunication access service to be delivered.

**Note 2—Accounting policies (Continued)**

Until September 19, 2014, the amount that could be allocated to the handset generally exceeded the amount to be received from the customer at the date the handset was delivered; revenue recognised from the sale of the handset was generally limited to the amount in the arrangement that was not contingent upon the rendering of access services, i.e. the amount paid by the customer for the handset. Please refer to “Equipment sales” below for the accounting treatment regarding the period starting September 19, 2014.

For offers that cannot be separated into identifiable components, revenue is fully recognised over the life of the contract. The main example relates to the connection service. The connection service is not a component which can be separated from the subscription and communication; therefore connection fees are recognised over the expected average life of the contractual relationship.

***Equipment sales***

Revenue from equipment sales is recognised when the significant risks and rewards of ownership are transferred to the customer.

Since September 19, 2014, all equipment revenue is recognized upfront at the contract inception date at its relative fair value.

To the extent that it was impracticable to determine either the period-specific effects for any reported period or the cumulative effects of changing an accounting policy, full retrospective application of the new policy was not required by IAS8.

As at December 31, 2014, the impact of the above changes was an increase of CHF 33.3 million on revenue and an increase of the net profit before tax of CHF 32.9 million.

***Equipment rentals***

In accordance with IFRIC 4 “Determining Whether an Arrangement Contains a Lease”, equipment for which a right of use is granted is analysed in accordance with IAS 17 “Leases”.

Revenue from equipment lease is recognised on a straight-line basis over the life of the lease agreement, except when the lease is determined to be a finance lease; in such a case, equipment is then considered sold with deferred payment terms.

***Content sales***

The accounting for revenue sharing arrangements and supply of content depends on the analysis of the facts and circumstances surrounding these transactions. Thus, an analysis is performed using the following criteria to determine whether the revenue is recognised on:

- a gross basis when the Group:

  —is the primary obligor in the arrangement;

  —bears inventory risk;

  —has a reasonable latitude in establishing price with the end-customer;

  —bears the customer’s credit risk.

- a net basis when:

  —the service provider is responsible for the service and for establishing the price to be paid by the subscriber;

  —the service provider is responsible for supplying the content to the end-customer and for establishing the retail price.

**Note 2—Accounting policies (Continued)**

***Service sales***

Revenue from telecommunication and Internet access subscription fees, including those from wholesale, is recognised on a straight-line basis over the subscription period.

Revenue from incoming and outgoing telephone calls, including those from the wholesale of traffic data, are recognised when the service is rendered.

Revenue from the sale of transmission capacity through cables as well as those from local loop unbundling are recognised on a straight-line basis over the life of the contract.

***Promotional offers***

Revenues are stated net of discounts. Certain commercial offers include a free service over a certain period (time-based incentives) when the customer commits to a fixed period contract. In such circumstances the total revenue generated under the contract is spread over the fixed and non-cancellable contract period.

***Customised contracts***

The Group offers customised solutions, in particular to its business customers. The related contracts are analysed as multiple-element transactions (including management of the telecommunication network, access, voice and data transmission and migration). The commercial discounts granted under these contracts, if certain conditions are fulfilled, are recorded as a deduction from revenue based on the specific terms of each contract. Migration costs incurred by the Group under these contracts are recognised in expenses when they are incurred.

**2.6 Subscriber acquisition and retention costs, advertising and related cost**

***Subscriber acquisition and retention costs***

Subscriber acquisition and retention costs, other than costs incurred in the context of loyalty programs, are recognised as an expense in the period in which they are incurred, i.e. upon acquisition or contract renewal. In some cases, contractual clauses with retailers include a profit-sharing based on revenue recognised and paid: such costs are recognised in profit or loss when the related revenue is recognised.

***Advertising and related costs***

Advertising, promotion, sponsoring, communication and brand marketing costs are expensed when incurred.

**2.7 Other intangible assets**

Intangible assets mainly consist of licenses, content rights, indefeasible rights of use, patents, development costs and software.

***Gross value***

Intangible assets are initially recognised at their acquisition or production cost. When intangible assets are acquired in a business combination, their cost is determined in connection with the purchase price allocation based on their respective market value. When their market value is not readily determinable, cost is determined using generally accepted valuation methods based on revenues, costs or other appropriate criteria.

Internally generated trademarks and subscriber bases are not recognised as assets.

Indefeasible Rights of Use (IRUs) acquired by the Group correspond to the right to use cable or capacity transmission cable granted for a fixed period. IRUs are recognised as assets when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wavelength bandwidth, and the duration of the right corresponds to the major part of the economic life of the underlying asset.

**Note 2—Accounting policies (Continued)**

The Group's research and development projects mainly relate to the upgrade of the network architecture or functionality and the development of service platforms aimed at offering new services to the Group's customers. These projects generally give rise to the development of software. An intangible asset arising from development is recognised if, and only if, the Group 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 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;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure the expenditure attributable to the intangible asset during the development phase.

***Depreciation***

Intangible assets are amortised on straight-line basis over their expected useful life.

Licenses to operate mobile telephone networks are amortised over the license period from the date when the network is technically ready and the service can be marketed. The right to operate a mobile network is recorded in an amount corresponding to the fixed portion of the royalties due when the license was granted. The variable user fee is expensed as incurred.

Intangible assets related to internal and external software developments are amortised over a period from 3-5 years.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

### 2.8 Property, plant and equipment

***Gross Value***

Fixed assets are recognised at their purchase or production cost, which include costs directly attributable to bringing the asset to the location and to a working condition for its intended use. It also includes the initial estimate of the costs of dismantling, removing the item and restoring the site on which it is located, representing the obligation incurred by the Group.

The cost of networks includes design and construction costs, as well as costs related to the improvement in equipment and facility capacity.

The total cost of an asset is allocated to its different components. Each component is accounted for separately when the components have different useful lives or when the pattern in which their future economic benefits are expected to be consumed by the entity varies. Depreciation rate and method of such components are different accordingly.

Maintenance and repair costs are recognised in profit or loss as incurred, except where they serve to increase the productivity or useful life of the asset.

**Note 2—Accounting policies (Continued)**

***Operating / Finance leases***

The determination of whether an arrangement is, or contains a lease is based on the substance of the agreement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the agreement conveys a right to the Group to the use of the asset.

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased item to the Group. These are classified at the inception of the lease, in accordance with its nature and the associated liability, at the lower of the present value of the minimum lease payments or the fair value of the leased property. Lease payments are apportioned between finance costs and reduction of the principal of lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are reflected in the income statement over the lease term.

In firm sale and leaseback transactions resulting in a finance lease, the asset sold is not derecognised and the cash received is considered finance for the lease term. However, when the sale and leaseback transaction results in an operating lease, and it is clear that both the transaction and subsequent lease income are established at fair value, the asset is derecognised and any gain or loss generated on the transaction is recognised.

***Depreciation***

Depreciation is based on the cost of a property, plant and equipment less any residual value and reflects the pattern in which the future economic benefits of the asset are expected to be consumed. Thus, the asset is usually depreciated on the straight-line basis over the following estimated useful lives:

| | |
|---|---|
| Buildings | 10 to 30 years |
| Network: Switching, transmission and other network equipment | 5 to 10 years |
| Network: Cables and civil works | 15 to 30 years |
| IT equipment: Computer hardware | 3 to 5 years |

These useful lives are reviewed annually and are adjusted if they differ from previous estimates. These changes in accounting estimates are recognised prospectively.

**2.9 Impairment of non-current assets**

At the end of each reporting period, the Group reviews the carrying amount of its property, plant and equipment and intangible assets with definite useful life to determine whether there is any indication that those assets have suffered an impairment loss.

Indicators of impairment include events or circumstances occurring during the period (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators).

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss (if any).

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, which is assessed using the discounted cash flows method based on management's best estimate of the set of economic conditions. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of cash-generating units to which the asset belongs to.

Note 2—Accounting policies (Continued)

The impairment loss recognised is equal to the difference between the net book value and the recoverable amount.

### 2.10 Financial assets and liabilities

Financial assets and liabilities are recognised initially at fair value. They are subsequently measured either at fair value or amortised cost using the effective interest method depending on the category in which they are classified.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. This calculation includes all fees and points paid or received between parties to the contract.

***Recognition and measurement of financial assets***

The Group does not hold any financial assets qualifying as held-to-maturity assets.

#### 2.10.1 Loans and receivables

This category mainly includes trade receivables, cash, certain deposits, as well as other loans and receivables. These instruments are recognised at fair value upon origination and are subsequently measured at amortised cost using the effective interest method. Receivables with no stated interest rate are measured at initial nominal amount unless there is any significant impact resulting from the application of an implicit interest rate.

If there is any objective evidence of impairment of these assets, the value of the asset is reviewed at the end of each reporting period. An impairment loss is recognised in profit or loss when the financial asset carrying amount is higher than its recoverable amount.

Impairment of trade receivables is based on two methods:

- A statistical method: It is based on historical losses and leads to a separate impairment rate for each ageing balance category. This analysis is performed over a homogenous group of receivables with similar credit characteristics because they belong to a customer category (mass-market, small offices and home offices).

- A stand-alone method: The probability and the amount of impairment loss are estimated based on a set of relevant factors (ageing of late payment, other balances with the counterpart, rating from independent agencies, geographical area). This method is used for carriers and operators (domestic and international), local, regional and national authorities and for large accounts of Company Communication Services.

Recognition of impairment losses on a group of receivables is the step preceding the detection of impairment losses on individual receivables. When information is available (clients in bankruptcy or subject to equivalent judicial proceedings), these receivables are then excluded from the statistical database and individually impaired.

Regarding the change in accounting policy described in note 2.5, as the Company does not have reliable information derived from historical data regarding the collectability of the cross-subsidised parts of the handset, the receivables (and the related Equipment revenue) have been estimated at fair value and accounted on a net basis.

Financial assets are fully or partially derecognised when:

- The rights to receive cash flows from the asset have expired.

**Note 2—Accounting policies (Continued)**

- An obligation to pay the cash flows received from the asset to a third party has been assumed.

- The rights to receive cash flows from the asset have been transferred to a third party and all the risks and rewards of the asset have been substantially transferred.

**2.10.2 Financial assets or financial liabilities at fair value through profit or loss**

Financial assets at fair value through profit or loss are:

- assets held for trading that the Group acquired principally for the purpose of selling them in the short term;

- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern of short-term profit-taking;

- derivative assets not qualifying for hedge accounting.

**2.10.3 Available-for-sale assets**

Available-for-sale assets of the Group mainly consist of shares in entities which are not consolidated and not accounted for using the equity method and marketable securities that do not fulfil the criteria for classification in any of the other categories of financial assets. They are recognized and subsequently measured at fair value.

Temporary changes in value are recorded as "Gains (losses) on financial assets available-for-sale" within other comprehensive income.

When there is objective evidence of impairment on available-for-sale assets or a decrease in fair value by at least a third or over twelve months, the cumulative impairment loss included in other comprehensive income is definitely reclassified from equity to income statement within "Gain (losses) on disposal".

***Recognition and measurement of financial liabilities*** *- Borrowings and other liabilities*

Borrowings and other financial liabilities at amortised cost are recognised upon inception at fair value of the sums paid or received in exchange of the liability, and subsequently measured at amortised cost using the effective interest method. Current interest-free payables are booked at their nominal value.

Transaction costs that are directly related to the acquisition or issuance of a financial liability are deducted from its carrying value. The costs are subsequently amortised over the life of the liability by using the effective interest method.

Within the Group, some financial liabilities at amortised cost are subject to hedge accounting. They mostly relate to foreign currency borrowings in order to hedge future cash flows against changes in currency value (cash flow hedge).

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss consist mainly of derivative instruments described below.

***Recognition and measurement of hedging derivatives***

Derivatives are measured at fair value and are presented in the statement of financial position according to their maturity date whether or not they qualify for hedge accounting under IAS 39.

Derivatives are financial assets or liabilities measured at fair value through profit or loss and are classified in a separate line item of the statement of financial position when they qualify for hedge accounting.

**Note 2—Accounting policies (Continued)**

Hedge accounting is applicable when:

- at the inception of the hedge there is a formal designation and documentation of the hedging relationship;
- at the inception of the hedge and in subsequent periods the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows related to the hedged risk during the period for which the hedge is designated (i.e. the actual results of the hedge are within a range of 80-125%).

Hedge accounting is the following:

- the cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular interest rate and/or currency risk associated with a recognised asset or liability or a highly probable forecast transaction (such as a future purchase or sale) and could affect profit or loss. The hedged item being not recognised, the effective portion of changes in fair value of the hedging instrument is recognised in other comprehensive income. Such amounts are recycled to profit or loss when the hedged financial asset or hedged financial liability affects the income statement. When the hedged item is not a financial asset or a financial liability, such amounts are reclassified in its initial cost.

Hedge accounting is terminated when the hedged item is no longer recognised, when the Group voluntarily revokes the designation of the hedging relationship, or when the hedging instrument is terminated or exercised. The accounting consequences are for:

- Cash flow hedge: amounts booked in other comprehensive income are immediately reclassified in profit or loss when the hedged item is no longer recognised or, in all other cases, when the hedged item affects profit or loss.

Subsequent changes in the value of the hedging instrument are recorded in profit or loss.

**2.11 Inventory**

Inventory comprises handsets and related accessories for resale and is measured at the lower of their cost and their net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs necessary to make the sale.

Obsolete, defective or slow-moving inventories have been written down to estimated net realisable value. The recoverable amount of inventory is calculated based on inventory age and turnover.

**2.12 Income and deferred taxes**

The income tax expense is reviewed each year and includes both current and deferred taxes.

Current tax is measured by the Group at the amount expected to be paid to or recovered from the tax authorities of each country, based on its interpretation with regard to the application of tax legislation.

Deferred taxes are recognised for all temporary differences between the book values of assets and liabilities and their tax basis, as well as for unused tax losses, using the liability method taking into account the tax rates, which are enacted or substantially enacted at the end of the reporting period. Deferred tax assets are recognised only when their realisation is considered probable.

Deferred tax assets arising from tax losses are not recognised under certain circumstances specific to each tax entity, and particularly when:

- entities cannot assess the probability of the tax loss carryforwards being set off against future taxable profits, due to forecasts horizon and uncertainties as to the economic environment;

- entities have not yet begun to use the tax loss carryforwards;

- entities do not expect to use the losses within the timeframe allowed by tax regulations;

- tax losses are uncertain to be used due to the risks of divergent interpretations with regard to the application of tax legislation.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

**2.13 Provisions**

A provision is recognised when the Group has a present obligation towards a third party as resulting from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

The obligation may be legal, regulatory or contractual or it may represent a constructive obligation deriving from the Group's actions where, by an established pattern of past practice or published policies creating a valid expectation on the part of other parties that the Group will discharge certain responsibilities.

The estimate of the amount of the provision corresponds to the probable outflow of resources likely to be incurred by the Group to settle its obligation.

Contingent liabilities are disclosed in the notes to the financial statements. They correspond to:

- probable obligations resulting from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Group's control; or

- present obligations arising from past events that are not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

***Litigation***

In the ordinary course of business, the Group is involved in a number of legal and arbitration proceedings and administrative actions. The costs that might result from these proceedings are only accrued when they are probable and when their amount can be quantified or estimated within a reasonable range. The amount of provision recorded is based on a case-by-case assessment of the risk level, and events arising during the course of legal proceedings may require a reassessment of this risk.

***Restructuring***

Provisions for restructuring costs are recognised only when the restructuring has been announced and the Group has drawn up or has started to implement a detailed formal plan, prior to the end of the reporting period.

***Asset Retirement Obligation***

The Group is required to dismantle equipment and restore sites and office buildings. Provision is measured as the best estimate of the amount required to settle its obligations (on a per site basis for mobile antennas). These dismantling costs are calculated on the basis of the identified costs for the current financial year, extrapolated for future years using the best estimate of future trends in prices, inflation, etc., and are discounted based on market yields on high quality corporate bonds (or on government bonds when no corporate bond market exists) plus a corporate risk premium based on company's debt refinancing.

This estimate is revised at the end of each reporting period and adjusted, when appropriate. The asset to which the provision relates is also adjusted for the corresponding amount.

### 2.14 Employee benefits

The Group is affiliated to a legally independent pension fund. The annual contributions to this fund are made by both employee and employer in accordance with unchanged regulatory provisions. This is a defined contribution plan according to Swiss legislation, but it qualifies as a defined benefit plan under IAS 19 due to the constructive obligation of the employer to guarantee a minimum rate of interest and a fixed conversion rate.

The plan is providing several categories of coverage and the employees' contributions are based on various percentages of their gross salaries. All employees are entitled to participate in the plan for retirement, disability or death. The Group's contributions exceed those of the employees. The risks of disability and death are entirely reinsured by an insurance company.

The Group's obligation in respect of its defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value of the obligation, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary in accordance with the projected unit credit method. The latest actuarial valuation was undertaken using data as at October 30, 2015 with a roll-forward of plan assets to December 31, 2015. Current pension entitlements are charged to income in the period in which they arise. Actuarial gains and losses are recorded in full under other comprehensive income in the reporting period in which they arise.

### 2.15 Cash & cash equivalents

Cash and cash equivalents comprise cash on hand and at banks, deposits and other highly liquid investments with an original maturity of three months or less. These items are stated at historical cost, which does not differ significantly from realisable value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are shown net of any outstanding bank overdrafts.

## Note 3—Segment Information

Operating segments are reported in a manner consistent with the internal reporting to the Chief Operating Decision-Maker (the Board of Directors), and have been prepared in accordance with the Group's accounting policies. The operating segments have been determined based on the Management Reports reviewed by the Board of Directors.

Assets and liabilities are not allocated to operating segments in the monthly management reports reviewed by the Board of Directors, as the review focuses on the development in net working capital for the Group.

The "Net margin" is the main measurement reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance.

The Group activity is mainly operated in Switzerland.

The Group's internal reporting is based on the following segments:

- Consumer: relates to consumers

## Note 3—Segment Information (Continued)

- Enterprise: relates to the Business, Wholesale & MVNO segments
- Other: mainly relates to head office activities

| (in thousands of Swiss Francs) | Consumer | | | Enterprise | | | Other | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, (Predecessor) |
| **Revenue** | **688,061** | **310,432** | **1,046,442** | **192,175** | **86,704** | **263,306** | **5,089** | **2,296** | **6,342** | **885,325** | **399,431** | **1,316,090** |
| Access, backbone, interconnection and content costs | (103,323) | (41,113) | (137,190) | (41,989) | (16,708) | (51,808) | (570) | (227) | (138) | (145,882) | (58,047) | (189,135) |
| Commercial expenses and cost of equipment sold | (185,642) | (85,012) | (325,983) | (57,089) | (26,143) | (83,859) | (25) | (11) | (856) | (242,755) | (111,166) | (410,698) |
| **Net Margin** | **399,096** | **184,307** | **583,269** | **93,098** | **43,853** | **127,639** | **4,495** | **2,058** | **5,348** | **496,689** | **230,218** | **716,256** |

**Net margin to Operating profit / (loss) before tax reconciliation:**

| (in thousands of Swiss Francs) | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) |
|---|---|---|---|
| **Net Margin** | **496,689** | **230,218** | **716,256** |
| Network, IT, property expenses and other purchases | (107,541) | (47,337) | (163,876) |
| Labour expenses | (60,491) | (34,693) | (107,013) |
| Other operating expenses | (61,471) | (22,917) | (31,149) |
| Other operating income | 10,097 | 8,429 | 18,515 |
| **Adjusted EBITDA** | **277,282** | **133,701** | **432,734** |
| Result on disposal and other gains | 1 | 2 | 844 |
| Restructuring, transition and transaction costs | (43,414) | (21,945) | (35,618) |
| Corporate and brand fees | (734) | (5,333) | (19,617) |
| **EBITDA** | **233,136** | **106,425** | **378,343** |
| Depreciation, amortization and impairment | (197,241) | (79,395) | (258,534) |
| **Operating profit / (loss)** | **35,895** | **27,030** | **119,810** |
| Finance costs | (103,995) | (69,669) | (114,475) |
| Finance income | 3,509 | 56 | 14,176 |
| **Finance costs, net** | **(100,486)** | **(69,614)** | **(100,299)** |
| **Profit / (loss) before tax** | **(64,591)** | **(42,583)** | **19,510** |

## Note 4—Business combinations

### 4.1 Purchase Price Allocation ("PPA")

On December 18, 2014, Funds advised by APAX Partners and NJJ Suisse Acquisition SAS (Xavier Niel's private holding company) signed an agreement under which 100% of Salt Switzerland and its parent holdings were sold to NJJ Suisse Acquisition SAS.

The transaction was approved by competent competition and regulatory authorities on February 12, 2015.

The acquisition of Salt Switzerland and its parent holdings by NJJ Suisse Acquisition SAS was effective on February 23, 2015.

On 23 April 2015, Matterhorn Mobile Holdings S.A. sold its shares in Matterhorn Mobile S.A. (the owner of Salt Mobile S.A. and its affiliates) to the recently created Matterhorn Telecom S.A for an amount of CHF1,829 million (of which CHF 821.1 million converted into equity).

**Note 4—Business combinations (Continued)**

Matterhorn Telecom Holding S.A. (parent of Matterhorn Telecom S.A.) became the new ultimate parent entity for financial information purpose.

As at December 31, 2015, the total goodwill amounts to CHF 1,313.8 million and is composed of:

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | December 31, 2014 (Predecessor) |
|---|---|---|
| Goodwill resulting from the acquisition of Salt Switzerland by Matterhorn Mobile S.A. in February 2012 | 465,561 | 465,561 |
| Goodwill resulting from the acquisition of Matterhorn Mobile S.A. by Matterhorn Telecom S.A. in April 2015 | 848,231 | — |
| **Goodwill** | **1,313,793** | **465,561** |

The following table summarizes the consideration paid for Salt Switzerland in 2012, the carrying value of the net assets acquired as at the transaction date and the fair value of the identifiable assets acquired and liabilities assumed by allocating the purchase price consideration for Salt Switzerland:

| (in thousands of Swiss Francs) | Carrying value at February 29, 2012 | Allocation of purchase price | Fair value at February 29, 2012 |
|---|---|---|---|
| Other intangible assets | | | |
| *o/w Customer contracts* | — | 776,000 | 776,000 |
| *o/w Reseller Agreements* | — | 8,000 | 8,000 |
| *o/w MVNO Agreements* | — | 19,000 | 19,000 |
| *o/w Licences* | 23,600 | (16,957) | 6,643 |
| Other non-current assets | 956,000 | — | 956,000 |
| **Total non-current assets** | **979,600** | **786,043** | **1,765,643** |
| **Total current assets** | **394,965** | **—** | **394,965** |
| **Total non-current liabilities (1)** | **645,083** | **180,532** | **825,615** |
| **Total current liabilities** | **510,349** | **—** | **510,349** |
| **Asset classified as held for sale** | **18,057** | **9,023** | **27,080** |
| Net assets acquired | **237,190** | **614,535** | **851,725** |
| *o/w attributable to owners of the Parent* | 237,190 | 614,535 | 851,725 |
| **Initial purchase price** | | | **1,320,329** |
| Purchase price adjustment (2) | | | (3,043) |
| **Final purchase price** | | | **1,317,286** |
| **Goodwill arising on acquisition** | | | **465,561** |

*(1) Total non-current liabilities include deferred tax liabilities recognised on PPA.*
*(2) Following the Completion period requirements, the purchase price has been adjusted by CHF 3.0 million.*

**Note 4—Business combinations (Continued)**

The following table summarizes the consideration paid for Matterhorn Mobile S.A. in 2015 (see above), the carrying value of the net assets acquired as at the transaction date and the fair value of the identifiable assets acquired and liabilities assumed by allocating the purchase price consideration:

| (in thousands of Swiss Francs) | Carrying value at April 22, 2015 | Allocation of purchase price | Fair value at April 22, 2015 |
|---|---|---|---|
| Other intangible assets | | | |
| *o/w Customer contracts* | 515,168 | 165,678 | 680,846 |
| *o/w Reseller Agreements* | 2,969 | 32,470 | 35,440 |
| *o/w MVNO Agreements* | — | 36,909 | 36,909 |
| *o/w Licences* | 135,174 | 76,506 | 211,680 |
| Property, Plant and Equipment | 686,027 | 97,591 | 783,619 |
| Other non-current assets | 703,827 | — | 703,827 |
| **Total non-current assets** | **2,043,166** | **409,154** | **2,452,320** |
| **Total current assets** | **480,875** | **—** | **480,875** |
| **Total non-current liabilities (1)** | **1,361,375** | **89,113** | **1,450,488** |
| **Total current liabilities** | **501,938** | **—** | **501,938** |
| Net assets acquired | **660,727** | **320,041** | **980,769** |
| *o/w attributable to owners of the Parent* | 660,727 | 320,041 | 980,769 |
| **Initial purchase price** | | | **1,829,000** |
| **Goodwill arising on acquisition** | | | **848,231** |

*(1) Total non-current liabilities include deferred tax liabilities recognised on PPA.*

Customer contracts, Reseller, MVNO agreements are the key intangible assets and were measured using the future cash flows generated by existing subscribers at the transaction date. They are respectively amortised given the contract duration and the probability of renewal of those contracts:

—Customer contracts: 1 to 11 years

—Reseller agreements: 9 years

—MVNO agreements: 11 years

Other key assets are mainly including Licences and Network infrastructures and equipment, amortised given the estimated remaining useful life as at the transaction date:

—Licenses: 14 years

—Network infrastructures and equipment: 3 to 20 years

The fair value of software and other property, plant and equipment were considered to be approximately the same as their historical net carrying value.

The consolidation in Matterhorn Telecom Holdings S.A. led to the recognition of CHF 1,313.8 million in goodwill. The Goodwill arising on the acquisition is not deductible for tax purposes.

This remaining Goodwill relates to:

—Any potential cost savings and margin improvements from network sharing agreements and other cost savings plans

—Value generated from sales to new subscribers

**Note 4—Business combinations (Continued)**

—Value generated from sales relating to new product offerings and bundle offers

—Value represented by the assembled workforce

### 4.2 Impairment tests

IAS 36 *Impairment of Assets* seeks to ensure that an entity's assets are not carried at more than their recoverable amount (i.e. the higher of fair value less costs of disposal and value in use). With the exception of goodwill and certain intangible assets for which an annual impairment test is required, entities are required to conduct impairment tests where there is an indication of impairment of an asset, and the test may be conducted for a 'cash-generating unit' where an asset does not generate cash inflows that are largely independent of those from other assets.

#### a. Other Intangible assets and Property, Plant and Equipment

Given the valuation analysis performed for the Purchase Price Allocation in the context of 2015 annual financial statements preparation, there is no impairment risk regarding the value of Other intangible assets and Property, Plant & Equipment.

#### b. Goodwill

Goodwill as of December 31, 2015 amounts to CHF 1,313.8 million. As per IAS 36, goodwill is tested for impairment annually.

#### 1. CGU definition and goodwill allocation

To test for impairment, goodwill must be allocated to each of the acquirer's cash-generating units ("CGU"), or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated shall:

—represent the lowest level within the entity at which the goodwill is monitored for internal management purposes; and

—not be larger than an operating segment determined in accordance with IFRS 8 Operating Segments

Both Consumer and Enterprise operating segments are considered to be the lowest level at which goodwill is monitored and are therefore eligible for impairment testing. Based on Operating Revenues (defined as Total revenue less Equipment revenue) as a key indicator, goodwill has been allocated between these two CGUs as follows:

| (in thousands of Swiss Francs) | Allocation key | Allocation rate | Allocated Goodwill |
|---|---|---|---|
| Consumer | Operating revenue | 80% | 1,044,849 |
| Enterprise | Operating revenue | 20% | 268,906 |
| **Goodwill** | | **100%** | **1,313,793** |

#### 2. Key assumptions and impairment testing

A cash-generating unit to which goodwill has been allocated shall be tested for impairment at least annually by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit:

—if the recoverable amount of the unit exceeds its carrying amount, the unit (including the goodwill allocated to it) is not impaired

—if the carrying amount of the unit exceeds its recoverable amount, an impairment loss must be recognized

**Note 4—Business combinations (Continued)**

At the end of each reporting period, an entity is required to assess whether the goodwill may be impaired (i.e. its carrying amount may be higher than its recoverable amount).

The basis chosen to calculate both CGU's recoverable value is "value in use".

The following key assumptions have been used in the economic model (Discounted Cash Flows "DCF" model) used for impairment testing:

| | |
|---|---|
| —Perpetual growth: | 0.5% (0.5% in 2014) |
| —Discount rate (WACC) after tax: | 6.5% (6.5% in 2014) |
| —Discount rate (WACC) before tax: | 7.0% (6.5% in 2014) |

These hypotheses have been calculated by taking into account the following economic criteria:

| | |
|---|---|
| —Geographic area: | Switzerland and Liechtenstein |
| —Industry sector: | Telecommunications |
| —Market assessment: | Mature |
| —Investment requirements: | High |
| —Commercial position: | Major player (3rd operator) |
| —Effective tax rate: | 22.40% (22.51% in 2014) |

More specifically, perpetual growth rate considers both economic environment and market conditions, weighted by 1/3 and 2/3 factors respectively. Economic environment assessment relies on economic growth projections built by public and private financial institutions.

The DCF model uses a projection of the most reliable information available as of the testing date and for the next 5 years in order to measure free cash flows generated by operations.

—2016 is based on budget

—2017 and 2018 are based on the Company's business plans

—2019 and 2020 are an extrapolation of 2018 figures applying an annual growth rate of 0.5% (0.5% in 2014).

The perpetual growth rate is taken into account for the calculation of the terminal value in the DCF valuation model.

**Based on the above, no impairment charge has been recorded as of December 31, 2015.**

**3. Sensitivity analysis**

A sensitivity analysis has been performed on recoverable values, based on significant variations of the perpetual growth rate (-0.5%), the discount rate after tax (+2%) and expected cash-flows after tax (-20%). The outcome of the impairment test was not sensitive to reasonable changes in the period presented.

**Note 5—Sales**

**5.1 Revenue**

| (in thousands of Swiss Francs) | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) |
|---|---|---|---|
| Network | 658,628 | 302,617 | 1,058,101 |
| Equipment | 153,583 | 62,773 | 177,892 |
| Other mobile services | 71,221 | 33,106 | 75,808 |
| Other revenue | 1,894 | 935 | 4,290 |
| **Revenue** | **885,325** | **399,431** | **1,316,090** |

**Note 5—Sales (Continued)**

**5.2 Trade receivables**

Trade receivables are presented as follows at the face of the statement of financial position:

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | December 31, 2014 (Predecessor) |
|---|---|---|
| Non-current | 46,075 | 35,081 |
| Current | 352,483 | 317,202 |
| **Trade receivables** | **398,558** | **352,284** |

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | December 31, 2014 (Predecessor) |
|---|---|---|
| Gross trade receivables | 440,791 | 389,069 |
| Provision for doubtful debts | (42,233) | (36,784) |
| **Trade receivables** | **398,558** | **352,284** |

The provision for doubtful debts as at December 2015 mainly concerns receivables over 120 days. Its increase is mainly due to a reassessment of statistical bad debt provision rates and a focus performed in 2015 on identified populations which led to specific bad debt provisions.

Gross trade receivables are broken down as follows:

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | December 31, 2014 (Predecessor) |
|---|---|---|
| Gross trade receivables past due | 85,031 | 131,496 |
| Gross trade receivables not past due | 355,761 | 257,573 |
| **Gross trade receivables** | **440,791** | **389,069** |

The following table provides an ageing balance of gross trade receivables past due:

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | December 31, 2014 (Predecessor) |
|---|---|---|
| Past due—under 60 days | 49,645 | 70,979 |
| Past due—60 to 120 days | 4,177 | 24,460 |
| Past due—over 120 days | 31,209 | 36,057 |
| **Gross trade receivables past due** | **85,031** | **131,496** |

The Group outsources part of its receivables collection. Customer receivables are transferred to an agency if overdue by 121 days or more. Enterprise and MVNO customers are treated on a case by case basis. Receivables under servicing agreement are recognised in 2015 for a total value of CHF 26.5m, most of them being covered by a bad debt provision amounting CHF 25.5m.

In 2015, the Group sold certain trade receivables to Intrum Justicia for cash. These financial assets are derecognised in their entirety at the date of the transfer. However, the Group continues to have an involvement in the next 6 months following the transfer in very specific cases. In case of rejection of the receivables by Intrum Justicia AG, the Group has to repurchase the derecognised asset. In this case, the repurchase is accounted for as a loss in the consolidated statement of profit / (loss). This repurchase has no material effect in the Group's accounts.

**Note 5—Sales (Continued)**

Tables below provide an analysis of the changes in provision for trade receivables in the statement of financial position:

| (in thousands of Swiss Francs) | January 1, 2015 (Predecessor) | Change in provision | December 31, 2015 (Successor) |
|---|---|---|---|
| Provision for doubtful debts | **(36,784)** | (5,449) | **(42,233)** |

| (in thousands of Swiss Francs) | January 1, 2014 (Predecessor) | Change in provision | December 31, 2014 (Predecessor) |
|---|---|---|---|
| Provision for doubtful debts | **(3,434)** | (33,350) | **(36,784)** |

### 5.3 Deferred income

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | December 31, 2014 (Predecessor) |
|---|---|---|
| Prepaid telephone cards | 16,822 | 17,729 |
| Other deferred income | 8,086 | 7,344 |
| **Deferred income** | **24,908** | **25,073** |

## Note 6—Purchases and Restructuring, transaction and transition costs

### 6.1 Access, backbone, interconnection and content costs

| (in thousands of Swiss Francs) | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) |
|---|---|---|---|
| Interconnection costs | (120,690) | (46,132) | (152,655) |
| Transmission leased lines | (13,620) | (5,937) | (17,239) |
| Fixed network costs | (1,632) | (825) | (3,095) |
| Content costs | (9,940) | (5,153) | (16,146) |
| **Access, backbone, interconnection and content costs** | **(145,882)** | **(58,047)** | **(189,135)** |

### 6.2 Commercial expenses and cost of equipment sold

| (in thousands of Swiss Francs) | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) |
|---|---|---|---|
| Commercial expenses | (100,061) | (46,843) | (161,768) |
| Cost of equipment sold | (142,694) | (64,323) | (248,930) |
| **Commercial expenses and cost of equipment sold** | **(242,755)** | **(111,166)** | **(410,698)** |

**Note 6—Purchases and Restructuring, transaction and transition costs (Continued)**

### 6.3 Network, IT, property expenses and other purchases

| (in thousands of Swiss Francs) | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) |
|---|---|---|---|
| Network and IT expenses | (38,689) | (15,077) | (55,451) |
| Property expenses | (42,786) | (19,609) | (62,231) |
| Subcontracting and professional services | (15,540) | (6,771) | (25,380) |
| Other purchases | (10,525) | (5,880) | (20,814) |
| **Network, IT, property expenses and other purchases** | **(107,541)** | **(47,337)** | **(163,876)** |

### 6.4 Restructuring, transition and transaction costs

| (in thousands of Swiss Francs) | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) |
|---|---|---|---|
| Restructuring costs | (15,384) | (463) | (3,289) |
| Transition costs | (25,896) | (16,474) | (32,281) |
| Transaction costs | (2,134) | (5,008) | (48) |
| **Restructuring, transition and transaction costs** | **(43,414)** | **(21,945)** | **(35,618)** |

In 2015, the following significant events happened, generating non-recurring costs:

—restructuring costs were related to the voluntary leave plan launched in September 2015 and costs incurred by the reorganisation process

—transition costs were mainly related to the rebranding project

—transaction costs were related to advisory and technical support expenses for the sale of the Company to NJJ Suisse Acquisition SAS and for the refinancing which occurred in April 2015.

In 2014, transition costs were incurred in the context of the Group's IT Transformation project.

### 6.5 Inventories

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | December 31, 2014 (Predecessor) |
|---|---|---|
| Handsets | 19,477 | 15,190 |
| Other products/services sold | 5,143 | 3,297 |
| **Gross value** | **24,620** | **18,487** |
| Provisions | (1,465) | (1,369) |
| **Inventories** | **23,155** | **17,119** |

## Note 7—Fixed assets

### 7.1 Intangible assets

Intangible assets were as follows as at December 31, 2015:

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) Cost | Accumulated depreciation and amortization | Impairment | Net |
|---|---|---|---|---|
| Telecommunication licenses | 269,597 | (64,755) | — | 204,842 |
| Softwares | 137,871 | (75,445) | (4,460) | 57,966 |
| Customer contracts | 680,846 | (60,837) | — | 620,009 |
| Reseller Agreements | 35,439 | (2,757) | — | 32,682 |
| MVNO agreements | 36,909 | (2,342) | — | 34,567 |
| Other intangibles assets | 21,826 | (15,904) | (69) | 5,853 |
| **Intangible assets** | **1,182,488** | **(222,039)** | **(4,529)** | **955,920** |

The following Intangible assets result from the Purchase Price Allocation described in note 4:

—Customer contracts

—Reseller agreements

—MVNO agreements

Intangible assets were as follows as at December 31, 2014:

| (in thousands of Swiss Francs) | December 31, 2014 (Predecessor) Cost | Accumulated depreciation and amortization | Impairment | Net |
|---|---|---|---|---|
| Telecommunication licenses | 198,902 | (54,986) | — | 143,917 |
| Softwares | 115,163 | (56,079) | (4,102) | 54,982 |
| Customer contracts | 776,000 | (235,025) | — | 540,975 |
| Reseller Agreements | 8,000 | (4,533) | — | 3,467 |
| MVNO agreements | 19,000 | (11,776) | (7,224) | — |
| Other intangibles assets | 22,300 | (13,667) | (69) | 8,564 |
| **Intangible assets** | **1,139,366** | **(376,066)** | **(11,395)** | **751,904** |

Intangible assets under construction amounted to CHF 9.0 million as at December 31, 2015 (CHF 10.7 million as at December 31, 2014).

## Note 7—Fixed assets (Continued)

Movements in the Net Book Value of Intangible assets were as follows:

| (in thousands of Swiss Francs) | Telecom-munication licenses | Softwares | Customer contracts | Reseller Agreements | MVNO agreements | Other Intangibles assets | TOTAL |
|---|---|---|---|---|---|---|---|
| Opening balance as at April 23, 2015 (Successor) | 135,062 | 55,242 | 515,168 | 2,969 | — | 7,392 | 715,833 |
| Acquisitions | — | 18,226 | — | — | — | (32) | 18,194 |
| Depreciation, amortization and Impairment | (6,639) | (15,171) | (60,837) | (2,757) | (2,342) | (1,900) | (89,646) |
| Other movements (1) | 76,420 | (331) | 165,678 | 32,470 | 36,909 | 392 | 311,538 |
| **Closing balance as at December 31, 2015 (Successor)** | **204,842** | **57,966** | **620,009** | **32,682** | **34,567** | **5,853** | **955,920** |

*(1) Other movements include the assets created in the context of the purchase price allocation—please refer to note 4 for further information*

| (in thousands of Swiss Francs) | Telecom-munication licenses | Softwares | Customer contracts | Reseller Agreements | MVNO agreements | Other Intangibles assets | TOTAL |
|---|---|---|---|---|---|---|---|
| Opening balance as at January 01, 2015 (Predecessor) | 143,917 | 54,982 | 540,975 | 3,467 | — | 8,564 | 751,904 |
| Acquisitions | 200 | 7,767 | — | — | — | — | 7,967 |
| Depreciation, amortization and Impairment | (9,055) | (7,695) | (25,807) | (498) | — | (936) | (43,990) |
| Other movements | — | 188 | — | — | — | (236) | (48) |
| **Closing balance as at April 22, 2015 (Predecessor)** | **135,062** | **55,242** | **515,168** | **2,969** | **—** | **7,392** | **715,833** |

**Note 7—Fixed assets (Continued)**

| (in thousands of Swiss Francs) | Telecom-munication licenses | Softwares | Customer contracts | Reseller Agreements | MVNO agreements | Other Intangibles assets | TOTAL |
|---|---|---|---|---|---|---|---|
| Opening balance as at January 01, 2014 (Predecessor) | 153,846 | 53,022 | 623,925 | 5,067 | 7,976 | 8,302 | 852,138 |
| Acquisitions | — | 20,383 | — | — | — | 2,628 | 23,011 |
| Depreciation, amortization and Impairment | (9,764) | (18,577) | (82,950) | (1,600) | (7,976) | (1,918) | (122,785) |
| Other movements | (166) | 155 | — | — | — | (448) | (459) |
| **Closing balance as at December 31, 2014 (Predecessor)** | **143,917** | **54,982** | **540,975** | **3,467** | **—** | **8,564** | **751,904** |

On February 23, 2012, ComCom ("Commission fédérale de la communication") and OFCOM ("Office fédéral de la communication ") announced the results of the auction of mobile radio frequencies. The auction, which ran from February 6 to February 22, 2012, related to the renewal of current licenses for the 900, 1800 and 2100 MHz bands, as well as to the new 800 and 2600 MHz LTE bands. Under the auction process, the new frequency allocation between the three mobile operators Salt, Sunrise and Swisscom, was determined by the bidders rather than a public authority. Salt obtained 160 MHz spread between the seven bands available for a purchase price of CHF 154.7 million. The new licenses granted in the auction start from 2013 to 2017 and last until the end of 2028. In June 2015, the Group proceeded to the payment of the second instalment of the spectrum, amounting to CHF 33.7 million (including interests).

**Capitalised expenditure**

The labour expenses capitalised during the year amounted to CHF 3.0 million (CHF 3.6 million as at December 2014).

**7.2 Property, Plant and Equipment**

Tangible assets were as follows as at December 31, 2015:

| | December 31, 2015 (Successor) | | | |
|---|---|---|---|---|
| (in thousands of Swiss Francs) | Cost | Accumulated depreciation and amortization | Impairment | Net |
| Land and buildings | 102,123 | (47,803) | (17,439) | 36,881 |
| Network | 2,303,693 | (1,596,924) | (54,357) | 652,412 |
| IT equipment | 30,774 | (16,617) | (4,750) | 9,407 |
| Other property, plant and equipment | 26,410 | (22,482) | (2,147) | 1,781 |
| **Property, Plant and Equipment** | **2,463,001** | **(1,683,826)** | **(78,694)** | **700,481** |

**Note 7—Fixed assets (Continued)**

Tangible assets were as follows as at December 31, 2014:

| (in thousands of Swiss Francs) | December 31, 2014 (Predecessor) Cost | Accumulated depreciation and amortization | Impairment | Net |
|---|---|---|---|---|
| Land and buildings | 127,918 | (67,586) | (12,244) | 48,088 |
| Network | 2,194,076 | (1,529,996) | (40,978) | 623,101 |
| IT equipment | 27,450 | (12,749) | (4,750) | 9,951 |
| Other property, plant and equipment | 26,832 | (21,822) | (2,147) | 2,862 |
| **Property, Plant and Equipment** | **2,376,275** | **(1,632,152)** | **(60,120)** | **684,003** |

Tangible assets under construction amounted to CHF 32.7 million as at December 31, 2015 (CHF 54.7 million as at December 31, 2014).

The Group has no finance lease as at December 31, 2015 and 2014.

Movements in the Net Book Value of Tangibles assets were as follows:

| (in thousands of Swiss Francs) | Land and buildings | Network | IT Equipment | Other property, plant and equipment | TOTAL |
|---|---|---|---|---|---|
| Opening balance as at April 23, 2015 (Successor) | 46,383 | 628,093 | 9,063 | 2,487 | 686,027 |
| Acquisitions | 1,330 | 56,297 | 3,374 | 7 | 61,008 |
| Depreciation, amortization and Impairment | (9,166) | (94,592) | (3,030) | (806) | (107,595) |
| Other movements [1] | (1,666) | 62,614 | — | 93 | 61,042 |
| **Closing balance as at December 31, 2015 (Successor)** | **36,881** | **652,412** | **9,407** | **1,781** | **700,481** |

| (in thousands of Swiss Francs) | Land and buildings | Network | IT Equipment | Other property, plant and equipment | TOTAL |
|---|---|---|---|---|---|
| Opening balance as at January 01, 2015 (Predecessor) | 48,088 | 623,101 | 9,951 | 2,862 | 684,003 |
| Acquisitions | 1,164 | 36,323 | 124 | 1 | 37,612 |
| Depreciation, amortization and Impairment | (3,630) | (30,336) | (1,012) | (427) | (35,405) |
| Other movements | 761 | (995) | — | 51 | (183) |
| **Closing balance as at April 22, 2015 (Predecessor)** | **46,383** | **628,093** | **9,063** | **2,487** | **686,027** |

**Note 7—Fixed assets (Continued)**

| (in thousands of Swiss Francs) | Land and buildings | Network | IT Equipment | Other property, plant and equipment | TOTAL |
|---|---|---|---|---|---|
| Opening balance as at January 01, 2014 (Predecessor) | 45,857 | 603,930 | 13,675 | 2,641 | 666,102 |
| Acquisitions | 9,945 | 122,644 | 804 | 1,711 | 135,103 |
| Depreciation, amortization and Impairment | (9,361) | (120,371) | (4,527) | (1,489) | (135,749) |
| Other movements | 1,648 | 16,898 | — | — | 18,546 |
| **Closing balance as at December 31, 2014 (Predecessor)** | **48,088** | **623,101** | **9,951** | **2,862** | **684,003** |

*(1) Other movements include the assets created in the context of the purchase price allocation—please refer to note 4 for further information*

Impairment loss recognised in 2015 amounted to CHF 18.6 million and was mainly related to Network and Land & buildings (CHF 15.5 million in 2014).

**Capitalised expenditure**

The labour expenses capitalised during the year amounted to CHF 2.5 million (CHF 2.6 million as at December 2014).

**7.3 Fixed assets payables**

Fixed assets payables mainly consist of:

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | December 31, 2014 (Predecessor) |
|---|---|---|
| Spectrum licence payables | 34,252 | 66,507 |
| Other fixed assets payables | 49,696 | 66,140 |
| **Fixed assets payables** | **83,948** | **132,647** |

On July 4, 2012, Salt opted to pay for its spectrum allocations in instalments of:

- 60% (equivalent to CHF 92.8 million) by August 6, 2012;
- 20% by June 30, 2015;
- and the remaining 20% by December 31, 2016.

The spectrum license payables bear interest at a rate of 3% starting from August 6, 2012. Accrued interests amounted to CHF 3.3 million as of December 31, 2015 (CHF 4.6 million as of December 31, 2014).

**Note 7—Fixed assets (Continued)**

**7.4 Purchases of Property, Plant, Equipment and Intangible assets**

For cash flow statement purposes, purchases of Property, Plant, Equipment and Intangible assets were as follows:

| (in thousands of Swiss Francs) | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) |
|---|---|---|---|
| Investment in property, plant and equipment and intangible assets | (79,202) | (45,579) | (158,114) |
| Increase / (decrease) in amounts due to fixed assets suppliers | (20,576) | (28,123) | (2,040) |
| **Purchases of property, plant and equipment and intangible assets** | **(99,778)** | **(73,702)** | **(160,154)** |

**Note 8—Income Tax**

**8.1 Corporate income Tax profit / (loss)**

Salt Mobile S.A. and Salt Network S.A. are liable for taxes in all Swiss cantons based on an inter-cantonal allocation at various rates. With this regard and considering the tax holidays granted by the cantons (full or partial), the current average tax rate is our estimated rate of 22.40% (22.51% in 2014) based on the statutory tax rates applicable in Switzerland, which can potentially vary in the upcoming years.

The Group is liable for capital and income taxes. Matterhorn Telecom S.A. and Matterhorn Telecom Holding S.A., which are registered in Luxemburg, are subject to an income tax at a rate of 29.22% (29.22% in 2014).

In Luxemburg, companies may carry over losses until they are used up for an unlimited number of years to offset taxable profits. In Switzerland, tax losses are normally available to be set off against future taxable income for a period of seven years. Salt Mobile S.A. benefited from tax holidays (full or partial) for the initial 10 fiscal periods following the incorporation for the cantons where the Company is subject to the main element of taxation. It is, however, subject to taxes at the federal level, as well as from various other cantons. Salt Network SA and Salt (Liechtenstein) AG do not benefit from tax holidays.

The income tax is broken down as follows:

| (in thousands of Swiss Francs) | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) |
|---|---|---|---|
| **Total tax expense relating to continuing operations** | **8,083** | **(1,525)** | **(3,983)** |
| —Current tax expense in respect of the current year | (270) | (42) | (169) |
| —Deferred tax income / (expense) | 8,353 | (1,483) | (3,814) |

**Note 8—Income Tax (Continued)**

### 8.2 Group Tax proof

The reconciliation between effective income tax expense and the theoretical tax calculated based on the Luxemburg statutory tax rate is as follows:

| (in thousands of Swiss Francs) | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) |
|---|---|---|---|
| Profit / (loss) before tax | **(64,591)** | **(42,583)** | **19,510** |
| Income tax rate | 29.22% | 29.22% | 29.22% |
| **Theoretical income tax income / (expense)** | **18,874** | **12,443** | **(5,701)** |
| Reconciliation items: | | | |
| Effect on deferred tax balances due to the change in income tax rate | (351) | — | (347) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 2,013 | 1,055 | 5,564 |
| Deferred tax assets not recognized on temporary differences and tax loss carry forwards arising in the period | (12,783) | (14,850) | (642) |
| Impairment of deferred tax assets | — | — | (3,039) |
| Other | 331 | (172) | 182 |
| **Income tax expense recognised in profit or loss** | **8,083** | **(1,525)** | **(3,983)** |

### 8.3 Statement of financial position—tax position

The tax position by class of temporary difference is as follows:

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | December 31, 2014 (Predecessor) |
|---|---|---|
| Pension provision | 8,274 | 9,172 |
| Intangible assets & Property, plant, equipment | (189,283) | (121,365) |
| Tax loss carryforwards | 79,216 | 76,545 |
| Hedge & Instalment accounting, FX effects, Transaction costs | (37,589) | (25,383) |
| Other | (662) | 130 |
| **Net deferred taxes—Group** | **(140,043)** | **(60,900)** |
| *—Deferred tax assets* | — | *17,788* |
| *—Deferred tax liabilities* | *(140,043)* | *(78,688)* |

In 2007 and 2008, the licences and the radio access network were sold by Salt Mobile SA to Salt Network SA at fair value, resulting in a capital gain which has been eliminated on consolidation. This created a temporary tax difference which will be consumed over the remaining useful life of the underlying assets (between 5 and 20 years depending on the nature of each asset).

**Note 8—Income Tax (Continued)**

### 8.4 Change in Group net deferred taxes

| (in thousands of Swiss Francs) | April 23, 2015 (Successor) (1) | Recognized as a profit or loss | PPA impact through Goodwill | Recognized in other comprehensive income | December 31, 2015 (Successor) |
|---|---|---|---|---|---|
| Pension | 9,421 | (1,805) | — | 659 | 8,274 |
| Intangible assets & Property, plant, equipment | (115,623) | 15,453 | (89,112) | — | (189,283) |
| Tax loss carryforwards | 82,463 | (3,247) | — | — | 79,216 |
| Hedge & Instalment accounting, FX effects, Transaction costs | (33,880) | (929) | — | (2,779) | (37,589) |
| Other | 457 | (1,119) | — | — | (662) |
| **Deferred taxes on temporary differences** | **(57,163)** | **8,353** | **(89,112)** | **(2,121)** | **(140,043)** |

*(1) For consistency purpose, deferred tax figures as of April 23, 2015 are presented before the Purchase Price Allocation and the resulting Deferred Tax Liabilities impact*

| (in thousands of Swiss Francs) | January 1, 2015 (Predecessor) | Recognized as a profit or loss | Recognized in other comprehensive income | April 22, 2015 (Predecessor) |
|---|---|---|---|---|
| Pension | 9,172 | 249 | — | 9,421 |
| Intangible assets | (121,365) | 5,741 | — | (115,623) |
| Tax loss carryforwards | 76,545 | 5,918 | — | 82,463 |
| Hedge & Instalment accounting, FX effects, Transaction costs | (25,383) | (13,719) | 5,221 | (33,880) |
| Other | 130 | 327 | — | 457 |
| **Deferred taxes on temporary differences** | **(60,900)** | **(1,483)** | **5,221** | **(57,163)** |

| (in thousands of Swiss Francs) | January 1, 2014 (Predecessor) | Recognized as a profit or loss | Recognized in other comprehensive income | December 31, 2014 (Predecessor) |
|---|---|---|---|---|
| Pension | 6,057 | 899 | 2,216 | 9,172 |
| Intangible assets | (141,060) | 19,695 | — | (121,365) |
| Tax loss carryforwards | 90,831 | (14,285) | — | 76,545 |
| Hedge accounting | (16,010) | (10,123) | 750 | (25,383) |
| Other | 130 | — | — | 130 |
| **Deferred taxes on temporary differences** | **(60,052)** | **(3,814)** | **2,966** | **(60,900)** |

Deferred tax assets not recognised as at the reporting date are as follows:

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | December 31, 2014 (Predecessor) |
|---|---|---|
| —unused tax losses | 16,936 | 3,684 |
| —temporary differences | 32,582 | 47,947 |
| **Unrecognized deferred tax assets** | **49,518** | **51,631** |

## Note 9—Provisions

| (in thousands of Swiss Francs) | April 23, 2015 (Successor) | Additions | Used | Released | Discounting | December 31, 2015 (Successor) |
|---|---|---|---|---|---|---|
| Restructuring provisions | 593 | 14,991 | (6,829) | — | — | 8,755 |
| Provisions for dismantling and restoring sites | 94,608 | 704 | (187) | (37,433) | 2,922 | 60,614 |
| Other provisions | 1,736 | 2,944 | (734) | — | — | 3,946 |
| **Provisions** | **96,938** | **18,639** | **(7,749)** | **(37,433)** | **2,922** | **73,315** |
| *of which non-current provisions* | 93,964 | 704 | (547) | (37,433) | 2,922 | 59,610 |
| *of which current provisions* | 2,972 | 17,935 | (7,203) | — | — | 13,705 |

| (in thousands of Swiss Francs) | January 1, 2015 (Predecessor) | Additions | Used | Released | Discounting | April 22, 2015 (Predecessor) |
|---|---|---|---|---|---|---|
| Restructuring provisions | 1,809 | 359 | (1,575) | — | — | 593 |
| Provisions for dismantling and restoring sites | 97,230 | 785 | (3,423) | (1,087) | 1,103 | 94,608 |
| Other provisions | 2,402 | 56 | (722) | — | — | 1,736 |
| **Provisions** | **101,441** | **1,200** | **(5,719)** | **(1,087)** | **1,103** | **96,938** |
| *of which non-current provisions* | 96,586 | 785 | (3,423) | (1,087) | 1,103 | 93,964 |
| *of which current provisions* | 4,855 | 415 | (2,297) | — | — | 2,972 |

| (in thousands of Swiss Francs) | January 1, 2014 (Predecessor) | Additions | Used | Released | Discounting | December 31, 2014 (Predecessor) |
|---|---|---|---|---|---|---|
| Restructuring provisions | 4,165 | 3,590 | (5,645) | (301) | — | 1,809 |
| Provisions for dismantling and restoring sites | 81,555 | 18,785 | (4,097) | — | 987 | 97,230 |
| Other provisions | 3,301 | 59 | — | (958) | — | 2,402 |
| **Provisions** | **89,022** | **22,435** | **(9,742)** | **(1,260)** | **987** | **101,441** |
| *of which non-current provisions* | 81,150 | 17,904 | (3,454) | — | 987 | 96,586 |
| *of which current provisions* | 7,871 | 4,531 | (6,288) | (1,260) | — | 4,855 |

In 2015, we proceeded to the revaluation of the discount rate used in the Provision for dismantling and restoring sites. This increase in the discount rate led to a major decrease of the provision as at December 31, 2015. The approach and underlying assumptions used for calculating the provisions for dismantling and restoring sites are described in Note 2.

### Note 10—Employee benefits

#### 10.1 Labour expenses

| (in thousands of Swiss Francs) | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) |
|---|---|---|---|
| Wages, social contributions & individual incentive / bonus plans | (68,172) | (33,181) | (106,473) |
| Capitalised Labour | 3,614 | 1,923 | 6,256 |
| Post-employment benefits | 4,067 | (3,435) | (6,795) |
| **Labour expenses** | **(60,491)** | **(34,693)** | **(107,013)** |

The wages, social contributions & individual incentive / bonus plans include the wages, bonus and related social charges. Capitalised labour reflects the time spent by Salt Mobile S.A. employees on tangible and intangible assets. Post-employment benefits include the actual expenses and the related actuarial impacts.

#### 10.2 Employee benefits

The Group's employees are insured for the risks of old age, death and disability.

Under this plan the retirement benefit is determined by the amount in the employee retirement savings account at the time of retirement. If an employee retires at the normal retirement age (64), the saving account is converted into a retirement pension at a rate of 6.49%. If the employee retires before the age of 58, his saving account is converted into a retirement pension at a lower rate.

Actuarial valuations of the plan assets and of the defined benefit obligation were carried out at December 31, 2015 and 2014 by an external actuarial expert. The present value of the defined benefit obligation, and the related current service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | December 31, 2015 (Successor) | December 31, 2014 (Predecessor) |
|---|---|---|
| Discount rate | 1.00% | 1.25% |
| Salary increase | 1.25% | 1.50% |
| Cost-of-living adjustment | 0.00% | 0.00% |
| Interest credit on total account balance | 1.00% | 1.25% |
| Mortality and disability—Swiss official tables | Swiss BVG 2010 | Swiss BVG 2010 |

The evaluation is done on a yearly basis.

The amount recognised in the consolidated statement of financial position in respect of the Group's defined benefit retirement plan is as follows:

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | December 31, 2014 (Predecessor) |
|---|---|---|
| Present value of funded obligations | (162,927) | (168,181) |
| Fair value of plan assets | 125,988 | 127,434 |
| Present value of net obligations | (36,939) | (40,747) |
| **Employee benefit obligations** | **(36,939)** | **(40,747)** |

**Note 10—Employee benefits (Continued)**

The amount recognised in the consolidated statement of profit / (loss) in respect of the defined benefit plan is as follows:

| (in thousands of Swiss Francs) | January 1, 2015 to December 31, 2015 (Successor) | January 1, 2014 to December 31, 2014 (Predecessor) |
|---|---|---|
| Service costs | 406 | (7,336) |
| Net interest expenses | (448) | (485) |
| **Net periodic pension cost** | **(42)** | **(7,821)** |

Service costs were determined as follows:

| (in thousands of Swiss Francs) | January 1, 2015 to December 31, 2015 (Successor) | January 1, 2014 to December 31, 2014 (Predecessor) |
|---|---|---|
| Current service cost | (11,011) | (10,268) |
| Settlement gains / (loss) (1) | 11,417 | 2,932 |
| **Service costs** | **406** | **(7,336)** |

*(1) The term "settlement" refers to non-routine settlements. Routine lump sum payments are included in benefit payments and gains or losses on those routine payments are included in experience gains and losses.*

Change in the present value of the defined benefit obligation is as follows:

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | December 31, 2014 (Predecessor) |
|---|---|---|
| Defined Benefit Obligation (DBO) at the beginning of period | 168,181 | 150,928 |
| Current Service cost | 11,011 | 10,268 |
| Interest cost | 2,059 | 3,502 |
| Employee contributions | 3,775 | 3,888 |
| Actuarial (gain) / loss—experience | (4,778) | (4,003) |
| Actuarial (gain) / loss—financial assumptions | 3,735 | 22,092 |
| Benefits paid | (9,639) | (9,430) |
| Settlements | (11,417) | (9,064) |
| **Defined Benefit Obligation (DBO) at the end of the period** | **162,927** | **168,181** |

The duration of the DBO is 20.5 years (19.1 years as at December 31, 2014).

The plan assets consist of the following categories of assets:

| | December 31, 2015 (Successor) | December 31, 2014 (Predecessor) |
|---|---|---|
| Equity Securities | 35% | 35% |
| Bonds Securities | 40% | 40% |
| Real Estate / Property | 15% | 15% |
| Other | 10% | 10% |
| | **100%** | **100%** |

**Note 10—Employee benefits (Continued)**

The strategic asset allocation is diversified within the requirements of providing long-term returns with an acceptable level of risk. The plan assets are primarily invested in listed strategies which insure good liquidity.

Change in the fair value of plan assets is as follows:

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | December 31, 2014 (Predecessor) |
|---|---|---|
| Fair value of plan assets at the beginning of period | 127,434 | 123,942 |
| Actual return on plan assets | (2,582) | 11,363 |
| Employer contributions | 7,000 | 3,803 |
| Employee contributions | 3,775 | 3,888 |
| Benefits paid | (9,639) | (9,430) |
| Settlements | — | (6,132) |
| **Fair value of plan assets at the end of the period** | **125,988** | **127,434** |

The actual return on assets during the year is (2.0)% (9.2% as at December 31, 2014).

The movement in the net liability during the year is as follows:

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | December 31, 2014 (Predecessor) |
|---|---|---|
| Accrued pension cost at the beginning of period | (40,747) | (26,986) |
| Net periodic pension cost | (42) | (7,821) |
| Employer contributions | 7,000 | 3,803 |
| Total Amount Recognised in OCI | (3,150) | (9,743) |
| **Accrued pension cost at the end of the period** | **(36,939)** | **(40,747)** |

The expected employer contribution for 2016 amounts to CHF 4.9 million.

The variations resulting from changes in actuarial assumptions have been summarized in the following sensitivity analysis:

| (in thousands of Swiss Francs) | Current Assumption | Sensitivity change | DBO change | NC change |
|---|---|---|---|---|
| Discount rate | 1.00% | 0.50% increase | (12,973) | (1,137) |
| | | 0.50% decrease | 15,165 | 1,355 |
| Salary increase | 1.25% | 0.50% increase | 3,676 | 283 |
| | | 0.50% decrease | (2,663) | (220) |
| Cost-of-living adjustment | 0.00% | 0.50% increase | 7,602 | 551 |
| | | 0.00% decrease | — | — |
| Interest credit on total account balance | 1.00% | 0.50% increase | 3,776 | 529 |
| | | 0.50% decrease | (2,826) | (484) |
| Mortality and disability—Swiss official tables | Life table BVG 2010 | Increase of 1 year in expected lifetime of participants at age 65 | 2,567 | 133 |
| | | Decrease of 1 year in expected lifetime of participants at age 65 | (2,559) | (129) |

## Note 10—Employee benefits (Continued)

For any change in actuarial assumption, sensitivity analysis assesses the impact on both defined benefit obligation (DBO) and current service cost (NC). In each situation only one assumption is modified while other parameters remain unchanged.

## Note 11—Financial assets / liabilities and financial results

### 11.1 Financial assets / liabilities

**Assets**

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | | | December 31, 2014 (Predecessor) | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| Derivatives | — | 54,664 | **54,664** | 6,959 | 13,290 | **20,249** |
| **Derivatives** | **—** | **54,664** | **54,664** | **6,959** | **13,290** | **20,249** |

**Liabilities**

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | | | December 31, 2014 (Predecessor) | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| **Borrowings and other financial liabilities** | **13,685** | **2,070,745** | **2,084,430** | **23,230** | **1,214,934** | **1,238,164** |
| Loan with shareholder | — | — | **—** | — | 2,800 | **2,800** |
| Bonds | — | 2,070,745 | **2,070,745** | — | 1,212,134 | **1,212,134** |
| Accrued interest on bonds | 13,463 | — | **13,463** | 23,158 | — | **23,158** |
| Other | 222 | | **222** | 72 | — | **72** |
| **Derivatives** | **—** | **—** | **—** | **8,821** | **15,499** | **24,319** |
| Derivatives | — | — | **—** | 8,821 | 15,499 | **24,319** |
| **Borrowings, derivatives and other financial liabilities** | **13,685** | **2,070,745** | **2,084,430** | **32,051** | **1,230,433** | **1,262,483** |

**New 2015 notes:**

On 13 April 2015, Matterhorn Telecom S.A. and Matterhorn Telecom Holding S.A. launched a combined offering of Senior Secured Notes due 2022 and Senior Notes due 2023. Please refer to the table below for further information about the bonds issued in 2015.

The transaction closed on 23 April 2015 for a total value of (equivalent) CHF 2,021.4 million.

Funds were used to repay all outstanding notes (including those at Matterhorn Midco and Matterhorn Financing level – please refer to the statement of cash flows on page 8), redemption and transaction costs, and distribute CHF150 million to shareholders (of which CHF 130 million have already been cashed-out). The bonds are measured at amortised cost, using the effective interest rate method.

## Note 11—Financial assets / liabilities and financial results (Continued)

**Previously issued notes:**

In February 2012, the former holdings (Matterhorn Mobile S.A. and Matterhorn Mobile Holdings S.A.) issued the following bonds:

CHF 450 million of 6.75% senior secured notes due 2019, EUR 150 million floating rate senior secured notes due 2019 and EUR 180 million floating rate senior secured notes due 2019 by Matterhorn Mobile S.A.

EUR 225 million of 8.25% senior notes due 2020 by Matterhorn Mobile Holdings S.A.

In September 2012, the Group issued CHF 180 million floating rate senior secured notes due 2019 by Matterhorn Mobile S.A.

On July 30, 2013, Matterhorn Mobile S.A. proceeded to a redemption of CHF 60.0 million in aggregate principal amount of its CHF-denominated Floating Rate Senior Secured Notes due 2019 (pursuant to the Indenture dated as of September 11, 2012) at a price in cash equal to 102% of the aggregate principal amount of the Notes, plus accrued and unpaid interest up to, but not including, the redemption rate (amounting to CHF1.2 million).

Bonds (excluding transaction costs) issued by Matterhorn Telecom Holding S.A and Matterhorn Telecom S.A. as at December 31, 2015:

| December 31, 2015 (Successor) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Original currency | Bond | Date of issuance | Initial nominal amounts (in thousands of currency units) | Early Repayment (in thousands of currency units) | Current nominal amounts (in thousands of CHF) | Maturity of bonds | Nominal interest rate (%) | Hedging | Maturity of hedging | Outstanding interest amount (in thousands of CHF) |
| EUR | Senior Notes | 23.04.2015 | 250,000 | — | 270,425 | 2023 | 4.875% | 4.4905% | 2020 | 2,161 |
| CHF | Senior Secured Notes | 23.04.2015 | 450,000 | — | 450,000 | 2022 | 3.625% | — | — | 2,673 |
| EUR | Senior Secured Notes | 23.04.2015 | 1,000,000 | — | 1,081,700 | 2022 | 3.875% | EUR 250 million at 3.5115%<br>EUR 105 million at 3.5365%<br>EUR 185 million at 3.5415%<br>EUR 150 million at 3.5515%<br>EUR 310 million at 3.7015% | 2020 | 6,870 |
| EUR | Senior Secured Notes | 23.04.2015 | 265,000 | — | 286,651 | 2022 | EUR3M + 3.75% | EUR 170 million at LIBOR CHF 3M + 3.9335%<br>‘EUR 95 million at LIBOR CHF 3M + 3.9435% | 2020 | 1,760 |
| | | | | Total | 2,088,776 | | | | Total | 13,463 |

Bonds (excluding transaction costs) issued by Matterhorn Mobile Holdings S.A and Matterhorn Mobile S.A. as at December 31, 2014:

| December 31, 2014 (Predecessor) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Original currency | Bond | Date of issuance | Initial nominal amounts (in thousands of currency units) | Early Repayment (in thousands of currency units) | Current nominal amounts (in thousands of CHF) | Maturity of bonds | Nominal interest rate (%) | Hedging | Maturity of hedging | Outstanding interest amount (in thousands of CHF) |
| CHF | Senior Secured Notes | February 10, 2012 | 450,000 | — | 450,000 | 2019 | 6.75% | — | — | 11,391 |
| EUR | Senior Secured Notes | February 10, 2012 | 150,000 | — | 180,360 | 2019 | EUR3M + 5.25% | EUR 100 million at 5.99%<br>EUR 50 million at CHF3M + 5.70% | 2017 | 1,175 |
| EUR | Senior Notes | February 10, 2012 | 225,000 | — | 270,540 | 2020 | 8.25% | EUR 165 million at 7.43%<br>EUR 60 million at CHF3M + 7.33% | 2017 | 8,394 |
| EUR | Senior Secured Notes | February 16, 2012 | 180,000 | — | 216,432 | 2019 | EUR3M + 5.25% | EUR 100 million at 5.95%<br>EUR 80 million at CHF3M + 5.59% | 2017 | 1,409 |
| CHF | Senior Secured Notes | September 11, 2012 | 180,000 | (60,000) | 120,000 | 2019 | CHF3M + 5.375% | — | — | 789 |
| | | | | Total | 1,237,332 | | | | Total | 23,158 |

**Note 11—Financial assets / liabilities and financial results (Continued)**

Those bonds were redeemed as at April 23, 2015.

The bonds are recognised in the consolidated statement of financial position as follows:

| (in thousands of Swiss Francs) | |
|---|---|
| **Liability Component as at December 31, 2013** | **1,221,666** |
| Unrealised exchange loss | (13,459) |
| Amortization of debt issuance costs | 3,926 |
| **Liability Component as at December 31, 2014** | **1,212,134** |
| Unrealised exchange (gain) | (98,118) |
| Amortization of debt issuance costs | 25,198 |
| **Liability Component as at April 22, 2015** | **1,139,214** |
| **Liability Component as at April 23, 2015** | **2,002,294** |
| Unrealised exchange (gain) | 66,782 |
| Amortization of debt issuance costs | 1,669 |
| **Liability Component as at December 31, 2015** | **2,070,745** |

***Credit Lines***

On 15 April 2015, an amendment to the RCF dated February 23, 2015 was signed between Matterhorn Mobile Holdings S.A. and a pool of 6 banks led by Société Générale as their agent, which mainly resulted in an increase of the available amount from CHF 100 million to CHF 150 million.

The amendment also transferred the RCF from Matterhorn Mobile Holdings S.A. to Salt Mobile S.A.

| | **December 31, 2015 (Successor)** | | **December 31, 2014 (Predecessor)** | |
|---|---|---|---|---|
| **(in thousands of Swiss Francs)** | **Amount available** | **Amounts drawn down** | **Amount available** | **Amounts drawn down** |
| Super Revolving Credit Facility | 150,000 | — | 100,000 | — |
| Bank overdraft | — | — | — | — |
| **Credit lines** | **150,000** | **—** | **100,000** | **—** |

## 11.2 Derivative instruments

For the periods ended December 31, 2015 and December 31, 2014, the Group's designated hedges were limited to cash flow hedges as the Group did not have any hedges designated as fair value or net investment hedges.

***Cash-flow hedges***

The Group's cash flow hedges during the period consisted of cross-currency swaps, that the Group uses to protect against variability in future interest cash flows on liabilities which bear interest at variable or fixed rates and/or foreign currency risk on EUR-denominated bonds.

**Note 11—Financial assets / liabilities and financial results (Continued)**

The cash flows are expected to occur simultaneously with the payment of interests on bonds. Interest is paid semi-yearly. As of December 31, 2015, the Group had the following outstanding cross-currency swaps designated as cash-flow hedges of foreign currency rates and, in some cases, interest rates:

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | | December 31, 2014 (Predecessor) | |
|---|---|---|---|---|
| | Notional | Fair Value & Net interests receivables / (payables) | Notional | Fair Value & Net interests receivables / (payables) |
| External cross-currency swaps and Mark-to-market derivatives | 1,638,776 | 54,664 | 667,332 | (4,071) |

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | | December 31, 2014 (Predecessor) | |
|---|---|---|---|---|
| | Net interests receivables / (payables) | Fair Value | Net interests receivables / (payables) | Fair Value |
| External cross-currency swaps | 1,413 | 53,251 | 5,651 | (7,225) |
| Mark-to-market derivatives | — | — | — | (2,496) |

The new 2015 cash flow hedges are fully effective under IAS 39, both retrospectively since inception and prospectively as of December 31, 2015. Therefore the full changes in their fair values (gains and losses) since inception initially have been recognised in other comprehensive income, and are reclassified to the income statement when the hedged cash flows affect earnings (i.e., concurrent with accrual and payments of interest under the hedged liabilities, and remeasurement under IAS 21 of the hedged liabilities).

During the year 2015, the net amount recognised in OCI (net change in OCI) related to hedging activities was a net decrease of CHF 13.0 million (net decrease of CHF 3.0 million in 2014) deferred in OCI. The details of these changes are described in the table below.

| (in thousands of Swiss Francs) | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) |
|---|---|---|---|
| Beginning accumulated OCI balance | — | (7,634) | (4,589) |
| Net loss deferred in accumulated OCI due to change in the fair value of the derivative (effective portion) | 53,251 | 87,413 | 13,459 |
| Reclassified out of accumulated OCI into Income Statement | (40,200) | (108,350) | (16,504) |
| **Ending accumulated OCI Balance** | **13,051** | **(28,572)** | **(7,634)** |

**Note 11—Financial assets / liabilities and financial results (Continued)**

**11.3 Finance costs, net**

Financial results were as follows:

| (in thousands of Swiss Francs) | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) |
|---|---|---|---|
| Consent fees | — | (2,775) | — |
| RCF underwriting fees | — | (2,600) | — |
| Early redemption fees | (22,791) | — | — |
| Commitment fees on revolving credit facility | (1,491) | (800) | (1,309) |
| Interests on bonds & hedge settlement | (56,683) | (22,948) | (83,556) |
| Amortization of debt issuance costs | (1,669) | (25,198) | (3,926) |
| Capital tax | (964) | (436) | (1,400) |
| Net interest on net defined benefit obligation | (309) | (139) | (485) |
| Foreign exchange losses on financial assets & liabilities and derivatives | (16,027) | (13,333) | (22,722) |
| Other financial expenses | (4,061) | (1,439) | (1,076) |
| **Finance costs** | **(103,995)** | **(69,669)** | **(114,475)** |
| Interest and similar income | 215 | 56 | 364 |
| Foreign exchange gains on financial assets & liabilities and derivatives | 3,294 | — | 13,812 |
| **Finance income** | **3,509** | **56** | **14,176** |
| **Finance costs, net** | **(100,486)** | **(69,614)** | **(100,299)** |

**11.4 Management of covenants**

Under the Revolving Credit Facility ("RCF") signed on April 15, 2015 the Group is obliged to respect a financial leverage ratio ("the financial covenant").

This leverage ratio is determined as a ratio of Net financial debt to Adjusted EBITDA for the period of the most recent four consecutive fiscal quarters.

The Group shall ensure that the leverage ratio shall not exceed 6.5x. The financial covenant shall not be required to be satisfied unless, on the last day of the relevant period, the aggregate outstanding exposure is greater than CHF35 million.

As at December 31, 2015, the leverage ratio amounts to 4.9 and the Company complied with those covenants as the RCF was not used.

**Note 12—Information on market risk and fair value of financial assets and liabilities**

**12.1 Financial risks**

The Group is subject to various financial risks. These risks include capital risk, credit risk, liquidity risk and financial market risk (including interest rate risk and currency risk). These risks are monitored by Management of the Group.

***Capital risk management***

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

**Note 12—Information on market risk and fair value of financial assets and liabilities (Continued)**

The capital structure of the Group consists of debt, which includes borrowings described in note 11, cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and retained earnings.

***Credit Risk management***

Financial instruments that could potentially subject the Group to concentrations of credit risk consist primarily of cash, trade receivables, investments and deposits.

The 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, professional and large business customers). In addition, the maximum value of the credit risk on these financial assets is equal to their recognised net book value.

***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 borrowings facilities, by continuously monitoring cash flows, and by matching the maturity profiles of financial assets and liabilities. Note 11 above sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

***Interest Rate Risk***

The Group manages its net exposure to interest rate risk through the proportion of fixed rate financial debt and variable rate financial debt in its total financial debt portfolio. To manage this mix, the Company may enter into interest rate swap agreements, in which it exchanges periodic payments based on a notional amount and agreed-upon fixed and variable interest rates and into forward contracts, in which it exchanges fixed amounts of foreign currency and fixed amounts of Swiss francs.

***Sensitivity analysis of the Group's position to changes in interest rates***

The sensitivity of the Group's financial assets and liabilities to interest rate risk is analysed only for components of net financial debt. Only these components are interest-bearing and therefore exposed to interest rate risk.

***Counterparty Risk management***

The Group is exposed to a counterparty risk on the fair value of the derivatives. This risk is assessed using a Credit Valuation Adjustment ("CVA") amounting to CHF 3.6 million as at December 31, 2015 and calculated using probabilities of default of the banking counterparties. This risk of counterparty is considered as hedge ineffectiveness and is therefore recycled from OCI to the profit / (loss) of the year.

*Sensitivity of financial expenses*

Based on a constant amount of debt and a constant management policy, a 1% rise in interest rates would result in an increase of CHF 1.7 million in financial expense as at December 31, 2015 (CHF 2.8 million as at December 31, 2014).

***Foreign exchange rate risk management***

The Group operates mainly in the currency of its country (CHF). However, The Group is subject to foreign currency risk arising from borrowings and future commercial transactions which can be done in euros (Purchase of handsets or roaming for example). The Group uses derivative financial instruments to hedge certain exposures (for instance Bonds denominated in euros).

## Note 12—Information on market risk and fair value of financial assets and liabilities (Continued)

The Group's policy to mitigate foreign exchange risk by:

—Hedging all bonds denominated in Euros

—Having borrowings denominated in the functional currencies of the Group companies concerned

The exposure to currency risk is therefore limited.

The Group uses foreign currency inflows to pay for its foreign currency outflows. If necessary, the Group buys foreign currency shortly before the transaction.

*Sensitivity of cash flow hedge reserves*

A 1% rise in spot rates would decrease the market value of cross-currency swaps designated as cash flow hedges and the associated cash flow hedge reserves by approximately CHF 19.3 million as at December 31, 2015 (decrease of CHF 7.7 million as at December 31, 2014). A 1% fall in spot rates would lead to an increase in their market value and in the cash flow hedge reserves of approximately CHF 19.3 million as at December 31, 2015 (increase of CHF 7.7 million as at December 31, 2014).

The following table shows the exposure (before hedging instruments) of the Group financial positions by currency:

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) Total | EUR | USD | GBP | CHF |
|---|---|---|---|---|---|
| **Financial assets (A)** | **566,398** | **20,439** | **11,896** | **221** | **533,842** |
| Other assets | 14,147 | — | — | — | 14,147 |
| Trade receivables | 398,558 | 1,953 | 1,741 | — | 394,864 |
| Cash and cash equivalents | 153,693 | 18,486 | 10,155 | 221 | 124,831 |
| **Financial liabilities (B)** | **2,533,775** | **1,670,688** | **1,189** | **8** | **861,891** |
| Bonds excluding issuance costs (1) | 2,088,776 | 1,638,776 | — | — | 450,000 |
| Trade payables | 347,367 | 18,308 | 1,157 | 8 | 327,894 |
| Fixed assets payables | 83,948 | 2,815 | 32 | — | 81,101 |
| Current borrowings and other financial liabilities (1) | 13,685 | 10,790 | — | — | 2,895 |
| **Net exposure (A)—(B)** | **(1,967,377)** | **(1,650,249)** | **10,707** | **213** | **(328,049)** |

*(1) Refer to note 11.1 for further information regarding bonds, accrued interests and derivatives instruments.*

| (in thousands of Swiss Francs) | December 31, 2014 (Predecessor) Total | EUR | USD | GBP | CHF |
|---|---|---|---|---|---|
| **Financial assets (A)** | **487,239** | **15,597** | **2,865** | **169** | **468,608** |
| Other assets | 19,281 | 14 | — | — | 19,268 |
| Trade receivables | 352,284 | 1,872 | 524 | — | 349,888 |
| Cash and cash equivalents | 115,674 | 13,711 | 2,341 | 169 | 99,452 |
| **Financial liabilities (B)** | **1,709,474** | **699,835** | **770** | **38** | **1,008,831** |
| Bonds excluding issuance costs (1) | 1,237,332 | 667,332 | — | — | 570,000 |
| Trade payables | 316,265 | 16,675 | 738 | 38 | 298,814 |
| Fixed assets payables | 132,647 | 4,850 | 32 | — | 127,765 |
| Current borrowings and other financial liabilities (1) | 23,230 | 10,978 | — | — | 12,252 |
| **Net exposure (A)—(B)** | **(1,222,235)** | **(684,238)** | **2,095** | **131** | **(540,223)** |

*(1) Refer to note 11.1 for further information regarding bonds, accrued interests and derivatives instruments.*

**Note 12—Information on market risk and fair value of financial assets and liabilities (Continued)**

The following table shows the sensitivity of the Group to a 10% change in the foreign exchange rates of the currency to which they are exposed and the related impact on its income statement:

| (in thousands of currency) | December 31, 2015 (Successor) Purchases during the year | + 10% change | -10% change |
|---|---|---|---|
| EUR | 184,232 | 16,748 | (20,470) |
| USD | 14,397 | 1,309 | (1,600) |
| GBP | 1,284 | 117 | (143) |

| (in thousands of currency) | December 31, 2014 (Predecessor) Purchases during the year | + 10% change | -10% change |
|---|---|---|---|
| **EUR** | 107,964 | 9,815 | (11,996) |
| **USD** | 36,254 | 3,296 | (4,028) |
| **GBP** | 407 | 37 | (45) |

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

### 12.2 Financial instruments

The market value of financial assets and liabilities measured at fair value in the statement of financial position shown in the table below has been ranked based on the three hierarchy levels defined by IFRS 13:

- Level 1: quoted price in active markets;
- Level 2: inputs observable directly or indirectly;
- Level 3: inputs not based on observable market data.

Derivative instruments were the only items measured at fair value (level 2) in the statement of financial position and presented according to their maturity date. Fair value of financial assets and liabilities is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) Book value | Estimated fair value |
|---|---|---|
| **Loans, receivables and cash and cash equivalents** | **566,398** | **566,398** |
| Other assets | 14,147 | 14,147 |
| Trade receivables | 398,558 | 398,558 |
| Cash and cash equivalents | 153,693 | 153,693 |
| **Financial liabilities at amortised cost** | **(2,515,523)** | **(2,558,749)** |
| Bonds and accrued interests on bonds | (2,084,208) | (2,127,434) |
| Trade payables | (347,367) | (347,367) |
| Fixed assets payables | (83,948) | (83,948) |
| **Hedging derivatives** | **54,664** | **54,664** |

**Note 12—Information on market risk and fair value of financial assets and liabilities (Continued)**

Estimated fair value:

- The carrying amounts of trade receivables and payables are a reasonable estimate of their fair value because of their short-term maturities;
- The carrying amounts of deposits and other items, fixed assets payables and cash and cash equivalents correspond to the fair values;
- The fair value of fixed interest-bearing financial liabilities is estimated on the basis of the maturing future payments discounted at market interest rates.

| | December 31, 2014 (Predecessor) | |
|---|---|---|
| **(in thousands of Swiss Francs)** | **Book value** | **Estimated fair value** |
| **Loans, receivables and cash and cash equivalents** | **487,239** | **487,239** |
| Other assets | 19,281 | 19,281 |
| Trade receivables | 352,284 | 352,284 |
| Cash and cash equivalents | 115,674 | 115,674 |
| **Financial liabilities at amortised cost** | **(1,684,204)** | **(1,751,125)** |
| Bonds and accrued interests on bonds | (1,235,292) | (1,302,212) |
| Trade payables | (316,265) | (316,265) |
| Fixed assets payables | (132,647) | (132,647) |
| **Hedging derivatives** | **(4,071)** | **(4,071)** |

Gains and losses related to financial assets and liabilities are as follows:

| | April 23, 2015 to December 31, 2015 (Successor) | | | |
|---|---|---|---|---|
| **(in thousands of Swiss Francs)** | **Net finance costs** | **Other operating expenses and income** | **Revenue** | **Other comprehensive income** |
| Other non-current assets | 43 | — | — | — |
| Trade receivables | — | (42,518) | (201) | — |
| Other receivables and payables | — | (8) | — | — |
| Cash and cash equivalents | 172 | — | — | — |
| Borrowings, derivatives and other financial liabilities | (95,368) | (11,743) | — | 33,989 |
| Trade payables | — | 1,809 | — | — |
| **Total** | **(95,152)** | **(52,460)** | **(201)** | **33,989** |

| | January 1, 2015 to April 22, 2015 (Predecessor) | | | |
|---|---|---|---|---|
| **(in thousands of Swiss Francs)** | **Net finance costs** | **Other operating expenses and income** | **Revenue** | **Other comprehensive income** |
| Other non-current assets | — | — | — | — |
| Trade receivables | — | (12,878) | (194) | — |
| Other receivables and payables | — | 55 | — | — |
| Cash and cash equivalents | 56 | — | — | — |
| Borrowings, derivatives and other financial liabilities | (67,655) | (6,318) | — | (20,938) |
| Trade payables | — | 6,293 | — | — |
| **Total** | **(67,600)** | **(12,847)** | **(194)** | **(20,938)** |

**Note 12—Information on market risk and fair value of financial assets and liabilities (Continued)**

| (in thousands of Swiss Francs) | January 1, 2014 to December 31, 2014 (Predecessor) Net finance costs | Other operating expenses and income | Revenue | Other comprehensive income |
|---|---|---|---|---|
| Other non-current assets | 240 | — | — | — |
| Trade receivables | — | 175 | (820) | — |
| Other receivables and payables | — | 476 | — | — |
| Cash and cash equivalents | 124 | — | — | — |
| Borrowings, derivatives and other financial liabilities | (110,205) | (2,185) | — | (3,045) |
| Trade payables | — | 1,764 | — | — |
| **Total** | **(109,842)** | **230** | **(820)** | **(3,045)** |

The maturity of the financial liabilities were as follows:

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) Net book value | December 31, 2015 (Successor) Maturity | < 1 Year | Between 1 and 5 Years | > 5 Years |
|---|---|---|---|---|---|
| Trade payables | **(347,367)** | **(347,367)** | (347,367) | — | — |
| Fixed assets payables | **(83,948)** | **(83,948)** | (83,948) | — | — |
| Bonds and accrued interests on bonds | **(2,084,208)** | **(2,622,540)** | (82,161) | (328,644) | (2,211,735) |

| (in thousands of Swiss Francs) | December 31, 2014 (Predecessor) Net book value | December 31, 2014 (Predecessor) Maturity | < 1 Year | Between 1 and 5 Years | > 5 Years |
|---|---|---|---|---|---|
| Trade payables | **(316,265)** | **(316,265)** | (316,265) | — | — |
| Fixed assets payables | **(132,647)** | **(132,647)** | (99,393) | (33,254) | — |
| Bonds and accrued interests on bonds | **(1,235,292)** | **(1,605,410)** | (80,292) | (1,251,726) | (273,392) |

**Note 13—Other operating results, assets, liabilities & equity**

**13.1 Other operating results**

| (in thousands of Swiss Francs) | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) |
|---|---|---|---|
| Customer bad debt | (42,460) | (10,964) | (15,750) |
| Spectrum fees | (6,990) | (3,680) | (10,994) |
| Foreign exchange loss on trade payables and receivables | (11,800) | (8,232) | (2,221) |
| Other expenses | (221) | (40) | (2,184) |
| **Other operating expenses** | **(61,471)** | **(22,917)** | **(31,149)** |
| Foreign exchange gain on trade payables and receivables | 1,813 | 6,350 | 2,450 |
| Other income | 8,284 | 2,080 | 16,064 |
| **Other operating income** | **10,097** | **8,429** | **18,515** |
| **Other operating results** | **(51,374)** | **(14,487)** | **(12,634)** |

## Note 13—Other operating results, assets, liabilities & equity (Continued)

### 13.2 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts.

Cash and cash equivalents at the end of the periods presented were as follows:

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | December 31, 2014 (Predecessor) |
|---|---|---|
| Cash and bank balances | 153,693 | 115,674 |
| Bank overdraft | — | — |
| **Cash and cash equivalents net** | **153,693** | **115,674** |

### 13.3 Other assets

Other assets mainly consist of:

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | | | December 31, 2014 (Predecessor) | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| Assets available for sale(1) | — | 23 | **23** | — | 23 | **23** |
| Other non-current assets | — | 7,559 | **7,559** | — | 11,967 | **11,967** |
| Others | 6,565 | — | **6,565** | 7,372 | (80) | **7,292** |
| **Other assets** | **6,565** | **7,582** | **14,147** | **7,372** | **11,909** | **19,282** |

*(1) The non-consolidated investment classified as assets available for sale is related to 23% shares of Teldas AG for an amount of 23 KCHF at December 31, 2015 (23 KCHF at December 31, 2014).*

### 13.4 Equity

#### Share capital

Matterhorn Telecom Holding S.A. was incorporated under the laws of the Grand Duchy of Luxemburg on March 25, 2015 with a share capital of CHF 50,000 (comprising 50,000 shares with a par value of CHF 1).

The extraordinary shareholders' meeting, held on April 23, 2015, decided to increase the share capital by an amount of CHF 8,150,000 and to contribute an amount of CHF 812,981,415 to the Company's share premium account.

The extraordinary shareholders' meeting, held on April 30, 2015, decided to contribute an amount of CHF 50,000,000 to the Company's share premium account.

On November 23, 2015, The Group proceeded to a share premium decrease amounting to CHF 30,000,000.

**Note 13—Other operating results, assets, liabilities & equity (Continued)**

**13.5 Other liabilities**

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) Current | Non-current | Total | December 31, 2014 (Predecessor) Current | Non-current | Total |
|---|---|---|---|---|---|---|
| VAT payables | 4,391 | — | **4,391** | 5,577 | — | **5,577** |
| Deposits payable | 2,238 | — | **2,238** | 1,761 | — | **1,761** |
| Other | 10,732 | — | **10,732** | 10,941 | 4,400 | **15,342** |
| **Other liabilities** | **17,362** | **—** | **17,362** | **18,280** | **4,400** | **22,680** |

**13.6 Current Employee benefits obligations**

As at December 31, 2015, Current Employee benefits obligations mainly consists of bonus payables for CHF 7.2 million and Holidays allowances for CHF 1.4 million (as at December 31, 2014, CHF 8.6 million and CHF 1.5 million, respectively).

**Note 14—Scope of consolidation**

As at December 31, 2015, the Group ("Successor") consists of the following entities:

| | Country of incorporation | Equity interest | Nature of business |
|---|---|---|---|
| Matterhorn Telecom Holding S.A. | Luxembourg | Parent Entity | Holding |
| Matterhorn Telecom S.A. | Luxembourg | 100% | Holding |
| Matterhorn Mobile S.A. | Luxembourg | 100% | Holding |
| Salt France S.A.S. | France | 100% | Advisory & engineering network services |
| Salt Mobile SA | Switzerland | 100% | Communications |
| Salt Network SA | Switzerland | 100% | Investments in Communication Network |
| Salt Liechtenstein AG | Liechtenstein | 100% | Communications |

As at December 31, 2014, the Group ("Predecessor") consisted of the following entities:

| | Country of incorporation | Equity interest | Nature of business |
|---|---|---|---|
| Matterhorn Mobile Holdings S.A. | Luxembourg | Parent Entity | Holding |
| Matterhorn Mobile S.A. | Luxembourg | 100% | Holding |
| Salt Mobile SA | Switzerland | 100% | Communications |
| Salt Network SA | Switzerland | 100% | Investments in Communication Network |
| Salt Liechtenstein AG | Liechtenstein | 100% | Communications |

**Note 15—Related parties**

**15.1 Directors and Executive Officers**

The total remuneration of directors and executive officers is as follows:

| (in thousands of Swiss Francs) | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) |
|---|---|---|---|
| Board of Directors | 86 | 39 | 91 |
| Executive Officers | 2,977 | 2,811 | 4,961 |
| **Remuneration** | **3,063** | **2,850** | **5,052** |

**Note 15—Related parties (Continued)**

Remuneration consists of:

| (in thousands of Swiss Francs) | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) |
|---|---|---|---|
| Short-term benefits | 3,063 | 2,850 | 5,052 |
| **Short-term benefits** | **3,063** | **2,850** | **5,052** |

### 15.2 Related enterprises

The following related party transactions (conducted at arm's length) have been recorded (shareholders and Group Companies):

| (in thousands of Swiss Francs) | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2014 to December 31, 2014 (Predecessor) |
|---|---|---|---|
| **Shareholder balances** | | | |
| Monitoring fees (1) | (826) | (329) | (2,216) |
| Intercompany hedges | — | (79,315) | (1,868) |
| Afiiliates balances | | | |
| Roaming net revenue (2) | 174 | — | — |
| Subcontracting expenses (3) | (331) | (2,860) | (19,053) |
| **Shareholder and affiliates balances** | **(983)** | **(82,504)** | **(23,137)** |

*(1) Monitoring fees paid to APAX Partners until February 23, 2015 and to NJJ Suisse Acquisition SAS from February 24, 2015*
*(2) Roaming transactions with Free Mobile from February 24, 2015*
*(3) Subcontracting purchases paid to iGate until February 23, 2015 and to IT Solutions Factory from February 24, 2015*

The following related party balances were outstanding at the end of the reporting period:

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | December 31, 2014 (Predecessor) |
|---|---|---|
| **Shareholder balances** | | |
| **Assets** | | |
| Non-current hedging derivative assets | — | 7,985 |
| Liabilities | | |
| Current hedging derivative liabilities | — | (825) |
| Loan payables | — | (2,881) |
| Other current liabilities | — | (1,498) |
| Affiliates balances | | |
| Assets | | |
| Other current assets | 86 | — |
| Liabilities | | |
| Other current liabilities | — | (1,727) |

As at December 31, 2015, there was no recognised loss on related party receivables (December 31, 2014, nil).

The ultimate controlling party is NJJ Suisse Acquisition SAS, Paris (France). Consolidated financial statements are prepared at NJJ Suisse Acquisition SAS level.

## Note 16—Unrecognised contractual commitments

To the best of Management's knowledge, there were no existing commitments, other than those described in this note, likely to have a material effect on the current or future financial position of the Group.

The table below provides a schedule of unrecognised commitments and contractual obligations at the end of each reporting period.

### 16.1 Rental commitments

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) Total | < 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | > 5 years |
|---|---|---|---|---|---|---|---|
| Rental commitments : Property (1) | 172,040 | 54,117 | 44,406 | 27,112 | 17,539 | 12,296 | 16,570 |
| Rental commitments : Vehicles | 197 | 180 | 17 | 0 | 0 | 0 | 0 |
| **Rental commitments** | **172,236** | **54,297** | **44,423** | **27,112** | **17,539** | **12,296** | **16,570** |

*(1) Commitments related to offices (Zürich, Renens and Biel), shops loans and network sites*

| (in thousands of Swiss Francs) | December 31, 2014 (Predecessor) Total | < 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | > 5 years |
|---|---|---|---|---|---|---|---|
| Rental commitments : Property (1) | 175,040 | 53,915 | 42,772 | 26,523 | 21,139 | 11,741 | 18,949 |
| Rental commitments : Vehicles | 751 | 638 | 93 | 19 | — | — | — |
| **Rental commitments** | **175,790** | **54,554** | **42,865** | **26,542** | **21,139** | **11,741** | **18,949** |

### 16.2 Investments and goods and services purchase commitments

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) Total | < 1 year | 1-2 years | > 2 years |
|---|---|---|---|---|
| Investments commitments in network assets and transmission capacity | 38,531 | 38,531 | — | — |
| Purchase of handsets | 39,913 | 39,913 | — | — |
| Other commitments related to the purchase of goods and services | 8,386 | 8,386 | — | — |
| **Investment and goods and services purchase commitments** | **86,831** | **86,831** | **—** | **—** |

**Note 16—Unrecognised contractual commitments (Continued)**

| (in thousands of Swiss Francs) | December 31, 2014 (Predecessor) Total | < 1 year | 1-2 years | > 2 years |
|---|---|---|---|---|
| Investments commitments in network assets and transmission capacity | 70,691 | 70,691 | — | — |
| Purchase of handsets | 92,190 | 92,190 | — | — |
| Other commitments related to the purchase of goods and services | 10,302 | 10,302 | — | — |
| **Investment and goods and services purchase commitments** | **173,182** | **173,182** | **—** | **—** |

**16.3 Off-balance sheet commitments**

The Company is obliged to respect certain financial and non-financial covenants as set out in the Revolving Credit Facility ("RCF") Agreement dated February 23, 2015 with Société Générale (as Facility Agent).

The margin payable on drawn amounts may increase or decrease by reference to a covenant ratio. In addition, if a certain covenant ratio is not met this may result in an Event of Default as defined in the Revolving Credit Facility Agreement which may result in the cancellation of outstanding commitments and/or drawn amounts becoming immediately due and payable or payable on demand.

As at December 31, 2015, the Group had not drawn down any amount under the RCF Agreement.

Certain non-financial covenants as further described in the indentures to the senior secured notes issued by the Company and its subsidiaries are to be respected. The non- compliance may result in an Event of Default and in the principal and the accrued unpaid interest becoming due and payable immediately.

**16.4 Guarantees given**

The Company and Matterhorn Telecom S.A. are obliged to respect certain guarantees described in the indentures to the senior notes dated April 23, 2015 and in the Revolving Credit Facility agreement dated February 23, 2015.

**Note 17—Share-Based Payment**

No manager holds directly or indirectly any equity in Matterhorn Telecom Holding S.A.

**Note 18—Litigations**

As at December 31, 2015, the Group had no material unprovided pending or threatened litigation with third parties.

As at December 31, 2014, the Group had no material unprovided pending or threatened litigation with third parties.

**Note 19—Subsequent events**

As of 20 March 2016, a referendum was held in the Vaud canton (Salt Mobile headquarters' location), Switzerland, regarding major changes to be brought to corporate taxation. The approval of these measures (87.12% of the votes cast) will lead to a decrease of the corporate tax rate from 21.65% to 13.79%, taking effect from 2019.

The Group anticipate a material outcome from this change in tax rate on its consolidated financial statements; the potential impacts are still to be assessed.

# Deloitte.

Deloitte Audit
Société à responsabilité limitée

560, rue de Neudorf
L-2220 Luxembourg
B.P. 1173
L-1011 Luxembourg

Tel: +352 451 451
Fax: +352 451 452 992
www.deloitte.lu

To the Shareholders of Matterhorn Telecom Holding S.A.

**REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

We have audited the accompanying consolidated financial statements of Matterhorn Telecom Holding S.A. and its subsidiaries which comprise the consolidated statement of financial position as of December 31, 2015 (Successor) and the related consolidated statements of profit / (loss), other comprehensive income / (loss), changes in equity, cash flows for the period from April 23, 2015 to December 31, 2015 (Successor) and for the period from January 1, 2015 to April 22, 2015 (Predecessor) of Matterhorn Mobile Holdings S.A. and its subsidiaries, and a summary of significant accounting policies and other explanatory information.

*Responsibility of the Board of Directors for the consolidated financial statements*

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Responsibility of the Réviseur d'entreprises agréé*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier.* Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the *réviseur d'entreprises agréé's* judgement including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Société à responsabilité limitée au capital de 35.000 €
RCS Luxembourg B 67.895
VAT LU25101535
Autorisation d'établissement: 10022179

Deloitte.

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Matterhorn Telecom Holding S.A. as of December 31, 2015 (Successor), of its financial performance and its consolidated cash flows for the period from April 23, 2015 to December 31, 2015 (Successor) and of the financial performance and consolidated cash flows of Matterhorn Mobile Holdings S.A. for the period from January 1, 2015 to April 22, 2015 (Predecessor) in accordance with International Financial Reporting Standards as adopted by the European Union.

For Deloitte Audit, *Cabinet de révision agréé*

Marco Crosetto, *Réviseur d'entreprises agréé*
Partner

April 4, 2016

# MATTERHORN TELECOM HOLDING S.A.

## Consolidated financial statements

## for the year ended December 31, 2016

**REGISTERED OFFICE: 4 RUE FORT WALLIS**
**L- 2714 LUXEMBOURG**
**R. C. S. LUXEMBOURG B 195 766**

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## CONSOLIDATED STATEMENT OF PROFIT / (LOSS)

| (in thousands of Swiss Francs) | Notes | January 1, 2016 to December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) |
|---|---|---|---|---|
| **Revenue** | *4* | **1,127,461** | **885,325** | **399,431** |
| Access, backbone, interconnection and content costs | *5* | (220,396) | (145,882) | (58,047) |
| Commercial expenses and cost of equipment sold | *5* | (233,257) | (242,755) | (111,166) |
| Network, IT, property expenses and other purchases | *5* | (129,866) | (107,541) | (47,337) |
| Labour expenses | *9* | (76,593) | (60,491) | (34,693) |
| Other operating expenses | *12* | (39,037) | (61,471) | (22,917) |
| Other operating income | *12* | 9,049 | 10,097 | 8,429 |
| Result on disposal and other gains | | — | 1 | 2 |
| Restructuring, transition and transaction costs | *5* | (8,242) | (43,414) | (21,945) |
| Corporate and brand fees | | (1,320) | (734) | (5,333) |
| Depreciation, amortization and impairment | *6* | (264,226) | (197,241) | (79,395) |
| **Operating profit** | | **163,574** | **35,895** | **27,030** |
| Finance costs | *10* | (81,842) | (103,995) | (69,669) |
| Finance income | *10* | 5,998 | 3,509 | 56 |
| **Finance costs, net** | | **(75,844)** | **(100,486)** | **(69,614)** |
| **Profit / (loss) before tax** | | **87,730** | **(64,591)** | **(42,583)** |
| Income tax (expenses) / benefit | *7* | 10,329 | 8,083 | (1,525) |
| **Profit / (loss)** | | **98,060** | **(56,509)** | **(44,108)** |

the accompanying notes are an integral part of the consolidated financial statements

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME / (LOSS)

| (in thousands of Swiss Francs) | Notes | January 1, 2016 to December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) |
|---|---|---|---|---|
| **Profit / (loss)** | | **98,060** | **(56,509)** | **(44,108)** |
| Gains / (losses) on cash flow hedge | *10* | 19,800 | 13,051 | (20,938) |
| Exchange differences on translating foreign operations | | (11) | — | — |
| Deferred tax on items recognized directly in other comprehensive income / (loss) | *7* | (5,786) | (2,779) | 5,221 |
| **Net other comprehensive income / (loss) to be reclassified to profit and loss in subsequent periods** | | **14,004** | **10,272** | **(15,717)** |
| Remeasurement of defined benefit obligation | *9* | 22,866 | (3,150) | — |
| Deferred tax on items recognized directly in other comprehensive income / (loss) | *7* | (5,363) | 659 | — |
| **Net other comprehensive income / (loss) not to be reclassified to profit and loss in subsequent periods** | | **17,503** | **(2,491)** | **—** |
| **Other comprehensive income / (loss) after tax** | | **31,507** | **7,780** | **(15,717)** |
| **Total comprehensive income / (loss) for the year** | | **129,567** | **(48,728)** | **(59,826)** |

the accompanying notes are an integral part of the consolidated financial statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (in thousands of Swiss Francs) | Notes | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | ***6*** | 1,313,793 | 1,313,793 |
| Other intangible assets | ***6*** | 836,777 | 955,920 |
| Property, plant and equipment | ***6*** | 635,856 | 700,481 |
| Trade receivables | ***4,11*** | 39,349 | 46,075 |
| Hedging derivative assets | ***10*** | 60,920 | 54,664 |
| Other non-current assets | ***11,12*** | 8,435 | 7,582 |
| **Total non-current assets** | | **2,895,130** | **3,078,515** |
| **Current assets** | | | |
| Inventories | ***5*** | 11,752 | 23,155 |
| Trade receivables | ***4,11*** | 311,141 | 352,483 |
| Other current assets | ***11,12*** | 2,873 | 6,565 |
| Prepaid expenses | | 1,243 | 718 |
| Cash and cash equivalents | ***11,12*** | 214,689 | 153,693 |
| **Total current assets** | | **541,699** | **536,614** |
| **TOTAL ASSETS** | | **3,436,829** | **3,615,129** |

the accompanying notes are an integral part of the consolidated financial statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (in thousands of Swiss Francs) | Notes | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | ***12*** | 8,200 | 8,200 |
| Share premium | ***12*** | 732,981 | 832,981 |
| Retained earnings / (Accumulated deficit) | | 41,551 | (56,509) |
| Other reserves | | 39,287 | 7,780 |
| **Total equity** | | **822,020** | **792,453** |
| **Non-current liabilities** | | | |
| Fixed assets payables | ***6,11*** | 3,711 | — |
| Borrowings and other financial liabilities | ***10,11*** | 1,949,302 | 2,070,745 |
| Employee benefits obligations | ***9*** | 12,395 | 36,939 |
| Provisions | ***8*** | 42,829 | 59,610 |
| Deferred tax liabilities | ***7*** | 137,697 | 140,043 |
| **Total non-current liabilities** | | **2,145,935** | **2,307,337** |
| **Current liabilities** | | | |
| Trade payables | ***11*** | 320,855 | 347,367 |
| Fixed assets payables | ***6,11*** | 79,936 | 83,948 |
| Borrowings and other financial liabilities | ***10,11*** | 12,736 | 13,685 |
| Employee benefits obligations | ***9*** | 9,219 | 14,364 |
| Provisions | ***8*** | 3,590 | 13,705 |
| Other liabilities | ***12*** | 23,725 | 17,362 |
| Deferred income | ***4*** | 18,814 | 24,908 |
| **Total current liabilities** | | **468,874** | **515,338** |
| **TOTAL EQUITY AND LIABILITIES** | | **3,436,829** | **3,615,129** |

the accompanying notes are an integral part of the consolidated financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (in thousands of Swiss Francs) | Notes | Share capital | Share premium | Translation reserve | Cash flow hedging reserve | Actuarial gains & losses | Retained earnings / (Accumulated deficit) | Total equity attributable to equity holders |
|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2015 (Predecessor)** | | **147,741** | **444,557** | **—** | **(5,540)** | **16,027** | **(150,261)** | **452,523** |
| Profit / (loss) | | | | | | | (44,108) | (44,108) |
| Gains / (losses) on cash flow hedge | *10* | | | | (20,938) | | | (20,938) |
| Remeasurement of defined benefit obligation | *9* | | | | | | | — |
| Deferred tax on items recognized directly in other comprehensive income / (loss) | *7* | | | | 5,221 | | | 5,221 |
| **Total comprehensive income / (loss)** | | **—** | **—** | **—** | **(15,717)** | **—** | **(44,108)** | **(59,826)** |
| Share Premium decrease | | | (15,068) | | | | | (15,068) |
| **Balance at April 22, 2015 (Predecessor)** | | **147,741** | **429,489** | **—** | **(21,257)** | **16,027** | **(194,369)** | **377,629** |
| **Balance at April 23, 2015 (Successor)** | *12* | **50** | **—** | **—** | **—** | **—** | **—** | **50** |
| Profit / (loss) | | | | | | | (56,509) | (56,509) |
| Gains / (losses) on cash flow hedge | *10* | | | | 13,051 | | | 13,051 |
| Remeasurement of defined benefit obligation | *9* | | | | | (3,150) | | (3,150) |
| Deferred tax on items recognized directly in other comprehensive income / (loss) | *7* | | | | (2,779) | 659 | | (2,121) |
| **Total comprehensive income / (loss)** | | **—** | **—** | **—** | **10,272** | **(2,491)** | **(56,509)** | **(48,728)** |
| Issue of share capital | *12* | 8,150 | 862,981 | | | | | 871,131 |
| Share Premium decrease | *12* | | (30,000) | | | | | (30,000) |
| **Balance at December 31, 2015 (Successor)** | | **8,200** | **832,981** | **—** | **10,272** | **(2,491)** | **(56,509)** | **792,453** |
| Profit/loss | | | | | | | 98,060 | 98,060 |
| Gains / (losses) on cash flow hedge | *10* | | | | 19,800 | | | 19,800 |
| Remeasurement of defined benefit obligation | *9* | | | | | 22,866 | | 22,866 |
| Deferred tax on items recognized directly in other comprehensive income / (loss) | *7* | | | | (5,786) | (5,363) | | (11,148) |
| Exchange differences on translating foreign operations | | | | (11) | | | | (11) |
| **Total comprehensive income / (loss)** | | **—** | **—** | **(11)** | **14,015** | **17,503** | **98,060** | **129,567** |
| Share Premium decrease | *12* | — | (100,000) | | | | | (100,000) |
| **Balance at December 31, 2016** | | **8,200** | **732,981** | **(11)** | **24,286** | **15,012** | **41,551** | **822,020** |

the accompanying notes are an integral part of the consolidated financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

| (in thousands of Swiss Francs) | Notes | January 1, 2016 to December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| **Profit / (loss)** | | **98,060** | **(56,509)** | **(44,108)** |
| Adjustments to reconcile profit/(loss) to funds generated from operations | | | | |
| Depreciation, amortization and impairment | *6* | 264,226 | 197,241 | 79,395 |
| Result on disposal of PPE | | — | (1) | (2) |
| Change in other provisions | *8* | (12,315) | 1,692 | (4,218) |
| Income tax recognized in the income statement | *7* | (10,329) | (8,083) | 1,525 |
| Finance costs, net | *10,11* | 75,844 | 100,486 | 69,614 |
| Change in inventories, trade receivables and trade payables | | | | |
| Decrease/(increase) in inventories | *5* | 11,403 | 565 | (6,601) |
| Decrease/(increase) in trade receivables | *4* | 48,068 | (36,332) | (9,944) |
| Increase/(decrease) in trade payables | *11* | (26,512) | 16,195 | 14,907 |
| Other changes in working capital requirements | | | | |
| Decrease/(increase) in other receivables and payables | | (4,522) | 23,170 | (21,187) |
| Other items | | | | |
| Income tax paid | *7* | (353) | (269) | (42) |
| Decrease / (increase) in deposits | | (853) | (111) | (193) |
| **Net cash provided by operating activities** | | **442,715** | **238,046** | **79,144** |
| **INVESTING ACTIVITIES** | | | | |
| Purchases/sales of property, plant and equipment and intangible assets | | | | |
| Purchases of property, plant and equipment and intangible assets | *6* | (98,232) | (66,061) | (73,702) |
| Proceeds from sales of property, plant and equipment and intangible assets | | | 1 | 2 |
| Purchase of interests in subsidiaries, net of cash acquired | | — | (1,007,869) | — |
| Spectrum licence payment | *6* | — | (33,717) | — |
| **Net cash used in investing activities** | | **(98,232)** | **(1,107,646)** | **(73,700)** |
| **FINANCING ACTIVITIES** | | | | |
| Issuance | | | | |
| Issuance of bonds | *10,11* | | 2,021,358 | — |
| Bonds issuance costs | *10,11* | | (19,064) | — |
| Redemptions and repayments | | | | |
| New Revolving Credit Facility fees | | — | — | (2,600) |
| Consent fees for old bonds | | — | — | (2,775) |
| Dividend to shareholder | | — | (150,000) | — |
| Repayment of old bonds | | — | (1,431,489) | — |
| Settlement of Intercompany loans with old holdings | | — | (447,334) | — |
| Proceeds from other financial debt | | | 1,007,869 | — |
| Repurchase of bonds net of swap unwind | | (105,853) | | |
| Interest paid and other financial charges | | (77,289) | (40,843) | (32,914) |
| Equity | | | | |
| Initial Equity contribution | *12* | — | 50 | — |
| Share capital & share premium increase / (decrease) | *12* | (100,000) | 20,000 | (15,068) |
| Other changes | | | | |
| Interest income received | | 90 | 224 | 47 |
| **Net cash provided by / (used in) financing activities** | | **(283,051)** | **960,770** | **(53,310)** |
| **Net change in cash and cash equivalents** | | **61,432** | **91,170** | **(47,866)** |
| **Cash and cash equivalents at beginning of period** | | **153,693** | **64,748** | **115,674** |
| Effect of exchange rates changes on cash and cash equivalents | | (436) | (2,225) | (3,082) |
| Net change in cash and cash equivalents | | 61,432 | 91,170 | (47,866) |
| **Cash and cash equivalents at end of period** | | **214,689** | **153,693** | **64,727** |

the accompanying notes are an integral part of the consolidated financial statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 1—Description of business and basis of preparation of the consolidated financial statements

### 1.1 Description of business and purpose of preparation

On 23 April 2015 ("The Acquisition Date"), Matterhorn Mobile Holdings S.A. (former Parent Company) sold its shares in Matterhorn Mobile S.A. (owner of Salt Mobile SA previously named as "Orange Communications SA" and its affiliates) to the recently created Matterhorn Telecom S.A.

Matterhorn Telecom S.A. and Matterhorn Telecom Holding S.A. were incorporated as at March 25, 2015 as Luxemburg public limited liability Companies (S.A.) governed by the laws of the Grand Duchy of Luxembourg. Their registered office is established in Luxembourg-city.

Matterhorn Telecom Holding S.A. "The Company" (parent of Matterhorn Telecom S.A.) is the ultimate parent entity for financial information purposes. The Company indirectly holds 100% of its principal operating company, Salt Mobile SA, which was incorporated on January 10, 1998 in Lausanne, Switzerland and its subsidiaries (all together, the "Group").

Salt Mobile SA and its subsidiaries (hereafter "Salt Switzerland") provide consumers, businesses and other telecommunication operators with a wide range of services including mobile telecommunications, data transmission, Internet and other value-added services.

In these audited consolidated financial statements, "Successor" refers to the Company and "Predecessor" refers to Matterhorn Mobile Holdings S.A.

The comparative consolidated financial statements are presented for Successor and Predecessor periods, which relate to the accounting periods after and before the Acquisition date. The Successor and Predecessor periods have been separated by a vertical line on the face of the consolidated financial statements to highlight the fact that the financial information for such periods represents information for different legal entities.

(a) Successor periods

For periods from and after April 23, 2015, the audited consolidated financial statements include the operating results and financial position of the Company and its subsidiaries, including Salt Switzerland.

(b) Predecessor periods

For information purposes, the audited financial statements of Matterhorn Mobile Holdings S.A. have been included as voluntary additional information in the consolidated financial statements for periods prior to April 23, 2015. Matterhorn Mobile Holdings S.A.'s financial performance and financial condition reflected in these accompanying financial statements may not be indicative of the Company's financial performance and financial condition in the future.

### 1.2 Basis of preparation of the 2016 consolidated financial statements

**These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union.**

These consolidated financial statements have been prepared under the historical cost convention with the exception of derivative financial instruments that are measured at fair value.

These audited consolidated financial statements as at December 31, 2016 and the related consolidated statements of profit and loss, comprehensive income, changes in equity and cash flows for the period from January 1, 2016 to December 31, 2016 were approved and authorised for issue on February 24, 2017 by the Board of Directors of Matterhorn Telecom Holding S.A.

**Note 1—Description of business and basis of preparation of the consolidated financial statements (Continued)**

### 1.2.1 New standards and Amendments to IFRS affecting amounts reported in the financial statements

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2016:

—Accounting for acquisitions of interests in joint operations – Amendments to IFRS 11

—Clarification of acceptable methods of depreciation and amortisation – Amendments to IAS 16 and IAS 38

—Annual improvements to IFRSs 2012 – 2014 cycle, and

—Disclosure initiative – amendments to IAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

### 1.2.2 New and revised IFRS in issue but not yet effective

The Group has not early adopted any IFRS as endorsed by the European Union, which is not yet effective.

It is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed. The Group is currently assessing the impact of the application of these standards, amendments and interpretations.

New standards and interpretations issued but not yet effective are the following:

**IFRS 15 *Revenue from contracts with customers:*** The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the group's financial statements. At this stage, the group is not able to estimate the impact of the new rules on the group's financial statements. The group will make more detailed assessments of the impact over the next twelve months.

The mandatory application date and the expected date of adoption by the group are financial years commencing on or after 1 January 2018.

**IFRS 16 *Leases:*** IFRS 16 was issued in January 2016 by IASB. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the group's operating leases. At this stage, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

**Note 1—Description of business and basis of preparation of the consolidated financial statements (Continued)**

The EU has not yet endorsed IFRS 16 and the Group will adopt the standard in accordance with the EU endorsed effective date.

**IFRS 9 *Financial Instruments:*** IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the group has yet to undertake a detailed assessment of the classification and measurement of all financial assets, no significant impact is expected as the main financial asset corresponds to hedging derivative assets and there will be no change to the accounting for these assets.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the group is yet to undertake a detailed assessment, it would appear that the group's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

This standard must be applied for financial years commencing on or after 1 January 2018. The group does not intend to adopt IFRS 9 before its mandatory date.

The group does not expect any material impact from the application of any other new standard or amendment.

**1.3 Use of estimates and judgements**

In preparing the Group financial statements, the Group's management makes estimates, judgements and assumptions, insofar as many elements included in the financial statements cannot be measured with precision. These estimates and underlying assumptions are revised if the underlying circumstances evolve or in light of new information or experience.

**Note 1—Description of business and basis of preparation of the consolidated financial statements (Continued)**

Consequently, estimates made as at December 31, 2016 may subsequently be changed. The underlying assumptions used for significant estimates are as follows:

| | | Nature of estimate and judgement |
|---|---|---|
| Note 4 | Revenue and Trade Receivables | Determination of the bad debt based on an assessment of the future recoverable amount |
| Note 6 | Impairment | Key assumptions used to determine recoverable amounts: value in use (discount rate, perpetual growth rate, expected cash flows), market value (revenue and EBITDA multiples for comparable companies or transactions, cash flows)<br><br>Assessment of economic and financial environment |
| Note 8 | Provisions | Provisions for dismantling: churn rate, inflation rate, discount rate, antenna residual useful life and restoring cost. |
| Note 9 | Employee benefits (Pension) | Discount rate, inflation rate, salary increases, mortality table |

The consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue its operations under the scope defined above.

### 1.4 Audit fees

The Group's consolidated financial statements are audited by PriceWaterhouseCoopers, Luxembourg (Deloitte Audit, Luxembourg in 2015). The total fees are shown below:

| (in thousands of Swiss Francs) | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|
| Audit fees | 275 | 447 |
| Other services | | 304 |
| **Fees** | **275** | **751** |

**Note 2—Accounting policies**

This note describes the accounting policies applied to prepare the consolidated financial statements for the years ended December 31, 2016 and December 31, 2015 (Successor). When applicable, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

### 2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

**Note 2—Accounting policies (Continued)**

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control on the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit / (loss) and other comprehensive income / (loss) from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup transactions and balances are eliminated in consolidation.

**2.2 Business combinations and goodwill**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred to the former owners of the acquiree by the Group, and the equity interests issued by the Group in exchange for control of the acquiree. Transaction costs are recognised as a profit or loss as incurred.

At the acquisition date, the identifiable assets and the liabilities assumed are recognised at their fair value, except that:

—deferred tax assets or liabilities, and assets or liabilities related to employee benefits arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively and;

—assets that are classified as held for sale in accordance with IFRS 5—*Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard*

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of identifiable assets, liabilities and contingent liabilities taken over, regardless of the level of the investment held, is recognised as goodwill. Goodwill is not amortised, but tested annually for impairment.

Therefore, the evolution of general economic and financial trends, the different levels of resilience of the telecommunication operators with respect to the decline of local economic environments, the changes in the market capitalisation values of telecommunication companies, as well as actual economic performance compared to market expectations represent external indicators that are analysed by the Group, together with internal performance indicators, in order to assess whether an impairment test should be performed more than once a year.

IAS 36 requires that these tests be performed at the level of each Cash Generating Unit (CGU) or groups of CGUs which are likely to benefit from acquisition-related synergies, within an operating segment. A CGU is defined as 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. This allocation is reviewed if the Group changes the level at which it monitors return on investment for goodwill testing purposes. To determine whether an impairment loss should be recognised, the carrying value of the assets and liabilities of the CGUs or groups of CGUs is compared to recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use.

The Company considers that the smallest groups are the operational segments described in Note 3, Consumer and Enterprise.

Impairment loss for goodwill is recorded in operating expenses and is never reversed subsequently.

**Note 2—Accounting policies (Continued)**

Intangible assets acquired in business combinations and recognised separately from goodwill are initially recognised at their fair value at the acquisition date.

Contingent consideration, if any, is recognised against the acquisition cost at the acquisition date.. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

### 2.3 Segment reporting

The operating segments are components of the Group that engage in business activities and whose operating results based on the internal reporting are reviewed by the Board of Directors (the chief operating decision-maker) in order to determine the allocation of resources and to assess of the operating segments' performance.

The Group operates in two main operating segments: Consumer and Enterprise.

### 2.4 Effect of changes in foreign exchange rates

***Functional and presentation currency***

The Swiss Franc (CHF) is the functional currency of all entities within the Group (except for Salt France S.A.S.) and is the Group's presentation currency.

***Transactions in foreign currencies***

Transactions in foreign currencies are converted into the entities' functional currency at the exchange rate of the transaction date. Monetary assets and liabilities are remeasured at the exchange rate of the end of each reporting period and the resulting translation differences are recorded in the income statement:

- in operating profit for commercial transactions;
- in finance income or finance expenses for financial transactions.

Both for transactions qualifying as hedge accounting and for transactions qualifying as economic hedge, the change in fair value of derivatives that can be attributed to changes in exchange rates is recorded in operating profit when the underlying hedged item is a trade commercial transaction and in financial income when the underlying hedged item is a financial receivable or a liability. As the hedged item is not recognised in the statement of financial position in the context of a cash flow hedge of a highly probable forecast transaction, the effective portion of change in fair value of the hedging instrument is recorded in other comprehensive income and reclassified in:

- profit or loss in accordance with the precedent method with respect to financial assets and liabilities;
- the initial cost of the hedged item with respect to the non-financial assets and liabilities.

### 2.5 Revenue

Revenue from the Group activities is measured and accounted for in accordance with IAS 18 "Revenue".

***Service sales***

Revenue from telecommunication and Internet access subscription fees, including those from wholesale, is recognised on a straight-line basis over the subscription period.

**Note 2—Accounting policies (Continued)**

Revenue from incoming and outgoing telephone calls, including those from the wholesale of traffic data, are recognised when the service is rendered.

Revenue from the sale of transmission capacity through cables as well as those from local loop unbundling are recognised on a straight-line basis over the life of the contract.

***Equipment sales***

Revenue from equipment sales is recognised when the significant risks and rewards of ownership are transferred to the customer. Generally this would be at the time customer take delivery of the good.

***Equipment rentals***

In accordance with IFRIC 4 “Determining Whether an Arrangement Contains a Lease”, equipment for which a right of use is granted is analysed in accordance with IAS 17 “Leases”.

Revenue from equipment lease is recognised on a straight-line basis over the life of the lease agreement, except when the lease is determined to be a finance lease; in such a case, equipment is then considered sold with deferred payment terms.

***Content sales***

The accounting for revenue sharing arrangements and supply of content depends on the analysis of the facts and circumstances surrounding these transactions. Thus, an analysis is performed using the following criteria to determine whether the revenue is recognised on:

- a gross basis when the Group:

  —is the primary obligor in the arrangement;

  —bears inventory risk;

  —has a reasonable latitude in establishing price with the end-customer;

  —bears the customer’s credit risk.

- a net basis when:

  —the service provider is responsible for the service and for establishing the price to be paid by the subscriber;

  —the service provider is responsible for supplying the content to the end-customer and for establishing the retail price.

***Promotional offers***

Revenues are stated net of discounts. Certain commercial offers include a free service over a certain period (time-based incentives) when the customer commits to a fixed period contract. In such circumstances the total revenue generated under the contract is spread over the fixed and non-cancellable contract period.

***Customised contracts***

The Group offers customised solutions, in particular to its business customers. The related contracts are analysed as multiple-element transactions (including management of the telecommunication network, access, voice and data transmission and migration). The commercial discounts granted under these contracts, if certain conditions are fulfilled, are recorded as a deduction from revenue based on the specific terms of each contract. Migration costs incurred by the Group under these contracts are recognised in expenses when they are incurred.

***Separable components of bundled offers***

Most products sold by the Group include two components: equipment (e.g. a mobile handset) and service (e.g. a voice/non-voice plan). As far as a sale with multiple products or services is concerned, the Group analyses all deliverables in the arrangement to determine whether they represent separate units of accounting. A component (product or service) is considered to be a separate unit of accounting if (i) it has a standalone value to the customer and (ii) there is objective and reliable evidence of the fair value of the undelivered component(s).

The fixed or determinable total amount in the arrangement is allocated to the components based on their relative fair value. Revenue allocated to each component is then recognised in accordance with the policies described above.

For offers that cannot be separated into identifiable components, revenue is fully recognised over the life of the contract. The main example relates to the connection service. The connection service is not a component which can be separated from the subscription and communication; therefore connection fees are recognised over the expected average life of the contractual relationship.

## 2.6 Subscriber acquisition and retention costs, advertising and related cost

***Subscriber acquisition and retention costs***

Subscriber acquisition and retention costs, other than costs incurred in the context of loyalty programs, are recognised as an expense in the period in which they are incurred, i.e. upon acquisition or contract renewal. In some cases, contractual clauses with retailers include a profit-sharing based on revenue recognised and paid: such costs are recognised in profit or loss when the related revenue is recognised.

***Advertising and related costs***

Advertising, promotion, sponsoring, communication and brand marketing costs are expensed when incurred.

## 2.7 Other intangible assets

Intangible assets mainly consist of licenses, content rights, customer contracts, reseller and MVNO agreements, indefeasible rights of use, development costs and software.

***Gross value***

Intangible assets are initially recognised at their acquisition or production cost. When intangible assets are acquired in a business combination, their cost is determined in connection with the purchase price allocation based on their respective market value. When their market value is not readily determinable, cost is determined using generally accepted valuation methods based on revenues, costs or other appropriate criteria.

Internally generated trademarks and subscriber bases are not recognised as assets.

Indefeasible Rights of Use (IRUs) acquired by the Group correspond to the right to use cable or capacity transmission cable granted for a fixed period. IRUs are recognised as assets when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wavelength bandwidth, and the duration of the right corresponds to the major part of the economic life of the underlying asset.

**Note 2—Accounting policies (Continued)**

The Group's research and development projects mainly relate to the upgrade of the network architecture or functionality and the development of service platforms aimed at offering new services to the Group's customers. These projects generally give rise to the development of software. An intangible asset arising from development is recognised if, and only if, the Group 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 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;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure the expenditure attributable to the intangible asset during the development phase.

***Amortisation***

Intangible assets are amortised on straight-line basis over their expected useful life.

Licenses to operate mobile telephone networks are amortised over the license period from the date when the network is technically ready and the service can be marketed. The right to operate a mobile network is recorded in an amount corresponding to the fixed portion of the royalties due when the license was granted. The variable user fee is expensed as incurred.

Intangible assets related to internal and external software developments are amortised over a period from 3-5 years.

The customer relations are amortized over a period from 1-11 years.

The reseller and MVNO contracts are amortized over a period from 9-11 years.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

**2.8 Property, plant and equipment**

***Gross Value***

Fixed assets are recognised at their purchase or production cost, which include costs directly attributable to bringing the asset to the location and to a working condition for its intended use. It also includes the initial estimate of the costs of dismantling, removing the item and restoring the site on which it is located, representing the obligation incurred by the Group.

The cost of networks includes design and construction costs, as well as costs related to the improvement in equipment and facility capacity.

The total cost of an asset is allocated to its different components. Each component is accounted for separately when the components have different useful lives or when the pattern in which their future economic benefits are expected to be consumed by the entity varies. Depreciation rate and method of such components are different accordingly.

**Note 2—Accounting policies (Continued)**

Maintenance and repair costs are recognised in profit or loss as incurred, except where they serve to increase the productivity or useful life of the asset.

***Operating / Finance leases***

The determination of whether an arrangement is, or contains a lease is based on the substance of the agreement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the agreement conveys a right to the Group to the use of the asset.

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased item to the Group. These are classified at the inception of the lease, in accordance with its nature and the associated liability, at the lower of the present value of the minimum lease payments or the fair value of the leased property. Lease payments are apportioned between finance costs and reduction of the principal of lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are reflected in the income statement over the lease term.

In firm sale and leaseback transactions resulting in a finance lease, the asset sold is not derecognised and the cash received is considered finance for the lease term. However, when the sale and leaseback transaction results in an operating lease, and it is clear that both the transaction and subsequent lease income are established at fair value, the asset is derecognised and any gain or loss generated on the transaction is recognised.

***Depreciation***

Depreciation is based on the cost of a property, plant and equipment less any residual value and reflects the pattern in which the future economic benefits of the asset are expected to be consumed. Thus, the asset is usually depreciated on the straight-line basis over the following estimated useful lives:

| | |
|---|---|
| Buildings | 10 to 30 years |
| Network: Switching, transmission and other network equipment | 5 to 10 years |
| Network: Cables and civil works | 15 to 30 years |
| IT equipment: Computer hardware | 3 to 5 years |

These useful lives are reviewed annually and are adjusted if they differ from previous estimates. These changes in accounting estimates are recognised prospectively.

**2.9 Impairment of non-current assets**

At the end of each reporting period, the Group reviews the carrying amount of its property, plant and equipment and intangible assets with definite useful life to determine whether there is any indication that those assets have suffered an impairment loss.

Indicators of impairment include events or circumstances occurring during the period (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators).

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss (if any).

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use, which is assessed using the discounted cash flows method based on management's best estimate of the set of economic conditions. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of cash-generating units to which the asset belongs to.

The impairment loss recognised is equal to the difference between the net book value and the recoverable amount.

### 2.10 Financial assets and liabilities

Financial assets and liabilities are recognised initially at fair value. They are subsequently measured either at fair value or amortised cost using the effective interest method depending on the category in which they are classified.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. This calculation includes all fees and points paid or received between parties to the contract.

***Recognition and measurement of financial assets***

The Group does not hold any financial assets qualifying as held-to-maturity assets.

#### 2.10.1 Loans and receivables

This category mainly includes trade receivables, cash, certain deposits, as well as other loans and receivables. These instruments are recognised at fair value upon origination and are subsequently measured at amortised cost using the effective interest method. Receivables with no stated interest rate are measured at initial nominal amount unless there is any significant impact resulting from the application of an implicit interest rate.

If there is any objective evidence of impairment of these assets, the value of the asset is reviewed at the end of each reporting period. An impairment loss is recognised in profit or loss when the financial asset carrying amount is higher than its recoverable amount.

Impairment of trade receivables is based on two methods:

- A statistical method: It is based on historical losses and leads to a separate impairment rate for each ageing balance category. This analysis is performed over a homogenous group of receivables with similar credit characteristics because they belong to a customer category (mass-market, small offices and home offices).

- A stand-alone method: The probability and the amount of impairment loss are estimated based on a set of relevant factors (ageing of late payment and other balances with the counterpart). This method is used for carriers and operators (domestic and international), local, regional and national authorities and for large accounts. Recognition of impairment losses on a group of receivables is the step preceding the detection of impairment losses on individual receivables. When information is available (clients in bankruptcy or subject to equivalent judicial proceedings), these receivables are then excluded from the statistical database and individually impaired.

Financial assets are fully or partially derecognised when:

- The rights to receive cash flows from the asset have expired.

- An obligation to pay the cash flows received from the asset to a third party has been assumed.

- The rights to receive cash flows from the asset have been transferred to a third party and all the risks and rewards of the asset have been substantially transferred.

**Note 2—Accounting policies (Continued)**

**2.10.2 Financial assets or financial liabilities at fair value through profit or loss**

Financial assets at fair value through profit or loss are:

- assets held for trading that the Group acquired principally for the purpose of selling them in the short term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern of short-term profit-taking;
- derivative assets not qualifying for hedge accounting.

**2.10.3 Available-for-sale assets**

Available-for-sale assets of the Group mainly consist of shares in entities which are not consolidated and not accounted for using the equity method and marketable securities that do not fulfil the criteria for classification in any of the other categories of financial assets. They are recognized and subsequently measured at fair value.

Temporary changes in value are recorded as “Gains (losses) on financial assets available-for-sale” within other comprehensive income.

When there is objective evidence of impairment on available-for-sale assets or a decrease in fair value by at least a third or over twelve months, the cumulative impairment loss included in other comprehensive income is definitely reclassified from equity to income statement within ”Gain (losses) on disposal”.

***Recognition and measurement of financial liabilities***

Borrowings and other financial liabilities at amortised cost are recognised upon inception at fair value of the sums paid or received in exchange of the liability, and subsequently measured at amortised cost using the effective interest method. Current interest-free payables are booked at their nominal value.

Transaction costs that are directly related to the acquisition or issuance of a financial liability are deducted from its carrying value. The costs are subsequently amortised over the life of the liability by using the effective interest method.

Within the Group, some financial liabilities at amortised cost are subject to hedge accounting. They mostly relate to foreign currency borrowings in order to hedge future cash flows against changes in currency value (cash flow hedge).

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss consist mainly of derivative instruments described below.

***Recognition and measurement of hedging derivatives***

Derivatives are measured at fair value and are presented in the statement of financial position according to their maturity date whether or not they qualify for hedge accounting under IAS 39.

Derivatives are financial assets or liabilities measured at fair value through profit or loss and are classified in a separate line item of the statement of financial position when they qualify for hedge accounting.

**Note 2—Accounting policies (Continued)**

Hedge accounting is applicable when:

- at the inception of the hedge there is a formal designation and documentation of the hedging relationship;

- at the inception of the hedge and in subsequent periods the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows related to the hedged risk during the period for which the hedge is designated (i.e. the actual results of the hedge are within a range of 80-125%).

Hedge accounting is the following:

- the cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular interest rate and/or currency risk associated with a recognised asset or liability or a highly probable forecast transaction (such as a future purchase or sale) and could affect profit or loss. The hedged item being not recognised, the effective portion of changes in fair value of the hedging instrument is recognised in other comprehensive income. Such amounts are recycled to profit or loss when the hedged financial asset or hedged financial liability affects the income statement. When the hedged item is not a financial asset or a financial liability, such amounts are reclassified in its initial cost.

Hedge accounting is terminated when the hedged item is no longer recognised, when the Group voluntarily revokes the designation of the hedging relationship, or when the hedging instrument is terminated or exercised. The accounting consequences are for:

- Cash flow hedge: amounts booked in other comprehensive income are immediately reclassified in profit or loss when the hedged item is no longer recognised or, in all other cases, when the hedged item affects profit or loss.

Subsequent changes in the value of the hedging instrument are recorded in profit or loss.

**2.11 Inventory**

Inventory comprises handsets and related accessories for resale and is measured at the lower of their cost and their net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs necessary to make the sale.

Obsolete, defective or slow-moving inventories have been written down to estimated net realisable value. The recoverable amount of inventory is calculated based on inventory age and turnover.

**2.12 Income and deferred taxes**

The current and deferred income tax expense is reviewed each year and includes both current and deferred taxes.

Current tax is measured by the Group at the amount expected to be paid to or recovered from the tax authorities of each country, based on its interpretation with regard to the application of tax legislation.

Deferred taxes are recognised for all temporary differences between the book values of assets and liabilities and their tax basis, as well as for unused tax losses, using the liability method taking into account the tax rates, which are enacted or substantially enacted at the end of the reporting period. Deferred tax assets are recognised only when their realisation is considered probable.

**Note 2—Accounting policies (Continued)**

Deferred tax assets arising from tax losses are not recognised under certain circumstances specific to each tax entity, and particularly when:

- entities cannot assess the probability of the tax loss carryforwards being set off against future taxable profits, due to forecasts horizon and uncertainties as to the economic environment;

- entities do not expect to use the losses within the timeframe allowed by tax regulations;

- tax losses are uncertain to be used due to the risks of divergent interpretations with regard to the application of tax legislation.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

**2.13 Provisions**

A provision is recognised when the Group has a present obligation towards a third party as resulting from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

The obligation may be legal, regulatory or contractual or it may represent a constructive obligation deriving from the Group's actions where, by an established pattern of past practice or published policies creating a valid expectation on the part of other parties that the Group will discharge certain responsibilities.

The estimate of the amount of the provision corresponds to the probable outflow of resources likely to be incurred by the Group to settle its obligation.

Contingent liabilities are disclosed in the notes to the financial statements. They correspond to:

- probable obligations resulting from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Group's control; or

- present obligations arising from past events that are not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

***Litigation***

In the ordinary course of business, the Group is involved in a number of legal and arbitration proceedings and administrative actions. The costs that might result from these proceedings are only accrued when they are probable and when their amount can be quantified or estimated within a reasonable range. The amount of provision recorded is based on a case-by-case assessment of the risk level, and events arising during the course of legal proceedings may require a reassessment of this risk.

***Restructuring***

Provisions for restructuring costs are recognised only when the restructuring has been announced and the Group has drawn up or has started to implement a detailed formal plan, prior to the end of the reporting period.

## Note 2—Accounting policies (Continued)

***Asset Retirement Obligation***

The Group is required to dismantle equipment and restore sites and office buildings. Provision is measured as the best estimate of the amount required to settle its obligations (on a per site basis for mobile antennas). These dismantling costs are calculated on the basis of the identified costs for the current financial year, extrapolated for future years using the best estimate of future trends in prices, inflation, etc., and are discounted at a risk-free rate (same discount rate as the one used for the employee benefits), based on market yields on high quality corporate bonds.

This estimate is revised at the end of each reporting period and adjusted, when appropriate. The asset to which the provision relates is also adjusted for the corresponding amount.

### 2.14 Employee benefits

The Group is affiliated to a legally independent pension fund. The annual contributions to this fund are made by both employee and employer in accordance with unchanged regulatory provisions. This is a defined contribution plan according to Swiss legislation, but it qualifies as a defined benefit plan under IAS 19 due to the constructive obligation of the employer to guarantee a minimum rate of interest and a fixed conversion rate.

The plan is providing several categories of coverage and the employees' contributions are based on various percentages of their gross salaries. All employees are entitled to participate in the plan for retirement, disability or death. The Group's contributions exceed those of the employees. The risks of disability and death are entirely reinsured by an insurance company.

The Group's obligation in respect of its defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value of the obligation, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary in accordance with the projected unit credit method using information available at year end. Current pension entitlements are charged to income in the period in which they arise. Actuarial gains and losses are recorded in full under other comprehensive income in the reporting period in which they arise.

### 2.15 Cash & cash equivalents

Cash and cash equivalents comprise cash on hand and at banks, deposits and other highly liquid investments with an original maturity of three months or less. These items are stated at historical cost, which does not differ significantly from realisable value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are shown net of any outstanding bank overdrafts.

## Note 3—Segment Information

Operating segments are reported in a manner consistent with the internal reporting to the Chief Operating Decision-Maker (the Board of Directors), and have been prepared in accordance with the Group's accounting policies. The operating segments have been determined based on the Management Reports reviewed by the Board of Directors.

Assets and liabilities are not allocated to operating segments in the monthly management reports reviewed by the Board of Directors, as the review focuses on the development in net working capital for the Group.

Revenue is the main measure reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance. In addition the Board of Directors reviews Net Margin (calculated as revenue less access, backbone, interconnection, content costs, commercial expenses and cost of equipment sold) on a combined segment basis.

## Note 3—Segment Information (Continued)

The Group activity is mainly operated in Switzerland.

The Group's internal reporting is based on two following segments:

- Consumer: relates to consumers
- Enterprise: relates to the Business, Wholesale & MVNO segments

Activities related to the head office are disclosed as other.

| | Consumer | | | Enterprise | | | Other | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (in thousands of Swiss Francs) | January 1, 2016 to December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2016 to December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2016 to December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) | January 1, 2016 to December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) |
| **Revenue** | **865,411** | **688,061** | **310,432** | **254,496** | **192,175** | **86,704** | **7,554** | **5,089** | **2,296** | **1,127,461** | **885,325** | **399,431** |
| Access, backbone, interconnection and content costs | | | | | | | | | | (220,396) | (145,882) | (58,047) |
| Commercial expenses and cost of equipment sold | | | | | | | | | | (233,257) | (242,755) | (111,166) |
| **Net Margin** | | | | | | | | | | **673,808** | **496,689** | **230,218** |

### Net margin to Operating profit / (loss) before tax reconciliation:

| (in thousands of Swiss Francs) | January 1, 2016 to December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) |
|---|---|---|---|
| **Net Margin** | **673,808** | **496,689** | **230,218** |
| Network, IT, property expenses and other purchases | (129,866) | (107,541) | (47,337) |
| Labour expenses | (76,593) | (60,491) | (34,693) |
| Other operating expenses | (39,037) | (61,471) | (22,917) |
| Other operating income | 9,049 | 10,097 | 8,429 |
| **Adjusted EBITDA** | **437,362** | **277,282** | **133,701** |
| Result on disposal and other gains | — | 1 | 2 |
| Restructuring, transition and transaction costs | (8,242) | (43,414) | (21,945) |
| Corporate and brand fees | (1,320) | (734) | (5,333) |
| **EBITDA** | **427,800** | **233,136** | **106,425** |
| Depreciation, amortization and impairment | (264,226) | (197,241) | (79,395) |
| **Operating profit / (loss)** | **163,574** | **35,895** | **27,030** |
| Finance costs | (81,842) | (103,995) | (69,669) |
| Finance income | 5,998 | 3,509 | 56 |
| **Finance costs, net** | **(75,844)** | **(100,486)** | **(69,614)** |
| **Profit / (loss) before tax** | **87,730** | **(64,591)** | **(42,583)** |

## Note 4—Sales

### 4.1 Revenue

| (in thousands of Swiss Francs) | January 1, 2016 to December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) |
|---|---|---|---|
| Network | 869,679 | 658,628 | 302,617 |
| Equipment | 174,831 | 153,583 | 62,773 |
| Other mobile services | 81,354 | 71,221 | 33,106 |
| Other revenue | 1,597 | 1,894 | 935 |
| **Revenue** | **1,127,461** | **885,325** | **399,431** |

### 4.2 Trade receivables

Trade receivables are presented as follows at the face of the statement of financial position:

| (in thousands of Swiss Francs) | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|
| Non-current | 39,349 | 46,075 |
| Current | 311,141 | 352,483 |
| **Trade receivables** | **350,490** | **398,558** |

| (in thousands of Swiss Francs) | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|
| Gross trade receivables | 375,662 | 440,791 |
| Provision for doubtful debts | (25,172) | (42,233) |
| **Trade receivables** | **350,490** | **398,558** |

The provision for doubtful debts as at December 2016 mainly concerns receivables over 120 days. Its decrease is mainly due to a reassessment of statistical bad debt provision rates and a focus performed in 2015 on identified populations which led to specific bad debt provisions.

Gross trade receivables are broken down as follows:

| (in thousands of Swiss Francs) | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|
| Gross trade receivables past due | 75,338 | 85,031 |
| Gross trade receivables not past due | 300,324 | 355,761 |
| **Gross trade receivables** | **375,662** | **440,791** |

The following table provides an ageing balance of gross trade receivables past due:

| (in thousands of Swiss Francs) | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|
| Past due—under 60 days | 53,171 | 49,645 |
| Past due—60 to 120 days | 5,900 | 4,177 |
| Past due—over 120 days | 16,267 | 31,209 |
| **Gross trade receivables past due** | **75,338** | **85,031** |

**Note 4—Sales (Continued)**

The Group outsources part of its receivables collection. Customer receivables are transferred to an agency if overdue by 121 days or more. Enterprise and MVNO customers are treated on a case by case basis. Receivables under servicing agreement are recognised in 2016 for a total value of CHF 13.0m (CHF 26.5m in 2015), most of them being covered by a bad debt provision amounting CHF 12.4m (CHF 25.5m in 2015).

The Group sold certain trade receivables to Intrum Justicia for cash. These financial assets are derecognised in their entirety at the date of the transfer.

Tables below provide an analysis of the changes in provision for trade receivables in the statement of financial position:

| (in thousands of Swiss Francs) | January 1, 2016 (Successor) | Additions | Used | December 31, 2016 |
|---|---|---|---|---|
| Provision for doubtful debts | **(42,233)** | (27,629) | 44,690 | **(25,172)** |

**4.3 Deferred income**

| (in thousands of Swiss Francs) | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|
| Prepaid telephone cards | 15,535 | 16,822 |
| Other deferred income | 3,279 | 8,086 |
| **Deferred income** | **18,814** | **24,908** |

**Note 5—Purchases and Restructuring, transaction and transition costs**

**5.1 Access, backbone, interconnection and content costs**

| (in thousands of Swiss Francs) | January 1, 2016 to December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) |
|---|---|---|---|
| Interconnection costs | (185,951) | (120,690) | (46,132) |
| Transmission leased lines | (19,923) | (13,620) | (5,937) |
| Fixed network costs | (1,174) | (1,632) | (825) |
| Content costs | (13,348) | (9,940) | (5,153) |
| **Access, backbone, interconnection and content costs** | **(220,396)** | **(145,882)** | **(58,047)** |

**5.2 Commercial expenses and cost of equipment sold**

| (in thousands of Swiss Francs) | January 1, 2016 to December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) |
|---|---|---|---|
| Commercial expenses | (81,371) | (100,061) | (46,843) |
| Cost of equipment sold | (151,886) | (142,694) | (64,323) |
| **Commercial expenses and cost of equipment sold** | **(233,257)** | **(242,755)** | **(111,166)** |

**Note 5—Purchases and Restructuring, transaction and transition costs (Continued)**

**5.3 Network, IT, property expenses and other purchases**

| (in thousands of Swiss Francs) | January 1, 2016 to December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) |
|---|---|---|---|
| Network and IT expenses | (43,029) | (38,689) | (15,077) |
| Property expenses | (61,025) | (42,786) | (19,609) |
| Subcontracting and professional services | (14,222) | (15,540) | (6,771) |
| Other purchases | (11,590) | (10,525) | (5,880) |
| **Network, IT, property expenses and other purchases** | **(129,866)** | **(107,541)** | **(47,337)** |

**5.4 Restructuring, transition and transaction costs**

| (in thousands of Swiss Francs) | January 1, 2016 to December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) |
|---|---|---|---|
| Restructuring costs | (6,339) | (15,384) | (463) |
| Transition costs | (1,793) | (25,896) | (16,474) |
| Transaction costs | (110) | (2,134) | (5,008) |
| **Restructuring, transition and transaction costs** | **(8,242)** | **(43,414)** | **(21,945)** |

In 2016, restructuring costs were related to costs incurred by the reorganisation process.

In 2015, the following significant events happened, generating non-recurring costs:

—restructuring costs were related to the voluntary leave plan launched in September 2015 and costs incurred by the reorganisation process

—transition costs were mainly related to the rebranding project

—transaction costs were related to advisory and technical support expenses for the sale of the Company to NJJ Suisse Acquisition SAS and for the refinancing which occurred in April 2015.

**5.5 Inventories**

| (in thousands of Swiss Francs) | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|
| Handsets | 12,243 | 19,477 |
| Other products | 1,864 | 5,143 |
| **Gross value** | **14,107** | **24,620** |
| Provisions | (2,355) | (1,465) |
| **Inventories** | **11,752** | **23,155** |

Cost of equipment sold amounted to CHF 151.9m (CHF 142.7m for the period from April 23, 2015 to December 31, 2015), (refer to note 5.2).

## Note 6—Long-lived assets

### 6.1 Goodwill

Goodwill as of December 31, 2016 amounts to CHF 1,313.8 million. As per IAS 36, goodwill is tested for impairment annually.

#### 1. CGU definition and goodwill allocation

To test for impairment, goodwill must be allocated to each of the acquirer's cash-generating units ("CGU"), or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated shall:

—represent the lowest level within the entity at which the goodwill is monitored for internal management purposes; and

—not be larger than an operating segment determined in accordance with IFRS 8 Operating Segments

Both Consumer and Enterprise operating segments are considered to be the lowest level at which goodwill is monitored and are therefore eligible for impairment testing. Based on Operating Revenues (defined as Total revenue less Equipment revenue) as a key indicator, goodwill has been allocated between these two CGUs as follows:

| (in thousands of Swiss Francs) | Allocation key | Allocation rate | Allocated Goodwill |
|---|---|---|---|
| Consumer | Operating revenue | 80% | 1,044,849 |
| Enterprise | Operating revenue | 20% | 268,906 |
| **Goodwill** | | **100%** | **1,313,793** |

#### 2. Key assumptions and impairment testing

A cash-generating unit to which goodwill has been allocated shall be tested for impairment at least annually by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit:

—if the recoverable amount of the unit exceeds its carrying amount, the unit (including the goodwill allocated to it) is not impaired

—if the carrying amount of the unit exceeds its recoverable amount, an impairment loss must be recognized

At the end of each reporting period, an entity is required to assess whether the goodwill may be impaired (i.e. its carrying amount may be higher than its recoverable amount).

The basis chosen to calculate both CGU's recoverable value is "value in use".

The following key assumptions have been used in the economic model (Discounted Cash Flows "DCF" model) used for impairment testing:

—Perpetual growth: 0.0% (0.5% in 2015)
—Discount rate (WACC) after tax: 6.5% (6.5% in 2015)

**Note 6—Long-lived assets (Continued)**

These hypotheses have been calculated by taking into account the following economic criteria:

| | |
|---|---|
| —Geographic area: | Switzerland and Liechtenstein |
| —Industry sector: | Telecommunications |
| —Market assessment: | Mature |
| —Investment requirements: | High |
| —Commercial position: | Major player (3rd operator) |
| —Effective tax rate: | 21.53% (22.40% in 2015) |

More specifically, perpetual growth rate considers both economic environment and market conditions, weighted by 1/3 and 2/3 factors respectively. Economic environment assessment relies on economic growth projections built by public and private financial institutions.

The DCF model uses a projection of the most reliable information available as of the testing date and for the next 3 years in order to measure free cash flows generated by operations.

—2017 is based on budget

—2018 and 2019 are based on the Company's business plans

The perpetual growth rate is taken into account for the calculation of the terminal value in the DCF valuation model.

Based on the evaluation performed, no impairment charge has been recorded as of December 31, 2016.

**3. Sensitivity analysis**

A sensitivity analysis has been performed on recoverable values, based on significant variations of the perpetual growth rate (-0.5%), the discount rate after tax (+2%) and expected cash-flows after tax (-20%). The outcome of the impairment test was not sensitive to any of the changes described above.

**6.2 Intangible assets**

Intangible assets were as follows as at December 31, 2016:

| | December 31, 2016 | | | |
|---|---|---|---|---|
| **(in thousands of Swiss Francs)** | **Cost** | **Accumulated amortization** | **Accumulated Impairment** | **Net** |
| Telecommunication licenses | 269,597 | (83,935) | — | 185,661 |
| Softwares | 148,634 | (98,663) | (4,461) | 45,510 |
| Customer contracts | 680,846 | (149,148) | — | 531,698 |
| Reseller Agreements | 35,439 | (6,759) | — | 28,680 |
| MVNO agreements | 36,909 | (5,742) | — | 31,167 |
| Other intangibles assets | 31,922 | (17,792) | (69) | 14,061 |
| **Intangible assets** | **1,203,346** | **(362,039)** | **(4,530)** | **836,777** |

The following Intangible assets result from the Purchase Price Allocation as at April 23rd, 2015:

—Customer contracts

—Reseller agreements

—MVNO agreements

**Note 6—Long-lived assets (Continued)**

Intangible assets were as follows as at December 31, 2015:

| | December 31, 2015 (Successor) | | | |
|---|---|---|---|---|
| (in thousands of Swiss Francs) | Cost | Accumulated amortization | Accumulated Impairment | Net |
| Telecommunication licenses | 269,597 | (64,755) | — | 204,842 |
| Softwares | 137,871 | (75,445) | (4,460) | 57,966 |
| Customer contracts | 680,846 | (60,837) | — | 620,009 |
| Reseller Agreements | 35,439 | (2,757) | — | 32,682 |
| MVNO agreements | 36,909 | (2,342) | — | 34,567 |
| Other intangibles assets | 21,826 | (15,904) | (69) | 5,853 |
| **Intangible assets** | **1,182,488** | **(222,039)** | **(4,529)** | **955,920** |

Intangible assets under construction amounted to CHF 15.8 million as at December 31, 2016 (CHF 9 million as at December 31, 2015).

Movements in the Net Book Value of Intangible assets were as follows:

| (in thousands of Swiss Francs) | Telecom-munication licenses | Softwares | Customer contracts | Reseller Agreements | MVNO agreements | Other Intangibles assets | TOTAL |
|---|---|---|---|---|---|---|---|
| Opening balance as at January 01, 2016 | 204,842 | 57,966 | 620,009 | 32,682 | 34,567 | 5,853 | 955,920 |
| Acquisitions | — | 10,106 | — | — | — | 11,122 | 21,228 |
| Amortization and Impairment | (19,180) | (22,562) | (88,311) | (4,002) | (3,400) | (2,915) | (140,371) |
| **Closing balance as at December 31, 2016** | **185,662** | **45,510** | **531,698** | **28,680** | **31,167** | **14,061** | **836,777** |

| (in thousands of Swiss Francs) | Telecom-munication licenses | Softwares | Customer contracts | Reseller Agreements | MVNO agreements | Other Intangibles assets | TOTAL |
|---|---|---|---|---|---|---|---|
| Opening balance as at April 23, 2015 (Successor) | 135,062 | 55,242 | 515,168 | 2,969 | — | 7,392 | 715,833 |
| Acquisitions | — | 18,226 | — | — | — | (32) | 18,194 |
| Amortization and Impairment | (6,639) | (15,171) | (60,837) | (2,757) | (2,342) | (1,900) | (89,646) |
| Other movements (1) | 76,420 | (331) | 165,678 | 32,470 | 36,909 | 392 | 311,538 |
| **Closing balance as at December 31, 2015 (Successor)** | **204,842** | **57,966** | **620,009** | **32,682** | **34,567** | **5,853** | **955,920** |

**Note 6—Long-lived assets (Continued)**

| (in thousands of Swiss Francs) | Telecom-munication licenses | Softwares | Customer contracts | Reseller Agreements | MVNO agreements | Other Intangibles assets | TOTAL |
|---|---|---|---|---|---|---|---|
| Opening balance as at January 01, 2015 (Predecessor) | 143,917 | 54,982 | 540,975 | 3,467 | — | 8,564 | 751,904 |
| Acquisitions | 200 | 7,767 | — | — | — | — | 7,967 |
| Amortization and Impairment | (9,055) | (7,695) | (25,807) | (498) | — | (936) | (43,990) |
| Other movements | — | 188 | — | — | — | (236) | (48) |
| **Closing balance as at April 22, 2015 (Predecessor)** | **135,062** | **55,242** | **515,168** | **2,969** | **—** | **7,392** | **715,833** |

*(1) In 2015, other movements include the assets created in the context of the purchase price allocation.*

On February 23, 2012, ComCom ("Commission fédérale de la communication") and OFCOM ("Office fédéral de la communication ") announced the results of the auction of mobile radio frequencies. The auction, which ran from February 6 to February 22, 2012, related to the renewal of current licenses for the 900, 1800 and 2100 MHz bands, as well as to the new 800 and 2600 MHz LTE bands. Under the auction process, the new frequency allocation between the three mobile operators Salt, Sunrise and Swisscom, was determined by the bidders rather than a public authority. Salt obtained 160 MHz spread between the seven bands available for a purchase price of CHF 154.7 million. The new licenses granted in the auction start from 2013 to 2017 and last until the end of 2028. In June 2015, the Group proceeded to the payment of the second instalment of the spectrum, amounting to CHF 33.7 million (including interests). The last instalment amounting to CHF 35.2 million (including interests) was paid on January 3, 2017.

**Capitalised expenditure**

The labour expenses capitalised during the year amounted to CHF 3.0 million (CHF 3.0 million as at December 2015).

### 6.3 Property, Plant and Equipment

Tangible assets were as follows as at December 31, 2016:

| | December 31, 2016 | | | |
|---|---|---|---|---|
| (in thousands of Swiss Francs) | Cost | Accumulated depreciation | Accumulated Impairment | Net |
| Land and buildings | 121,645 | (62,541) | (17,644) | 41,460 |
| Network | 2,330,947 | (1,689,603) | (58,892) | 582,452 |
| IT equipment | 31,629 | (15,546) | (4,750) | 11,334 |
| Other property, plant and equipment | 21,868 | (19,110) | (2,147) | 610 |
| **Property, Plant and Equipment** | **2,506,089** | **(1,786,800)** | **(83,433)** | **635,856** |

**Note 6—Long-lived assets (Continued)**

Tangible assets were as follows as at December 31, 2015:

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) Cost | Accumulated depreciation | Accumulated Impairment | Net |
|---|---|---|---|---|
| Land and buildings | 102,123 | (47,803) | (17,439) | 36,881 |
| Network | 2,303,693 | (1,596,924) | (54,357) | 652,412 |
| IT equipment | 30,774 | (16,617) | (4,750) | 9,407 |
| Other property, plant and equipment | 26,410 | (22,482) | (2,147) | 1,781 |
| **Property, Plant and Equipment** | **2,463,001** | **(1,683,826)** | **(78,694)** | **700,481** |

Tangible assets under construction amounted to CHF 27.6 million as at December 31, 2016 (CHF 32.7 million as at December 31, 2015).

The Group has no finance lease as at December 31, 2016 and 2015.

Movements in the Net Book Value of Tangibles assets were as follows:

| (in thousands of Swiss Francs) | Land and buildings | Network | IT Equipment | Other property, plant and equipment | TOTAL |
|---|---|---|---|---|---|
| Opening balance as at January 01, 2016 | 36,881 | 652,412 | 9,407 | 1,781 | 700,481 |
| Acquisitions | 9,376 | 61,702 | 5,583 | 41 | 76,703 |
| Depreciation and Impairment | (5,710) | (113,276) | (3,657) | (1,212) | (123,855) |
| Other movements (1) | 912 | (18,385) | — | — | (17,473) |
| **Closing balance as at December 31, 2016** | **41,460** | **582,452** | **11,333** | **610** | **635,855** |

| (in thousands of Swiss Francs) | Land and buildings | Network | IT Equipment | Other property, plant and equipment | TOTAL |
|---|---|---|---|---|---|
| Opening balance as at April 23, 2015 (Successor) | 46,383 | 628,093 | 9,063 | 2,487 | 686,027 |
| Acquisitions | 1,330 | 56,297 | 3,374 | 7 | 61,008 |
| Depreciation, amortization and Impairment | (9,166) | (94,592) | (3,030) | (806) | (107,595) |
| Other movements (1) | (1,666) | 62,614 | — | 93 | 61,042 |
| **Closing balance as at December 31, 2015 (Successor)** | **36,881** | **652,412** | **9,407** | **1,781** | **700,481** |

| (in thousands of Swiss Francs) | Land and buildings | Network | IT Equipment | Other property, plant and equipment | TOTAL |
|---|---|---|---|---|---|
| Opening balance as at January 01, 2015 (Predecessor) | 48,088 | 623,101 | 9,951 | 2,862 | 684,003 |
| Acquisitions | 1,164 | 36,323 | 124 | 1 | 37,612 |
| Depreciation and Impairment | (3,630) | (30,336) | (1,012) | (427) | (35,405) |
| Other movements (1) | 761 | (995) | — | 51 | (183) |
| **Closing balance as at April 22, 2015 (Predecessor)** | **46,383** | **628,093** | **9,063** | **2,487** | **686,027** |

*(1) In 2016, other movements are related to the change in estimate in the asset retirement obligation (please refer to the note 8 for further information). In 2015, other movements included primarily the assets created in the context of the purchase price allocation.*

**Note 6—Long-lived assets (Continued)**

Impairment loss recognised in 2016 amounted to CHF 4.7 million and was mainly related to Network that are no longer in use. (CHF 18.6 million in 2015).

**Capitalised expenditure**

The labour expenses capitalised during the year amounted to CHF 3.6 million (CHF 2.5 million as at December 2015).

**6.4 Fixed assets payables**

Fixed assets payables mainly consist of:

| (in thousands of Swiss Francs) | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|
| Spectrum licence payables | 35,242 | 34,252 |
| Other fixed assets payables | 48,406 | 49,696 |
| **Fixed assets payables** | **83,647** | **83,948** |

On July 4, 2012, Salt opted to pay for its spectrum allocations in instalments of:

- 60% (equivalent to CHF 92.8 million) by August 6, 2012;
- 20% by June 30, 2015;
- and the remaining 20% paid on January 3, 2017.

The spectrum license payables bear interest at a rate of 3% starting from August 6, 2012. Accrued interests amounted to CHF 4.3 million as of December 31, 2016 (CHF 3.3 million as of December 31, 2015).

**6.5 Purchases of Property, Plant, Equipment and Intangible assets**

For cash flow statement purposes, purchases of Property, Plant, Equipment and Intangible assets were as follows:

| (in thousands of Swiss Francs) | December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) |
|---|---|---|---|
| Investment in property, plant and equipment and intangible assets | (97,931) | (79,202) | (45,579) |
| Increase / (decrease) in amounts due to fixed assets suppliers | (300) | (20,576) | (28,123) |
| **Purchases of property, plant and equipment and intangible assets** | **(98,232)** | **(99,778)** | **(73,702)** |

**Note 7—Income Tax**

**7.1 Corporate income Tax profit / (loss)**

Salt Mobile S.A. and Salt Network S.A. are liable for taxes in all Swiss cantons based on an inter-cantonal allocation at various rates. With this regard and considering the tax holidays granted by the cantons (full or partial), the current average tax rate is our estimated rate of 21.53% (22.40% in 2015) based on the statutory tax rates applicable in Switzerland, which can potentially vary in the upcoming years.

**Note 7—Income Tax (Continued)**

The Group is liable for capital and income taxes. Matterhorn Telecom S.A. and Matterhorn Telecom Holding S.A., which are registered in Luxemburg, are subject to an income tax at a rate of 29.22% (29.22% in 2015).

In Luxemburg, companies may carry over losses until they are used up for an unlimited number of years to offset taxable profits. In Switzerland, tax losses are normally available to be set off against future taxable income for a period of seven years. Salt Mobile S.A. benefited from tax holidays (full or partial) for the initial 10 fiscal periods following the incorporation for the cantons where the Company is subject to the main element of taxation. It is, however, subject to taxes at the federal level, as well as from various other cantons. Salt Network SA and Salt Liechtenstein AG do not benefit from tax holidays.

The income tax is broken down as follows:

| (in thousands of Swiss Francs) | January 1, 2016 to December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) |
|---|---|---|---|
| **Total tax expense relating to continuing operations** | **10,329** | **8,083** | **(1,525)** |
| —Current tax expense in respect of the current year | (3,165) | (270) | (42) |
| —Deferred tax income / (expense) | 13,495 | 8,353 | (1,483) |

### 7.2 Group Tax proof

The reconciliation between effective income tax expense and the theoretical tax calculated based on the Luxemburg statutory tax rate is as follows:

| (in thousands of Swiss Francs) | January 1, 2016 to December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) |
|---|---|---|---|
| Profit / (loss) before tax | **87,730** | **(64,591)** | **(42,583)** |
| Income tax rate | 29.22% | 29.22% | 29.22% |
| **Theoretical income tax income / (expense)** | **(25,635)** | **18,874** | **12,443** |
| Reconciliation items: | | | |
| Effect on deferred tax balances due to the change in income tax rate | 976 | (351) | — |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 12,400 | 2,013 | 1,055 |
| Deferred tax assets not recognized on temporary differences and tax loss carry forwards arising in the period | (8,261) | (12,783) | (14,850) |
| Effect of previously unrecognized deferred tax assets | 32,582 | — | — |
| Impairment of deferred tax assets | (1,367) | — | — |
| Other | (366) | 331 | (172) |
| **Income tax expense recognised in profit or loss** | **10,329** | **8,083** | **(1,525)** |

**Note 7—Income Tax (Continued)**

### 7.3 Statement of financial position—tax position

The tax position by class of temporary difference is as follows:

| (in thousands of Swiss Francs) | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|
| Pension provision | 2,628 | 8,274 |
| Intangible assets & Property, plant, equipment | (146,349) | (189,283) |
| Tax loss carryforwards | 37,335 | 79,216 |
| Hedge & Instalment accounting | (30,685) | (37,589) |
| Other | (626) | (662) |
| **Net deferred taxes—Group** | **(137,697)** | **(140,043)** |
| *—Deferred tax assets* | — | — |
| *—Deferred tax liabilities* | *(137,697)* | *(140,043)* |

### 7.4 Change in Group net deferred taxes

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) | Recognized as a profit or loss | Recognized in other comprehensive income | December 31, 2016 |
|---|---|---|---|---|
| Pension | 8,274 | (283) | (5,363) | 2,628 |
| Intangible assets | (189,283) | 42,934 | — | (146,349) |
| Tax loss carryforwards | 71,879 | (34,544) | — | 37,335 |
| Hedge & Instalment accounting | (30,252) | 5,353 | (5,786) | (30,685) |
| Other | (662) | 36 | — | (626) |
| **Changes in Group net deferred taxes** | **(140,043)** | **13,495** | **(11,148)** | **(137,697)** |

| (in thousands of Swiss Francs) | April 23, 2015 (Successor) (1) | Recognized as a profit or loss | PPA impact through Goodwill | Recognized in other comprehensive income | December 31, 2015 (Successor) |
|---|---|---|---|---|---|
| Pension | 9,421 | (1,805) | — | 659 | 8,274 |
| Intangible assets & Property, plant, equipment | (115,623) | 15,453 | (89,112) | — | (189,283) |
| Tax loss carryforwards | 82,463 | (3,247) | — | — | 79,216 |
| Hedge & Instalment accounting | (33,880) | (929) | — | (2,779) | (37,589) |
| Other | 457 | (1,119) | — | — | (662) |
| **Deferred taxes on temporary differences** | **(57,163)** | **8,353** | **(89,112)** | **(2,121)** | **(140,043)** |

*(1) For consistency purpose, deferred tax figures as of April 23, 2015 are presented before the Purchase Price Allocation and the resulting Deferred Tax Liabilities impact*

**Note 7—Income Tax (Continued)**

| (in thousands of Swiss Francs) | January 1, 2015 (Predecessor) | Recognized as a profit or loss | Recognized in other comprehensive income | April 22, 2015 (Predecessor) |
|---|---|---|---|---|
| Pension | 9,172 | 249 | — | 9,421 |
| Intangible assets | (121,365) | 5,741 | — | (115,623) |
| Tax loss carryforwards | 76,545 | 5,918 | — | 82,463 |
| Hedge & Instalment accounting | (25,383) | (13,719) | 5,221 | (33,880) |
| Other | 130 | 327 | — | 457 |
| **Deferred taxes on temporary differences** | **(60,900)** | **(1,483)** | **5,221** | **(57,163)** |

Deferred tax assets not recognised as at the reporting date are as follows:

| (in thousands of Swiss Francs) | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|
| —unused tax losses | 26,276 | 16,933 |
| —temporary differences | — | 32,582 |
| **Unrecognized deferred tax assets** | **26,276** | **49,518** |

The total of tax loss to be carry-forward as at December 31, 2016 amounted to CHF 247.2m of which CHF 89.9m was not recognized (CHF 379.5 as at December 31, 2015 of which CHF 57.9m was not recognized). The unrecognised tax loss only related to the Luxembourg companies.

**Note 8—Provisions**

| (in thousands of Swiss Francs) | January 1, 2016 | Additions | Used | Released | Discounting | December 31, 2016 |
|---|---|---|---|---|---|---|
| Restructuring provisions | 8,755 | 6,804 | (14,040) | (20) | — | 1,499 |
| Provisions for dismantling and restoring sites | 60,614 | 766 | (222) | (17,473) | 148 | 43,833 |
| Other provisions | 3,946 | 884 | (2,224) | (1,518) | | 1,088 |
| **Provisions** | **73,315** | **8,454** | **(16,486)** | **(19,011)** | **148** | **46,419** |
| *of which non-current provisions* | 59,610 | 766 | (222) | (17,473) | 148 | 42,829 |
| *of which current provisions* | 13,705 | 7,688 | (16,264) | (1,538) | — | 3,590 |

In 2016, the Group performed the revaluation of the discount rate and the average dismantling cost per site used in the provision for dismantling and restoring sites. These changes led to a major decrease of the provision as at December 31, 2016. The approach and underlying assumptions used for calculating the provisions for dismantling and restoring sites are described in Note 2.13. The discount rate used as at December 31, 2016 amounted to 0.7%.

## Note 9—Employee benefits

### 9.1 Labour expenses

| (in thousands of Swiss Francs) | January 1, 2016 to December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) |
|---|---|---|---|
| Wages, social contributions & individual incentive / bonus plans | (80,351) | (68,172) | (33,181) |
| Capitalised Labour | 6,671 | 3,614 | 1,923 |
| Post-employment benefits | (2,913) | 4,067 | (3,435) |
| **Labour expenses** | **(76,593)** | **(60,491)** | **(34,693)** |

The wages, social contributions & individual incentive / bonus plans include the wages, bonus and related social charges. Capitalised labour reflects the time spent by Salt Mobile S.A. employees on tangible and intangible assets. Post-employment benefits include the net service costs.

The number of FTE's at the end of 2016 was 789 (823 in 2015).

### 9.2 Employee benefits

The Group's employees are insured for the risks of old age, death and disability.

Under this plan the retirement benefit is determined by the amount in the employee retirement savings account at the time of retirement. If an employee retires at the normal retirement age (64), the saving account is converted into a retirement pension at a rate of 6.49%. If the employee retires before the age of 58, his saving account is converted into a retirement pension at a lower rate.

Actuarial valuations of the plan assets and of the defined benefit obligation were carried out at December 31, 2016 and 2015 by an external actuarial expert. The present value of the defined benefit obligation, and the related current service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|
| Discount rate | 0.70.% | 1.00% |
| Salary increase | 1.25% | 1.25% |
| Cost-of-living adjustment | 0.00% | 0.00% |
| Interest credit on total account balance | 0.70.% | 1.00% |
| Mortality and disability—Swiss official tables | Swiss BVG 2015 | Swiss BVG 2010 |

The evaluation is done on a yearly basis.

The amount recognised in the consolidated statement of financial position in respect of the Group's defined benefit retirement plan is as follows:

| (in thousands of Swiss Francs) | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|
| Present value of funded obligations | (127,734) | (162,927) |
| Fair value of plan assets | 115,338 | 125,988 |
| Present value of net obligations | (12,395) | (36,939) |
| **Employee benefit obligations** | **(12,395)** | **(36,939)** |

**Note 9—Employee benefits (Continued)**

The amount recognised in the consolidated statement of profit / (loss) in respect of the defined benefit plan is as follows:

| (in thousands of Swiss Francs) | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|
| Service costs | (2,913) | 406 |
| Net interest expenses | (331) | (448) |
| **Net periodic pension cost** | **(3,244)** | **(42)** |

Service costs were determined as follows:

| (in thousands of Swiss Francs) | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|
| Current service cost | (8,701) | (11,011) |
| Settlement gains / (loss) (1) | 5,788 | 11,417 |
| **Service costs** | **(2,913)** | **406** |

*(1) The term "settlement" refers to non-routine settlements. Routine lump sum payments are included in benefit payments and gains or losses on those routine payments are included in experience gains and losses.*

Change in the present value of the defined benefit obligation is as follows:

| (in thousands of Swiss Francs) | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|
| Defined Benefit Obligation (DBO) at the beginning of period | 162,927 | 168,181 |
| Current Service cost | 8,701 | 11,011 |
| Interest cost | 1,508 | 2,059 |
| Employee contributions | 4,437 | 3,775 |
| Actuarial (gain) / loss—experience | (20,276) | (4,778) |
| Actuarial (gain) / loss—financial assumptions | 1,354 | 3,735 |
| Benefits paid | (25,129) | (9,639) |
| Settlements | (5,788) | (11,417) |
| **Defined Benefit Obligation (DBO) at the end of the period** | **127,734** | **162,927** |

The duration of the DBO is 21.2 years (20.5 years as at December 31, 2015).

The plan assets consist of the following categories of assets:

| | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|
| Equity Securities | 36% | 35% |
| Bonds Securities | 35% | 40% |
| Real Estate / Property | 18% | 15% |
| Other | 11% | 10% |
| | **100%** | **100%** |

The strategic asset allocation is diversified within the requirements of providing long-term returns with an acceptable level of risk. The plan assets are primarily invested in listed strategies which insure good liquidity.

**Note 9—Employee benefits (Continued)**

Change in the fair value of plan assets is as follows:

| (in thousands of Swiss Francs) | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|
| Fair value of plan assets at the beginning of period | 125,988 | 127,434 |
| Return on plan assets | 1,177 | 1,611 |
| Return on plan assets greater / (less) than discount rate | 3,943 | (4,193) |
| Employer contributions | 4,922 | 7,000 |
| Employee contributions | 4,437 | 3,775 |
| Benefits paid | (25,129) | (9,639) |
| **Fair value of plan assets at the end of the period** | **115,338** | **125,988** |

The actual return on assets during the year is 4.4% (2.0% as at December 31, 2015).

The movement in the net liability during the year is as follows:

| (in thousands of Swiss Francs) | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|
| Accrued pension cost at the beginning of period | (36,939) | (40,747) |
| Net periodic pension cost | (3,244) | (42) |
| Employer contributions | 4,922 | 7,000 |
| Total Amount Recognised in OCI | 22,865 | (3,150) |
| **Accrued pension cost at the end of the period** | **(12,395)** | **(36,939)** |

The variations resulting from changes in actuarial assumptions have been summarized in the following sensitivity analysis as December 31, 2016:

| (in thousands of Swiss Francs) | Current Assumption | Sensitivity change | DBO change |
|---|---|---|---|
| Discount rate | 0.70% | 0.50% increase | (10,555) |
| | | 0.50% decrease | 11,764 |
| Salary increase | 1.25% | 0.50% increase | 1,930 |
| | | 0.50% decrease | (1,816) |
| Cost-of-living adjustment | 0.00% | 0.50% increase | 8,151 |
| | | 0.00% decrease | — |
| Mortality and disability—Swiss official tables | Life table BVG 2015 | Increase of 1 year in expected lifetime of participants at age 65 | 2,232 |

The variations resulting from changes in actuarial assumptions have been summarized in the following sensitivity analysis as December 31, 2015:

| (in thousands of Swiss Francs) | Current Assumption | Sensitivity change | DBO change |
|---|---|---|---|
| Discount rate | 1.00% | 0.50% increase | (12,973) |
| | | 0.50% decrease | 15,165 |
| Salary increase | 1.25% | 0.50% increase | 3,676 |
| | | 0.50% decrease | (2,663) |
| Cost-of-living adjustment | 0.00% | 0.50% increase | 7,602 |
| | | 0.00% decrease | — |
| Interest credit on total account balance | 1.00% | 0.50% increase | 3,776 |
| | | 0.50% decrease | (2,826) |
| Mortality and disability—Swiss official tables | Life table BVG 2010 | Increase of 1 year in expected lifetime of participants at age 65 | 2,567 |

**Note 9—Employee benefits (Continued)**

For any change in actuarial assumption, sensitivity analysis assesses the impact on defined benefit obligation (DBO). In each situation only one assumption is modified while other parameters remain unchanged.

## Note 10—Financial assets / liabilities and financial results

### 10.1 Financial assets / liabilities

**Assets**

| (in thousands of Swiss Francs) | December 31, 2016 | | | December 31, 2015 (Successor) | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| Derivatives | — | 60,920 | 60,920 | — | 54,664 | **54,664** |
| **Derivatives** | **—** | **60,920** | **60,920** | **—** | **54,664** | **54,664** |

**Liabilities**

| (in thousands of Swiss Francs) | December 31, 2016 | | | December 31, 2015 (Successor) | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| **Borrowings and other financial liabilities** | **12,736** | **1,949,302** | **1,962,038** | **13,685** | **2,070,745** | **2,084,430** |
| Bonds | — | 1,949,302 | **1,949,302** | — | 2,070,745 | **2,070,745** |
| Accrued interest on bonds | 12,567 | — | **12,567** | 13,463 | — | **13,463** |
| Other | 169 | | **169** | 222 | | **222** |
| **Borrowings and other financial liabilities** | **12,736** | **1,949,302** | **1,962,038** | **13,685** | **2,070,745** | **2,084,430** |

On 13 April 2015, Matterhorn Telecom S.A. and Matterhorn Telecom Holding S.A. launched a combined offering of Senior Secured Notes due 2022 and Senior Notes due 2023.

The transaction closed on 23 April 2015 for a total value of (equivalent) CHF 2'021.4 million.

Funds were used to repay all outstanding notes (including those at Matterhorn Midco and Matterhorn Financing level – please refer to the statement of cash flows), redemption and transaction costs, and distribute CHF150 million to shareholders. The bonds are measured at amortised cost, using the effective interest rate method.

Over 2016, the Group repurchased bonds for a CHF 113.4 million total nominal.

## Note 10—Financial assets / liabilities and financial results (Continued)

Bonds (excluding transaction costs) issued by Matterhorn Telecom Holding S.A and Matterhorn Telecom S.A. as at December 31, 2016:

| | | | | | December 31, 2016 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Original currency | Bond | Date of issuance | Initial nominal amounts (in thousands of currency units) | Early Repayment (in thousands of currency units) | Current nominal amounts (in thousands of CHF) | Maturity of bonds | Nominal interest rate (%) | Hedging | Maturity of hedging | Outstanding interest amount (in thousands of CHF) |
| EUR | Senior Notes | 23.04.2015 | 250,000 | — | 195,270 | 2023 | 4.875% | 4.4905% | 2020 | 1,560 |
| CHF | Senior Secured Notes | 23.04.2015 | 450,000 | — | 410,637 | 2022 | 3.625% | — | — | 2,440 |
| EUR | Senior Secured Notes | 23.04.2015 | 1,000,000 | — | 1,073,700 | 2022 | 3.875% | EUR 250 million at 3.5115%<br>EUR 105 million at 3.5365%<br>EUR 185 million at 3.5415%<br>EUR 150 million at 3.5515%<br>EUR 310 million at 3.7015% | 2020 | 6,819 |
| EUR | Senior Secured Notes | 23.04.2015 | 265,000 | — | 284,531 | 2022 | EUR3M + 3.75% | EUR 170 million at LIBOR CHF 3M+ 3.9335%<br>EUR 95 million at LIBOR CHF 3M+ 3.9435% | 2020 | 1,749 |
| | | | | **Total** | **1,964,137** | | | | **Total** | **12,567** |

Bonds (excluding transaction costs) issued by Matterhorn Mobile Holdings S.A and Matterhorn Mobile S.A. as at December 31, 2015:

| Original currency | Bond | Date of issuance | Initial nominal amounts (in thousands of currency units) | Early Repayment (in thousands of currency units) | Current nominal amounts (in thousands of CHF) | Maturity of bonds | Nominal interest rate (%) | Hedging | Maturity of hedging | Outstanding interest amount (in thousands of CHF) |
|---|---|---|---|---|---|---|---|---|---|---|
| EUR | Senior Notes | 23.04.2015 | 250,000 | — | 270,425 | 2023 | 4.875% | 4.4905% | 2020 | 2,161 |
| CHF | Senior Secured Notes | 23.04.2015 | 450,000 | — | 450,000 | 2022 | 3.625% | — | — | 2,673 |
| EUR | Senior Secured Notes | 23.04.2015 | 1,000,000 | — | 1,081,700 | 2022 | 3.875% | EUR 250 million at 3.5115%<br>EUR 105 million at 3.5365%<br>EUR 185 million at 3.5415%<br>EUR 150 million at 3.5515%<br>EUR 310 million at 3.7015% | 2020 | 6,870 |
| EUR | Senior Secured Notes | 23.04.2015 | 265,000 | — | 286,651 | 2022 | EUR3M + 3.75% | EUR 170 million at LIBOR CHF 3M+ 3.9335%<br>‘EUR 95 million at LIBOR CHF 3M+ 3.9435% | 2020 | 1,760 |
| | | | | **Total** | **2,088,776** | | | | **Total** | **13,463** |

Note 10—Financial assets / liabilities and financial results (Continued)

The bonds are recognised in the consolidated statement of financial position as follows:

| (in thousands of Swiss Francs) | |
|---|---|
| **Liability Component as at December 31, 2014** | **1,212,134** |
| Unrealised exchange (gain) | (98,118) |
| Amortization of debt issuance costs | 25,198 |
| **Liability Component as at April 22, 2015** | **1,139,214** |
| **Liability Component as at April 23, 2015** | **2,002,294** |
| Unrealised exchange (gain) | 66,782 |
| Amortization of debt issuance costs | 1,669 |
| **Liability Component as at December 31, 2015** | **2,070,745** |
| Unrealised exchange loss (gain) | (14,607) |
| Realised exchange loss (gain) | 3,364 |
| Amortization of debt issuance costs | 3,195 |
| Bonds repurchase and cancellation | (113,395) |
| **Liability Component as at December 31, 2016** | **1,949,302** |

***Credit Lines***

On 15 April 2015, an amendment to the RCF dated February 23, 2015 was signed between Matterhorn Mobile Holdings S.A. and a pool of 6 banks led by Société Générale as their agent, which mainly resulted in an increase of the available amount from CHF 100 million to CHF 150 million.

The amendment also transferred the RCF from Matterhorn Mobile Holdings S.A. to Salt Mobile S.A.

On December 5, 2016 the RCF was reduced from CHF 150 million to CHF 100 million.

| | December 31, 2016 | | December 31, 2015 (Successor) | |
|---|---|---|---|---|
| (in thousands of Swiss Francs) | Amount available | Amounts drawn down | Amount available | Amounts drawn down |
| Super Revolving Credit Facility | 100,000 | — | 150,000 | — |
| Bank overdraft | — | — | — | — |
| **Credit lines** | **100,000** | **—** | **150,000** | **—** |

## 10.2 Derivative instruments

For the periods ended December 31, 2016 and December 31, 2015, the Group's designated hedges were limited to cash flow hedges as the Group did not have any hedges designated as fair value or net investment hedges.

***Cash-flow hedges***

The Group's cash flow hedges during the period consisted of cross-currency swaps, that the Group uses to protect against variability in future interest cash flows on liabilities which bear interest at variable or fixed rates and/or foreign currency risk on EUR-denominated bonds.

**Note 10—Financial assets / liabilities and financial results (Continued)**

The cash flows are expected to occur simultaneously with the payment of interests on bonds. Interest is paid semi-yearly. As of December 31, 2016, the Group had the following outstanding cross-currency swaps designated as cash-flow hedges of foreign currency rates and, in some cases, interest rates:

| | December 31, 2016 | | December 31, 2015 (Successor) | |
|---|---|---|---|---|
| **(in thousands of Swiss Francs)** | **Notional** | **Fair Value & Net interests receivables / (payables)** | **Notional** | **Fair Value & Net interests receivables / (payables)** |
| External cross-currency swaps and Mark-to-market derivatives | 1,553,500 | 60,920 | 1,638,776 | 54,664 |

| | December 31, 2016 | | December 31, 2015 (Successor) | |
|---|---|---|---|---|
| **(in thousands of Swiss Francs)** | **Net interests receivables / (payables)** | **Fair Value** | **Net interests receivables / (payables)** | **Fair Value** |
| External cross-currency swaps | 1,126 | 59,794 | 1,413 | 53,251 |

The cash flow hedges are fully effective under IAS 39, both retrospectively since inception and prospectively as of December 31, 2016. Therefore the full changes in their fair values (gains and losses) since inception initially have been recognised in other comprehensive income, and are reclassified to the income statement when the hedged cash flows affect earnings (i.e., concurrent with accrual and payments of interest under the hedged liabilities, and remeasurement under IAS 21 of the hedged liabilities).

During the year 2016, the net amount recognised in OCI (net change in OCI) related to hedging activities was a net decrease of CHF 19.8 million (net decrease of CHF 13.1 million in 2015) deferred in OCI. The details of these changes are described in the table below.

| **(in thousands of Swiss Francs)** | **December 31, 2016** | **April 23, 2015 to December 31, 2015 (Successor)** | **January 1, 2015 to April 22, 2015 (Predecessor)** |
|---|---|---|---|
| Beginning accumulated OCI balance | 13,051 | — | (7,634) |
| Net loss deferred in accumulated OCI due to change in the fair value of the derivative (effective portion) | 10,370 | 53,251 | 87,413 |
| Reclassified out of accumulated OCI into Income Statement | 9,431 | (40,200) | (108,350) |
| **Ending accumulated OCI Balance** | **32,852** | **13,051** | **(28,572)** |

**Note 10—Financial assets / liabilities and financial results (Continued)**

**10.3 Finance costs, net**

Financial results were as follows:

| (in thousands of Swiss Francs) | January 1, 2016 to December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) |
|---|---|---|---|
| Consent fees | — | — | (2,775) |
| RCF underwriting fees | — | — | (2,600) |
| Early redemption fees | | (22,791) | — |
| Commitment fees on revolving credit facility | (2,183) | (1,491) | (800) |
| Interests on bonds & hedge settlement | (72,582) | (56,683) | (22,948) |
| Amortization of debt issuance costs | (3,196) | (1,669) | (25,198) |
| Capital tax | (1,400) | (964) | (436) |
| Net interest on net defined benefit obligation | (331) | (309) | (139) |
| Foreign exchange losses on financial assets & liabilities and derivatives | (506) | (16,027) | (13,333) |
| Other financial expenses | (1,645) | (4,061) | (1,439) |
| **Finance costs** | **(81,842)** | **(103,995)** | **(69,669)** |
| Interest and similar income | 90 | 215 | 56 |
| Foreign exchange gains on financial assets & liabilities and derivatives | 5,908 | 3,294 | — |
| **Finance income** | **5,998** | **3,509** | **56** |
| **Finance costs, net** | **(75,844)** | **(100,486)** | **(69,614)** |

**10.4 Management of covenants**

Under the Revolving Credit Facility ("RCF") signed on April 15, 2015 the Group is obliged to respect a financial leverage ratio ("the financial covenant").

This leverage ratio is determined as a ratio of Net financial debt to Adjusted EBITDA for the period of the most recent four consecutive fiscal quarters.

The Group shall ensure that the leverage ratio shall not exceed 6.5x. The financial covenant shall not be required to be satisfied unless, on the last day of the relevant period, the aggregate outstanding exposure is greater than CHF35 million.

As at December 31, 2016, the leverage ratio amounts to 3.84 and the Company complied with those covenants as the RCF was not used.

**Note 11—Information on market risk and fair value of financial assets and liabilities**

**11.1 Financial risks**

The Group is subject to various financial risks. These risks include capital risk, credit risk, liquidity risk and financial market risk (including interest rate risk and currency risk). These risks are monitored by Management of the Group.

***Capital risk management***

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

**Note 11—Information on market risk and fair value of financial assets and liabilities (Continued)**

The capital structure of the Group consists of debt, which includes borrowings described in note 10, cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and retained earnings.

***Credit Risk management***

Financial instruments that could potentially subject the Group to concentrations of credit risk consist primarily of cash, trade receivables, investments and deposits.

The 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, professional and large business customers). In addition, the maximum value of the credit risk on these financial assets is equal to their recognised net book value.

***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 borrowings facilities, by continuously monitoring cash flows, and by matching the maturity profiles of financial assets and liabilities. Note 10 above sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

***Interest Rate Risk***

The Group manages its net exposure to interest rate risk through the proportion of fixed rate financial debt and variable rate financial debt in its total financial debt portfolio. To manage this mix, the Company may enter into interest rate swap agreements, in which it exchanges periodic payments based on a notional amount and agreed-upon fixed and variable interest rates and into forward contracts, in which it exchanges fixed amounts of foreign currency and fixed amounts of Swiss francs.

***Sensitivity analysis of the Group's position to changes in interest rates***

The sensitivity of the Group's financial assets and liabilities to interest rate risk is analysed only for components of net financial debt. Only these components are interest-bearing and therefore exposed to interest rate risk.

***Counterparty Risk management***

The Group is exposed to a counterparty risk on the fair value of the derivatives. This risk is assessed using a Credit Valuation Adjustment ("CVA") amounting to CHF 2.2 million as at December 31, 2016 (3.6 million as at December 31, 2015) and calculated using probabilities of default of the banking counterparties. This risk of counterparty is considered as hedge ineffectiveness and is therefore recycled from OCI to the profit / (loss) of the year.

*Sensitivity of financial expenses*

Based on a constant amount of debt and a constant management policy, a 1% rise in interest rates would result in an increase of CHF 2.0 million in financial expense as at December 31, 2016 (CHF 1.7 million as at December 31, 2015).

***Foreign exchange rate risk management***

The Group operates mainly in the currency of its country (CHF). However, The Group is subject to foreign currency risk arising from borrowings and future commercial transactions which can be done in euros (Purchase of handsets or roaming for example). The Group uses derivative financial instruments to hedge certain exposures (for instance Bonds denominated in euros).

**Note 11—Information on market risk and fair value of financial assets and liabilities (Continued)**

The Group's policy to mitigate foreign exchange risk by:

—Hedging all bonds denominated in Euros

—Having borrowings denominated in the functional currencies of the Group companies concerned

The exposure to currency risk is therefore limited.

The Group uses foreign currency inflows to pay for its foreign currency outflows. If necessary, the Group buys foreign currency shortly before the transaction.

*Sensitivity of cash flow hedge reserves*

A 1% rise (fall) in spot rates would decrease (increase) the market value of cross-currency swaps designated as cash flow hedges and the associated cash flow hedge reserves by approximately CHF 17.8 million as at December 31, 2016 (decrease of CHF 19.3 million as at December 31, 2015).

The following table shows the exposure (before hedging instruments) of the Group financial positions by currency:

| (in thousands of Swiss Francs) | December 31, 2016 Total | EUR | USD | GBP | CHF |
|---|---|---|---|---|---|
| **Financial assets (A)** | **576,487** | **14,202** | **267** | **425** | **561,593** |
| Other assets | 11,309 | — | — | — | 11,308 |
| Trade receivables | 350,490 | 2,961 | 141 | — | 347,388 |
| Cash and cash equivalents | 214,689 | 11,241 | 126 | 425 | 202,897 |
| **Financial liabilities (B)** | **2,381,375** | **1,601,505** | **2,165** | **(5)** | **777,710** |
| Bonds excluding issuance costs (1) | 1,964,137 | 1,553,500 | — | — | 410,637 |
| Trade payables | 320,855 | 35,595 | 2,144 | (5) | 283,120 |
| Fixed assets payables | 83,647 | 2,282 | 21 | — | 81,344 |
| Current borrowings and other financial liabilities (1) | 12,736 | 10,128 | — | — | 2,609 |
| **Net exposure (A)—(B)** | **(1,804,888)** | **(1,587,303)** | **(1,898)** | **430** | **(216,117)** |

*(1) Refer to note 10.1 for further information regarding bonds, accrued interests and derivatives instruments.*

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) Total | EUR | USD | GBP | CHF |
|---|---|---|---|---|---|
| **Financial assets (A)** | **566,398** | **20,439** | **11,896** | **221** | **533,842** |
| Other assets | 14,147 | — | — | — | 14,147 |
| Trade receivables | 398,558 | 1,953 | 1,741 | — | 394,864 |
| Cash and cash equivalents | 153,693 | 18,486 | 10,155 | 221 | 124,831 |
| **Financial liabilities (B)** | **2,533,775** | **1,670,688** | **1,189** | **8** | **861,891** |
| Bonds excluding issuance costs (1) | 2,088,776 | 1,638,776 | — | — | 450,000 |
| Trade payables | 347,367 | 18,308 | 1,157 | 8 | 327,894 |
| Fixed assets payables | 83,948 | 2,815 | 32 | — | 81,101 |
| Current borrowings and other financial liabilities (1) | 13,685 | 10,790 | — | — | 2,895 |
| **Net exposure (A)—(B)** | **(1,967,377)** | **(1,650,249)** | **10,707** | **213** | **(328,049)** |

*(1) Refer to note 10.1 for further information regarding bonds, accrued interests and derivatives instruments.*

**Note 11—Information on market risk and fair value of financial assets and liabilities (Continued)**

The following table shows the sensitivity of the Group to a 10% change in the foreign exchange rates of the currency to which they are exposed and the related impact on its income statement:

| | December 31, 2016 | | |
|---|---|---|---|
| **(in thousands of currency)** | **Net position at the end of the year (1)** | **+10% change** | **-10% change** |
| EUR | (22,050) | (2,005) | 2,450 |
| USD | (1,929) | (175) | 214 |
| GBP | 344 | 31 | (38) |

| | December 31, 2015 (Successor) | | |
|---|---|---|---|
| **(in thousands of currency)** | **Net position at the end of the year (1)** | **+10% change** | **-10% change** |
| EUR | (640) | (58) | 71 |
| USD | 11,123 | 1,011 | (1,236) |
| GBP | 144 | 13 | (16) |

*(1) Net positions related to the bonds and current borrowings and have been excluding as these positions are fully hedged (Refer to note 10.1 for further information regarding bonds, accrued interests and derivatives instruments).*

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

### 11.2 Financial instruments

The market value of financial assets and liabilities measured at fair value in the statement of financial position shown in the table below has been ranked based on the three hierarchy levels defined by IFRS 13:

- Level 1: quoted price in active markets;
- Level 2: inputs observable directly or indirectly;
- Level 3: inputs not based on observable market data.

Derivative instruments were the only items measured at fair value (level 2) in the statement of financial position and presented according to their maturity date. Fair value of financial assets and liabilities is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

| | December 31, 2016 | |
|---|---|---|
| **(in thousands of Swiss Francs)** | **Book value** | **Estimated fair value** |
| **Loans, receivables and cash and cash equivalents** | **576,487** | **576,487** |
| Other assets | 11,309 | 11,309 |
| Trade receivables | 350,490 | 350,490 |
| Cash and cash equivalents | 214,689 | 214,689 |
| **Financial liabilities at amortised cost** | **(2,366,371)** | **(2,395,489)** |
| Bonds and accrued interests on bonds | (1,961,869) | (1,990,987) |
| Trade payables | (320,855) | (320,855) |
| Fixed assets payables | (83,647) | (83,647) |
| **Hedging derivatives** | **60,920** | **60,920** |

**Note 11—Information on market risk and fair value of financial assets and liabilities (Continued)**

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) Book value | Estimated fair value |
|---|---|---|
| **Loans, receivables and cash and cash equivalents** | **566,398** | **566,398** |
| Other assets | 14,147 | 14,147 |
| Trade receivables | 398,558 | 398,558 |
| Cash and cash equivalents | 153,693 | 153,693 |
| **Financial liabilities at amortised cost** | **(2,515,523)** | **(2,558,749)** |
| Bonds and accrued interests on bonds | (2,084,208) | (2,127,434) |
| Trade payables | (347,367) | (347,367) |
| Fixed assets payables | (83,948) | (83,948) |
| **Hedging derivatives** | **54,664** | **54,664** |

Estimated fair value for disclosure purpose:

- The carrying amounts of trade receivables and payables are a reasonable estimate of their fair value because of their short-term maturities;
- The carrying amounts of deposits and other items, fixed assets payables and cash and cash equivalents correspond to the fair values;
- The fair value of fixed interest-bearing financial liabilities is estimated on the basis of the maturing future payments discounted at market interest rates (level 2).

Gains and losses related to financial assets and liabilities are as follows:

| | December 31, 2016 | | |
|---|---|---|---|
| (in thousands of Swiss Francs) | Net finance costs | Other operating expenses and income | Other comprehensive income |
| Other non-current assets | 63 | — | — |
| Trade receivables | — | (28,917) | — |
| Other receivables and payables | — | 24 | — |
| Cash and cash equivalents | 28 | — | — |
| Borrowings, derivatives and other financial liabilities | (72,558) | (1,454) | 19,800 |
| Trade payables | — | 812 | — |
| **Total** | **(72,468)** | **(29,535)** | **19,800** |

| | April 23, 2015 to December 31, 2015 (Successor) | | |
|---|---|---|---|
| (in thousands of Swiss Francs) | Net finance costs | Other operating expenses and income | Other comprehensive income |
| Other non-current assets | 43 | — | — |
| Trade receivables | — | (42,518) | — |
| Other receivables and payables | — | (8) | — |
| Cash and cash equivalents | 172 | — | — |
| Borrowings, derivatives and other financial liabilities | (95,368) | (11,743) | 33,989 |
| Trade payables | — | 1,809 | — |
| **Total** | **(95,152)** | **(52,460)** | **33,989** |

**Note 11—Information on market risk and fair value of financial assets and liabilities (Continued)**

| (in thousands of Swiss Francs) | January 1, 2015 to April 22, 2015 (Predecessor) Net finance costs | Other operating expenses and income | Other comprehensive income |
|---|---|---|---|
| Other non-current assets | — | — | — |
| Trade receivables | — | (12,878) | — |
| Other receivables and payables | — | 55 | — |
| Cash and cash equivalents | 56 | — | — |
| Borrowings, derivatives and other financial liabilities | (67,655) | (6,318) | (20,938) |
| Trade payables | — | 6,293 | — |
| **Total** | **(67,600)** | **(12,847)** | **(20,938)** |

Other operating expenses related to the trade receivables mainly consist in the customer bad debt (please refer to the note 12.1).

Net finance costs related to the borrowings, derivatives and other financial liabilities mainly consist in interest on bonds net of hedge effect (please refer to the note 10.3).

Other comprehensive income is related to the cash-flow hedge (please refer to the note 10.2).

The maturity of the financial liabilities were as follows:

| (in thousands of Swiss Francs) | December 31, 2016 Net book value | December 31, 2016 Maturity | <1 Year | Between 1 and 5 Years | > 5 Years |
|---|---|---|---|---|---|
| Trade payables | **(320,855)** | **(320,855)** | (320,855) | — | — |
| Fixed assets payables | **(83,647)** | **(83,647)** | (79,936) | (2,969) | (742) |
| Bonds and accrued interests on bonds | **(1,961,869)** | **(2,371,447)** | (69,709) | (289,623) | (2,012,116) |

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) Net book value | December 31, 2015 (Successor) Maturity | <1 Year | Between 1 and 5 Years | > 5 Years |
|---|---|---|---|---|---|
| Trade payables | **(347,367)** | **(347,367)** | (347,367) | — | — |
| Fixed assets payables | **(83,948)** | **(83,948)** | (83,948) | — | — |
| Bonds and accrued interests on bonds | **(2,084,208)** | **(2,622,540)** | (82,161) | (328,644) | (2,211,735) |

## Note 12—Other operating results, assets, liabilities & equity

### 12.1 Other operating results

| (in thousands of Swiss Francs) | January 1, 2016 to December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) |
|---|---|---|---|
| Customer bad debt | (28,622) | (42,460) | (10,964) |
| Spectrum fees | (6,269) | (6,990) | (3,680) |
| Foreign exchange loss on trade payables and receivables | (3,448) | (11,800) | (8,232) |
| Other expenses | (698) | (221) | (40) |
| **Other operating expenses** | **(39,037)** | **(61,471)** | **(22,917)** |
| Foreign exchange gain on trade payables and receivables | 2,535 | 1,813 | 6,350 |
| Other income | 6,514 | 8,284 | 2,080 |
| **Other operating income** | **9,049** | **10,097** | **8,429** |
| **Other operating results** | **(29,988)** | **(51,374)** | **(14,487)** |

### 12.2 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts.

Cash and cash equivalents at the end of the periods presented were as follows:

| (in thousands of Swiss Francs) | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|
| Cash and bank balances | 214,689 | 153,693 |
| Bank overdraft | — | — |
| **Cash and cash equivalents net** | **214,689** | **153,693** |

### 12.3 Other assets

Other assets mainly consist of:

| (in thousands of Swiss Francs) | December 31, 2016 | | | December 31, 2015 (Successor) | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| Assets available for sale (1) | — | 23 | **23** | — | 23 | **23** |
| Other non-current assets | — | 8,412 | **8,412** | — | 7,559 | **7,559** |
| Others | 2,873 | — | **2,873** | 6,565 | — | **6,565** |
| **Other assets** | **2,873** | **8,435** | **11,308** | **6,565** | **7,582** | **14,147** |

*(1) The non-consolidated investment classified as assets available for sale is related to 23% shares of Teldas AG for an amount of 23 KCHF at December 31, 2016 (23 KCHF at December 31, 2015).*

### 12.4 Equity

#### Share capital

Matterhorn Telecom Holding S.A. was incorporated under the laws of the Grand Duchy of Luxemburg on March 25, 2015 with a share capital of CHF 50'000 (comprising 50'000 shares with a par value of CHF 1).

## Note 12—Other operating results, assets, liabilities & equity (Continued)

The extraordinary shareholders' meeting, held on April 23, 2015, decided to increase the share capital by an amount of CHF 8'150'000 and to contribute an amount of CHF 812'981'415 to the Company's share premium account.

As at December 31, 2016 and December 31, 2015 the share capital is composed by 8'200'000 shares with a par value of CHF 1.

The extraordinary shareholders' meeting, held on April 30, 2015, decided to contribute an amount of CHF 50'000'000 to the Company's share premium account.

On November 23, 2015, the Company proceeded to a share premium decrease amounting to CHF 30'000'000.

On April 5, 2016, the Company proceeded to a share premium decrease amounting to CHF 20'000'000.

On December 20, 2016, the Company proceeded to a share premium decrease amounting to CHF 80'000'000.

### 12.5 Other liabilities

| | December 31, 2016 | | | December 31, 2015 (Successor) | | |
|---|---|---|---|---|---|---|
| **(in thousands of Swiss Francs)** | **Current** | **Non-current** | **Total** | **Current** | **Non-current** | **Total** |
| VAT payables | 11,785 | — | **11,785** | 4,391 | — | **4,391** |
| Deposits payable | 1,984 | — | **1,984** | 2,238 | — | **2,238** |
| Other | 9,956 | — | **9,956** | 10,732 | — | **10,732** |
| **Other liabilities** | **23,725** | **—** | **23,725** | **17,362** | **—** | **17,362** |

### 12.6 Current Employee benefits obligations

As at December 31, 2016, Current Employee benefits obligations mainly consists of bonus payables for CHF 6 million and Holidays allowances for CHF 0.9 million (as at December 31, 2015, CHF 7.2 million and CHF 1.4 million, respectively).

## Note 13—Scope of consolidation

As at December 31, 2016 and 2015, the Group consists of the following entities:

| | **Country of incorporation** | **Equity interest** | **Nature of business** |
|---|---|---|---|
| Matterhorn Telecom Holding S.A. | Luxembourg | Parent Entity | Holding |
| Matterhorn Telecom S.A. | Luxembourg | 100% | Holding |
| Matterhorn Mobile S.A. | Luxembourg | 100% | Holding |
| Salt France S.A.S. | France | 100% | Advisory & engineering network services |
| Salt Mobile SA | Switzerland | 100% | Communications |
| Salt Network SA | Switzerland | 100% | Investments in Communication Network |
| Salt Communication GmbH | Switzerland | 100% | Communications |
| Salt Liechtenstein AG | Liechtenstein | 100% | Communications |

### Note 14—Related parties

The Group related parties consist of the intermediate holding companies, the ultimate parent company, the ultimate controlling party, companies under common control in addition to the Group's key management. The ultimate parent company is NJJ Suisse Animation SAS and the ultimate controlling party is Mr. Xavier Niel.

#### 14.1 Directors and Executive Officers

The total remuneration of directors and executive officers is as follows:

| (in thousands of Swiss Francs) | January 1, 2016 to December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) |
|---|---|---|---|
| Board of Directors | 27 | 86 | 39 |
| Executive Officers | 2,381 | 2,977 | 2,811 |
| **Remuneration** | **2,408** | **3,063** | **2,850** |

Remuneration consists of:

| (in thousands of Swiss Francs) | January 1, 2016 to December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) |
|---|---|---|---|
| Short-term benefits | 2,408 | 3,063 | 2,850 |
| **Short-term benefits** | **2,408** | **3,063** | **2,850** |

None of the Company's board members participate in the Group's pension plans and no loans or advances were made during the current or previous year to members of the Board of Directors.

#### 14.2 Related enterprises

The following related party transactions have been recorded (shareholders and Companies under common control):

| (in thousands of Swiss Francs) | January 1, 2016 to December 31, 2016 | April 23, 2015 to December 31, 2015 (Successor) | January 1, 2015 to April 22, 2015 (Predecessor) |
|---|---|---|---|
| **Shareholder** | | | |
| Monitoring fees (1) | (1,320) | (826) | (329) |
| Intercompany hedges | — | — | **(79,315)** |
| Afiliates | | | |
| Roaming net revenue (2) | 578 | 174 | — |
| Subcontracting expenses (3) | (3,409) | (331) | (2,860) |
| **Shareholder and afiliates** | **(4,151)** | **(983)** | **(82,504)** |

*(1) Monitoring fees paid to APAX Partners until February 23, 2015 and to NJJ Suisse Acquisition from February 24, 2015.*
*(2) Roaming transactions with Free Mobile from February 24, 2015*
*(3) Subcontracting purchases paid to iGate until February 23, 2015 and to IT Solutions Factory and Free Mobile from February 24, 2015 (IT services).*

**Note 14—Related parties (Continued)**

The following related party balances were outstanding at the end of the reporting period:

| (in thousands of Swiss Francs) | December 31, 2016 | December 31, 2015 (Successor) |
|---|---|---|
| **Affiliates balances** | | |
| **Assets** | | |
| Other current assets | 164 | 86 |
| **Liabilities** | | |
| Other current liabilities | (1,791) | — |

As at December 31, 2016, there was no recognised loss on related party receivables (December 31, 2015, nil).

**Note 15—Unrecognised contractual commitments**

To the best of Management's knowledge, there were no existing commitments, other than those described in this note, likely to have a material effect on the current or future financial position of the Group.

The table below provides a schedule of unrecognised commitments and contractual obligations at the end of each reporting period.

**15.1 Rental commitments**

| (in thousands of Swiss Francs) | December 31, 2016 Total | < 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | > 5 years |
|---|---|---|---|---|---|---|---|
| Rental commitments : Property (1) | 184,873 | 57,092 | 46,935 | 24,042 | 18,735 | 12,389 | 25,680 |
| Rental commitments : Vehicles | 558 | 373 | 111 | 36 | 36 | 3 | 0 |
| **Rental commitments** | **185,431** | **57,465** | **47,046** | **24,078** | **18,771** | **12,392** | **25,680** |

*(1) Commitments related to offices (Zürich, Renens and Biel), shops loans and network sites*

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) Total | < 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | > 5 years |
|---|---|---|---|---|---|---|---|
| Rental commitments : Property (1) | 172,040 | 54,117 | 44,406 | 27,112 | 17,539 | 12,296 | 16,570 |
| Rental commitments : Vehicles | 197 | 180 | 17 | 0 | 0 | 0 | 0 |
| **Rental commitments** | **172,236** | **54,297** | **44,423** | **27,112** | **17,539** | **12,296** | **16,570** |

*(1) Commitments related to offices (Zürich, Renens and Biel), shops loans and network sites*

**Note 15—Unrecognised contractual commitments (Continued)**

**15.2 Investments and goods and services purchase commitments**

| (in thousands of Swiss Francs) | December 31, 2016 Total | < 1 year | 1-2 years | > 2 years |
|---|---|---|---|---|
| Investments commitments in network assets and transmission capacity | 145,755 | 145,755 | — | — |
| Purchase of handsets | 24,830 | 24,830 | — | — |
| Other commitments related to the purchase of goods and services | 9,840 | 9,840 | — | — |
| **Investment and goods and services purchase commitments** | **180,425** | **180,425** | **—** | **—** |

| (in thousands of Swiss Francs) | December 31, 2015 (Successor) Total | < 1 year | 1-2 years | > 2 years |
|---|---|---|---|---|
| Investments commitments in network assets and transmission capacity | 38,531 | 38,531 | — | — |
| Purchase of handsets | 39,913 | 39,913 | — | — |
| Other commitments related to the purchase of goods and services | 8,386 | 8,386 | — | — |
| **Investment and goods and services purchase commitments** | **86,831** | **86,831** | **—** | **—** |

In 2016, the Group signed capacity contracts that included minimum committed quantities to be undertaken in 2017. These commitments have been reflected in the table above.

**15.3 Off-balance sheet commitments**

The Company is obliged to respect certain financial and non-financial covenants as set out in the Revolving Credit Facility (“RCF”) Agreement dated February 23, 2015 with Société Générale (as Facility Agent).

The margin payable on drawn amounts may increase or decrease by reference to a covenant ratio. In addition, if a certain covenant ratio is not met this may result in an Event of Default as defined in the Revolving Credit Facility Agreement which may result in the cancellation of outstanding commitments and/or drawn amounts becoming immediately due and payable or payable on demand.

As at December 31, 2016, the Group had not drawn down any amount under the RCF Agreement.

Certain non-financial covenants as further described in the indentures to the senior secured notes issued by the Company and its subsidiaries are to be respected. The non- compliance may result in an Event of Default and in the principal and the accrued unpaid interest becoming due and payable immediately.

**15.4 Guarantees given**

The Company and Matterhorn Telecom S.A. are obliged to respect certain guarantees described in the indentures to the senior notes dated April 23, 2015 and in the Revolving Credit Facility agreement dated February 23, 2015.

**Note 16—Share-Based Payment**

The Group does not operate any share based payment plan.

## Note 17—Litigations

As at December 31, 2016, the Group had no material unprovided pending or threatened litigation with third parties.

As at December 31, 2015, the Group had no material unprovided pending or threatened litigation with third parties.

## Note 18—Subsequent events

No significant subsequent event to report.

**Audit report**

To the Sole Shareholder of
**Matterhorn Telecom Holding S.A.**

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**Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Matterhorn Telecom Holding S.A. and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit/(loss), consolidated statement of other comprehensive income/(loss), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

*Board of Directors' responsibility for the consolidated financial statements*

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Responsibility of the "Réviseur d'entreprises agréé"*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers,Société coopérative, 2 rue Gerhard Mercator, B.P.1443, L-1014 Luxembourg*
*T : +352 494848 1, F : +352 494848 2900, www.pwc.lu*

*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)*
*R.C.S. Luxembourg B 65 477 - TVA LU25482518*

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Matterhorn Telecom Holding S.A. and its subsidiaries as of 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

**Report on other legal and regulatory requirements**

The consolidated management report, is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 27 February 2017

Philippe Duren
Partner

**MATTERHORN TELECOM HOLDING S.A.**

**Unaudited condensed consolidated financial statements**

**for the three-month and the nine-month periods ended September 30, 2017**

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# CONDENSED CONSOLIDATED INCOME STATEMENT

| (in thousands of Swiss Francs) | Notes | July 1, 2017 to September 30, 2017 | July 1, 2016 to September 30, 2016 | January 1, 2017 to September 30, 2017 | Re-presented January 1, 2016 to September 30, 2016 |
|---|---|---|---|---|---|
| **Revenue** | *3* | **268,728** | **288,900** | **770,954** | **838,065** |
| Access, backbone, interconnection and content costs | | (37,231) | (55,806) | (121,479) | (165,180) |
| Commercial expenses and cost of equipment sold | | (46,705) | (57,838) | (139,808) | (158,586) |
| Network, IT, property expenses and other purchases | | (31,412) | (28,475) | (92,925) | (98,079) |
| Labour expenses | | (17,419) | (20,882) | (57,179) | (62,874) |
| Other operating expenses | | (7,317) | (9,382) | (19,308) | (29,042) |
| Other operating income | | 1,853 | 1,376 | 5,293 | 4,537 |
| Restructuring, transition and transaction costs | | (2,561) | (10) | (3,516) | (2,943) |
| Corporate and brand fees | | (364) | (622) | (1,160) | (1,440) |
| Depreciation and amortization | | (63,791) | (67,115) | (192,296) | (196,905) |
| **Operating profit** | | **63,780** | **50,145** | **148,575** | **127,554** |
| Finance costs | | (50,828) | (22,500) | (107,992) | (66,173) |
| Finance income | | 23,306 | 4,382 | 33,869 | 9,792 |
| **Finance costs, net** | *5* | **(27,522)** | **(18,119)** | **(74,122)** | **(56,381)** |
| **Profit before tax** | | **36,258** | **32,026** | **74,453** | **71,173** |
| Income tax expense | *4* | (7,689) | 2,222 | (22,272) | 56 |
| **Profit attributable to owners** | | **28,568** | **34,248** | **52,181** | **71,228** |

The accompanying notes are an integral part of the condensed consolidated financial statements

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (in thousands of Swiss Francs) | Notes | July 1, 2017 to September 30, 2017 | July 1, 2016 to September 30, 2016 | January 1, 2017 to September 30, 2017 | January 1, 2016 to September 30, 2016 |
|---|---|---|---|---|---|
| **Profit** | | **28,568** | **34,248** | **52,181** | **71,228** |
| Exchange differences on translating foreign operations | | — | (12) | 11 | (12) |
| Gains on cash flow hedge | | 13,818 | 15,633 | 15,431 | 21,960 |
| Deferred tax on items recognized directly in other comprehensive income / (loss) | | (3,995) | (4,551) | (4,466) | (6,425) |
| **Net other comprehensive income to be reclassified to profit and loss in subsequent periods** | | **9,823** | **11,070** | **10,976** | **15,524** |
| Remeasurement of defined benefit obligation | | — | — | — | — |
| Deferred tax on items recognized directly in other comprehensive income / (loss) | | — | — | — | — |
| **Net other comprehensive income not to be reclassified to profit and loss in subsequent periods** | | **—** | **—** | **—** | **—** |
| **Other comprehensive income after tax** | | **9,823** | **11,070** | **10,976** | **15,524** |
| **Total comprehensive income** | | **38,391** | **45,319** | **63,157** | **86,752** |

The accompanying notes are an integral part of the condensed consolidated financial statements

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (in thousands of Swiss Francs) | Notes | September 30, 2017 | December 31, 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | | 1,313,793 | 1,313,793 |
| Other intangible assets | | 805,102 | 836,777 |
| Property, plant and equipment | | 608,055 | 635,856 |
| Trade receivables | | 28,113 | 39,349 |
| Derivative assets | *5* | 222,185 | 60,920 |
| Other non-current assets | | 8,544 | 8,435 |
| **Total non-current assets** | | **2,985,792** | **2,895,130** |
| **Current assets** | | | |
| Inventories | | 15,588 | 11,752 |
| Trade receivables | | 330,816 | 311,141 |
| Other current assets | | 3,327 | 2,873 |
| Prepaid expenses | | 10,819 | 1,243 |
| Cash and cash equivalents | | 168,064 | 214,689 |
| **Total current assets** | | **528,614** | **541,699** |
| **TOTAL ASSETS** | | **3,514,405** | **3,436,829** |

The accompanying notes are an integral part of the condensed consolidated financial statements

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (in thousands of Swiss Francs) | Notes | September 30, 2017 | December 31, 2016 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | | 8,200 | 8,200 |
| Share premium | | 232,981 | 732,981 |
| Retained earnings | | 93,732 | 41,551 |
| Other reserves | | 50,263 | 39,287 |
| **Total equity** | | **385,176** | **822,020** |
| **Non-current liabilities** | | | |
| Long-lived assets payables | *6* | 57,259 | 3,711 |
| Borrowings and other financial liabilities | *5* | 2,404,499 | 1,949,302 |
| Post-employment benefits | | 15,023 | 12,395 |
| Provisions | | 43,133 | 42,829 |
| Deferred tax liabilities | | 162,487 | 137,697 |
| **Total non-current liabilities** | | **2,682,400** | **2,145,935** |
| **Current liabilities** | | | |
| Trade payables | | 326,008 | 320,855 |
| Long-lived assets payables | *6* | 23,869 | 79,936 |
| Borrowings and other financial liabilities | *5* | 34,855 | 12,736 |
| Employee benefits obligations | | 7,731 | 9,219 |
| Provisions | | 4,115 | 3,590 |
| Other liabilities | | 27,475 | 23,725 |
| Deferred income | | 22,776 | 18,814 |
| **Total current liabilities** | | **446,829** | **468,874** |
| **TOTAL EQUITY AND LIABILITIES** | | **3,514,405** | **3,436,829** |

The accompanying notes are an integral part of the condensed consolidated financial statements

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| (in thousands of Swiss Francs) | Notes | Share capital | Share premium | Translation reserve | Cash flow hedging reserve | Actuarial gains & losses | Retained earnings / (Accumulated deficit) | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2015** | | **8,200** | **832,981** | | **10,272** | **(2,491)** | **(56,509)** | **792,453** |
| Profit attributable to owners | | — | — | — | — | — | 71,228 | 71,228 |
| Gains on cash flow hedge | | — | — | — | 21,960 | — | — | 21,960 |
| Remeasurement of defined benefit obligation | | — | — | — | — | — | — | — |
| Deferred tax on items recognized directly in other comprehensive income / (loss) | | — | — | — | (6,425) | — | — | (6,425) |
| Exchange differences on translating foreign operations | | — | — | (12) | — | — | — | (12) |
| **Total comprehensive income** | | **—** | **—** | **(12)** | **15,536** | **—** | **71,228** | **86,752** |
| Share Premium decrease | | — | (20,000) | — | — | — | — | (20,000) |
| **Balance at September 30, 2016** | | **8,200** | **812,981** | **(12)** | **25,807** | **(2,491)** | **14,720** | **859,205** |
| **Balance at December 31, 2016** | | **8,200** | **732,981** | **(11)** | **24,286** | **15,012** | **41,551** | **822,020** |
| Profit attributable to owners | | — | — | — | | — | 52,181 | 52,181 |
| Gains on cash flow hedge | | — | — | — | 15,431 | — | — | 15,431 |
| Remeasurement of defined benefit obligation | | — | — | — | | — | — | — |
| Deferred tax on items recognized directly in other comprehensive income / (loss) | | — | — | — | (4,466) | — | — | (4,466) |
| Exchange differences on translating foreign operations | | — | — | 11 | | | — | 11 |
| **Total comprehensive income** | | **—** | **—** | **11** | **10,965** | **—** | **52,181** | **63,157** |
| Share Premium decrease | *5* | — | (500,000) | — | — | — | — | (500,000) |
| **Balance at September 30, 2017** | | **8,200** | **232,981** | **—** | **35,251** | **15,012** | **93,732** | **385,176** |

The accompanying notes are an integral part of the condensed consolidated financial statements

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| (in thousands of Swiss Francs) | Notes | January 1, 2017 to September 30, 2017 | Re-presented January 1, 2016 to September 30, 2016 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| **Profit attributable to owners** | | **52,181** | **71,228** |
| Adjustments to reconcile profit/(loss) to funds generated from operations | | | |
| Depreciation and amortization | | 192,296 | 196,905 |
| Change in other provisions | | 2,588 | (8,877) |
| Income tax recognized in the income statement | *4* | 22,272 | (56) |
| Finance costs net | *5* | 74,122 | 56,381 |
| Change in inventories, trade receivables and trade payables | | | |
| Decrease/(increase) in inventories | | (3,836) | 9,823 |
| Decrease/(increase) in trade receivables | | (2,667) | 41,019 |
| Increase/(decrease) in trade payables | | (9,162) | (15,746) |
| Other changes in working capital requirements | | | |
| Decrease/(increase) in other receivables and payables | | (4,393) | (18,339) |
| Other items | | | |
| Income tax paid | | (1,843) | (384) |
| Decrease / (increase) in deposits | | (108) | (118) |
| **Net cash provided by operating activities** | | **321,450** | **331,837** |
| **INVESTING ACTIVITIES** | | | |
| Purchases/sales of property, plant and equipment and intangible assets | | | |
| Purchases of property, plant and equipment and intangible assets | *6* | (93,073) | (78,801) |
| Spectrum licence payment | *6* | (35,242) | — |
| **Net cash used in investing activities** | | **(128,314)** | **(78,801)** |
| **FINANCING ACTIVITIES** | | | |
| Issuance | | | |
| Issuance of bonds | *5* | 690,150 | — |
| Bonds issuance costs | *5* | (36,835) | — |
| Redemption and repayment | | | |
| Repurchase of bonds net of swap unwind | *5* | (338,243) | (86,419) |
| Interest paid and other financial charges | *5* | (54,331) | (50,145) |
| Equity | | | |
| Share premium decrease | *5* | (500,000) | (20,000) |
| Other | | | |
| Interest income received | | 23 | 84 |
| **Net cash used in financing activities** | | **(239,235)** | **(156,480)** |
| **Net change in cash and cash equivalents** | | **(46,100)** | **96,556** |
| **Cash and cash equivalents at beginning of period** | | **214,689** | **153,693** |
| Effect of exchange rates changes on cash and cash equivalents | | (525) | (16) |
| Net change in cash and cash equivalents | | (46,100) | 96,556 |
| **Cash and cash equivalents at end of period** | | **168,064** | **250,233** |

The accompanying notes are an integral part of the condensed consolidated financial statements

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Note 1—Basis of preparation of the condensed consolidated financial statements

On April 23, 2015 ("The Acquisition Date"), Matterhorn Mobile Holdings S.A. (former Parent Company) sold its shares in Matterhorn Mobile S.A. (owner of Salt Mobile SA previously named as "Orange Communications S.A." and its affiliates) to the recently created Matterhorn Telecom S.A.

Matterhorn Telecom S.A. and Matterhorn Telecom Holding S.A. were incorporated as at March 25, 2015 as Luxemburg public limited liability Companies (S.A.) governed by the laws of the Grand Duchy of Luxembourg. Their registered office is established in Luxembourg-city.

Matterhorn Telecom Holding S.A. "the Company" (parent of Matterhorn Telecom S.A.) is the ultimate parent entity for financial information purpose.

As at September 30, 2017, the Company indirectly held 100% of its principal operating company, Salt Mobile SA, which was incorporated on January 10, 1998 in Lausanne, Switzerland and its subsidiaries.

Salt Mobile SA and its subsidiaries (hereafter "Salt Switzerland") provide consumers, businesses and other telecommunication operators with a wide range of services including mobile telecommunications, data transmission, Internet and other value-added services.

As at September 30, 2017, the Group consisted of the following entities:

| | Country of incorporation | Equity interest | Nature of business |
|---|---|---|---|
| Matterhorn Telecom Holding S.A. | Luxembourg | Parent Entity | Holding |
| Matterhorn Telecom S.A. | Luxembourg | 100% | Holding |
| Matterhorn Mobile S.A. | Luxembourg | 100% | Holding |
| Salt Mobile SA | Switzerland | 100% | Communications |
| Salt Network SA | Switzerland | 100% | Investments in Communication Network |
| Salt Communication S.A. | Switzerland | 100% | Communications |
| Salt Liechtenstein AG | Liechtenstein | 100% | Communications |

On February 24, 2017, the Group sold its subsidiary Salt France to NJJ Suisse Acquisition S.A.S. for a CHF 213 thousands selling price.

These unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. This standard stipulates that condensed consolidated financial statements do not include all the information required under IFRS for the preparation of annual consolidated financial statements. These condensed consolidated financial statements must therefore be read in conjunction with the consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union. These unaudited condensed consolidated financial statements have been prepared using the same accounting policies as those applied for the year ended December 31, 2016.

The unaudited condensed consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue its operations under the scope as defined above.

These unaudited condensed consolidated financial statements as at September 30, 2017 and the related condensed consolidated statements of income, comprehensive income for the three-month and nine-month periods ended September 30, 2017, changes in equity and cash flows for the period from January 1, 2017 to September 30, 2017 were approved and authorised for issue on November 10, 2017 by the Board of Directors of Matterhorn Telecom Holding S.A.

**Note 1—Basis of preparation of the condensed consolidated financial statements (Continued)**

The Group has decided to change the presentation policy related to the foreign exchange gains and losses associated with commercial transactions to better reflect the result of the operations. They are now presented as a net finance costs instead of other operating expenses and income. The comparative information has been represented accordingly. The impact is a CHF 1.2 million increase in net finance costs for the nine-month period ended September 30, 2016 and a CHF 1.2 million decrease in the net other operating expenses (please refer to note 5.3).

The Group has also changed the split between finance income and finance cost to better reflect the result of financing. The comparative information has been represented accordingly. The impact is a CHF 3.4 million decrease in finance cost and in finance income for the nine-month period ended September 30, 2016 (please refer to note 5.3).

**New and revised IFRS in issue but not yet effective**

The Group has not early adopted any IFRS as endorsed by the European Union, which is not yet effective.

It is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed. The Group is currently assessing the impact of the application of these standards, amendments and interpretations.

New standards and interpretations issued but not yet effective are the following:

**IFRS 15 *Revenue from contracts with customers:***

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the group's financial statements. At this stage, the group is still assessing the full impact of the new rules on the group's financial statements. As the revenue recognition related to bundle offers is already in line with IFRS 15, the potential impact would relate to the acquisition costs.

The mandatory application date and the date of adoption by the group will be the financial years commencing on 1 January 2018.

**IFRS 16 *Leases*:**

IFRS 16 was issued in January 2016 by IASB. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the group's operating leases. At this stage, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

**IFRS 16 *Leases (Continued)*:**

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date.

**IFRS 9 *Financial Instruments*:**

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the group has yet to undertake a detailed assessment of the classification and measurement of all financial assets, no significant impact is expected as the main financial asset corresponds to hedging derivative assets and there will be no change to the accounting for these assets.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the group is yet to undertake a detailed assessment, it would appear that the group's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The mandatory application date and the date of adoption by the group will be the financial years commencing on 1 January 2018.

The group does not expect any material impact from the application of any other new standard or amendment.

**Note 2—Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting to the Chief Operating Decision-Maker (the Board of Directors of Matterhorn Telecom Holding S.A.), and have been prepared in accordance with the Group's accounting policies. The operating segments have been determined based on the Management reports reviewed by the Board of Directors.

Assets and liabilities are not allocated to operating segments in the management reports reviewed by the Board of Directors, as the review focuses on the development in net working capital for the Group.

Revenue is the main measure reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance. In addition, the Board of Directors reviews Net Margin (calculated as revenue less access, backbone, interconnection, content costs, commercial expenses and cost of equipment sold) on a combined basis.

The Group activity is mainly operated in Switzerland.

## Note 2—Segment reporting (Continued)

The Group's internal reporting is based on the two following segments:

- Consumer: relates to residential consumers
- Enterprise: relates to the Business to Business segment, Resellers and Wholesale & MVNO

Activities related to the head office are disclosed as other.

| | Consumer | | Enterprise | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|
| (in thousands of Swiss Francs) | January 1, 2017 to September 30, 2017 | January 1, 2016 to September 30, 2016 | January 1, 2017 to September 30, 2017 | January 1, 2016 to September 30, 2016 | January 1, 2017 to September 30, 2017 | January 1, 2016 to September 30, 2016 | January 1, 2017 to September 30, 2017 | January 1, 2016 to September 30, 2016 |
| **Revenue** | **612,015** | **645,698** | **153,481** | **186,604** | **5,457** | **5,763** | **770,954** | **838,065** |
| Access, backbone, interconnection and content costs | | | | | | | (121,479) | (165,180) |
| Commercial expenses and cost of equipment sold | | | | | | | (139,808) | (158,586) |
| **Net Margin** | | | | | | | **509,667** | **514,299** |

## Net margin to Operating profit reconciliation

| (in thousands of Swiss Francs) | January 1, 2017 to September 30, 2017 | Re-presented January 1, 2016 to September 30, 2016 |
|---|---|---|
| **Net Margin** | **509,667** | **514,299** |
| Network, IT, property expenses and other purchases | (92,925) | (98,079) |
| Labour expenses | (57,179) | (62,874) |
| Other operating expenses | (19,308) | (29,042) |
| Other operating income | 5,293 | 4,537 |
| **Adjusted EBITDA** | **345,548** | **328,842** |
| Restructuring, transition and transaction costs | (3,516) | (2,943) |
| Corporate and brand fees | (1,160) | (1,440) |
| **EBITDA** | **340,872** | **324,459** |
| Depreciation and amortization | (192,296) | (196,905) |
| **Operating profit** | **148,575** | **127,554** |
| Finance costs | (107,992) | (66,173) |
| Finance income | 33,869 | 9,792 |
| **Finance costs, net** | **(74,122)** | **(56,381)** |
| **Profit before tax** | **74,453** | **71,173** |

## Note 3—Sales

| (in thousands of Swiss Francs) | January 1, 2017 to September 30, 2017 | January 1, 2016 to September 30, 2016 |
|---|---|---|
| Network | 592,138 | 657,762 |
| Equipment | 116,291 | 117,309 |
| Other mobile services | 62,431 | 61,391 |
| Other revenue | 94 | 1,602 |
| **Revenue** | **770,954** | **838,065** |

**Note 4—Income tax**

| (in thousands of Swiss Francs) | January 1, 2017 to September 30, 2017 | January 1, 2016 to September 30, 2016 |
|---|---|---|
| Current tax expense in respect of the current year | (1,949) | (384) |
| Deferred tax income / (expense) | (20,323) | 440 |
| **Total tax expense** | **(22,272)** | **56** |

For the period ended September 30, 2017, the effective income tax rate is 29% (0% for the period ended September 30, 2016) due to a release of deferred tax asset related to the use of tax losses carry forward.

**Note 5—Financial assets / liabilities and financial costs**

**5.1 Financial assets / liabilities**

**Assets**

| | | September 30, 2017 | | | December 31, 2016 | | |
|---|---|---|---|---|---|---|---|
| (in thousands of Swiss Francs) | Note | Current | Non-current | Total | Current | Non-current | Total |
| Derivatives | 5.2 | — | 222,185 | 222,185 | — | 60,920 | 60,920 |
| **Derivatives** | | **—** | **222,185** | **222,185** | **—** | **60,920** | **60,920** |

**Liabilities**

| | September 30, 2017 | | | December 31, 2016 | | |
|---|---|---|---|---|---|---|
| (in thousands of Swiss Francs) | Current | Non-current | Total | Current | Non-current | Total |
| Bonds | — | 2,398,531 | **2,398,531** | — | 1,949,302 | **1,949,302** |
| Accrued interest on bonds | 34,506 | — | **34,506** | 12,567 | — | **12,567** |
| Other | 349 | 5,967 | **6,316** | 169 | — | **169** |
| **Borrowings, and other financial liabilities** | **34,855** | **2,404,499** | **2,439,354** | **12,736** | **1,949,302** | **1,962,038** |

In March 2017, the Group launched a combined offering of Senior Secured Notes due 2023 and Senior Notes due 2023 for a total value of (equivalent) CHF 690.2 million.

Funds were used to fully repurchase the floating rate EUR 265 million senior secured notes (CHF 286.6 million), to pay related accrued interest (CHF 1.6 million) and the offering redemption and transaction costs (CHF 36.8 million), and distribute CHF 500 million to shareholders (CHF 451.6 million approved by the sole shareholder and paid on March 23, 2017 and CHF 48.4 million approved by the sole shareholder and paid on June 20, 2017).

The transactions costs amounted to approximately CHF 36.8 million and were composed of consent, waiver and underwriting fees (CHF 32.8 million) and other issuance costs (CHF 4.0 million). All the costs directly attributable to the new bonds or to the modification of the existing bonds not extinguished have been capitalized (CHF 36.6 million). The non-capitalized fee is the CHF 0.2 million tender fee related to the repurchased bonds.

## Note 5—Financial assets / liabilities and financial costs (Continued)

On September 25, 2017 the Group repurchased EUR 50 million of the floating rate EUR 525 million senior secured notes for a CHF 51.7 million total net amount (including cash from unwound swap).

The bonds are measured at amortised cost, using the effective interest rate method.

Bonds (excluding transaction costs) issued by Matterhorn Telecom Holding S.A. and Matterhorn Telecom S.A. as at September 30, 2017:

| September 30, 2017 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Original currency | Bond | Date of issuance | Initial nominal amounts (in thousands of currency units) | Early Repayment (in thousands of currency units) | Current nominal amounts (in thousands of currency units) | Current nominal amounts (in thousands of CHF) | Maturity of bonds | Nominal interest rate (%) | Hedging amount (in thousands of currency units) | Hedging rate | Maturity of hedging | Outstanding interest amount (in thousands of CHF) |
| EUR | Senior Notes | 23.04.2015 | 250,000 | 68,134 | 181,866 | 208,291 | 2023 | 4.875% | 181,866 | 4.4905% | 2020 | 6,906 |
| | | 16.03.2017 | 117,000 | | 117,000 | 134,000 | 2023 | 4.875% | 117,000 | 4.4015% | 2020 | |
| CHF | Senior Secured Notes | 23.04.2015 | 450,000 | 39,363 | 410,637 | 410,637 | 2022 | 3.625% | — | — | — | 6,161 |
| EUR | Senior Secured Notes | 23.04.2015 | 1,000,000 | — | 1,000,000 | 1,145,300 | 2022 | 3.875% | 1,000,000 | EUR 250 million at 3.5115%<br>EUR 105 million at 3.5365%<br>EUR 185 million at 3.5415%<br>EUR 150 million at 3.5515%<br>EUR 310 million at 3.7015% | 2020 | 18,492 |
| EUR | Senior Secured Notes | 23.04.2015 | 265,000 | 265,000 | — | — | 2022 | EUR3M + 3.75% | 215,000 | | | — |
| EUR | Senior Secured Notes | 16.03.2017 | 525,000 | 50,000 | 475,000 | 544,018 | 2023 | EUR3M + 3.25% | 260,000 | 3.286% | 2022 | 2,947 |
| | | | | **Total** | | **2,442,246** | | | | | **Total** | **34,506** |

Bonds (excluding transaction costs) issued by Matterhorn Telecom Holding S.A and Matterhorn Telecom S.A. as at December 31, 2016:

| December 31, 2016 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Original currency | Bond | Date of issuance | Initial nominal amounts (in thousands of currency units) | Early Repayment (in thousands of currency units) | Current nominal amounts (in thousands of currency units) | Current nominal amounts (in thousands of CHF) | Maturity of bonds | Nominal interest rate (%) | Hedging amount (in thousands of currency units) | Hedging rate | Maturity of hedging | Outstanding interest amount (in thousands of CHF) |
| EUR | Senior Notes | 23.04.2015 | 250,000 | 68,134 | 181,866 | 195,270 | 2023 | 4.875% | 181,866 | 4.4905% | 2020 | 1,560 |
| CHF | Senior Secured Notes | 23.04.2015 | 450,000 | 39,363 | 410,637 | 410,637 | 2022 | 3.625% | — | — | — | 2,440 |
| EUR | Senior Secured Notes | 23.04.2015 | 1,000,000 | — | 1,000,000 | 1,073,700 | 2022 | 3.875% | 1,000,000 | EUR 250 million at 3.5115%<br>EUR 105 million at 3.5365%<br>EUR 185 million at 3.5415%<br>EUR 150 million at 3.5515%<br>EUR 310 million at 3.7015% | 2020 | 6,819 |
| EUR | Senior Secured Notes | 23.04.2015 | 265,000 | — | 265,000 | 284,531 | 2022 | EUR3M + 3.75% | 265,000 | EUR 170 million at LIBOR CHF 3M+ 3.9335%<br>EUR 95 million at LIBOR CHF 3M+ 3.9435% | 2020 | 1,749 |
| | | | | **Total** | | **1,964,137** | | | | | **Total** | **12,567** |

**Note 5—Financial assets / liabilities and financial costs (Continued)**

The non-current portion of the bonds is recognised in the consolidated statement of financial position as follows:

**(in thousands of Swiss Francs)**

| | |
|---|---|
| **As at December 31, 2015** | **2,070,745** |
| Unrealised exchange loss | (265) |
| Realised exchange loss | 2,688 |
| Amortization of debt issuance costs | 2,561 |
| Bonds repurchase and cancellation | (89,316) |
| **As at September 30, 2016** | **1,986,413** |
| Unrealised exchange gain | (14,342) |
| Realised exchange loss | 676 |
| Amortization of debt issuance costs | 634 |
| Bonds repurchase and cancellation | (24,079) |
| **As at December 31, 2016** | **1,949,302** |
| Issuance of bonds | 690,150 |
| Capitalisation of debt issuance costs | (36,630) |
| Unrealised exchange loss | 116,567 |
| Realised exchange loss | 14,189 |
| Amortization of debt issuance costs | 7,750 |
| Bonds repurchase and cancellation | (342,797) |
| **As at September 30, 2017** | **2,398,531** |

***Credit Lines***

| **(in thousands of Swiss Francs)** | **September 30, 2017** | | **December 31, 2016** | |
|---|---|---|---|---|
| | **Amount available** | **Amounts drawn down** | **Amount available** | **Amounts drawn down** |
| Super Revolving Credit Facility | 100,000 | — | 100,000 | — |
| Bank overdraft | — | — | — | — |
| **Credit lines** | **100,000** | **—** | **100,000** | **—** |

As at September 30, 2017, the Group has not drawn down any amount under the RCF Agreement.

## 5.2 Derivative instruments

For the periods ended September 30, 2017 and December 31, 2016, the Group's designated hedges were limited to cash flow hedges as the Group did not have any hedges designated as fair value or net investment hedges.

***Cash-flow hedges***

The Group's cash-flow hedges during the period consisted of cross-currency swaps, that the Group uses to protect against variability in future interest cash flows on liabilities which bear interest at variable or fixed rates and/or foreign currency risk on EUR-denominated bonds. The cash flows are expected to occur simultaneously with the payment of interests on bonds.

During the period, the Group entered two new cross-currency swaps in relation with the offering launched on March 16, 2017. On the counterpart, the swaps which previously covered the repurchased floating rate senior secured notes have not been fully unwound at September 30, 2017.

**Note 5—Financial assets / liabilities and financial costs (Continued)**

On September 25, 2017, the Group partially unwound a swap in parallel of the repurchase of EUR 50 million of the floating rate EUR 525 million senior secured notes.

As of September 30, 2017, the Group had the following outstanding cross-currency swaps:

| | September 30, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| **(in thousands of Swiss Francs)** | **Notional** | **Fair Value receivable / (payable)** | **Notional** | **Fair Value receivable / (payable)** |
| Cross-currency swaps | 2,031,609 | 222,185 | 1,553,500 | 60,920 |

The swaps are measured at fair value (level 2). Derivative instruments were the only items measured at fair value (level 2) in the statement of financial position and presented according to their maturity date. Fair value of financial assets and liabilities is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As the EUR 215 million swaps related to the repurchased notes are not anymore designated as cash flow hedge, the changes in fair value are recognized in the income statement and the cash flow hedge reserve at the repurchase date has been fully reclassified to the income statement.

Except for the swaps related to repurchased notes, the 2015 and the newly issued cash flow hedges are fully effective under IAS 39, both retrospectively since inception and prospectively as of September 30, 2017. Therefore the full changes in their fair values (gains and losses) since inception initially have been recognised in other comprehensive income, and are reclassified to the income statement when the hedged cash flows affect earnings.

### 5.3 Finance costs, net

| **(in thousands of Swiss Francs)** | **January 1, 2017 to September 30, 2017** | **Re-presented January 1, 2016 to September 30, 2016** |
|---|---|---|
| Change in derivatives fair value (including Hedge ineffectiveness) | 25,225 | 1,079 |
| Foreign exchange gains | 8,314 | 5,729 |
| Other financial gains | 331 | 2,984 |
| **Finance income** | **33,869** | **9,792** |
| Commitment fees on revolving credit facility | (1,222) | (1,693) |
| Amortization of debt issuance costs | (7,750) | (2,561) |
| Interest on bonds | (60,025) | (54,813) |
| Net interest on net defined benefit obligation | (162) | (248) |
| Foreign exchange losses | (35,501) | (4,697) |
| Other financial expenses | (3,331) | (2,161) |
| **Finance costs** | **(107,992)** | **(66,173)** |
| **Finance costs, net** | **(74,122)** | **(56,381)** |

### 5.4 Management of covenants

Under the Revolving Credit Facility ("RCF") dated February 23, 2015 (as amended on April 15, 2015) the Group is obliged to respect a financial leverage ratio ("the financial covenant"). This leverage ratio is determined as a ratio of Net financial debt to Adjusted EBITDA for the period of the most recent four consecutive fiscal quarters.

**Note 5—Financial assets / liabilities and financial costs (Continued)**

The Group shall ensure that the leverage ratio shall not exceed 6.0x. The financial covenant shall not be required to be satisfied unless, on the last day of the relevant period, the aggregate outstanding exposure is greater than CHF 35 million.

As at September 30, 2017, the leverage ratio amounts to 4.59 and the Company complied with those covenants as the RCF was not used. The Adjusted EBITDA used for the calculation excludes the foreign exchange gains and losses associated with commercial transactions.

**Note 6—Purchases of property, plant and equipment & intangible assets**

For statement of cash flows purposes, purchases of property, plant, equipment and intangible assets were as follows:

| (in thousands of Swiss Francs) | January 1, 2017 to September 30, 2017 | January 1, 2016 to September 30, 2016 |
|---|---|---|
| **Additions in property, plant and equipment and intangible assets** | **(132,611)** | **(58,795)** |
| **Adjustments of non cash-flow effect items** | | |
| Increase / (decrease) in amounts due to fixed assets suppliers (excluding spectrum) | 32,722 | (20,006) |
| Change in asset retirement obligation | 706 | — |
| Additions in property, plant and equipment and intangible assets under financial lease | 6,110 | — |
| **Total adjustments of non cash-flow items** | **39,538** | **(20,006)** |
| **Cash effect of purchases of property, plant and equipment and intangible assets** | **(93,073)** | **(78,801)** |

On February 23, 2012, ComCom ("Commission fédérale de la communication") and OFCOM ("Office fédéral de la communication") announced the results of the auction of mobile radio frequencies. The auction, which ran from February 6 to February 22, 2012, related to the renewal of current licenses for the 900, 1800 and 2100 MHz bands, as well as to the new 800 and 2600 MHz LTE bands. Under the auction process, the new frequency allocation between the three mobile operators Salt, Sunrise and Swisscom, was determined by the bidders rather than a public authority. Salt obtained 160 MHz spread between the seven bands available for a purchase price of CHF 154.7 million. In January 2017, the Group proceeded with the payment of the final instalment amounting CHF 35.2 million (including interests).

During the nine month period ended September 30, 2017 the Group renewed and extended agreements for mobile backhauling (core network and antennas) by ways of operating Indefeasible Rights of Use (IRUs) for CHF 63.5 million.

Operating IRUs are recognised as intangible assets when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wavelength bandwidth, and the duration of the right corresponds to the major part of the economic life of the underlying asset. The instalments to be paid for the Group IRUs are spread over a number of years. The related liability is presented as fixed asset payables with a current and a non-current portion.

**Note 7—Unrecognised contractual commitments**

**7.1 Investments and goods and services purchase commitments**

Over the period, the Group continued to sign contracts that included minimum committed quantities to be undertaken in the five coming years. The related outstanding investment commitments as at September 30, 2017 amounts to CHF 332 million (CHF 146 million as at December 31, 2016) with a payment schedule spread over a number of years. A major part of it is related to the fixed broadband activity.

## Note 7—Unrecognised contractual commitments (Continued)

### 7.2 Off-balance sheet commitments

The Company is obliged to respect certain financial and non-financial covenants as set out in the Revolving Credit Facility ("RCF") Agreement dated February 23, 2015 (as amended on April 15, 2015) with Société Générale (as Facility Agent).

The margin payable on drawn amounts may increase or decrease by reference to a covenant ratio. In addition, if a certain covenant ratio is not met this may result in an Event of Default as defined in the Revolving Credit Facility Agreement which may result in the cancellation of outstanding commitments and/or drawn amounts becoming immediately due and payable or payable on demand.

Certain non-financial covenants as further described in the indentures to the senior secured Notes issued by the Company and its subsidiaries are to be respected. The non-compliance may result in an Event of Default and in the principal and the accrued unpaid interest becoming due and payable immediately.

## Note 8—Litigations

As at September 30, 2017, the Group has no material unprovided pending or threatened litigation with third parties.

As at December 31, 2016, the Group had no material unprovided pending or threatened litigation with third parties.

**REGISTERED OFFICE OF THE ISSUER**

**Matterhorn Telecom S.A.**
4, rue du Fort Wallis
L-2714 Luxembourg
Grand Duchy of Luxembourg

**LEGAL ADVISORS TO THE ISSUER**

| *As to U.S. and English law* | *As to Swiss law* | *As to Luxembourg law* |
|---|---|---|
| **Shearman & Sterling (London) LLP**<br>9 Appold Street<br>London EC2A 2AP<br>United Kingdom | **Bär & Karrer AG**<br>Brandschenkestrasse 90<br>CH-8027 Zürich<br>Switzerland | **McSorley Legal**<br>14 rue Eugène Ruppert<br>L-2453 Luxembourg<br>Grand Duchy of Luxembourg |

**LEGAL ADVISORS TO THE INITIAL PURCHASERS**

| *As to U.S. and English law* | *As to Swiss law* | *As to Luxembourg law* |
|---|---|---|
| **Simpson Thacher & Bartlett LLP**<br>CityPoint<br>One Ropemaker Street<br>London EC2Y 9HU<br>United Kingdom | **Pestalozzi Attorneys at Law Ltd**<br>Loewenstrasse 1<br>CH-8001 Zürich<br>Switzerland | **Linklaters LLP**<br>35, avenue John F. Kennedy<br>L-1855 Luxembourg<br>Grand Duchy of Luxembourg |

| **SECURITY AGENT** | **REGISTRAR AND TRANSFER AGENT** | **TRUSTEE** | **PAYING AGENT** |
|---|---|---|---|
| **Société Générale**<br>29, Boulevard Haussmann<br>75009 Paris<br>France | **Deutsche Bank Luxembourg S.A.**<br>2, Boulevard Konrad Adenauer<br>L-1115 Luxembourg<br>Grand Duchy of Luxembourg<br>United Kingdom | **Deutsche Trustee Company Limited**<br>Winchester House<br>1 Great Winchester Street<br>London EC2N 2DB<br>United Kingdom | **Deutsche Bank AG, London Branch**<br>Winchester House<br>1 Great Winchester Street<br>London EC2N 2DB<br>United Kingdom |

**LEGAL ADVISORS TO THE TRUSTEE**

**White & Case LLP**
5 Old Broad Street
London EC2N 1DW
United Kingdom

**INDEPENDENT AUDITORS**

*Of the Parent Guarantor:*
**PricewaterhouseCoopers, Société coopérative**
2 rue Gerhard Mercator, B.P. 1443
L-1014 Luxembourg
Grand Duchy of Luxembourg

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