Free Translation

2013 Annual Financial Report

DISCLAIMER

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Forward-looking Statements

This 2013 Annual Financial Report contains statements regarding the prospects and growth strategies of the Group. These statements are sometimes identified by the use of the future or conditional tense, or by the use of forward-looking statements such as "considers", "envisages", "believes", "aims", "expects", "intends", "should", "anticipates", "estimates", "thinks", "wishes" and "might", or, if applicable, the negative form of such terms and similar expressions or similar terminology. Such information is not historical in nature and should not be interpreted as a guarantee of future performance. Such information is based on data, assumptions, and estimates that the Group considers reasonable. Such information is subject to change or modification based on uncertainties in the economic, financial, competitive or regulatory environments. This information is contained in several sections of this 2013 Annual Financial Report and includes statements relating to the Group's intentions, estimates and targets with respect to its markets, strategies, growth, results of operations, financial situation and liquidity. The Group's forward looking statements speak only as of the date of this 2013 Annual Financial Report. Absent any applicable legal or regulatory requirements, the Group expressly disclaims any obligation to release any updates to any forward looking statements contained in this 2013 Annual Financial Report to reflect any change in its expectations or any change in events, conditions or circumstances, on which any forward looking statement contained in this 2013 Annual Financial Report is based. The Group operates in a competitive and rapidly evolving environment; it is therefore unable to anticipate all risks, uncertainties or other factors that may affect its business, their potential impact on its business or the extent to which the occurrence of a risk or combination of risks could have significantly different results from those set out in any forward-looking statements, it being noted that such forward-looking statements do not constitute a guarantee of actual results.

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I. MANAGEMENT REPORT OF THE BOARD OF DIRECTORS WITH RESPECT TO THE YEAR ENDED DECEMBER 31, 2013

NUMERICABLE GROUP
Limited Liability Corporation (*société anonyme*), with a Board of Directors
with a share capital of €123,942,012
Registered Office: Tour Ariane, 5 Place de la Pyramide, 92088
La Défense, Cedex
794 661 470 RCS Nanterre (the "Company")

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS WITH RESPECT TO THE YEAR ENDED DECEMBER 31, 2013 (ARTICLES L. 225-100 ET SEQ. OF THE FRENCH COMMERCIAL CODE)

Dear shareholders,

In accordance with articles L. 225-100 et seq. of the French Commerical Code, we have convened a general shareholders' meeting to report to you on the operations of the Company and its consolidated subsidiaries as a whole for the year ended December 31, 2013 and to submit for your approval the Company's statutory and consolidated financial statements for the year.

The statutory auditors' reports, the management report and the statutory and consolidated financial statements and other related documents have been made available to you in accordance with the timing and conditions provided by law.

We remind you that the Company was created on August 2, 2013 and that its first fiscal year was exceptionally only approximately five months long.

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I. BUSINESS

A. ACTIVITIES

1. Business Overview

1.1 General presentation

Numericable Group is the sole major cable operator in France. It was created through the combination of several B2C cable and B2B operators and operates using a highly capillary network infrastructure to serve three telecommunication market segments in France: B2C, B2B and wholesale. The Group generated consolidated revenues of €1,314.2 million for the fiscal year ended December 31, 2013.

In the B2C segment, Numericable Group, under the Numericable brand name, is the sole cable operator in France (other than small local operators which collectively represent less than 1% of the French cable networks), with a footprint covering nearly 10 million households in more than 1,300 cities. Its network covers the urban areas and highly-dense regions in France and offers retail customers a wide range of telecommunications products and services: pay television, very-high-speed and high-speed broadband Internet access and fixed-line and mobile telephony (operated as an MVNO). The Group also offers bulk digital services to multiple-dwelling unit managers and housing associations and fiber packages which are resold by third-party operators under their own brand names (known as "white label" products). The Group believes that it has the most advanced fiber network for residential customers in France, with approximately 5.2 million households serviced by fiber, which currently allows, in addition to HDTV and 3D-TV, for download speeds of up to 200 Mbps in Internet. The B2C segment contributed consolidated revenues of €864.6 million in 2013 (65.8% of Group consolidated revenues).

In the B2B segment, Numericable Group, under the Completel brand name, believes it is the second largest alternative operator to Orange, after SFR, and the first largest alternative operator in terms of FTTO networks. The Group is a facilities based operator of cutting-edge high-capacity, fiber optic communications infrastructure. The Group offers data services, including IP VPN, LAN to LAN, Internet, security, hosting and cloud computing, and voice services, including voice, VoIP and Centrex. The Group has one of the widest ranging fiber-DSL networks in France, with 80 fiber metropolitan area networks ("MANs") and 700 subscriber access nodes. It provides telecommunications and Internet-related services to business and government end-users in targeted urban areas in France. It delivers these services primarily to on-net customers connected to the Group's networks. The B2B segment contributed consolidated revenues of €309.6 million in 2013 (23.6% of Group consolidated revenues).

In the wholesale segment, Numericable Group is a leading national wholesale player, offering voice and data wholesale carrier services, fiber network infrastructure-based wholesale services and triple-play DSL white label packages. It offers a wide product portfolio to a broad base of national and international operators. The Group addresses the whole spectrum of the wholesale market in France, providing local, national and virtual operators in France as well as international operators operating in France with an alternative to Orange and SFR, which are the two main wholesale suppliers. The wholesale segment contributed consolidated revenues of €140.0 million in 2013 (10.7% of Group consolidated revenues).

As of December 31, 2013, the Group served approximately 1.346 million direct B2C subscribers, approximately 1.753 million bulk customers, and approximately 466,000 white label end-users and approximately 600 large private corporate and public sector clients as well as approximately 4,400 midmarket clients and 17,000 SME clients (including 10,000 at LTI).

The Group has an extensive network, covering both switched voice and data. Both B2C and B2B operations rely on the Group's extensive backbone. As of December 31, 2013, the total length of fiber cables that make up the national long distance network is approximately 13,000 kilometers. The Group's network includes hybrid fiber and coaxial cable connections to homes, 80 fiber metropolitan area networks connecting corporate and public sector sites in France's dense business areas and an extensive DSL network over its switched voice lines, with 700 subscriber access nodes. Covering approximately 35% of homes in

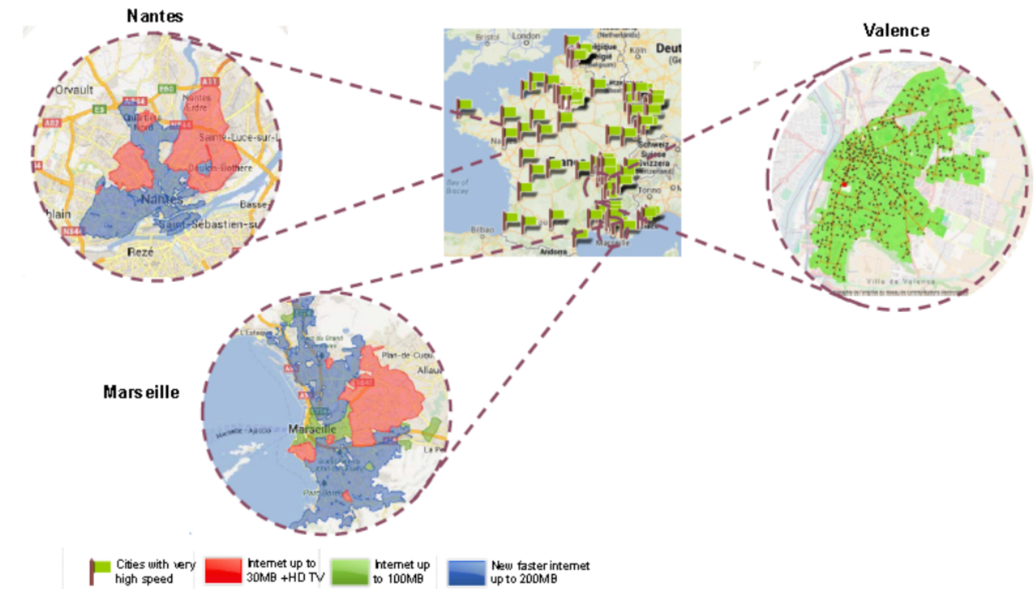
metropolitan France, the Group's network is concentrated in densely populated areas but does not cover the entire French territory.

The Group's fiber/cable network is one of two core end-to-end networks equipped with extensive local loop infrastructure in France, the other being that of Orange. As of December 31, 2013, the Group's network passed 9.9 million homes (approximately 35% of French homes), including approximately 5.2 million homes passed by its FTTB/EuroDocsis 3.0-enabled network, approximately 3.3 million homes by its EuroDocsis 2.0-enabled network and 1.4 million homes by its standard coaxial cable network (the latter without bi-directional capability and thus limited to television services). The Group increased the number of homes connected with FTTB/EuroDocsis 3.0 by 408,000 in 2013. The Group intends to upgrade 700,000 and 800,000 homes in 2014 and to upgrade all of the remaining non-upgraded triple-play compatible plugs (3.3 million as of December 31, 2013) to EuroDocsis 3.0 by the end of 2016. Over 85% of the Group's overall network in terms of homes passed is EuroDocsis 2.0- or EuroDocsis 3.0-enabled as of December 31, 2013. In addition, 85% of the homes connected to the Group's network benefit from an 862 MHz frequency (i.e., are triple-play ready). The portion of the Group's network that has already been upgraded to FTTB and uses EuroDocsis 3.0 technology currently provides a download speed of up to 200 Mbps, which is the highest available in France on a large scale and allows the Group's customers to connect several devices (such as computers, televisions, tablets and smartphones) simultaneously without impairing the quality of the TV signal or the internet speed. The Group believes this download speed and its separate streams of TV and Internet give it an advantage over its competitors. In addition, this portion of the Group's network has potential capacity to support download speeds of up to 400 Mbps with limited capital expenditure by the Group, and, in the long-term, and with additional capital expenditure, could have the potential capacity to support download speeds of up to 1Gbps. Moreover, the part of the Group's network that uses EuroDocsis 2.0 technology provides a download speed of up to 30 Mbps, which, the Group believes, is higher than its DSL competitors. Both the EuroDocsis 3.0 and the EuroDocsis 2.0 technologies enable the Group to offer its B2C segment customers triple-play or quadruple-play and interactive services requiring large bandwidths and benefiting from an 862 MHz frequency. The Group believes that the picture quality of its television products, especially for HDTV channels, is superior to that of the IPTV technology used by its competitors on DSL lines and that this will become an increasingly important differentiator, especially for customers with wide-screen television sets. The Group's decoder, LaBox, contains an optimized interface for watching YouTube HD videos on the television screen thanks to an integrated search engine and personalized access. It also offers the possibility of a split-screen feature, allowing the user to watch a show while simultaneously following Twitter and Facebook comments on the same television screen.

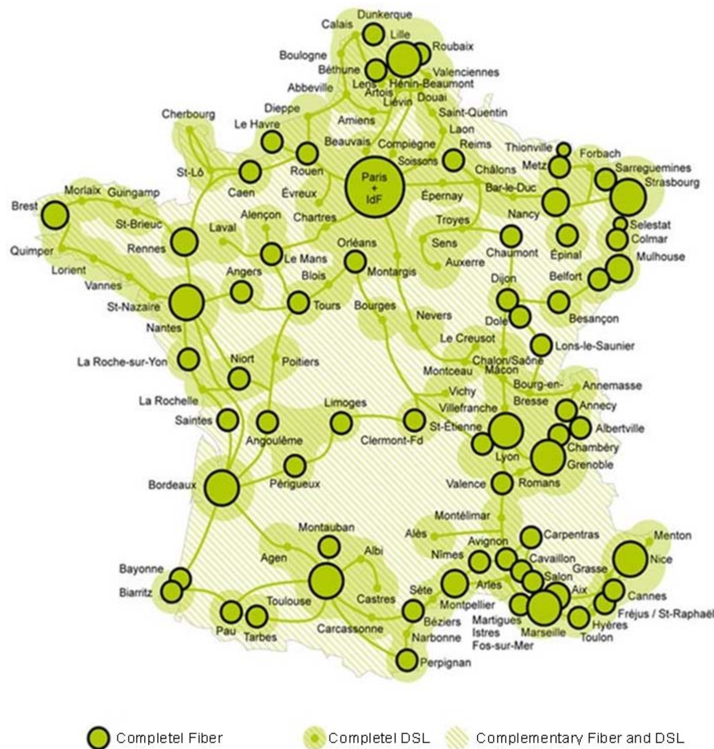
The Group's B2B segment is based on fiber metropolitan area networks located in large urban areas and installed in 80 dense business areas in France. Among other things, the existence of these MANs enables the connection of new B2B customers with limited capital expenditures. The Group's DSL network can also connect to B2B customers' more remote sites. As of December 31, 2013, the Group's fiber network passed over 10,000 private corporate and public sector sites, and its DSL network passed over 80,000 private corporate and public sector sites.

The Group's network is operated as a single, integrated network. The Group is party to several long-term IRUs with Orange and various agreements with public authorities. The maps below illustrate the B2C and B2B networks, respectively.

The Group's B2C Network



The Group's B2B Network



For the year ended December 31, 2013, the Group's consolidated revenue was €1,314.2 million and the Group's consolidated EBITDA was €560.1 million.

1.2 The Group's Business Lines

1.2.1 B2C Market (Numericable)

1.2.1.1 General presentation

The historical foundation of the Group's B2C business was the provision of analog cable television services and, since the emergence of such technology, digital cable television services. As of December 31, 2013 the Group's network covers 35% of French homes and reaches 9.9 million homes (of which 5.2 million are fiber connectable). As B2Cs have increasingly sought to receive their media and communications services in a single package from a single provider, the Group has shifted its focus towards offering subscribers standard and premium television, broadband Internet, and fixed and mobile telephony subscriptions in the form of triple- and quadruple-play packages. The Group's B2C services now primarily focus on the triple- and quadruple-play market, providing both branded and white label services. The Group continues to provide, through separate subscriptions, television, broadband Internet and fixed and mobile telephony services on a stand-alone basis to its customers. The Group also provides analog television to individual subscribers and bulk digital services to multiple-dwelling units and housing associations.

The B2C segment contributed €864.6 million in revenue (65.8% of Group consolidated revenues) in the year ended December 31, 2013. The following table summarizes revenue generated by the B2C segment (before elimination of inter-segment sales) by type:

B2C Segment	**For the year ended December 31, 2013**
(in € millions)	
Revenue	**869.4**
Digital revenue	*681.5*
Analog revenue	*28.6*
Bulk revenues	*68.6*
White label (fiber) revenue	*90.7*

The following table sets out certain operating information for the B2C business as of and for the periods indicated:

B2C Operating Data:	As of and for the year ended December 31,		
	2011	**2012**	**2013**
	(Unaudited) *(in thousands except percentages, number of RGUs per individual user and ARPU)*		
Footprint[1]			
Homes passed[2]	9,833	9,875	9,940
Triple-play enabled	8,368	8,428	8,511
EuroDocsis 3.0 enabled plugs	4,285	4,788	5,196
Digital individual subscribers	1,238	1,228	1,264
Multi-play[3]	938	972	1,041
Stand-alone television	267	223	193
Other[4]	34	34	31
White label end-users[5]	206	297	363
Total digital individual users	**1,444**	**1,525**	**1,628**
Analog television individual subscribers	133	103	81
Total individual users	**1,577**	**1,628**	**1,709**
TV Individual RGUs[6]	1,216	1,163	1,140
Internet Individual RGUs[6]	950	985	1,054
Fixed Telephony Individual RGUs[6]	897	946	1,024
Mobile Telephony Individual RGUs[6]	47	113	186
Total individual RGUs[6]	**3,110**	**3,207**	**3,404**
Number of individual RGUs per individual user[6]	**2.27**	**2.41**	**2.53**
Bulk subscribers[7]	1,837	1,829	1,753
Churn—individual subscribers	19.4%	18.6%	19.2%
Stand-alone digital television	17.1%	19.0%	18.9%
Analog television	25.2%	18.3%	19.2%
Triple-play	18.1%	17.2%	17.0%
ARPU per month—new digital individual subscribers (gross-adds)[8]	**41.5 €**	**41.7 €**	**41.3€**
ARPU per month—digital individual subscribers (customer base)[8]	**40.3 €**	**40.7 €**	**41.5€**

(1) Operating data related to the Group's footprint and penetration are presented as of the end of the period presented.
(2) A home is deemed "passed" if it can be connected to the distribution system without further extension of the network.
(3) Includes dual-play services (Internet and fixed-line telephony, fixed-line telephony and television, television and Internet).
(4) Includes stand-alone Internet and stand-alone fixed-line and mobile telephony subscribers.
(5) Fiber white label end-users (i.e., not including DSL white-label end users), in accordance with the financial communication policy of Ypso France, as well as the accounting segments of the Group (fiber white label activities are included in the B2C segment and DSL white label activities are included in the wholesale segment).
(6) Revenue Generating Units. Each subscriber receiving cable TV, broadband Internet or fixed or mobile telephony services over the Group's network represents one RGU. Thus, one subscriber who receives all of the Group's B2C services would be counted as four RGUs. RGUs represent only Numericable brand direct subscribers (i.e., does not include white label or bulk subscribers).
(7) Bulk subscribers are subscribers through a collective contract entered into between a cable operator and a property agent or housing association.
(8) Operating data related to ARPU are presented in euro per month (excluding VAT) for the periods indicated and do not reflect ARPU from white label end users or bulk subscribers.

The following table sets out B2C operating information on a quarterly basis:

	At March 31/ Q1 2013	At June 30/ Q2 2013	At Sept. 30/ Q3 2013	At December 31/ Q4 2013
	(Unaudited) *(in thousands except percentages, number of RGUs per individual user and ARPUT)*			
Footprint[(1)]				
Homes passed[(2)]	9,858	9,889	9,932	9,940
Triple-play enabled	8,415	8,452	8,493	8,511
EuroDocsis 3.0 enabled plugs	4,873	4,977	5,093	5,196
Digital individual subscribers	1,238	1,239	1,253	1,264
Multi-play[(3)]	993	1,002	1,019	1,041
Stand-alone television	212	205	201	193
Other[(4)]	32	32	32	31
White label end-users[(5)]	313	320	334	363
Total digital individual users	**1,550**	**1,559**	**1,587**	**1,628**
Analog television individual subscribers	97	91	88	81
Total individual users	**1,647**	**1,650**	**1,674**	**1,709**
TV Individual RGUs[(6)]	1,158	1,148	1,144	1,140
Internet Individual RGUs[(6)]	1,006	1,015	1,032	1,054
Fixed Telephony Individual RGUs[(6)]	970	981	1,000	1,024
Mobile Telephony Individual RGUs[(6)]	135	151	167	186
Total individual RGUs[(5)]	**3,269**	**3,295**	**3,343**	**3,404**
Number of individual RGUs per individual user[(6)]	2.45	2.48	2.49	2.53
Bulk subscribers[(7)]	1,821	1,783	1,797	1,753
Churn—individual subscribers	18.7%	17.8%	19.3%	20.2%
Stand-alone digital television	19.7%	18.3%	16.7%	21.0%
Analog television	18.1%	17.8%	15.9%	25.5%
Triple-play	17.2%	15.5%	17.7%	17.7%
ARPU per month—new digital individual subscribers (gross-adds)[(8)]	42.4€	42.2€	39.1€	41.9€
ARPU per month—new digital individual subscribers (customer base)[(8)]	41.0€	41.4€	41.9€	41.9€

(1) Operating data related to the Group's footprint and penetration are presented as of the end of the period presented.
(2) A home is deemed "passed" if it can be connected to the distribution system without further extension of the network.
(3) Includes dual-play services (Internet and fixed-line telephony, fixed-line telephony and television, television and Internet).
(4) Includes stand-alone Internet and stand-alone fixed-line and mobile telephony subscribers.
(5) Fiber white label end-users (i.e., not including DSL white-label end users), in accordance with the financial communication policy of Ypso France, as well as the accounting segments of the Group (fiber white label activities are included in the B2C segment and DSL white label activities are included in the wholesale segment).
(6) Revenue Generating Units. Each subscriber receiving cable TV, broadband Internet or fixed or mobile telephony services over the Group's network represents one RGU. Thus, one subscriber who receives all of the Group's B2C services would be counted as four RGUs. RGUs represent only Numericable brand direct subscribers (i.e., does not include white label or bulk subscribers).
(7) Bulk subscribers are subscribers through a collective contract entered into between a cable operator and a property agent or housing association.
(8) Operating data related to ARPU are presented in euro per month (excluding VAT) for the periods indicated and do not reflect ARPU from white label end users or bulk subscribers.

1.2.1.2 B2C Segment Offers

1.2.1.2.1 Digital Services

Digital services include pay television, high-speed and very high-speed broadband Internet, fixed-line telephony and mobile telephony, either on a stand-alone basis or bundled into triple- and quadruple-play packages. The Group's digital services business generated consolidated revenue of €681.5 million for the year ended December 31, 2013.

The Group's focus is on providing its customers with triple- and quadruple-play services, which it believes are some of the most attractive bundled products available in France due to the high quality of the television and Internet services provided on coaxial cable and/or fiber. The Group nonetheless continues to provide its existing subscribers with digital television, broadband Internet, fixed-line telephony and/or mobile telephony services on a stand-alone basis where requested. Set out below is a description of the various services the Group offers, on either a bundled or stand-alone basis.

Digital Television

As of December 31, 2013 the Group delivered digital television services to approximately 1.140 million B2C subscribers, including approximately one million multi-play subscribers and 193,000 stand-alone television subscribers. The Group believes that it offers B2C subscribers one of the best television packages currently available in France, with a high number of HD channels and the most attractive package of premium channels, with the same content as that available in CanalSat offers. Its television services include between 200 and 400 digital television channels (including between 10 and 54 HDTV channels) depending on the package selected, more than 40 digital radio channels, interactive television services such as VOD, catch-up television and innovative features such as 3D-TV. VOD allows subscribers to order recent movies and television shows for a fee while catch-up television allows subscribers to view on-demand television programming from a group of popular channels at any time within (typically) seven to 30 days after the programs were originally aired. The Group's VOD catalogue, which is comprised of over 30,000 shows and movies, is one of the largest available in France. The Group also makes 40 selected channels accessible live from multiple devices (including smartphones and tablets) for a small monthly fee to low-end pay-television subscribers and at no extra charge to the Group's high-end pay-TV subscribers.

The Group's television offerings include a variety of public and private channels from broadcasters around the world, as well as special interest channels covering all customer segments, including information, sports, music and home shopping channels. The Group's high-end quadruple-play package (the "Platinium" package) includes 320 channels (including 54 HDTV channels) and is, the Group believes, one of the most comprehensive television channel packages currently available in France. Group customers may also purchase up to six additional themed and bundled packages including digital channels and bundled channels, such as Pass Cinema and Pass Sport. Customers may also add-on additional channels, such as the Orange Cinema Series packages, BeIn Sport and Canal+. The Platinium package also offers broadband internet access with a download speed of up to 200 Mbps for subscribers connected to the EuroDocsis 3.0 portion of the Group's network, and up to 30 Mbps for subscribers connected to the EuroDocsis 2.0 portion of the Group's network, as well as a fixed telephone line with unlimited national and certain international calls.

The Group licenses its television programming content from third-party content providers, entering into agreements directly with authors' groups in France, including SACEM (*Société des auteurs, compositeurs et editeurs de musique*, or the French Society of Music Authors, Composers and Editors), broadcasters and distributors. In general, the Group pays license fees based on subscriber numbers to these content providers and the agreements with certain providers require the Group to pay minimum guaranteed amounts. The Group also pays royalties based on its subscribers' usage of on-demand content, such as VOD.

Broadband Internet

As of December 31, 2013, the Group delivered B2C Internet services to approximately 1.054 million subscribers. The Group offers "always on" high-speed broadband Internet with a download speed of up to 200 Mbps in the EuroDocsis 3.0-enabled part of the Group's network and up to 30 Mbps in the EuroDocsis 2.0-enabled part of the Group's network. The Group's broadband Internet offerings typically include a free wireless broadband router, an account with up to 30 e-mail addresses, up to 200 MB of personal webpage space and parental control services. The Group believes that its broadband Internet offerings are the most advanced available in France.

The Group's B2C Internet strategy is to provide a superior product with premium pricing by outperforming competitors in terms of upstream and downstream speed, product features and service quality. The Group is well positioned to be a broadband Internet market leader in those parts of France where its services are available.

The Group also offers DSL double-play service to its subscribers moving to homes that are not connected to its fiber/cable network. The Group had 8,340 multi-play DSL customers as of December 31, 2012 and 24,871 multi-play DSL customers as of December 31, 2013. The Group also recently introduced a new DSL triple-play package open to subscribers outside the Group's network area. See the description below.

Fixed-Line and Mobile Telephony

As of December 31, 2013, the Group had approximately 1,024,000 fixed-line telephony subscribers. The Group primarily sells fixed-line telephony services in its triple- and quadruple-play packages because most installed cable broadband routers are equipped with, or can be easily exchanged for, a broadband router with two voice ports. These packages include unlimited calls from the fixed-line telephone to fixed and mobile phones in France as well as to fixed phones in certain international destinations (and mobile phones in a few international destinations), which is the market standard for triple- and quadruple-play packages in France.

The Group offers mobile telephony services under its own brand name through the nationwide 3G network of Bouygues Télécom pursuant to several MVNO agreements in place since 2010. The agreements relating to voice transmission services are due to expire in 2017 and those relating to data transmission expired in 2012. The data transmission services agreements were automatically renewed for an indefinite term, subject to termination by either party upon twelve months' notice. The voice transmission services agreements will be automatically renewed in 2017 for an indefinite term, subject to either party providing notice of termination six months prior to the original expiration date. Once automatically renewed, the agreements may then be terminated by either party upon twelve months' notice. These agreements may not be renewed or may be renewed on less favorable conditions. While the Group pays a fee to Bouygues Télécom in exchange for access to the latter's wholesale network, the mobile market is one where lower-cost unlimited calling contracts are becoming the norm and where margins are thus structurally limited, in particular following Free's entry into the market at the beginning of 2012. The Group's mobile telephony business is dependent on its contractual relationship with its provider; as the Group has not installed the necessary equipment, it does not have full-fledged MVNO status. For example, the Group's MVNO contract does not currently allow the Group to access the 4G network of its provider, nor to transfer its clients' mobile usage to the Wi-Fi network.

These MVNO agreements enabled the Group to introduce a quadruple-play offering in 2011. The Group currently offers a broad range of mobile telecommunications products and services, including mobile voice services and data services, such as SMS, MMS, games, news and music services. While the Group's mobile services customer base is small and its core focus is on its other offerings, it believes that its ability to offer mobile services is an important marketing and competitive tool, contributing to its brand image and helping to reduce churn.

Following the Group's acquisition of LTI Télécom, the Group has an MVNO contract with SFR. Since November 2013, this contract includes 4G services.

The Group had approximately 113,000 mobile subscribers as of December 31, 2012 and approximately 186,000 as of December 31, 2013. Nearly all such subscribers were quadruple-play subscribers. Approximately 15% to 20% of the Group's new subscribers in 2013 subscribed to quadruple-play offers. Mobile subscriptions added approximately €2 to the Group's monthly ARPU in 2013. Stand-alone mobile telephony services are offered at prices ranging from €1.99 to €19.99 per month. In January 2012, following Free's entry into the mobile telephony market, the Group revised the quadruple-play packages available to its new and existing quadruple-play customers. The Group began offering a SIM card and additional mobile telephony services as part of a quadruple-play package for an additional fee ranging from no charge (Basic Mobile Package) to €15.99 (Ultra-Mobile Monde Package) per month. These packages are the same as those offered to the Group's stand-alone mobile telephony customers, but are offered at a discount when part of a quadruple-play package. They include unlimited calls in France and to 40 international destinations in Europe and North America, unlimited text messages and up to 3 GB of mobile Internet. Subscribers do not have to commit to a minimum contractual period. The Group believes that it provides its customers with one of the best value-for-money mobile telephony offers in France with unlimited national calls (both to fixed and mobile telephones), unlimited text messaging and unlimited national data access.

In January 2014, the Group began offering 4G services. For example, the Group offers iStart Mobile, with a fiber connection of up to 100 M and a 4G mobile connection up to 3 Go, for €37.90 per month, and Power 4, with a fiber connection of up to 200 M and a 4G mobile connection up to 3 Go, for €45.90 per month for twelve months and then €54.90 per month.

Direct costs of the Group's fixed-line and mobile telephony business are the interconnection and termination fees payable to other telephony operators on a periodic basis. Ongoing fixed-line capital expenditures expenses are predominantly driven by incremental subscriber take-up. Since it is not a "full MVNO", the Group has to date had almost no mobile telephony capital expenditure.

Triple- and Quadruple-Play Services

The Group offers triple- and quadruple-play services to customers who are connected to the portion of its network that has been upgraded to bi-directional capacity (using either EuroDocsis 3.0 or EuroDocsis 2.0 technology); this portion represented approximately 85% of the Group's overall network as of December 31, 2013, based on homes passed. The Group increased the number of homes connected with FTTB/EuroDocsis 3.0 by 408,000 in 2013. The Group intends to upgrade 700,000 to 800,000 non-upgraded triple-play compatible plugs to EuroDocsis 3.0 in 2014 and all of the remaining 3.3 million non-upgraded triple-play compatible plugs to fiber in order to make them compatible with EuroDocsis 3.0 by the end of 2016. As of December 31, 2013, the Group had approximately 765,000 subscribers on EuroDocsis 3.0 and approximately 645,000 subscribers on EuroDocsis 2.0 (including white label users).

Subscribers to the Group's B2C multi-play offerings represented approximately 79% and 83%, as of December 31, 2012 and December 31, 2013, respectively, of the Group's direct digital subscribers and approximately 73% and 78%, respectively, of the Group's overall direct subscribers. The Group had approximately 972,000 and 1.041 million multi-play subscribers, as of December 31, 2012 and December 31, 2013, respectively, representing an increase of 3.6% and 7.1%, respectively, from the multi-play subscribers the Group had as of December 31, 2011 and December 31, 2012, respectively.

The Group's triple- and quadruple-play offers combine several services into bundled packages, thereby enabling subscribers to conveniently order television, broadband Internet and fixed and/or mobile telephony services together. The Group provides these services to address the growing needs of customers looking to receive their media and communications services from a single provider at an attractive price. The bundling options introduced by the Group allow its subscribers to combine cable television, broadband Internet and fixed and mobile telephony services for a price lower than the one they would pay by separately subscribing to each of these services.

The Group believes that its triple- and quadruple-play packages are among the most attractive currently available in France, due to the high quality of the television and Internet services provided on coaxial cable and fiber, compared to those provided by the Group's DSL competitors that also offer multi-play packages. The Group currently offers seven packages: iStart (available only on the Internet), Start, iPower, Power, Power+Family, Power+Extra and Platinium. The entry-level packages, which include iStart and Start, primarily target students and young professionals. While iStart only includes television channels available for free through DTT, Start offers 200 channels. Both iStart and Start include broadband Internet at a maximum download speed of 100 Mbps. The premium packages, which include iPower, Power, Power+Family, Power+Extra and Platinium, offer higher Internet speeds, more diverse television content and, the Group believes, more interactive and innovative services than the offerings of the Group's DSL competitors. These premium packages also include 240–320 digital television channels, 60 of which are accessible through the Group's OTT cloud support for remote access on multiple devices (including tablets and smartphones) at no extra charge (TV Everywhere), broadband Internet access at download speeds of up to 200 Mbps for subscribers connected to the EuroDocsis 3.0-enabled portion of the Group's network and up to 30 Mbps for subscribers connected to the EuroDocsis 2.0-enabled portion of the Group's network, and fixed line telephony with unlimited national and certain international phone calls. The Power package also offers a smartphone or tablet for an additional €1.

In May 2012, the Group began marketing "LaBox", an integrated set-top box and cable router that it offers to certain triple-play and quadruple-play customers. The Group had delivered more than 18,000 units of LaBox

as of June 30, 2012 and approximately 300,000 as of December 31, 2013. At the end of December 2013, the Group had 300,000 LaBox customers, representing a penetration rate of 29% of the Group's multi-play customers. It Group believes that LaBox is one of the most powerful and interactive set-top boxes on the French market. In February 2013, the French magazine Capital designated LaBox as the best set-top box on the French market.

This new set-top box and cable router has four tuners that enable subscribers to record two television programs simultaneously while watching a television program, as well as to watch different channels in different parts of the house. Television can also be streamed to different kinds of screens (such as tablets and mobile devices). It has a four-tuner HD and 3D capability and also includes an 802.11n Wi-Fi router, a removable Blu-Ray reader, and a removable 160 Gb PVR or optional 500 Gb PVR which allows it to hold over 110 hours of HD or approximately 280 hours of SD programming. The optional Blu-Ray DVD player is available to customers who put down a €100 deposit when they subscribe to an offer including LaBox (in addition to the €75 base deposit required when subscribing to LaBox). LaBox includes an optimized interface for watching HD YouTube videos on a television screen, with an integrated search engine and personalized access, also offering screen splits that enable customers to watch a show and simultaneously follow comments on Twitter or Facebook on the same television screen. A Google search line is also integrated in the interface. Smart phones and tablets can act as "remote controls" for LaBox, allowing users to navigate the interface with their personal handheld device as well as to control LaBox recording of programs remotely through the application "TV Mobile". LaBox also includes a VOD price comparison engine and intelligent content search, and up to two shows can be watched (through picture in picture) and two shows recorded simultaneously. LaBox costs the Group approximately €200 per unit (not including €75 passed on to its customers by way of a security deposit), as compared to €135 per unit for the previous set-top box and modem. As a result, the cost that the Group incurs for each unit of LaBox is similar to the cost it incurred for its previous generations of set-top boxes. LaBox has generated increasing ARPU for the Group as the proportion of high-end sales has increased and has allowed the Group to attract new customers to its network. Approximately 70% of gross new customer adds for the period from September 30, 2012 to December 31, 2013 were for the Group's high-end multi-play offerings (in particular, iPower, Power and Power+, as further described below).

Packages with LaBox deliver:

a. Internet, at download speeds of up to 200 Mbps, and upload speeds of up to 10 Mbps to homes that are connected to a EuroDocsis 3.0 fiber/cable network, and at 30 or 100 Mbps to other homes, and a Wi-Fi connection of up to 300 Mbps;

b. digital television services, with the option of receiving over 300 television channels (including Cine+ channels, all Disney channels, all music channels from MTV, Discovery, National Geographic, Planete+, Eurosport and ESPN America HD); and

c. fixed-line telephony services, with two telephone lines and unlimited calls to all of mainland France.

The following table provides information on the content and price of the Group's principal triple-play and quadruple play offers in February 2014:

Triple Play Offers		**Istart**	**LaBox Start**	**LaBox Power**	**LaBox Family**	**LaBox Extra (only customers)**	**LaBox Platinium**
Price including decoder rental		**27.90€**	**39,90€**	**45.90€**	**55.90€**	**77.90€**	**98.90€**
TV	Number of channels & services	TNT	200 (iso bouquet Start)	240 (iso bouquet Power)	280 (iso bouquet Power+Family)	300 (iso bouquet Power+Extra)	320 (iso bouquet Platinium)
	Teaser	N/A	Power	P+F	Platinium	Platinium	n/a
	Number of HD channels	10	25	45	53	57	60
	Number Replay	N/A	23	37	47	54	55
	Multi Screen	YES	YES	YES	YES	YES	YES

	Multi TV included	NO	NO	NO	YES	YES	YES
Equipment		Modem only Incompatible with LaBox	Compatible with LaBox including 160GO of storage	Compatible with LaBox including 160GO of storage	Compatible with LaBox including 160GO of storage	Compatible with LaBox including 160GO of storage	Compatible with LaBox including 160GO of storage
Included Services		0	0	: Basic Mobile	: Basic Mobile + Second fixed line	: Basic Mobile + Second fixed line	: Basic Mobile + Second fixed line
@	Maximum Debit (depending on eligibility)	100M	200M	200M	200M	200M	200M
TEL	Destinations	100	100	100	100	100	100
	F2M	YES (iStart iso since 01/01/14)	YES	YES (current iso)	YES (current iso)	YES (current iso)	YES (current iso)
	Second line	With F2M As an additional subscription option	With F2M As an additional subscription option	With F2M As an additional subscription option	INCLUDED	INCLUDED	INCLUDED

Quadruple Play Offers		Istart mobile	LaBox Start 4	La Box Power 4	La Box Family 4	La Box Extra 4	La Box Platinium 4
Price including decoder rental		39.99€	49.99€	54.99€	64.99€	86.99€	107.99€
TV	Nb chaînes & services	TNT	200 (iso bouquet Start)	240	280	280	280
	Teaser	N/A	Power	P+F	Platinium	Platinium	Platinium
	Number of HD channels	10	25	45	53	53	53
	Number Replay	N/A	23	37	47	52	53
	Multi Screen	NON	OUI	OUI	OUI	OUI	OUI
	Multi TV included	NON	NON	NON	OUI	OUI	OUI
Equipment		Modem only Incompatible with LaBox	Compatible with LaBox including 160GO of storage	Compatible with LaBox including 160GO of storage	Compatible with LaBox including 160GO of storage	Compatible with LaBox including 160GO of storage	Compatible with LaBox including 160GO of storage
Number of optional services		0	0	0	Second fixed line only	Second fixed line only	Second fixed line only
@	Maximum Debit (depending on eligibility)	100M	200M	200M	200M	200M	200M
TEL	Destinations	100	100	100	100	100	100
	F2M	YES	YES	YES	YES	YES	YES
	Second line	As an additional subscription option	with F2M as an additional subscription option	with F2M as an additional subscription option	YES	YES	YES
Mobile Up to 5 lines	Ultra Mobile Package	Included	Included	Included	Included	Included	Included
	All packages	Additional lines available	Additional lines available	Additional lines available	Additional lines available	Additional lines available	Additional lines available
Eligible sales channels		All except door-to-door	ALL	ALL	ALL	ALL	ALL

In addition, the Group's customers may subscribe to add-on packages of extra sports, movies, shows, adult, knowledge and discovery, music, lifestyle, youth, and world content, as well as premium channels like Canal+ or BeIn Sport (for example, a package combining Orange Cinema Series and BeIn Sport for €20 per month). The Group believes that its premium packages contain significantly more value than those of other triple and quadruple-play players in the French market, the former providing customers with (i) much faster download speeds through fiber as opposed to broadband DSL, (ii) higher quality TV through a dedicated

cable distribution platform, (iii) multiple HD stream facilities, and (iv) the most comprehensive premium package for high-end pay television, including direct access to premium channels and content. Unlike the Group's customers, those of its triple and quadruple-play competitors need a separate CanalSat subscription to access exclusive content channels.

The Group offers a VOD pass to its subscribers beginning at €4 per month. The films are generally available on VOD four months after their release in theatres (as compared to six months on premium pay-TV (e.g., Canal+)). VOD purchases by the Group's subscribers contributed approximately €0.75 to the Group's monthly ARPU in 2013.

In August 2013, the Group launched a new triple-play DSL offer (up to 20 Mbps), which offers consumers living outside the Group's cable zone the option to subscribe to a Numericable triple-play offer. In February 2014, the following offers were available:

- **iStart** at €27.90/month (promotion available for internet and telephone sales: €19.90 per month for twelve months) including Internet up to 20 megas + unlimited national calls to fixed lines and to 100 international destinations;

- **Essentiel** at €35.90/month including the iStart offer + 50 television channels (including 14 replay channels);

- **Max** at €43.90/month (promotion €37.90/month for 12 months) including the iStart offer + 83 television channels (including 20 replay channels).

This new offer is based on a technological solution provided by the Group's partner TeVolution: an OTT solution based on Adaptive Bitrate Streaming, and not on IP TV. TeVolution manages the provision of the television services, the content being owned by Numericable. These offers do not include all the advantages of the Group's cable/fiber offers, certain services being unavailable for the ADSL offer (certain interactive services such as VOD, replay services and certain channels). Subscribers must also pay €5/month to rent the Netgear STB 1100 HD set-top box (which includes the DailyMotion application and a VOD/TV search network). The availability of the television services requires a minimum speed of 2Mbps, which is lower than the speed required for IP TV technology.

The Group derives substantial benefits from the trend towards bundled subscriptions, through which it is able to sell more products to individual subscribers, resulting in significantly higher monthly ARPU. The Group expects to continue to benefit from this trend and plans to continue marketing triple- and quadruple-play products aggressively.

1.2.1.2.2 Analog Television Services

Analog television services consist of the broadcast of encoded analog audio and video signals. As of December 31, 2013, the Group's analog television package, which includes 30 analog channels, was provided to approximately 81,000 households located mainly in small and mid-sized cities in eastern France, which are connected to the Group's network but are not digital-television enabled. It is also provided to legacy customers on the remainder of the Group's network who have chosen not to upgrade to one of the Group's digital packages.

Following the European Commission's communication of May 24, 2005 that EU member states cease analog television transmission and switch to DTT by January 1, 2012 and the "France Digital Plan 2012" adopted in October 2008 by France to promote the development of the digital economy, the deployment of DTT rapidly expanded and full transition to DTT broadcasting was completed in November 2011. DTT allows the public to receive a free television package that is comparable to the Group's analog package. In response, the Group has developed targeted promotional triple-play offers designed to migrate existing analog customers to digital television, where the upgrade of the Group's analog network to digital made economic sense. Certain of the Group's analog customers are, however, located in areas where the Group's network is limited to analog services: upgrading such customers to digital television and Internet offers is not technically possible without the Group investing in the deployment of a fiber/cable network. The Group therefore

intends to continue providing analog services to such customers until demand decreases to a level that is not economically viable.

The Group experienced a peak in its loss of analog television subscribers during the time of the full transition to DTT, as customers became aware of the availability of free, high-quality DTT channels. As a result, the Group's analog television subscriber base decreased from approximately 263,000 subscribers as of December 31, 2009 to approximately 195,000 as of December 31, 2010 and 133,000 as of December 31, 2011. The loss of customers then slowed, dropping to 103,000 subscribers as of December 31, 2012 and approximately 81,000 subscribers as of December 31, 2013. The Group expects its analog customer base to continue to decrease in coming years and ultimately to phase out this service.

1.2.1.2.3 Bulk Services

The Group offers bulk services to housing associations and multiple-dwelling unit managers, such as managers of government subsidized housing, who in turn offer them to their residents. The Group offers housing associations and multiple-dwelling unit managers a bulk triple-play package that includes a basic digital television package of 48 channels, 30 radio channels, unlimited broadband Internet access up to 2 Mbps, unlimited inbound fixed-telephone calls, and free Internet and telephony modems. The Group also offers a stand-alone analog television package to its bulk subscribers, though the subscription rate of this package is far below the Group's bulk triple-play offering. Subscription fees are paid directly, by the multiple-dwelling unit manager, generally on a quarterly basis, irrespective of whether the Group's services are actually used by the residents, thereby limiting collection risk. The Group's SUN offering aims at deploying digital service to a new customer base in order to promote cross-selling and to reduce piracy. Approximately 70% of the homes passed in the Group's bulk services division are in government subsidized housing.

The Group provided services to approximately 1.8 million individual subscribers under bulk contracts as of December 31, 2013. However, it does not have direct contact with such individual subscribers, as the contracts are entered into only with the building managers or the housing associations.

The Group's bulk services customer base has decreased slightly but proven resilient over the years, providing the Group with a steady revenue stream. Bulk services generated revenue of €70.0 million in 2011, €70.1 million in 2012 and €68.6 million in 2013. Although the Group's contact with bulk individuals subscribers is limited, the Group believes there are opportunities to up-sell individual triple-play and quadruple-play packages to the end-users of its bulk services. The Group uses targeted sales forces to encourage more of its end-users to switch from a bulk subscription to an individual subscription. In buildings where there is a bulk contract, the Group's sales teams utilize targeted sales approaches (door-to-door, suggested neighbor meetings to discuss Numericable services, etc.).

1.2.1.2.4 White Label (Fiber)

The Group provides white label dual-play or triple-play access lines to third-party operators through fiber access technologies. The Group first began providing triple-play white label fiber services in October 2009 to mobile phone operator Bouygues Télécom. It also provides white label dual-play and triple-play access lines to third-party operators through DSL (mainly unbundling); this business line is included in its wholesale segment.

These white label triple-play services are sold under long-term contracts and are tailored to the needs and requirements of each of the Group's customers. Bouygues Télécom is currently the Group's sole fiber white label customer (following its acquisition of Darty's telecommunications business in July 2012). Services provided to Bouygues Télécom include television content and broadband Internet, but not the fiber set-top box. The Group is also able to adapt terms to the evolving needs of clients: for example, in 2013, an amendment to the contract with Bouygues Télécom increased the maximum Internet download speed to 200 Mbps as from 100 Mbps.

White label services allow the Group to leverage the usage of its network, benefit from significant distribution networks of partners and reach customers it would not otherwise reach through its B2C

offerings. This in turn enables it to acquire end-users without the associated acquisition costs under long-term commercial terms.

As of December 31, 2013, the Group provided fiber white label triple-play services to approximately 363,000 end-users.

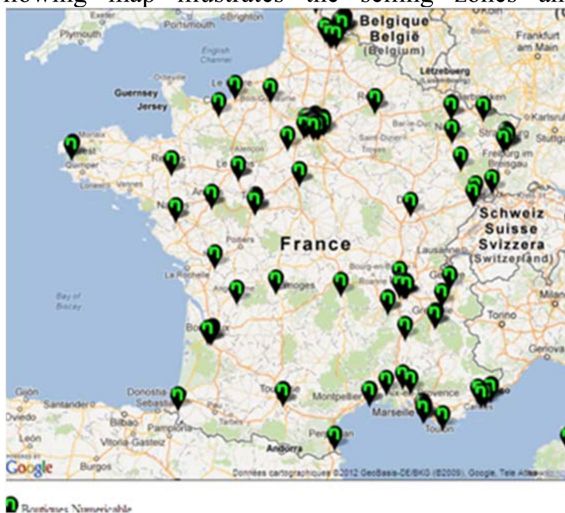
1.2.1.3 Subscription Fees

The Group reviews its pricing policy regularly and, in the past, has increased subscription fees in line with inflation and in response to market conditions and the evolution of content costs. The pricing of all of the Group's services, including triple- and quadruple-play packages, is dependent on market conditions and pricing by competitors with similar offerings.

1.2.1.4 Sales and Marketing

The Group markets its products directly to individual subscribers using a broad range of sales channels, primarily through its own sales outlets, retail outlets, its website, inbound and outbound telesales as well as through door-to-door sales. The Group currently outsources its door-to-door sales services. The Group's local stores offer product demonstrations, enabling the sales teams to promote and support sales of LaBox and premium packages. The Group has divided its sales network in France into four regions and 165 selling zones, each under the responsibility of a local manager. Each zone has its own detailed monthly reporting system which provides regular updates on, among other metrics, numbers of new customers, churn rates, revenue generation and customer satisfaction.

The following map illustrates the selling zones and store presence of Numericable in France:



Numericable stores (including stores subject to a distribution agreement with third parties)

As of December 31, 2013, the Group had 148 Numericable stores in France, 88 (60%) of which were run under exclusive distribution agreements. The Group continues to establish retail partnerships with leading French retail outlets (including Boulanger, Carrefour and Cora) as part of its proximity sales strategy. As of December 31, 2013, the Group had 250 retail sales points operating through such retail partnerships. The Group expects to increase the number of stores and decrease the number of retail sales points.

The Group uses different channels in each retail zone depending on its presence and success in that zone. For example, in areas where the Group has a low penetration rate, door-to-door sales can be a way for the Group to become more well known, with this marketing method resulting in increased sales through other channels.

The Group also has a separate sales team in charge of its sale of bulk services to building managers or housing associations.

The Group's marketing department is responsible for designing and promoting new products and services to customers, with a particular focus on campaigns for triple- and quadruple-play packages. The Group has marketed its B2C products and services under the brand name "Numericable" since 2007 and has rebranded the products and services of the cable providers acquired since that time.

1.2.1.5 Customer Service and Billing

The customer service function is responsible for all customer care activities, including handling customer queries and complaints. This function also handles inbound telesales. The Group outsources most customer care functions to third-party service providers. Such providers use operating procedures, tools and training that are provided by the Group. A team of in-house specialists handles the most complex customer care issues.

The Group has high-quality Customer Relations Management (CRM) systems in place, which enable it to better manage customers who recently subscribed to its services, identify customers at risk of churning, put in place an expert team in charge of complex customer issues, offer special retention offers to potential churners and repayment plans to insolvent customers. The Group's annualized churn rate for individual B2C subscribers totaled 17.2% in 2010, 19.4% in 2011 (reflecting the official termination of analog terrestrial television transmission and the switch to DTT), 18.6% in 2012 and 19.2% in 2013. The Group's churn rate is higher than the market standard due to its smaller fiber/cable network footprint and the effect of customers leaving it.

Recent surveys have shown high customer satisfaction rate for the Group's products and services. Numericable was also ranked first in several online surveys on French broadband Internet providers carried out in June 2013 by the website 01net. The quality of the Group's broadband Internet offering has also been confirmed by NetIndex.com, a website that anonymously compiles global Internet speed data, which ranked Numericable ahead of SFR, Bouygues Télécom, Free, Colt and Orange in France for the speed of the Group's Internet broadband offering over the period January 2012 to June 2013. IP-Label Newtest, which measures for 01net the performance of broadband Internet providers in Paris and in the French provinces, ranked Numericable first in terms of quality of triple-play offerings provided in June 2013. In February 2013, the French magazine Capital designated LaBox as the best set-top box in the French market. In addition, in a study conducted by the ARCEP in 2013, the Group was recognized as having the lowest failure rates (0.6% for Numericable, compared to 1.4%, 1.2%, 2.2% and 1.2% for Orange, SFR, Bouygues Télécom and Free, respectively), the best time for setting an initial connection (7 days for Numericable, compared to 9 days, 13 days, 14 days and 17 days for Orange, SFR, Bouygues Télécom and Free, respectively) and one of the best voice qualities in France.

New subscribers commit for a period of 12 months.

An increasing number of subscribers install their own set-top boxes (60% of new individual subscribers in 2010 compared to 65% in 2012).

Billing is handled internally by the Group. The Group offers its individual customers the choice between electronic and paper statements, various prepayment options as well as the ability to pay by direct debit. As of December 31, 2013, approximately 88% of the Group's customers had opted for direct debit payments.

1.2.2 B2C Market (Numericable)

1.2.2.1 General Presentation

The Group provides business customers with a comprehensive service offering, which includes voice services, either traditional switched voice or VoIP, and data services, such as very-high-speed broadband Internet, worksite connection and housing (IP VPN, LAN to LAN, SAN to SAN) and cloud services and hosting. As of December 31, 2013, the Group's fiber network served more than 10,000 business and public sector sites directly (and approximately 800 additional sites through third party fiber connections), and its DSL network served approximately 80,000 business and public sector sites.

The Group's business customers are small, medium and large corporations, as well as public institutions, often with multiple sites requiring multi-site data connectivity services (IP-VPN). Business services to large corporates and public institutions are based on standard building blocks that are customized and assembled to meet the requirements of the Group's business customers. For example, each customer can choose the bandwidth, type of technology and level of service that is necessary for accurate response time in its own IT environment. As the Group has been historically well-positioned with large B2B clients, it intends to focus increasingly on the midmarket, a market which it has left largely untapped, but whose demand for value-added services (IP, cloud services, security services, etc.) and broadband data services (data centers, VPNs, Ethernet ports, etc.) is growing. In 2012, the Group began using indirect sales channels to support its targeting of this mid-market segment, including 250 distributors and 46 indirect sales people, increasing its distribution footprint and accelerating order intake.

In the B2B segment, the Group, under the Completel brand name, is the second largest alternative operator to the incumbent Orange, after SFR. One of the strengths of the Group's B2B business is in its powerful fiber metropolitan area networks located in large urban areas. The Group made the choice to invest in these separate metropolitan area networks located in large urban areas and to connect them to its backbone and now has 80 MAN, covering the main business areas in France. In addition, the combination of the Group's fiber MANs with its DSL networks provides a key technological edge in the B2B market, enabling it to deliver customized products and services at competitive pricing. Its fiber network is also flexible with its high capacity bandwidths ready for future services that will require an even greater bandwidth capacity and reliability. The Group also has three datacenters, in Paris, Rouen and Lyon, to support its cloud and hosting services.

The Group had approximately 22,000 B2B customers as of December 31, 2013. The Group's B2B business contributed €309.6 million to the Group's revenue (23.6% of Group consolidated revenues) in the year ended December 31, 2013.

The breakdown by amount of revenue generated by the B2B segment (before elimination of inter-segment sales) by product type for 2011, 2012 and 2013 are set forth below:

	Year ended December 31,		
(€ in millions)	**2011**	**2012**	**2013**
Voice	152.2	133.9	115.5
Data	179.0	190.6	197.1
Total B2B revenue	331.1	324.5	**312.6**

The Group focuses on growing its B2B business profitability. It monitors trends in this segment using an indicator of increased revenue generated by the new B2B contracts, a measurement which indicates the recurring monthly value of new orders in a given period. This reflects additional revenue from new contracts signed during a given period. It is comparable to the product of the ARPU of new customers multiplied by the volume of new customers in the B2C segment. The following table shows the amount of additional revenue as a result of new B2B contracts generated from the contracts signed in 2011, 2012 2013.

	Year ended December 31,		
(€ in thousands)	**2011**	**2012**	**2013**
		(*unaudited*)	
New orders revenue	5,290.0	5,659.7	6,656.5

1.2.2.2 The Group's B2B Services

1.2.2.2.1 Fixed Voice

The Group's B2B product and service offerings cover the entire fixed voice needs of businesses, which encompass standard inbound and outbound calls using its switched voice network and, increasingly, VoIP technology, as well as its customized network architecture solutions based on fully digitalized technologies, including IP.

While large corporates generally have their own infrastructure or will have the infrastructure necessary to their fixed voice solutions installed, medium-sized companies often seek solutions that minimize the need to install such infrastructure. For example, large corporates will install servers at their sites to enable them to use VoIP services provided by the Group. This offering enables customers to centralize their telephony needs on their principal sites by centralizing all of their telephony equipment on the customer's central site. This solution enables companies to rationalize costs of equipment and to route all of their internal calls through their data network. VoIP services may also be used as a back-up.

Medium-sized companies often choose to use the Group's Centrex IP service, which uses a Group server located in a data center, rather than on their own site, as the cost of the server is shared with other B2B customers using the Centrex IP service. The Group's Centrex offer was enhanced in 2009 with the acquisition of B3G, a French leader in Centrex and IP telephony for businesses.

In addition, the Group provides B2B customers with tools to manage their telephone services, such as routing and intelligent management of incoming calls to customer service lines. An Extranet service managed by the Group provides customers with access to detailed traffic reports and billing.

The Group also offers free phone services and premium-rate services (known as "800 numbers" in France), although it expects this business to decline in coming years as the Group focuses on more profitable segments.

As of December 31, 2013, the Group provided fixed telephony services to approximately 15,000 corporate and public institutions and managed approximately 70,000 Centrex lines. Based on its own estimates it believes it is the leading provider in France of IP Centrex. The Group believes that it transports more than 12 billion minutes of voice traffic per year.

1.2.2.2.2 Fixed Data

The Group offers a complete range of fixed data services to the French B2B market. The Group provides Internet access, transport, multi-site data connectivity, VPN, LAN to LAN, security, messaging and hosting and other value added services to business customers. Its hosting services are based on its three datacenters, and its cloud service offering is based on two of such datacenters.

The Group offers a wide range of Internet solutions to meet customers' expectations in terms of network reliability, data housing security and connection quality. Along with the Group's own IP network, the Group has access to a "peering" network with other operators and Internet providers present in France as well as with major international players. As with fixed telephony services, customers may connect their central site to the Group's fiber optic network for the best quality and to the Group's DSL network for remote sites.

Worksites Connection and Housing (IP VPN, LAN to LAN, SAN to SAN)

The Group provides a complete range of services to connect work sites through secured Internet and database housing. A customer can connect its various work sites and affiliates through LAN to LAN Ethernet or with IP (IP VPN) and have high-speed Internet access combined with safe solutions for the housing system and easily manageable selling platforms. The Group's housing solutions are backed by a high flow telecommunications structure that improves the availability of applications.

The Group offers IP VPN services that enable businesses to send and receive data across a private, secure network, through a virtual point-to-point connection. The Group's services are adaptable to the technical and functional requirements of the customer's infrastructure, with flexibility in terms of bandwidth, connection technology and management of strategic flows (VoIP, Visio) and the customer's network. The Group's IP VPN offering was enhanced in 2010 with the acquisition of Altitude Télécom, a French specialist in IP VPN with the know-how to connect a multitude of sites (before its acquisition by the Group, Altitude Télécom connected approximately 30,000 sites in France on approximately 1,000 VPNs). This know-how enabled the Group to recently win contracts such as the French Notaries Association (*Notaires de France*) (connecting thousands of notary offices across France) and Volkswagen (connecting hundreds of dealerships across France).

The Group offers LAN to LAN services that are adaptable to the business' specific protocols, which allow customers' LAN to operate as if they were located within the same building. The Group also offers SAN to SAN services that enable customers to securely interconnect and synchronize their information technology platforms in remote locations. Companies thus benefit from data disaster recovery solutions through redundancy on separately located sites and flexibility, permitting both simple copies as well as total and synchronized redundancy.

The Group is the second largest Ethernet operator in France, connecting more than 4,000 sites, and the third largest IP operator, connecting over 80,000 sites in France (Source: Group estimates).

Cloud Services and Hosting

The Group has adapted to the changing telecommunications environment by deploying a full range of cloud services, including external flexible telephony services, messaging and security solutions and hosting services (i.e., servers and platforms). The Group focuses in particular on providing "infrastructure as a service" ("IaaS"), which provides customers with the benefits of infrastructure without having to invest in it.

Combining Iaas with the Group's broadband network uses the power of fiber and contributes to customer loyalty, while leveraging the Group's expertise in critical network architecture (Business Continuity Solutions, or disaster recovery plans).

The Group currently has three major data centers, of which two are able to provide its IaaS package.

In France, the security of information systems and the data included therein requires careful management, including

- hosting in data centers located in France, in order to benefit from French data protection laws; and

- hosting in a private, secure, closed network, in order to lock and control access from all points.

The Group's cloud solution provides information systems hosted on IaaS platforms located in one of two Group data centers, which are completely secured through the Group's private network. Data are hosted within an infrastructure and network that is completely closed (LAN to LAN or VPN), independent from the Internet, in the Group's data centers located in France and therefore not subject to foreign jurisdiction.

Completude and Completude Max Offers for the Midmarket

Originally focused on large corporates, the B2B segment has recently begun targeting the medium-sized enterprises. The Group has a packaged offering for the midmarket – Completude – which bundles fixed voice, data and additional services, offering a global solution for B2B customers for Internet access, unlimited telephone calls to fixed lines, and 45 international fixed destinations and other technical solutions such as type fax to mail and email voicemail. The Completude offer generates relatively high margins despite its low price. The Group's premium package, Completude Max, offers broadband Internet at symmetrical speeds of up to 100 Mbps through the Group's FTTB network for the same price as the slower DSL offers of its competitors. Over 500 corporate and public institution sites used Completude Max as of December 31, 2013.

The following table compares the Completude and Completude Max offers:

	Offer	Price
Completude	Telephony and Internet Access (8 Mbps)	470€ per month
Completude Max	Telephony and Internet Access (100 Mbps)	939€ per month

1.2.2.3 Customers

As of December 31, 2013, the B2B segment had approximately 600 large B2B clients, including corporations such as EDF, Air France, M6, Groupama and Société Générale and public entities such as the French Ministry of the Interior, the University of Rennes and the Paris City Hall (*Mairie de Paris*). The Group's ten largest clients accounted for approximately 11% of B2B revenues in 2013 (and no client individually accounted for more than 3% of B2B revenues).

As of December 31, 2013, the B2B segment had approximately 4,400 midmarket clients and 17,000 SME clients (including 10,000 at LTI). The proportion of medium-sized companies that are customers of the Group's B2B segment has grown as medium-sized companies' needs shift from traditional telecommunications services (e.g., telephony and Internet) to value-added services, such as IP and cloud services, and require more and more bandwidth. The midmarket sector is viewed as a key opportunity for the Group as data needs grow and the Group's expertise and direct and indirect sales force can be leveraged.

Public entities are also important customers of the B2B segment. Local municipalities, government agencies and other public institutions, such as hospitals, have a high degree of local calls and depend heavily on local networks to provide their services. In addition, public entities need to obtain advanced technology to link up their different geographic sites at competitive prices. The Group is a key partner of national and regional public administrations. The acquisition of Altitude Télécom in 2010 solidified the Group's public administration customer base.

Contracts with B2B customers generally have an initial minimum period of one year (for voice services) and three years (for data services) but are renewable for an indefinite period of time, unless terminated by the customer or renegotiated. Contracts with public entities generally have a maturity of three to five years, following mandatory formal calls for tender. The Group renewed major contracts between 2011 and 2013 (including contracts with EDF and EADS).

Recent contract wins include Groupama (January 2013), which uses the Group's IP-VPN and LAN to LAN solutions for the connection of its sites; Mail Data Axiome (October 2012), which uses the Group's LAN to LAN solutions; Digital Cut (January 2013), which the Group assists in the modernization of infrastructure and private fiber network access; and the City of Paris, to which the Group provides VPNs and fiber and DSL internet access, covering 1,000 sites and four public organizations.

The Group believes that access to its network is a major competitive advantage. For example, the Group entered into an Internet access agreement with Française des Jeux pursuant to which the Group will provide Internet services to the company under two distinct network connections.

1.2.2.4 Marketing and Sales

The Group's B2B segment has a sales team that includes both direct and indirect channels. Its direct sales channel includes 170 sales engineers dedicated to the midmarket and 55 sales engineers dedicated to large corporates. Its indirect sales channels were established in 2012 and include 250 distributors led by 46 sales managers employed by the Group (who manage indirect sales though the distributors), increasing the Group's footprint and accelerating order intake. The Group addresses the large corporates market through dedicated sales engineers as well as indirect salespeople offering integrated services. The Group addresses the midmarket through dedicated sales engineers and a network of distributors managed by salespeople employed by the Group. Indirect sales channels people are managed by Group sales engineers and intended to help the Group to reach the midmarket in which local contacts are important. Indirect sales people include the Group's B2B market offers in the selection of offers that they market to medium-sized companies, alongside the offers of the Group's competitors.

The Group's sales engineers combine know-how, dynamism and experience and provide a strong regional and local presence and close relationships with local authorities and administrations. The Group's offering is customized to the needs of each of its large and medium-sized business customers. Through Completude and Completude Max, the Group is able to address the connectivity needs of smaller businesses on the basis of a more standardized package.

The Group's sales teams are able to determine the needs of customers and the best way to address such needs. In certain cases, the sales team may consider that the customer is best served through the wholesale segment, particularly large corporates with international needs and for which the Group may be able to provide a competitive offer in partnership with another operator.

Before signing a new contract, the Group evaluates such contract's acquisition cost (i.e., necessary capital expenditures) as compared to its value.

1.2.2.5 Customer Care

The Group's B2B segment has put in place a customer service structure specifically adapted to the service quality requirements of its B2B customers, including technical and administrative matters. Its computerized customer operations were upgraded through a specific program rolled-out in early 2012 and which provides for a centralized and adapted approach to customer relations.

The Group's standard service contract for B2B customers includes an undertaking to re-establish service within four hours. The Group's annual availability has been greater than 99.98% during each of the past six years. Its highly secure network and customer service are available 24 hours a day.

1.2.3 Wholesale Market

1.2.3.1 General Presentation

The Group offers a full range of wholesale products and services, including wholesale carrier services (voice and data), wholesale infrastructure services (dark fiber) and white label services.

- In wholesale voice carrier services, the Group provides voice termination of national and international traffic and fixed and mobile interconnection for operators with no or limited fixed network capillarity, including national and virtual operators in France and international operators active in France.

- In wholesale data carrier services, the Group sells LAN to LAN data access links (including SDH and Ethernet) and optical fiber or DSL (unbundling) network connections to international or local operators with sub-scale networks in France.

- In wholesale infrastructure services, the Group sells network infrastructure-based wholesale services, including IRUs or bandwidth capacity on its network, to other telecommunications operators and offers related maintenance services. The Group also acts as building operator (*opérateur d'immeuble*), which consists of deploying vertical FTTH networks in apartment buildings and making such networks available to third-party operators and access providers under long-term IRUs. The Group also carries out fiber wholesale activities through a 95%-owned subsidiary called "Sequalum" (initially as a joint venture with Eiffage, a French construction company, and SFR Collectivités, a telecommunications infrastructure subsidiary of SFR which retains a 5% stake), established to plan, deploy and operate an FTTH very-high-speed fiber network in the Hauts-de-Seine District.

- The Group provides white label double-play or triple-play access lines through DSL (mainly unbundling) under long-term contracts, allowing its partners to sell triple-play packages under their own brand names to their own subscribers.

Following the combination of Numericable's and Completel's networks in 2008, the Group has been able to leverage the extensive footprint of its fiber and DSL networks. It has evolved from being a local wholesale player to being a wholesale player with international and national customers. It has a wide product portfolio and customer base, with more than 200 national and international operators as customers. The wholesale segment benefits from cross-selling opportunities with the B2B segment, when analysis of a customer's requirements indicate that the Group can better serve it through a wholesale offering to another operator. For example, the Group is now a wholesale provider to British Telecom, which provides B2B services to Société Générale. Société Générale required an international telecommunications operator and the Group was best

suited for providing the portion of the services to be delivered in the French territory. Its wholesale segment enabled it to target this category of services.

The Group addresses the whole spectrum of the wholesale market in France, providing local, national and virtual operators in France as well as international operators with an alternative to Orange and SFR, which are the two main wholesale suppliers in France. The Group's wholesale customers include Bouygues Télécom, AT&T, Data Communications and Level 3 Communications.

The Group's wholesale business generated consolidated revenue (after inter-segment eliminations) of €140.3 million (10.7% of Group consolidated revenues) in the year ended December 31, 2013.

1.2.3.2 Wholesale Market Product and Service Offering

1.2.3.2.1 Wholesale Carrier Services - Voice

The Group provides voice termination of national and international traffic and fixed and mobile interconnection for operators with no or limited fixed network capillarity, including national and virtual operators in France and international operators in France. Fixed termination services enable an operator to use the Group's network to connect to another operator's network to which the customer is not connected. Fixed and mobile interconnection services enable an operator to use the Group's network to terminate communications on a third-party operator's fixed or mobile network to which it is not interconnected. This business is a legacy business from Completel.

Call termination charges are regulated by the ARCEP and have decreased in recent years for landline networks. From October 1, 2010 to October 1, 2011, the call termination charge for mobile calls applied by operators was set at €0.05 per minute. In July 2011 the ARCEP issued a decision setting the maximum call termination charge for fixed-line calls as follows: €0.003 from October 1, 2011 to July 1, 2012, €0.0015 from July 1, 2012 to January 1, 2013, and €0.0008 thereafter. Therefore, the Group's termination charges invoiced by other landline operators have decreased as from October 1, 2011. In turn, the Group's revenues from call termination charges invoiced to other landline operators have also decreased in the same time frame.

The following table sets forth fixed-line call termination charges as determined by the ARCEP.

(€ cents)	2H 2012	1H 2013	2H 2013
Orange	1.0	0.8	0.8
SFR	1.0	0.8	0.8
Bouygues Télécom	1.0	0.8	0.8
Free	1.6	1.1	0.8
Full MVNO	1.6	1.1	0.8

1.2.3.2.2 Wholesale Carrier Services - Data

The Group also sells circuits based on SDH and Ethernet technologies (i.e., copper or fiber) and optical fiber or DSL network (unbundling) connections to international operators or local operators with sub-scale networks in France, principally using its own network and less often reselling the use of other operators' networks. These services are generally invoiced per circuit (covering both the bandwidth and speed). The setting up of a direct connection with a client favors higher margins.

The Group's data wholesale activity has shown regular growth since 2009, and the Group expects strong growth from this business in the future due to increasing worldwide data traffic and migration from legacy SDH or DSL technologies to Ethernet and fiber technologies. The Group believes it will be able to benefit

from future growth in data traffic by leveraging its extensive fiber footprint and the combination of Numericable's and Completel's interconnected networks.

1.2.3.2.3 Infrastructure Wholesale Services

The Group optimizes its network utilization by selling network infrastructure-based wholesale services, including renting IRUs and bandwidth capacity on its network, to other telecommunications operators. It also offers related maintenance services.

The Group markets local loop (intra-city) connections to connect client sites and data centers, in exchange for connection fees and a price per meter under an IRU (which includes high initial connection costs, but lower annual maintenance costs) or a lease agreement (which includes a lower payment at the beginning of the contractual period, but higher annual rental payments).

Following the adoption by the ARCEP of new regulations in 2009, the Group also started acting as a building operator (*opérateur d'immeuble*), deploying vertical FTTH networks within apartment buildings and making such networks available to third-party operators and access providers under long-term IRUs. The Group is able to provide this service, given its experience in deploying coaxial cables in buildings as a cable operator and its existing relationships with multiple-dwelling unit managers and housing associations. The Group's relationships with local communities are also important, as subsidies in the deployment of the network provide a commercial advantage in selling fiber optic connections to consumers as well as support in enabling the Group to deploy fiber on public property. Through December 31, 2013, the Group had connected approximately 164,000 homes through vertical FTTH networks. Deployment costs are shared with the telecommunications operators seeking access to the network in accordance with regulated tariffs and, during the term of the IRU, the Group provides maintenance services and charges maintenance fees to the operators who have access to the network.

The Group also carries out wholesale activities through its 95%-owned subsidiary Sequalum (SFR Collectivités, a telecommunications infrastructure subsidiary of SFR holds the other 5%). Sequalum was established in 2008 to plan, deploy and operate an FTTH very-high-speed fiber network under a French law scheme known as *délégation de service public* or DSP in an affluent district adjacent to Paris (*Hauts-de-Seine)*, which includes a major business center, *La Défense*. This DSP project is called DSP 92. A DSP is a form of public–private partnership under French law pursuant to which a public entity entrusts private entities to operate a public service in return for remuneration that is based on the results of operations of the service in question. Fiber deployment started in October 2009 and the first customers were connected in 2010. Capital expenditures related to DSP 92 are included in the Group's network capital expenditures. In July 2013 the Group was notified by the Hauts-de-Seine General Council of the approval of phase II of this project which is expected to continue until 2015. Pursuant to DSP 92, Sequalum has a 25-year concession, as from January 20, 2009, to operate the relevant fiber network. The Sequalum network, when fully deployed, will cover 100% of the territory of Hauts-de-Seine, via 2,600 kilometers of fiber cables, and reach 827,900 apartments and offices. It is open to all retail telecommunications operators, for a fee per connected household. Sequalum also charges fees for various services rendered to operators, such as the connection and disconnection of plugs, network capacity increases and the maintenance of the network, and sells capacity on its network to wholesale telecommunications operators. The access fees charged to retail telecommunications operators in a portion of the Hauts-de-Seine district that is classified as a "very dense area" are regulated by the ARCEP. Other fees charged by Sequalum are not regulated. Since 2009, Sequalum has connected approximately 500,000 homes in horizontal fiber and, since 2011, approximately 200,000 homes in vertical fiber. Revenue generated by this project has been generated to date principally from the granting of IRUs to other operators and has been minimal.

The Group also sells point to point connections. This includes backhauling radio sites for 3G and 4G deployment to other French national operators. The Group estimates that this business should increase, as higher bandwidth is needed and more antennas are built the roll-out of 4G coverage by operators. Between 2010 and 2012, the Group connected approximately 200 sites for Bouygues Télécom and between 2013 and 2013, the Group expects to connect approximately 1,000 sites for SFR.

1.2.3.2.4 White Label (DSL)

The Group provides white label double-play and triple-play access lines through DSL (mainly unbundling) to third party operators. The Group first began providing triple-play white label DSL services in 2006 in connection with the launch by the French retailer Darty of its own branded triple-play offering, the "Darty Box". Under this contract, the Group sold its triple-play services to Darty, which resold them to its own customers under its own brand name. The Group also entered into white label contracts with the French retailer Auchan in 2008.

As with the Group's fiber white label triple-play services, DSL white label triple-play services are sold under long-term contracts and are tailored to the needs and requirements of each of the Group's customers. These contracts include television content, broadband Internet access and fixed-line telephony services for each of Darty and Auchan. The Group also provides them with certain other products and services such as set-top boxes. The Group's DSL white label contracts provide the same benefits in terms of leveraging the usage of its network and acquiring end-users without associated acquisitions costs as the Group's fiber white label contracts.

Bouygues Télécom acquired Darty's telecommunications business in July 2012. The Group expects that this acquisition will lead to the migration of Darty's customer base to Bouygues Télécom's network over the long-term. According to the agreement with Bouygues Télécom, a certain number of white label customers were migrated in 2012 to Bouygues Télécom's network (as such customers were only partially unbundled on the Group's network and could be fully unbundled on Bouygues' network), but the remaining clients will not be automatically migrated to Bouygues Télécom's DSL network. The Group expects, however, that Bouygues Télécom will recruit new subscribers on its own DSL network and that churn at Darty will lead to fewer and fewer white label customers on the Group's DSL network.

The Group's white label contract with Auchan terminated in March 2013 when the Group acquired Auchan's television, broadband Internet and fixed telephony service business, with customers migrating to Numericable in April 2013.

The Group provided DSL white label triple-play services to approximately 120,000 end-users as of December 31, 2013. Although the Group's DSL white label business has been a key component of its growth since 2009, the Group expects a decline in this business due to the development of fiber access by Numericable, as the Group focuses on growing its own branded customer base, and Bouygues Télécom's take-over of Darty.

The Group believes that there is a potential for development in white label DSL services among small operators. The Group also believes that development opportunities exist for the creation of a platform for third-party operators providing services to small businesses (SoHos).

1.2.3.2.5 Clients

Wholesale segment clients include switched voice operators and virtual operators, such as Paritel and SCT, international operators, such as Tata, Verizon, Level(3) and BT, French operators, such as Bouygues Télécom and local operators such as Outremer Télécom. The Group has entered into commercial relationships with certain clients, such as AT&T.

1.3 Seasonality

Revenues from the Group's pay-TV for basic analog and premium cable television service and high-speed broadband Internet service are substantially based on a fixed monthly rate and therefore are not subject to seasonal variations. The B2C segment's growth in the number of new adds is typically highest from September to January, reflecting a greater tendency among households to equip themselves during the back-to-school period and at the end of the year. B2B segment new adds are typically higher in June and December, reflecting the timing of corporate and public sector budgets, while B2B voice service revenues tend to follow the vacation schedule, with a slight decrease during summer and winter vacations, as well as the May holidays, though this decrease is not significant.

B. RESULTS

1. Operations and Financial Review

The Group's consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union. The consolidated financial statements for the year ended December 31, 2013 have been audited.

1.1 General presentation

The following table provides a breakdown of segment revenues (before elimination of inter-segment sales) for the years ended December 31, 2012 and 2013. This table follows the breakdown found in Note 5 to the consolidated annual financial statements, where eliminations of inter-segment sales are not allocated by segment.

(€ million)	For the year ended December 31,	
	2012	**2013**
Revenue		
B2C	832.6	869.4
B2B	324.5	312.6
Wholesale	211.5	200.8
Intra-Group eliminations	(66.1)	(68.6)
Total	**1,302.4**	**1,314.2**

In order to reconcile this contribution with each segment's contribution to Group consolidated/combined revenue, the following table allocates inter-segment sales eliminations by segment revenue:

(€ million)	**For the year ended December 31,**	
Segment	**2012**	**2013**
B2C	(6.4)	(4.9)
B2B	(1.3)	(3.3)
Wholesale	(58.4)	(60.5)
Total inter-segment eliminations	**(66.1)**	**(68.6)**

The Group's service and product offerings are supported by an integrated network and are adapted to the characteristics and requirements of each market segment:

- In the B2C segment, the Group offers television, very-high-speed broadband Internet and fixed-line and mobile telephony services on both a bundled and stand-alone basis, and in both branded and white label form (through its fiber/cable network). The Group also offers analog television services to individual subscribers and bulk digital services to multiple-dwelling unit managers.

- In the B2B segment, the Group offers data services, including IP VPN, LAN to LAN, Internet, security, hosting and cloud computing, as well as voice services, including voice calls, VoIP and Centrex.

- In the wholesale segment, the Group offers voice and data wholesale carrier services, as well as DSL white label products. Within this segment, the Group also sells fiber network infrastructure-based wholesale services to other telecommunication operators and to the B2B segment as well.

As of December 31, 2013, the Group served approximately 1.3 million direct individual subscribers, approximately 1.78 million bulk customers, and approximately 363,000 white label end-users and had approximately 600 large B2B clients, including large corporations such as Auchan, EDF, Caisse des Dépôts et Consignations and public entities such as the French Ministry of the Interior and the Paris municipality, as well as approximately 4,400 midmarket clients and 17,000 SME clients (including 10,000 at LTI). For the year ended December 31, 2013, the Group's consolidated revenues were €1,314.2 million, and the Group's EBITDA was €560.1 million.

1.1.1 Presentation of the Consolidated Annual Financial Statements

Numericable Group was formed on August 2, 2013. On November 7, 2013, in the context of the listing of the Company's shares on Euronext Paris, two Luxembourg holdings companies, Ypso Holding S.à.r.l, parent company of Ypso France, and Altice Lux Holding S.à.r.l, parent company of Altice B2B France, were contributed to the Company.

Ypso France, which includes Numericable's commercial activity, is a French provider of cable television services through high-end digital channel packages accessible to households with "triple-play" cable network connections. Ypso France also provides broadband Internet access to the French residential market as well as fixed and mobile telephony services.

Altice B2B France, through Completel, its main operational entity, manages the largest alternative fiber-to-the-office ("FTTO") network in France and is the third largest alternative digital subscriber line ("DSL") network in France. By directly connecting its business customers' sites to fiber and DSL networks, Completel SAS provides the commercial market with a complete range of services that includes data transfer and very high speed Internet and telecommunications services, as well as convergence and mobility services.

The Group's consolidated annual financial statements for the year ended December 31, 2013 include comparative information for 2012 which are identical to those included in the Group's combined annual financial statements for the year ended December 31, 2012, except for the impact of IAS 19, which was applied retrospectively. These accounts were prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB") and adopted in the European Union as of December 31, 2013.

The comparative data presented for the year ended December 31, 2012 corresponds to the combined financial statements of the two sub-groups, Ypso and Altice B2B. Prior to their contribution to Numericable Group on November 7, 2013, these two sub-groups were separate entities under the joint control of the private investment funds Carlyle, Cinven and Altice. As a result, the combined financial statements included for purposes of comparison reflect the historical assets, liabilities, income, expenses and cash flow of the Ypso and Altice B2B sub-groups, which were two separate groups as of December 31, 2012.

1.1.2 Significant Factors Affecting Results of Operations

The Group's operations and the operating metrics discussed below have been, and may continue to be, affected by certain key factors as well as certain historical events and actions. In addition to the regulatory and macroeconomic environment, the key factors affecting the ordinary course of the Group's business and its results of operations include (i) the attractiveness of the Group's products and services, including relative to the Group's competitors, (ii) changes in pricing, (iii) customer acquisition and churn, (iv) the Group's cost structure and cost optimization programs and (v) network upgrades and maintenance. Each of these factors is discussed in more detail below.

1.1.2.1 The Attractiveness of the Group's Products and Services

B2C Segment Products and Services

The Group offers subscribers within its network area television, very-high-speed broadband Internet, fixed-line and mobile telephony services. The Group also provides analog television services to individual subscribers and bulk digital services to multiple-dwelling unit managers. The B2C segment also includes the Group's white label business with Bouygues Télécom using the Group's fiber/cable network. These products compete with those of the Group's competitors.

The Group's new B2C customers commit for a period of 12 months. A security deposit (of €75) is required only for subscriptions to packages that include LaBox.

The Group frequently upgrades its product offerings and service quality, in particular by increasing broadband Internet speeds and expanding its digital television offering and the range of interactive services offered, in order to stay competitive in a highly competitive environment, retain existing customers and attract new customers and increase ARPU (see below). Promotional offers may also include a price reduction (thereby reducing ARPU and related revenue) in a given period.

The Group's most recent efforts have focused on its triple- and quadruple-play services offered to individual subscribers. The Group's triple- and quadruple-play offers combine several services into packages, thus enabling subscribers to conveniently order television, broadband Internet and fixed telephony services together and, if desired, mobile telephony services. The Group believes that its introduction of triple- and quadruple-play packages has been a key factor in its success in attracting new subscribers and retaining existing subscribers. The Group's progressive upgrading of its network to EuroDocsis 3.0 technology also enables it to offer customers top of market broadband speeds and access services. The Group also recently introduced a package that includes a tablet or smartphone for €1 extra per month.

In May 2012, the Group began marketing "LaBox", an integrated set-top box and cable router that it offers to triple-play and quadruple-play customers who subscribe to the Group's premium packages. Marketing increased significantly in September 2012. The Group believes that LaBox is one of the most powerful and interactive set-top boxes on the French market, taking advantage of the portion of the Group's network that has been upgraded to EuroDocsis 3.0 technology. LaBox has generated increasing ARPU for the Group as the proportion of premium sales (which include LaBox) has increased and has allowed the Group to attract new customers to its network. Approximately 70% of new customer adds for the period from September 30, 2012 to December 31, 2013 were for the Group's high-end multi-play offerings, including LaBox. More than 300,000 LaBox units had been deployed as of December 31, 2013, for a penetration rate of 29% of the Group's multi-play customer base.

B2B Segment Product Offerings

The Group provides business customers with a comprehensive service offering, which includes voice services, including voice calls, VoIP and Centrex, and data services, such as very-high-speed broadband Internet, worksite connection and housing (IP VPN, LAN to LAN, SAN to SAN) and cloud services and hosting. This service offering competes with those of the Group's competitors.

Contracts with B2B customers are generally entered into for an initial minimum period of one year (for voice services) and three years (for data services), but are renewable for an indefinite period of time unless terminated by the customer or renegotiated. Contracts with public sector entities generally have a maturity of three to five years, following mandatory tender processes.

The Group's voice and data services offer a complete range of telecommunications services. Voice and data services offerings enable customers to centralize their telephony needs on their principal sites by centralizing all of their equipment and telephone calls and connecting the customer's central site to the Group's fiber optic network for better quality and to the Group's SDSL network for remote sites. The Group believes that such access to its network is a major competitive advantage that has allowed to it to both attract and retain a large customer base. As most of the Group's customers are located near the Group's fiber or DSL network, only limited additional investment is needed to connect customer sites.

The Group has adapted to the changing telecommunications environment by deploying a full range of cloud computing solutions, including external flexible telephony services, messaging and security solutions and hosting services (e.g., servers and platforms). The Group focuses in particular on providing "infrastructure as a service", which provides customers with the benefits of infrastructure without having to invest in it.

The Group has made strategic acquisitions in order to bolster the competitiveness and attractiveness of its B2B product offering. For example, in 2010, the Group significantly enhanced its IP VPN offering by acquiring Altitude Télécom, a French specialist in IP VPN which had close relationships with the public sector, and thereby solidified the Group's public sector entity customer base. Combining "infrastructure as a service" with the Group's broadband network uses the power of fiber and contributes to customer loyalty, while leveraging Completel's expertise in critical network architecture (Business Continuity Solutions, or disaster recovery plans).

The Group has a packaged offering for medium-sized companies – Completude – which bundles fixed voice, data and additional services. Completel's premium package, Completude Max, offers broadband Internet at a speed of up to 100 Mbps through the Group's FTTB network for the same price as DSL access.

Wholesale

In the wholesale market, the Group provides wholesale voice and data carrier services and network infrastructure-based wholesale services, including IRUs or bandwidth capacity on its network. It provides these services directly or through its subsidiary Sequalum, under a public-private partnership. The segment also includes the Group's ADSL white label business, which currently consists of services for former Darty customers who have been transferred to Bouygues Télécom. The Group's wholesale business is an opportunistic one; the Group can use the network in which it has invested for its B2C and B2B businesses and generate higher margins and benefit from growth opportunities. The wholesale segment also benefits from cross-selling opportunities with the B2B segment, when analysis of a customer's requirements indicates that the Group can better serve it through a wholesale offering to another operator. This service offer competes with those of the Group's competitors.

1.1.2.2 Pricing

B2C Segment Pricing

Pricing in the French B2C market segment is primarily driven by the pricing of multi-play packages, to which the vast majority of customers subscribe. The cost of a multi-play subscription package generally depends on market conditions and pricing by competitors with similar offerings. In addition, pricing depends on the content and options available on each platform (i.e., number of regular and premium channels offered for television, maximum speed for Internet, regular and long-distance minutes for fixed-line telephony, and number of voice minutes and text messages for mobile telephony). Subject to certain exceptions, the more options, content, and included usage time, the higher the price of the multi-play package in question. For example, the addition of a basic mobile telephony package is currently free for premium triple-play subscribers, while the addition of a premium mobile telephony package raises the subscription price. Subscription fees for stand-alone offerings are also sensitive to the number of options, the content and the included usage time, although pricing for these services tends to be less competitive as the majority of the market competes primarily on the multi-play arena.

The Group adjusts its pricing policies based on evolving market practices. In the past, the French triple-play market was structured around offers at €30 per month. Accordingly, the initial customer migration from the Group's "TV-only" offers generally priced at €40 per month to lower-priced triple-play packages negatively affected the Group's results of operations. Like other operators, the Group raised the price of its basic triple play package in January 2011. Similarly, in 2012, the Group made further changes to its pricing structure in response to changing market conditions. In particular, the Group began offering its basic triple-play package, "Start", and its entry-level package, "iStart", and also lowered the price of its stand-alone mobile telephony services. In 2014, the Group again modified its pricing structure, slightly raising the prices of its offerings.

The Group continues to offer television services on a stand-alone basis to existing subscribers. Where technically possible, the Group attempts to offer these customers a triple-play offering.

The Group's bulk packages to building managers include a basic television services package and a basic triple-play package that includes a standard digital television package of 48 channels, 30 radio channels, unlimited broadband Internet access up to 2 Mbps and unlimited inbound fixed-line telephone calls. These packages are sold for a fixed subscription fee per apartment, irrespective of whether the services are actually used by the residents. The contracts have an average duration of five years. Most bulk contracts are for only basic television services. Pricing for bulk packages varies by building and by the content provided, with an average price of €3.00 per end-customer per month.

The Group believes that its current B2C pricing structure, together with the growth in the adoption of additional content-related services such as VOD, should drive growth in revenue and ARPU.

B2B Segment Pricing

Prices for B2B contracts are negotiated with each customer. The B2B market for voice services is extremely price sensitive, as voice services are highly commoditized, with sophisticated customers and relatively short-term (one year) contracts. The B2B market for data services is less price sensitive, as data services require more customization. In both markets, price competition is strongest in the large corporates segment whereas customer-adapted solutions are an important competitive focus in the medium and smaller business segment.

Wholesale Segment Pricing

Prices for wholesale contracts are either regulated and based on a "cost plus" structure, with the interconnection cost set by the ARCEP or freely negotiated with the Group's wholesale customers, depending on the service. The Group's ability to offer competitive prices is a major factor in winning contracts.

Moreover, Sequalum charges fees for various services rendered to operators, such as the connection and disconnection of plugs, network capacity increases and the maintenance of the network. It also sells capacity on its network to wholesale telecommunications operators. The access fees charged to retail telecommunications operators in a portion of Hauts-de-Seine that is classified as a "dense area" are regulated by the ARCEP. Other fees charged by Sequalum are not regulated.

1.1.2.3 Churn

B2C Churn

The B2C television, broadband Internet and telephony industries typically exhibit relatively high churn rates as a result of high levels of competition. Churn rates result primarily from changes in the Group's or its competitors' pricing, the level of customer satisfaction and the relocation of subscribers outside of its network area. Increases in the churn rate may lead to increased costs and reduced revenues. The Group has implemented initiatives designed to improve its customers' experience. These initiatives include enhanced CRM systems, which enable the Group to manage new subscribers more efficiently and to identify and offer special retention packages to subscribers identified as at risk of churning.

The following table sets out the B2C segment's churn rates for direct customers (i.e., not including white label end-users or bulk subscribers) for the years ended December 31, 2012 and 2013.

	For the year ended December 31,	
Product	**2012**	**2013**
Stand-alone digital television	19.0%	18.9%
Analog television	18.3%	19.2%
Triple-play	17.2%	17.0%
Overall	**18.6%**	**19.0%**

The Group believes that the B2C segment has higher churn rates as compared to the triple-play market average; the Group believes this reflects in particular the loss of customers who move outside of the Group's fiber/cable network area, which connects only approximately 35% of homes in metropolitan France; the Group believes that this factor accounts for a churn rate of approximately 4%. In order to reduce this type of churn, the Group launched a new DSL triple-play offering in August 2013 in the non-fiber/cable part of its network.

The Group believes its improved CRM systems have contributed to a significant reduction in churn. The Group's analog television churn rate spiked in 2011, with the official transition to DTT broadcasting completed in November 2011. The Group expects high churn rates to continue in analog television until the service is ultimately phased out. The increase in stand-alone digital television churn results from migration to triple-play packages, in line with market trends.

B2B Churn

The Group also tracks the churn rate of its B2B customers. The calculation of this rate differs from that of the B2C churn rate due to the nature of the Group's business, as the value of B2B customer contracts may vary greatly. The Group therefore calculates a churn rate based on the relative value of its B2B contracts in a month compared to the value of the same B2B contracts in the prior month, reflecting both the loss of customers and pricing readjustments.

The following table shows the trends of the B2B segment's churn rate in 2012 and 2013.

	For the year ended December 31,	
Product	**2012**	**2013**
Churn rate	25.3%	31.6%

B2B churn rates have been high with respect to voice services, primarily as a result of regulation imposing reduced termination rates, which reduced the Group's revenues from termination services and led to a decrease in the price of B2B voice services. In addition, given the overall market decline in voice prices, customers tend to be aggressive (such as by organizing successive requests for proposals and changing providers based largely on pricing terms, known as "tariff churn") in negotiating price reductions with respect to voice services. This phenomenon was particularly apparent in the churn rates in the first half of 2013, taking into account the significant decline in regulated call termination fees. B2B churn rates can also be affected by the loss of personnel, as occurred in the first half of 2012 in connection with the Group's relocation of segment engineers from Champs-sur-Marne to Rouen.

1.1.2.4 Cost Structure and Cost Optimization

The Group's most significant costs include content costs (including author rights, signal costs and royalties), staff costs, advertising fees, fees for rights of way, rental and leasehold charges and energy costs.

Certain of the Group's costs, such as a portion of its network operations, customer care, billing and administration costs, are fixed, while a portion of its marketing and content costs are variable. Costs related to the Group's fiber/cable network are allocated to the B2C segment, whereas costs related to the Group's backbone and DSL network are allocated to the B2B segment. No network-related costs are allocated to the wholesale segment. The Group's general and administrative costs are allocated *pro rata* based on the relative size of the segments.

Since 2010, the Group has initiated several cost-saving initiatives that have resulted in an improvement of its cost base, despite an increase in marketing over the period. Such initiatives include (i) the renegotiation of content contracts, (ii) the restructuring of the Group's sales force, and (iii) measures to reduce bad debt costs. The Group regularly reviews opportunities to decrease its costs and improve its profitability.

1.1.2.5 Network Upgrade and Maintenance

In 2012 and 2013, approximately 11% (€33 million) and 15% (€48 million), respectively, of the Group's capital expenditures were related to its network, including upgrades, extensions and bandwidth capacity enhancements in relation to its existing network as well as capital expenditures related to DSP 92 (discussed below). The Group also incurred €38 million and €39 million in network operation and maintenance expenses in 2012 and 2013, respectively.

The Group's ability to provide new HD and on-demand digital television services, broadband Internet access at ever-higher speeds and telephony services to additional subscribers depends in part on the Group's ability to upgrade its network. During each of 2012 and 2013, the Group deployed fiber on a substantial part of its network and upgraded a portion of it to EuroDocsis 3.0 technology, making substantial capital expenditures in this respect.

The Group also upgrades and expands the reach of its network through public-private partnerships. The most significant current public-private partnership is implemented through the Group's subsidiary Sequalum, which carries out wholesale activities in the "Hauts de Seine" district that includes the "La Défense" business district. Sequalum was established in 2008 to plan, finance, market, deploy and operate an FTTH very-high-speed fiber network under a French law scheme known as *délégation de service public* (with this one known as the "DSP 92"). Fiber deployment began in October 2009 and continues today; revenues are currently generated and are accounted for in the wholesale segment. Capital expenditures in connection with DSP 92 are included within the Group's network capital expenditures. In July 2013, the Group received notification from the *conseil général des Hauts-de-Seine* of the approval of Phase II of this project, which is expected to continue until 2016. The Group expects to pursue similar public-private opportunities to expand its network in the future, which would result in increased capital expenditures.

1.1.2.6 Going Concern

The Group's consolidated annual financial statements have been prepared assuming that the Group will continue as a going concern. As discussed in Note 1.5 to the consolidated annual financial statements, the Group was formed by series of acquisitions, mainly funded through borrowings. In addition, the construction and subsequent upgrading of the Group's network have required substantial investments. These two factors explain the structure of the Group's balance sheet (substantial goodwill and substantial debt), the proportion of financial liabilities in relation to total equity, and the significant amount of amortization expenses and net finance costs.

As of the date of this report, the Group services its debt and funds its investments through net cash from operations. Under the conditions described in Note 1.5 to the consolidated annual financial statements, and given the updated cash flow projections, the Board of Directors believes that the Group will be able to finance its cash requirements for the next twelve month period from the date of approval of the consolidated financial statements for the year ended December 31, 2013 and meet its financial debt obligations during the period. As a result, the Group's consolidated financial statements as of and for the year ended December 31, 2013 have been prepared on a going concern basis.

1.1.3 Changes in Scope of Consolidation

The Group's results are affected by acquisitions and divestitures.

In March 2013, the Group acquired Auchan's television, very high speed Internet access and fixed telephony services business (thereby terminating a white label agreement with Auchan), which represented approximately 5,000 individual subscribers.

In June 2013, the Group acquired the French simplified stock company (*société par actions simplifiée*) Valvision, a small regional cable operator in France, with approximately 5,000 individual subscribers and 8,000 bulk subscribers.

In October 2013, through Altice B2B France SAS, the Group acquired LTI Télécom SA, a telecommunications operator created in 1998 and present in the B2B market. It provides fixed and mobile

telephony solutions and Internet access to small and medium-sized French businesses with 5 to 250 employees.

The Group did not carry out any significant divestitures in 2012 or 2013.

1.1.4 Key Performance Indicators

1.1.4.1 Homes Connected and Number of Individual Subscribers

The Group tracks the number of customers it can address and the number of digital, analog and bulk subscribers and white label end-users as performance indicators. The Group also tracks the number of stand-alone and multiple-play customers subscribed to its products. Such metrics allow the Group to analyze the success of its different offerings and packages of offerings, and adjust its offerings accordingly.

	As of and for the year ended December 31,	
	2012	**2013**
B2B Operating Data	*(Unaudited) (in thousands)*	
Footprint[1]		
Homes passed[2]	9,875	9,940
Triple-play enabled	8,428	8,511
EuroDocsis 3.0 enabled plugs	4,788	5,196
Digital individual subscribers	1,228	1,264
Multi-play[3]	972	1,041
Stand-alone television	223	193
Other[4]	34	31
Fiber white label end-users[5]	297	363
Total digital individual users	**1,525**	**1,628**
Analog television individual subscribers	103	81
Total individual users	**1,628**	**1,709**
Bulk subscribers[6]	1,829	1,753
DSL white label end-users (Bouygues ex-Darty)	168	120

(1) Operating data related to the Group's footprint and penetration are presented as of the end of the period presented.
(2) A home is deemed "passed" if it can be connected to the distribution system without further extension of the network.
(3) Includes dual-play services (Internet and fixed telephony, fixed telephony and television, television and Internet).
(4) Includes stand-alone Internet and stand-alone fixed-line and mobile telephony subscribers.
(5) Fiber white label end-users (i.e., not including DSL white-label end users), in accordance with the financial communication policy of Ypso France, as well as the accounting segments of the Group (fiber white label activities are included in the B2C segment and DSL white label activities are included in the wholesale segment).
(6) Bulk subscribers are subscribers through a collective contract entered into between a cable operator and a property agent or housing association.

The Group generates new subscribers through a broad range of sales channels, primarily through its own sales outlets, from other retail outlets, its website, inbound and outbound telesales and door-to-door sales. The Group maintains a detailed monthly reporting system which provides regular updates on, among other metrics, numbers of new customers, churn rates, revenue generation and customer satisfaction.

The total number of customers and the mix between subscriptions to lower-range or premium products significantly affect the Group's revenues, ARPU and EBITDA.

1.1.4.2 RGUs

The Group uses RGUs, or "Revenue Generating Units", to track the level of subscription to its B2C services. Each individual subscriber receiving cable TV, broadband Internet, fixed or mobile telephony services over the Group's network counts as one RGU. Thus, one direct subscriber who receives all of the Group's services is counted as four RGUs.

RGU is not a measure of financial performance under IFRS, nor is RGU verified by a third party. RGU is derived from management estimates. As defined by the Group's management, RGU may not be comparable to similar terms used by other companies. The Group's RGUs only reflect Numericable brand subscribers and do not include white label end-users or bulk subscribers.

The following table summarizes the Group's RGUs for the periods indicated:[(1)]

	As of and for the year ended December 31,	
	2012	2013
	(Unaudited)	
	(in thousands except RGUs per individual user)	
TV Individual RGUs	1,163	1,140
Internet Individual RGUs	985	1,054
Fixed Telephony Individual RGUs	946	1,024
Mobile Telephony Individual RGUs	113	186
Total individual RGUs	**3,207**	**3,404**
Number of individual RGUs per individual user	**2.41**	**2.53**

(1) Only Numericable direct individual subscribers (i.e., not including white label end-users or bulk subscribers).

1.1.4.3 ARPU

The Group uses the ARPU metric to track the performance of its B2C business. ARPU is not a measure of financial performance under IFRS, nor has ARPU been reviewed by the outside auditors, a consultant or an expert. ARPU is derived from internal management calculations and assumptions. The definition of the term used by the Group's management may not be comparable to similar terms used by other companies.

ARPU is a measure the Group uses to evaluate how effectively it is realizing potential revenues from its direct digital customers. Monthly ARPU is generally calculated on a yearly and quarterly basis by dividing the Group's total direct digital subscription-related revenue for the period, excluding installation, carriage, connection and disconnection fees, and deposits, by the average number of the Group's direct digital subscribers served in that period. Operational data related to gross-adds ARPU and customer-base ARPU presented in this report reflect ARPU from the Group's direct digital subscribers only.

ARPU is highly sensitive to the pricing of the Group's packages. For example, the Group saw an increase in ARPU resulting from price adjustments in its triple-play packages and the launch of its quadruple-play packages in 2011, primarily as a result of price increases due to evolving market trends. Recent ARPU increases result from (i) upgrades to the Group's B2C offers by adding new television channels, new content, new television applications, (ii) customer migration to premium packages, driven primarily by the availability of very high speeds (EuroDocsis 3.0 technology) and LaBox, as well as by price increases, and (iii) an increased mobile telephony penetration rate.

The table below shows the evolution of the Group's customer-base ARPU (calculated by dividing the Group's total direct digital subscription related revenue, including paid subscription fees and extra consumption on fixed and mobile telephony and TV options but excluding VOD revenues and installation and carriage fees, for the period by the average number of direct digital customers served in that period) and gross-adds ARPU (calculated based on the subscription revenue from new clients, plus the average value of consumption outside of subscription plans from existing clients, as calculated for the ARPU of the overall subscriber base) for the periods indicated. The operational data relating to gross-adds ARPU and customer-base ARPU presented below reflect ARPU from the Group's direct digital subscribers only.

	For the year ended December 31,	
	2012	**2013**
	(Unaudited)	
	(in euros)	
ARPU per month—new digital individual subscribers (gross-adds)	€41.7	€41.3
Monthly ARPU—digital individual subscribers (customer-base)[(1)]	€40.7	€41.5

(1) Operating data related to ARPU are presented in euro per month (excluding VAT) for the periods indicated.

1.1.4.4 Incremental B2B Contract Monthly Adds

The Group is focused on growing its B2B business profitably and tracks trends in this segment with an indicator of incremental B2B contract revenue adds, a measure which displays the monthly recurring value of the order intakes in a given period. This indicator includes the incremental revenues of new contracts signed in a period. It is comparable to the product of gross-adds ARPU multiplied by the volume of new customers in the B2C segment.

The following table shows the level of incremental B2B contract revenue adds based on contracts signed in each of 2012 and 2013.

	For the year ended December 31,	
	2012	**2013**
	(Unaudited) *(in € thousands)*	
Order intake revenue	5,659.7	6,656.5

The discussion above should be read in connection with the discussion regarding B2B churn rates.

1.1.4.5 Subscriber Acquisition Costs

The Group is focused on growing its business profitably as it increasingly offers new digital products to its customer base. The Group's ability to profitably market its multi-play service offerings at competitive prices is tied to its end-to-end control of its cable network, its large customer base to which it can sell additional services, and the cost structure of the Group's business, all of which are key determinants of the payback profile of its incremental multi-play service customers.

The subscriber acquisition costs for B2C fiber/cable products consist of costs for customer premise equipment (set-top boxes), when applicable, in-house and on-site wiring and installation, and the costs per order including marketing, sales, general and administrative and all other costs. Due to the Group's own extensive local loop network, it is not obligated (unlike other alternative operators) to make payments to Orange to gain access to its last mile network and therefore has a structural cost advantage. Certain acquisition costs (in particular equipment) are capitalized.

The Group does not follow subscriber acquisition costs for B2B or wholesale customers, but evaluates its return on investment, considering capital expenditures (equipment, installation and wiring at customer sites as well as the creation of fiber links to customer sites) and operating expenditures (mainly commissions paid to its direct and indirect sales force).

1.1.5 Key Income Statement Items

Below is a summary description of certain Group income statement line items and other metrics used by the Group.

1.1.5.1 Revenue

Revenue is generally a function of (i) volume, which depends on the number of subscribers, sites connected or lines provided for subscription packages and the level of usage, and (ii) prices, for subscription packages, minutes, line rentals and other services, which depend on the offer selected.

Revenue recognition principles are described in Notes 2.3 and 2.4 to the Group's consolidated financial statements.

The structure of segment revenues is summarized below.

1.1.5.1.1 B2C Segment Revenues

Revenue in the B2C segment consists mainly of:

- Digital revenue, including (a) recurring monthly subscription fees for the Group's television, broadband Internet, fixed-line and mobile telephony services, whether sold on a stand-alone basis or bundled into triple- and quadruple-play packages, (b) variable usage fees from VOD, fixed-line and mobile telephony, (c) one-time connection and disconnection fees, (d) telephony termination fees, and (e) fees paid to the Group by pay-TV channels based on the number of Group customers who subscribe to their offerings;

- Bulk revenue, including quarterly, semiannual and annual fees paid by multiple-dwelling unit managers, including subsidized housing, for the provision of basic television or triple-play services to the residents of their buildings. The incremental revenues from subscribers who upgrade to a full triple- or quadruple-play package are counted as digital revenues and not bulk revenues;

- Analog revenue, including recurring monthly subscription fees for the Group's analog television offering, including related one-time connection and disconnection fees; and

- Fiber white label revenue, in particular recurring monthly fees paid to the Group under its white label contracts with Bouygues Télécom.

1.1.5.1.2 B2B Segment Revenues

Revenue in the B2B segment consists mainly of:

- Voice services, including revenue from variable usage fees from telephony (including VoIP and Centrex) services, recurring monthly subscription fees and one-time connection, disconnection and termination fees; and

- Fixed data services, including revenue from recurring monthly subscription fees for services such as point-to-point bandwidth, LAN to LAN, SAN to SAN and IP VPN and hosting and cloud services.

1.1.5.1.3 Wholesale Segment

Revenue in the wholesale segment consists mainly of:

- Revenue relating to wholesale voice carrier services;

- Revenue relating to wholesale data carrier services;

- Revenue relating to the sale of infrastructure (dark fiber); and

- DSL white label revenue, including revenue from the Group's white label contracts with Darty (in the form of both subscription fees and activation fees). Since the end of 2012, such white label customers have, in certain cases, been migrated to the network of Bouygues Télécom. Monthly fees

paid to the Group are based on the number of end-users to whom a white label customer sells the Group's triple-play packages, as well as the type of packages. Additional fees are payable by the Group's customers who require additional services, such as customer care and billing.

1.1.5.2 Purchases and Subcontracting Services

Purchases and subcontracting services consist mainly of television content costs, data and broadband Internet interconnection costs and fixed-line telephony interconnection and termination costs (the levels of which are regulated). Other additional purchase and subcontracting services include costs of outsourced work, which primarily relates to outsourced network maintenance, installation work and call centers; advertising costs; fees payable under the Group's MVNO contracts with Bouygues Télécom (and, beginning in January 2014, SFR); utilities, including electricity; and fees paid for rights of way and rental and leasehold charges.

1.1.5.3 Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expenses include (i) wages, salaries and bonuses, statutorily required and contractual profit-sharing, social security charges and related taxes, (ii) salaried personnel pension costs and other post-employment benefits, (iii) costs associated with the use of temporary, external and non-salaried personnel and (iv) costs relating to the stock option plan required to be recognized under IFRS 2.

The Group's personnel costs depend on the number and salary levels of its full-time staff and external personnel. The Group believes that its current personnel levels are adequate and it does not expect to increase its personnel levels significantly in the near future. Salary negotiations are customarily held each year.

1.1.5.4 Taxes and Duties

Taxes and duties consist mainly of general direct and indirect taxes such as certain business taxes (imposition forfaitaire annuelle and taxe professionnelle) and the taxes implemented in replacement thereof (cotisation sur la valeur ajoutée des entreprises and cotisation fonciére des entreprises), local government taxes (impôts locaux), taxes on the Group's vehicle fleet (taxe sur les véhicule de société), social security taxes (contribution sociale de solidarité des sociétés) and taxes on certain advertising expenses (in particular taxes on advertisement leaflets), as well as taxes applicable to telecommunications operators and television providers, such as taxes on television providers, taxes supporting the audio-visual content industry (cotisation de soutien à l'industrie des programmes audiovisuels) and taxes on VOD.

This line item does not include corporate income tax (*impôt sur les bénéfices*), which is recorded under the line item "Income tax expense".

1.1.5.5 Provisions

Provisions consist mainly of provisions for operational risks, disputes and pensions. See note 23 to the Group's consolidated annual financial statements.

1.1.5.6 Other Operating Income

Other operating income consists mainly of own work capitalized (i.e., related to network upgrade projects and IT product development work staffed with in-house employees), proceeds from disposals of tangible assets, and other income.

1.1.5.7 Other Operating Expenses

Other operating expenses consist mainly of:

- net book value of assets sold;
- advisory fees paid in connection with refinancings;

- management fees paid to the Group's shareholders Altice, Cinven and Carlyle until the intial public offering, in relation to certain management, financing and advisory services provided; and
- miscellaneous operating expenses.

1.1.5.8 Operating Income Before Depreciation and Amortization (EBITDA)

Operating income before depreciation and amortization (EBITDA) is one of the main indicators the Group tracks in order to manage and assess the results of its operations, make decisions with respect to investments and allocation of resources, and assess the performance of management personnel. It is calculated as revenues, minus purchases and subcontracting services, staff costs and employee benefits expense, taxes and duties, provisions, other operating income, and other operating expenses.

The Group believes that this measure is useful to readers of its financial statements as it provides them with a measure of the operating results which excludes non-cash elements such as depreciation and amortization, enhancing the predictive value of its consolidated financial statements and providing information regarding the results of the Group's ongoing trading activities and cash-flow generation that allows investors to better identify trends in its financial performance.

The Group's calculation of EBITDA may not be comparable to similarly titled measures used by other entities. Furthermore, this measure should not be considered as an alternative to operating income as the effects of depreciation, amortization and impairment excluded from this measure do ultimately affect operating results. Accordingly, the Group also presents the line item "Operating income", which encompasses all amounts which affect its operating results.

1.1.5.9 Adjusted EBITDA

Adjusted EBITDA is equal to EBITDA (i.e. operating income before amortization and depreciation) adjusted for items the Group considers to be outside of recurring operating activities or that are non-cash. During the period under review, these items consisted of: advisory fees paid in relation to debt refinancing, acquisition-related restructuring costs (in connection with the acquisition of Altitude Télécom), provisions and costs tied to tax and social security audits, commercial penalties, charges (non-cash) resulting from the accelerated depreciation of set-top boxes and broadband routers that were returned damaged or not returned at all by churning subscribers, the transfer of the remaining net accounting value of assets returned to municipal governments in connection with the exiting of DSP contracts, CVAE tax (*cotisation sur la valeur ajoutèe des entreprises*) (a French business tax), and the costs relating to stock option plans.

The Group believes that this measurement is useful to readers of its consolidated financial statements as it makes trends more visible and provides more precise information regarding the Group's operating income and cash-flow generation.

1.1.5.10 Depreciation and Amortization

Depreciation and amortization consists mainly of regular depreciation and amortization of non-current assets such as network assets.

1.1.5.11Finance Costs, Net

Finance costs, net, consists of interest income net of interest expense and other financial expenses. Interest income primarily consists of income in connection with the investment of cash and cash equivalents as well as other interest income. Interest expense primarily consists of interest expense on the Group's debt facilities (calculated after giving effect to related interest rate derivative instruments) as well as costs on finance leases based on the effective interest rate method. Other financial expense primarily consists of all fees (other than advisory fees, which are included under other operating expenses) paid in connection with the Group's debt amendment or refinancing, amortization fees paid in connection with implementation of certain new indebtedness facilities and provisions for financial risks.

1.1.5.12Income Tax Expense

Income tax expense consists of corporate income tax (*impôt sur les bénéfices*) and the portion related to income tax of provisions for tax audits. It does not include other taxes due by the Group, which are recorded under the line item "*Taxes and duties*" discussed above.

The Group has substantial tax loss carry-forwards (described in Note 12.4 to the consolidated annual financial statements for the year ended December 31, 2013), which by their nature could reduce its corporate income tax burden.

However, the ability to effectively use these losses (and to achieve all or part of the theoretical tax savings they represent) will depend on a number of factors, such as:

- The ability of the Group or of certain Group companies to generate taxable profits and the difference between such taxable profits and tax losses; in this respect, it should be noted that (i) a large part of the tax loss carry-forwards (€1,156 million as of December 31, 2013) can currently only be offset against the profits of NC Numericable, an operating company of the Group (mostly present in the B2C segment); (ii) a part of the tax loss carry-forwards (€183 million as of December 31, 2013) can only be offset against the profits of Completel, an operating company in the B2B and Wholesale segments; (iii) a part of the tax loss carry-forwards (€6 million as of December 31, 2013) can only be used against the profits of Sequalum; (iv) a portion of the losses (€13 million as of December 31, 2013) can only be used against the profits of Altice B2B France, which is a holding company without operating activities; and (v) a portion of the tax loss carry-forwards (€42 million) can only be used against the profits of Ypso France, which is a holding company without operating activiites. The use of the losses specific to the two holding companies is extremely limited because they can only be offset against each of these company's profits, respectively, and both these companies are structurally in deficit;

- The two tax consolidation groups formed by Ypso France on the one hand and Altice B2B France on the other remained in place through December 31, 2013. As of December 31, 2013, the Ypso France group had €642 million of tax loss carry-forwards and the Altice B2B France group had €218 million of tax loss carry-forwards. The Company intends to become the head of a tax consolidation group in accordance with articles 223 A and 223 L 6 i of the French General Tax Code, with effect from January 1, 2014, and including the companies of the Altice B2B France and Ypso France sub-groups. If this occurs, most of the €642 million of tax loss carry-forwards generated by the Ypso France group and all of the €218 of tax loss carry-forwards generated by the Altice B2B France group should remain available, subject to certain conditions and limitations, against the profits of the prior scopes of Ypso France and Altice B2B, respectively, which will be included in the scope of the new group.

- The general limitation pursuant to French tax regulations, under which the percentage of French tax loss carry-forwards that may be used to offset the portion of taxable profit exceeding one million euros is limited to 50% in respect of financial years ending on or after December 31, 2012, as well as certain more specific restrictions with respect to certain tax categories;

- The prospects for using the Luxembourg holdings' tax loss carry-forwards (of which €211 million are subject to receipt of a favorable tax ruling from the Luxembourg tax administration) are extremely limited;

- Ypso France's specific tax loss carry-forwards (€42 million) should be considered as lost since the company has not received any favorable tax ruling allowing their transfer;

- The outcome of current or future tax audits and tax-related litigation; and

- Possible changes in applicable laws and regulations.

As of December 31, 2013, given the potential to generate income, it became clear that the Group was able to use a portion of the tax loss carryforwards that it had recorded. The Company therefore decided to recognize a deferred tax asset in the amount of €357 million, i.e., 14% of the total tax loss carryforwards.

1.1.6 Critical Accounting Policies

For a description of the Group's significant accounting policies and critical accounting estimates, see Notes 2 and 3 to the consolidated financial statements.

1.2 Analysis of Results for the Years Ended December 31, 2012 and December 31, 2013

	Year ended December 31,				
	2012		2013		
	(in millions of euros)	*(as a percentage of revenues)*	*(in millions of euros)*	*(as a percentage of revenues)*	*Change*
Revenues	**1,302.4**	**100.0%**	**1,314.2**	**100.0%**	**0.9%**
Purchases and subcontracting services	(602.1)	(46.2%)	(611.0)	(46.5%)	1.5%
Staff costs and employee benefits expense	(141.5)	(10.9)%	(154.6)	(11.8%)	9.3%
Taxes and duties	(32.4)	(2.5%)	(33.9)	(2.6)%	4.6%
Provisions	(6.2)	(0.5%)	(20.5)	(1.6)%	229.1%
Other operating income	89.2	6.9%	86.3	6.6%	(3.3%)
Other operating expenses	(17.2)	(1.3%)	(20.5)	(1.6)%	19.1%
Operating income before depreciation and amortization (EBITDA)	**592.3**	**45.5%**	**560.1**	**42.6%**	**(5.4)%**
Depreciation and amortization	(291.7)	(22.4)%	(304.0)	(23.1)%	4.2%
Operating income	**300.5**	**(23.1)%**	**256.0**	**19.5%**	**(14.8%)**
Financial income	4.3	0.3%	9.7	0.7%	124.3%
Interest relative to gross financial debt	(183.1)	(14.1%)	(184.8)	(14.1%)	1.0%
Other financial expense	(32.7)	(2.5%)	(148.5)	(11.3%)	354.2%
Finance costs, net	**(211.4)**	**(16.2%)**	**(323.6)**	**(24.6)%**	**53.1%**
Income tax expense	(2.5)	(0.2%)	132.8	10.1%	N/A
Share in net income (loss) of equity affiliates	(0.2)	(0.0%)	(0.5)	(0.0%)	143.2%
Net combined/consolidated income (loss)	**86.4**	**6.6%**	**64.7**	**4.9%**	**(25.1%)**
Attributable to owners of the entity	86.4	6.6%	64.6	4.9%	(25.3%)
Attributable to non-controlling interests	0.0	0.0%	0.2	0.0%	218.4%

1.2.1 Revenues

Contribution to combined/consolidated revenues *(in millions of euros)*	Year ended December 31,		
	2012	**2013**	**Change**
B2C	826.2	864.6	4.7%
B2B	323.2	309.6	(4.3%)
Wholesale	153.1	140.0	(8.3%)
Total	**1,302.4**	**1,314.2**	**0.9%**

Revenues for 2013 totaled €1,314.2 million, representing an increase of 0.9%.

Of the Group's activities, B2C's revenues increased the most, due to the growth of the Numericable and Fiber White Label client base and the positive effect of the ARPU of Numericable customers.

At December 31, 2013, the B2C subscriber base totaled 1.709 million, having grown by 81,000 subscribers as compared with December 31, 2012. This growth was primarily due to the growth in the number of multi-play subscribers under the Numericable brand (an increase of 69,000) and in the number of White Label subscribers (an increase of 66,000). ARPU remained high at €41.90 for the fourth quarter of 2013. It increased by €1.10 as compared with ARPU for the Numericable customer base for the fourth quarter of 2012.

B2B revenues decreased by 4.3% from 2012 to 2013. This decrease is primarily the result of (i) the effect of decreases in call termination rates, which in turn led customers (especially large customers) to demand decreases in the rates they paid, and (ii) the impact of administrative and operational difficulties in 2012, which resulted in particular in the issuance of credit notes during the first half of 2013. However, the trend appears to be improving in this area as well, as the value of new signed contracts grew significantly, from €5.660 million in 2012 to €6.656 million in 2013, an improvement of 17.6%. This growth should show its full impact in 2014 revenues, given the installation delays for new business.

The Wholesale segment's revenues also decreased, also due to the systematic passing through of the decreases in call termination rates. Wholesale revenues decreased by 8.3% in 2013 as compared with 2012. The primary reason for this decrease was the decreases in call termination rates. In the Wholesale segment, these decreases led to an immediate and systematic effect on other operations. In addition, 2013 was marked by a progressive decline in the Bouygues (ex-Darty) White Label DSL customer base. This customer base, which had totaled 168,005 subscribers at December 31, 2012, decreased to 120,261 subscribers at December 31, 2013, a contraction of 28%.

1.2.2 Purchases and Subcontracting Services

Purchases and subcontracting services increased by €8.9 million, or 1.5%, from €602.1 million in 2012 to €611.0 million in 2013. This increase is primarily due to an increase in subscriber acquisition costs for new B2C customers relating to the higher volume of new customers, partially offset by a significant decrease in call termination costs in B2C, B2B and Wholesale.

1.2.3 Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expense increased by €13.1 million, or 9.3%, from €141.5 million in 2012 to €154.6 million in 2013. This increase was partly the result of an increase in the number of employees, which went from 1,979 employees (excluding trainees) at the end of 2012 to 2,182 employees (excluding trainees) at the end of 2013. This increase in headcount is due to sales force hiring as well as the integration of LTI, a company acquired in early November 2013, which had 100 employees at the time of the acquisition. The increase of €13.1 million therefore comes from both an increase in the number of employees and an increase in the level of compensation, with a general salary increase of approximately 1% in 2013 and a significant bonus distribution relating, in particular to increased sales (B2C) and orders (B2B) during the period. Approximately €3.6 million in costs relating to stock options issued in 2013 also contributed to the increase.

1.2.4 Taxes and Duties

Taxes and duties rose by €1.5 million, or 4.6%, from €32.4 million in 2012 to €33.9 million in 2013, due primarily to the impact of the increase in B2C and Wholesale income on the CVAE.

Information on luxury expenses: in 2013, Numericable recorded luxury expenses of €133,000 with respect to excess depreciation of rental cars.

Information on the adding back of general expenses in taxable profit: no general expenses were added back for tax purposes by the Company in 2013.

1.2.5 Provisions

Provisions (net of reversals) increased by €14.7 million, from €6.2 million in 2012 to €20.4 million in 2013. Most of this increase comes from the B2B segment, in which a provision was recorded following a tax audit performed in 2013 relating to the years 2010 and 2011. Following the audit, the tax authorities rejected expenses for services performed between 2009 and 2011. The amount of these assessments for which a provision was recorded is €11.4 million.

1.2.6 Other Operating Income

Other operating income decreased by €2.9 million, from €89.2 million in 2012 to €86.3 million in 2013. This decrease in other operating income primarily reflects a slow-down in costs incurred relating to the DSP 92 project, at a time when the Phase 2 agreement was being discussed and Phase 1 was nearing completion. This slow-down in activity led to a lower level of capitalization of external costs, partly offset by sales of cable networks to municipal governments in connection with the winding up of *délégation de service public* (public service concession) contracts. In 2013, this item also includes repayment of a €5.0 million fine assessed by ARCEP in 2012, due to the Constitutional Council's decision to invalidate ARCEP's power to impose sanctions.

1.2.7 Other Operating Expenses

Other operating expenses increased by €3.3 million, from €17.2 million in 2012 to €20.5 million in 2013. This increase is due to the B2C segment and to expenses related to the termination of certain DSPs, which resulted in a return of certain assets to municipal governments. This return of assets results in the removal of certain zero-value assets from the Group's balance sheet and the transfer of the remaining net accounting value of the transferred assets to expenses. These expenses have no impact on the Group's cash flow. The increase in these expenses was partially offset by the decrease in fees paid in connection with refinancing transactions (as the costs incurred in connection with the initial public offering were fully deducted from share premium and were not recorded as expenses) and the decrease in management fees paid to shareholders.

1.2.8 Operating Income Before Depreciation and Amortization (EBITDA)

EBITDA decreased by €32.2 million, from €592.3 million in 2012 to €560.1 million in 2013. This decrease reflects both decreases directly related to activity and other decreases that are either non-recurring or have no impact on cash flow, and which are eliminated when calculating adjusted EBITDA (see below). Activity in 2013 was principally characterized by accelerated growth in the B2C business, which generates significant subscriber acquisition costs (sales and marketing expenses). These costs, which are necessary to create dynamic sales, generate expenses in the year during which the new customers are acquired. In 2013 they offset the positive recurring effect of this growth in the B2C business. In the B2B business, the decline in telephony activities and the decision taken in 2013 to issue credit notes to resolve customer management problems related to the service quality problems that occurred in 2012 and 2011 also negatively affected the year's results.

In addition, 2013 was affected by a series of costs that either were non-recurring or had no impact on cash flow, such as the effect of the tax assessments in the B2B segment, the refinancing costs for the transactions carried out in connection with the initial public offering and the non-cash termination costs of certain DSPs.

1.2.9 Adjusted EBITDA

Once non-recurring items and items that have no impact on cash flow are deducted, adjusted EBITDA for 2013 amounted to €615.9 million, a slight decrease of €5 million, or 0.6%, as compared with 2012.

These results show the accelerating acquisition of new clients in B2C, which decreases profitability in the first year, as well as the effect of the slow-down in B2B voice activities, due to the last regulated decrease in call termination rates as of January 1, 2013. In Wholesale, a return to profitability was achieved by pursuing growth in high-margin fiber and traditional data capacity resale.

1.2.10 Depreciation and Amortization

Depreciation and amortization expenses increased by €12.3 million, or 4.2%, from €291.7 million in 2012 to €304.0 million in 2013. This increase reflects increased investment in the B2C and B2B segments in recent years to upgrade and modernize the network and connect an increasing number of clients.

1.2.11 Operating Income

Operating income decreased by €44.5 million, or 14.8%, from €300.5 million in 2012 to €256.0 million in 2013, for the reasons discussed above.

1.2.12 Finance Costs, Net

Finance costs, net increased by €112.2 million, from a net charge of €211.4 million for the year ended December 31, 2012 to a net charge of €323.6 million for the year ended December 31, 2013. The majority of this decline (€81.6 million) is the result of capitalizing the Super PECs (see below). The remainder of the decline (€30.6 million) is the primarily the result of (i) a €34.2 million increase in Other Financial Expenses, excluding the effect of capitalizing the Super PECs, and (ii) a €1.8 million increase in interest expense, offset by a €5.4 million increase in interest income.

At the time of the restructuring of the Group's debt in 2009, shareholders of the Group acquired certain loans under the Ypso France SFA. Ypso Holding Sàrl issued equity securities that were subscribed by the shareholders, and in particular 132,664,023 subordinated interest preferred equity certificates (the "Super PECs"), with a nominal value of one euro each. Interest due to shareholders was capitalized.

Cinven, Carlyle and Altice contributed these Super PECs to Numericable Group on November 7, 2013 in connection with the transactions relating to the initial public offering. As a result, this debt was retired, and newly issued equity securities were delivered in consideration. In turn, debt extinction charges were recorded in financial expenses for an amount of €81.6 million. This expense has no impact on the Group's cash flow.

The increase of €34.2 million in Other Financial Expenses, excluding the effect of capitalizing Super PECs, is a result of costs incurred relating to the repayment of various credit lines using the new Facility D, and to the capital increase at the time of the initial public offering. The repayment of the Senior Secured Notes led to the payment of a premium to the noteholders. Thus, the Group paid a total of €28.0 million (12.375% of the amounts repaid on the C1A Facility, 8.75% of the amounts repaid on the C2A Facility and 2% on the C2B Facility, which was fully repaid). The early repayments of these Facilities, as well as the Facilities under the Altice B2B SFA, resulted in the recording of €15.2 million in costs relating to the initial entry into the cancelled debt, which had initially been recorded at amortized cost.

The increase in interest income relates primarily to two payments totaling €7.1 million received by the Group following the bankruptcy of Lehman Brothers. The remainder of interest income recorded on the income statement consists of a reversal of provisions for risks of €1.9 million.

Interest on debt increased primarily as a result of the refinancing in October 2012, but also as a result of the refinancing in February 2012 (to a lesser extent, because it relates only to the first 45 days of the year). The refinancing transactions carried out in the fourth quarter have lowered interest payments only slightly so far, because they closed in December.

1.2.13 Income Tax Expense

The initial public offering and the structural reorganization implemented in November and December 2013 gave the Group better visibility over its tax structure and its ability to generate, in line with the Group's future income perspectives, taxable profits enabling the Company to use at least a portion of its available tax

loss carryforwards. Given the potential to generate income, it became clear that the Group was able to use a portion of the tax loss carryforwards that it had recorded. The Company therefore decided to recognize a deferred tax asset for the share of the tax losses that can be used within five years. The result was the recognition of deferred tax income of €132.7 million for 2013.

1.3 ANALYSIS OF RESULTS BY SEGMENT

1.3.1 B2C Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortization for the B2C segment for the years ended December 31, 2012 and 2013.

B2C Segment *(in millions of euros)*	**Year ended December 31,**		
	2012	**2013**	**Change**
Revenues	**832.6**	**869.4**	**4.4%**
Digital revenues	*650.4*	*681.5*	*4.8%*
Analog revenues	*36.9*	*28.6*	*(22.4)%*
Bulk revenues	*70.1*	*68.6*	*(2.1)%*
Fiber white label revenues	*75.3*	*90.7*	*20.4%*
Purchases and subcontracting services	(386.1)	(415.1)	7.5%
Staff costs and employee benefits expense	(77.6)	(87.1)	12.3%
Taxes and duties	(19.9)	(20.5)	2.9%
Provisions	(4.5)	(8.6)	90.8%
Other operating income	68.1	65.5	(3.8%)
Other operating expenses	(16.0)	(18.6)	16.0%
Operating income before depreciation and amortization (EBITDA)	**396.6**	**385.0**	**(2.9)%**
EBITDA margin rate	*47.5%*	*47.6%*	

1.3.1.1 Revenues

B2C segment revenues increased 4.4% to €869.4 million for the year ended December 31, 2013, compared to €832.6 million for the year ended December 31, 2012.

The increase in B2C revenues was essentially due to the Numericable brand digital business, which increased by €31.1 million, or 4.8%, from €650.4 million in 2012 to €681.5 million in 2013. Digital revenues comprise revenues generated by sales of digital multi-play packages and options, such as VOD and additional channels. This increase was primarily due to an increase in the digital customer base, which totaled 1.264 million at December 31, 2013, as compared to 1.228 million at December 31, 2012. This increase in the client base primarily reflects the commercial appeal of our Very High Speed and LaBox offerings. LaBox was launched in mid-2012 and was aggressively advertised in the fall of 2012. The increase in the client base was accompanied by an increase of €0.80 in ARPU for existing clients, from an average of €40.70 per month in 2012 to an average of €41.5 per month in 2013.

Fiber white labels constituted the second growth vector, with revenues increasing from 20.4%, or €15.4 million, from €75.3 million in 2012 to €90.7 in 2013. This increase reflects an approximate 22% increase in the number of fiber white label end users year-on-year, from approximately 297,000 end users as of December 31, 2012 to approximately 363,000 end users as of December 31, 2013, due to the continued commercial roll-out of Bouygues Télécom's white label offering since its launch at the end of 2010.

Analog revenues continued to decrease as anticipated, decreasing by €8.3 million, or 22.4%, from €36.9 million for the year ended December 31, 2012 to €28.6 million for the year ended December 31, 2013. This decrease is primarily due to a 21% decrease in the Group's analog customer base, from approximately 103,000 subscribers as of December 31, 2012 to approximately 81,000 as of December 31, 2013. Since the

Group stopped marketing analog offers a few years ago, the Group's analog customer base is now only negatively impacted by churners and no further gross adds are registered.

Bulk revenues decreased slightly by 2.1%, totaling €68.6 million for the year ended December 31, 2013, compared to €70.1 million for the year ended December 31, 2012, reflecting a slight decrease in the Group's bulk customer base.

1.3.1.2 Purchases and Subcontracting Services

Purchases and subcontracting services increased by €29.0 million, or 7.5%, from €386.1 million in 2012 to €415.1 million in 2013. This increase primarily reflects the marketing and communications efforts made in order to grow the digital subscriber base between 2012 and 2013. Subscriber acquisition costs, which include subscriber acquisition-related marketing and communications costs and commissions paid to external sales networks, increased by almost €17 million, from €73.4 million in 2012 to €90.0 million in 2013.

In addition, energy and network-maintenance costs increased by approximately €1 million, call center costs increased by €2.5 million, and costs of material purchased for resale increased approximately €5 million.

1.3.1.3 Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expense increased by 12.3%, or €9.5 million, from €77.6 million in 2012 to €87.1 million in 2013. This increase reflects the hiring of new sales team members in 2012 and 2013, as well as higher variable compensation paid to marketing staff, tied in part to the number of new customers. Furthermore, wages increased by approximately 1% in 2013.

In addition, the cost of stock options granted in connection with the IPO added costs of €3.6 million.

1.3.1.4 Taxes and Duties

Taxes and duties increased 2.9%, or €0.6 million, from €19.9 million in 2012 to €20.5 million in 2013. This increase is due to the growth in the Company value-added contribution (*Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE)) in this period, which in turn results from the Company's significant investments in the B2C business and the related increase in both the value of fixed assets and added value.

1.3.1.5 Provisions

Net provisions increased by €4.1 million, from €4.5 million for the year ended December 31, 2012 to €8.6 million for the year ended December 31, 2013.

Provisions mainly consist of those for commercial and tax litigation, for retirement indemnities and for amounts charged to end users who do not return the Group's equipment after canceling their subscriptions with the Group.

The increase was primarily due to the increase in net provisions for bad debt, for approximately €4 million. The other provisions recorded during the year were offset by reversals during the period.

1.3.1.6 Other Operating Income

Other operating income decreased by €2.6 million, from €68.1 million for the year ended December 31, 2012 to €65.5 million for the year ended December 31, 2013. This decrease was primarily due to lower capital expenditures on the DSP 92 project, as the first phase ended during the year.

1.3.1.7 Other Operating Expenses

Other operating expenses increased by €2.6 million, from €16.0 million for the year ended December 31, 2012 to €18.6 million for the year ended December 31, 2013. This increase was the result of two factors.

A significant increase of €7.3 million in expenses related to the completion of certain DSPs, which resulted in a return of certain assets to local governments. This return of assets results in the removal of certain zero-value assets from the Group's balance sheet and the transfer of the remaining net accounting value of the transferred assets to expenses. These expenses have no impact on the Group's cash flow.

This effect was partially offset by a significant decrease in refinancing fees as compared with 2012, a year in which costs increased strongly as a result of the two note issuances.

1.3.1.8 Operating Income Before Depreciation and Amortization (EBITDA)

EBITDA decreased by €11.6 million, from €396.6 million for the year ended December 31, 2012 to €385.0 million for the year ended December 31, 2013. Compared to 2012 and earlier years, in which revenue remained relatively stable, the growth in 2013, driven by a more significant capture of new customers, generated higher subscription acquisition costs. In the first year of return to growth, these higher costs more than offset the growth in revenues. However, B2C segment EBITDA excluding subscriber acquisition costs (subscriber acquisition-related marketing, communications and commissions paid to external sales networks) increased from €468.4 million for the year ended December 31, 2012 to €470.0 million for the year ended December 31, 2013.

Moreover, this segment's EBITDA was affected in 2013 by the costs of stock option grants in the amount of €3.6 million, as well as additional charges with no effect on cash flow relating to the completion of DSPs, for €7.3 million.

1.3.2 B2B Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortization for the B2B segment for the years ended December 31, 2012 and 2013.

B2B Segment *(in millions of euros)*	**Year ended December 31,**		
	2012	**2013**	**Change**
Revenues	**324.5**	**312.6**	**(3.7%)**
Voice revenues	*133.9*	*115.5*	*(13.7%)*
Data revenues	*190.6*	*197.1*	*3.4%*
Purchases and subcontracting services	(178.4)	(180.2)	1.0%
Staff costs and employee benefits expense	(57.2)	(60.5)	5.8%
Taxes and duties	(7.6)	(8.1)	6.6%
Provisions	(1.3)	(11.6)	NS
Other operating income	21.1	20.8	(1.4%)
Other operating expenses	(1.1)	(1.9)	72.7%
Operating Income before Depreciation and Amortization (EBITDA)	**100.0**	**71.2**	**(28.8%)**
EBITDA margin rate	*30.8%*	*22.8%*	

1.3.2.1 Revenues

B2B segment revenues decreased by €11.9 million, or 3.7%, from €324.5 million in 2012 to €312.6 million in 2013. This decrease reflected a decrease in voice revenues, which was partially offset by an increase in data revenues.

Voice revenues decreased by €18.4 million, or 13.7%, from €133.9 million in 2012 to €115.5 million in 2013. This decrease resulted from a gradual passing on to customers of the successive decreases in regulated call termination rates.

Data revenues increased by €6.5 million, or 3.4%, from €190.6 million for the year ended December 31, 2012 to €197.1 million for the year ended December 31, 2013. This increase reflected the Group’s strategy of focusing on data services, where most new contracts are signed.
In addition, 2013 was also affected by credit notes issued to certain customers in response to customer complaints regarding service quality problems during the integration of Altitude Télécom within Completel. These credit notes primarily affected the first half of the year, for a total of approximately €10 million, the impact of which reduced revenues.

1.3.2.2 Purchases and Subcontracting Services

Purchases and subcontracting services increased slightly, from €178.4 million in 2012 to €180.2 million in 2013, for an increase of 1.0%. This small increase results from the growth in the Group's data business, the revenues of which increased 3.4% for the year, generating more purchases of capacity.

This increase was partly offset by a decrease in telephony costs of approximately €4 million from 2012 to 2013 resulting from a decrease in per-unit costs -- the effect of the last decrease in regulated interconnection rates, which occurred on January 1, 2013 -- and of a contraction in volumes of minutes.

1.3.2.3 Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expense increased by 5.8%, from €57.2 million in 2012 to €60.5 million in 2013. This increase has two main causes. First, additional sales staff was recruited to address the lower-end market and SMEs. Second, new contracts increased strongly in 2013 as compared with 2012 (monthly

revenues from new contracts increased from €5.660 million in 2012 to €6.657 million in 2013, representing an increase of 17.6%, the effect of which should be seen essentially in 2014), generating higher bonuses for the sales teams in 2013 than in 2012.

1.3.2.4 Taxes and Duties

Taxes and duties increased slightly, by €0.5 million, between 2012 and 2013.

1.3.2.5 Provisions

Provisions (net of reversals) increased €10.3 million, from €1.3 million in 2012 to €11.6 million in 2013. Most of this increase comes from a provision recorded following a tax audit performed in 2013 relating to the years 2010 and 2011, following which the tax authorities rejected expenses for services performed between 2009 and 2011. The amount of the assessments for which a provision was recorded is €11.4 million.

1.3.2.6 Other Operating Income

Other operating income did not change significantly, decreasing €0.3 million, or 1.6%, from €21.1 million in 2012 to €20.8 million in 2013. This other income largely comprises capitalized payroll.

1.3.2.7 Other Operating Expenses

Other operating expenses increased €0.8 million, from €1.1 million in 2012 to €1.9 million in 2013. This increase is essentially due to fees paid in connection with refinancing transactions in 2013.

1.3.2.8 Operating Income Before Depreciation and Amortization (EBITDA)

EBITDA decreased by €28.8 million, or 28.8%, from €100.0 million in 2012 to €71.2 million in 2013.

This decrease in the B2B segment's operating income is due to a decrease in the size of the voice market, primarily as a result of the regulated decrease in interconnection rates, and, to a lesser extent, in volumes. It was amplified in 2013 by the low level of contract-based orders in 2012, leading to an incremental revenue in 2013 that was weaker than in 2012. The credit notes of close to €10 million issued in the first half of the year also weighed heavily on this segment's profitability in 2013, as did the provision relating to the tax audit, for €11.4 million.

The commercial recovery in 2013, as measured by the value of new contracts signed, which increased 17.6% in 2013 as compared with 2012, as well as the end of the regulated decreases in call termination rates, are positive signs for 2014.

1.3.3 Wholesale Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortization for the Wholesale segment for the years ended December 31, 2012 and 2013.

Wholesale Segment *(in millions of euros)*	**Year ended December 31,**		
	2012	**2013**	**Change**
Revenues	**211.5**	**200.8**	**(5.1%)**
Purchases and subcontracting services	(103.8)	(84.3)	(18.8%)
Staff costs and employee benefits expense	(6.7)	(7.0)	4.5%
Taxes and duties	(4.9)	(5.4)	10.2%
Provisions	(0.4)	(0.3)	(25.0%)
Other operating income		0.1	-
Other operating expenses		0.0	-
Operating Income before Depreciation and Amortization (EBITDA)	**95.7**	**103.9**	**8.6%**
EBITDA margin rate	*45.3%*	*51.7%*	

1.3.3.1 Revenues

Wholesale segment revenues decreased by €10.7 million, or 5.1%, from €211.5 million in 2012 to €200.8 million in 2013.

Several factors explain this change. The telephony business had benefited in 2012 from the interconnection traffic between the mobile networks of Bouygues Telecom and Free Mobile. Increasingly, however, traffic is passing directly between these two operators, and less through the Group's network. This, along with the regulated decrease in interconnection rates, explains a decrease in revenues of approximately €27 million. However, these two effects had only a weak impact on margin value.

In addition, the revenues generated by the Bouygues (ex-Darty) white label DSL brands continued to decrease (by €4 million between 2012 and 2013) in correlation with the decrease in the number of customers hosted on the Group's network, which decreased from 168,005 customers at the end of 2012 to 120,261 in 2013, or a decrease of 28%.

Conversely, revenues from data capacity resales, which are high margin, continued to grow, increasing by approximately €17 million from 2012 to 2013.

1.3.3.2 Purchases and Subcontracting Services

Purchases and subcontracting services decreased by €19.5 million, or 18.8%, from €103.8 million in 2012 to €84.3 million in 2013.

This decrease resulted from a decrease in volume and value of telephone traffic over the Group's network. The decrease in volume was the result of a lower volume of minutes exchanged between Bouygues Télécom and Free Mobile using the Group's network. The decrease in value was the result of the regulated decrease in interconnection rates, which last occurred on January 1, 2013.

The increase in data activity had only a small impact on purchases and subcontracting services, because it primarily includes the resale of capacity on the Group's network, which does not generate additional external costs.

1.3.3.3 Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expense increased by 4.5%, or €0.3 million, from €6.7 million in 2012 to €7.0 million in 2013, due primarily to the increase in profit sharing based on income growth in 2013.

1.3.3.4 Taxes and Duties

Taxes and duties increased by €0.5 million, or 10.2%, from €4.9 million in 2012 to €5.4 million in 2013. This tax increase is directly correlated with the increase in income generated by Wholesale activities.

1.3.3.5 Provisions

Provisions (net of reversals) went from €0.4 million in 2012 to €0.3 million in 2013. Neither the change in provisions nor their absolute value is significant.

1.3.3.6 Operating Income Before Depreciation and Amortization (EBITDA)

EBITDA of Wholesale activities grew by €8.2 million, or 8.5%, between 2012 and 2013, from €95.7 million in 2012 to €103.9 million in 2013.

This increase in EBITDA results from a decline in the traditional telephony service resale business, which is lower margin, more than offset by growth in the data service resale business, which is higher margin.

1.4 Explanation of EBITDA and Adjusted EBITDA

(in millions of euros)	Fiscal year ended December 31.	
	2012	**2013**
	(unaudited)	
EBITDA	**592.3**	**560.1**
Debt-refinancing related advisory fees [(a)]	7.4	4.9
Acquisition-related restructuring costs [(b)]	2.5	1.4
Provisions/costs for tax and social security audits	0.6	11.3
Exceptional charge due to Orange or Free [(c)]	0.1	7.2
CVAE [(d)]	11.9	12.7
Accelerated depreciation of equipment [(e)]	5.2	14.7
Penalties [(f)]	1.0	-
Stock-option costs	-	3.6
Adjusted EBITDA	**620.9**	**615.9**

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

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

(c) Exceptional charge recognized primarily in 2013 for the €6 million penalty relating to the dispute with Free.

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

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

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

C. LIQUIDITY AND CAPITAL RESOURCES

1.1 General presentation

The Group’s principal financing needs include its working capital requirements, capital expenditures, interest payments and debt repayments.

The Group’s principal source of liquidity on an ongoing basis has been its operating cash flows. The Group’s ability to generate cash in the future from operations will depend on its operating performance which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond the Group’s control. The Group maintains cash and cash equivalents to fund the ongoing requirements of its business. The Group holds cash only in euro.

The Group has also regularly refinanced its debt. In 2012, the Group made two bond issuances to extend its debt maturity profile. In 2013, the Group carried out three major changes with respect to these financings. In July and August 2013, the subsidiaries Ypos and Altice B2B amended and extended their primary bank facilities. The capital increase in November 2013 in connection with the initial public offering of the Company’s shares enabled the Group to repay a portion (approximately €150 million) of its Senior Secured Notes (as defined below). Finally, in December 2013, the Ypso France sub-group acquired the Altice B2B sub-group and refinanced all of its debt. In order to do this, the Group entered into a new facility for an amount of €800 million (the D Facility) within the framework of the Ypso France SFA. In addition to refinancing the debt of the Altice B2B sub-group, this facility allowed the Group to repay all of the October 2012 Floating Rate Notes and a portion of the Fixed Rate Notes (as defined below).

The Group estimates that its financing needs for 2014 will consist primarily of its working capital requirements, interest payments and debt repayments. Under the conditions described in Note 2.5 to the consolidated financial statements, and given the updated cash flow projections, Group management believes that the Group will be able to finance its cash requirements for the next twelve months from the date of

approval of its annual financial statements and service its financial debt (interest payments and principal repayments) during the period.

1.2 Financial resources

1.2.1 Overview

In 2012 and 2013, the Group has principally relied on the following sources of financing:

- *Cash flow from operating activities,* which amounted to €531.0 million in 2012 and €570.3 million during 2013;

- *Cash on hand*. Cash and cash equivalents at December 31, 2012 and 2013 totaled €8.0 million and €101 million, respectively. See Note 20 "Cash and cash equivalents" to the Group's consolidated financial statements. The significant increase in cash on hand as of December 31, 2013 is tied to the increase in capital in November 2013, of which only a portion was used to repay the Senior Secured Notes. The remaining cash was used by the Group for its general financing needs, including its organic growth (in particular the deployment of fiber in the network).

- *Indebtedness*, which consists of the Group's Senior Facility Agreement (both direct lending by banks and on-lending of the proceeds of bond issuances), NC Numericable's perpetual subordinated notes, finance leases, deposits received from customers and bank overdrafts. See Note 22 "Financial Liabilities" to the Group's consolidated financial statements and the discussion below.

1.2.2 Financial Liabilities

The Group's financial liabilities totaled €3,041.1 million and €2,766.1 million at December 31, 2012 and 2013, respectively. The decrease in gross debt in 2013 resulted primarily from principal repayments. The following table provides a breakdown of the Group's gross debt at the dates presented:

	At December 31,	
(in € millions)	**2012**	**2013**
Financial Liabilities under Senior Facility Agreements	2,800.7	2,632.4
Of which Senior Secured Notes (defined below)	*860.2*	*380.4*
Perpetual subordinated notes	35.2	37.7
Financial liabilities under finance leases	27.3	41.5
Deposits received from customers	44.5	51.9
Other financial liabilities	133.3	2.7
Of which subordinated instruments and Super PECs[1]	*129.0*	*0*
Total financial liabilities	**3,041.1**	**2,766.1**

(1) These subordinated instruments and Super PECs were repaid in full in connection with the listing on Euronext Paris of the Company's shares. See "—Other Financial Liabilities—Shareholders Financing".

The following table shows the Group's credit ratings:

Moody's	S&P
B1 (positive outlook)	B+

Following the initial public offering, the acquisition of the Altice sub-grop by the Ypso France sub-group and the refinancing of various Group financings, the two ratings agencies decided (i) to remove the rating of the Altice B2B sub-group and (ii) to improve the Ypso sug-group's rating from B2/B to B1/B+, which became the Group's rating.

The following section discusses the main categories of the Group's financial liabilities.

Senior Facility Agreement

The Group's main financing agreement is the Senior Facility Agreement or SFA described below.

Ypso France S.A.S. ("Ypso France") entered into a senior facility agreement dated June 6, 2006 (as most recently amended on November 22, 2013, the "SFA" or "Senior Facility Agreement") with a syndicate of banks and BNP Paribas as Agent and Security Agent, for the principal purpose of the acquisition and refinancing of the financial indebtedness of Ypso France and its subsidiaries. Numericable Finance & Co. S.C.A. (the "Notes Issuer") acquired loans under the SFA in amounts equal to the principal amount of the February 2012 Notes and the October 2012 Notes (each as defined below). Certain members of the Ypso France Group are joint guarantors under the SFA, each guaranteeing, subject to certain limitations, the obligations of each other borrower and guarantor under the SFA (Ypso Holding S.a.r.l, Ypso France, ENO Belgium SPRL, ENO Holding SA, Ypso Finance S.à.r.l., Coditel Debt S.à.r.l., NC Numericable SAS, Altice B2B France SAS and Completel SAS, all borrowers together with any such additional borrower and guarantors, the "Obligors"). On December 18, 2013, following the acquisition of Altice B2B France's capital by Ypso France, the companies Altice B2B France and Completel became Guarantors and therefore Obligors. It should be noted that following the merger of Estvideocommunication and Numericable into NC Numericable, NC Numericable, previously a Guarantor, became a Borrower within the framework of the SFA. Numericable Group is not party to this financing agreement.

The initial amount available under the SFA was €3,225 million. As of December 31, 2013, the amount available (i.e., undrawn) was €69 million (corresponding to a revolving credit facility) and €2,638.1 million was drawn. Drawdowns on the SFA are made in euros (although certain, currently uncommitted, facilities may be drawn in other currencies) and bear interest at rates per annum which are either fixed or equal to EURIBOR plus a margin. Fixed rate drawdowns correspond to loans related to €380.4 million of Senior Secured Notes (defined below) issued at a fixed rate. The margin on variable rate drawdowns is a rate adjusted by reference to a Net Leverage Ratio equal to the ratio of Consolidated Total Net Borrowings of the Group, calculated on the basis of Ypso France and in accordance with French accounting standards, to its annualized EBITDA (see the Net Leverage Ratio description under "Financial Covenants" below for more detail on the SFA's Net Leverage Ratio calculation) or, if the Group, at the Ypso France level, contracts subordinated debt (which is not currently the case), by reference to the ratio of the Ypso France Group's consolidated total net senior borrowings to its annualized EBITDA (the levels being the same for both ratios). The July 31, 2013 amendment modified the margins that apply to certain tranches after admission to trading of the Company's shares on Euronext Paris by reducing them by 25 basis points. The following table sets out the margins applicable by tranche:

Net Leverage Ratio (L)	5.5x < L < 5.0x	5.0x < L < 4.75x	4.75x < L < 4.5x	4.5x < L < 4.25x	4.25x < L < 4.00x	4.00x < L < 3.25x	L < 3.25:1
Facility AII	4.125%	3.875%	3.625%	3.500%	3.000%	2.750%	2.250%
Facility BI	3.500%	3.2500%	3.500%	3.500%	3.000%	3.000%	3.000%
Facility BII	4.750%	4.750%	4.500%	4.500%	4.000%	3.750%	3.250%
Facility BIII	4.750%	4.750%	4.500%	4.500%	4.000%	3.750%	3.250%
Facility CI	4.250%	4.000%	4.000%	4.000%	3.500%	3.500%	3.500%
Facility CII	5.500%	5.250%	5.000%	5.000%	4.500%	4.250%	3.750%
Facility CIII	4.750%	4.750%	4.500%	4.500%	4.000%	3.750%	3.250%
Facility CIV	5.250%	5.000%	4.750%	4.750%	4.250%	4.000%	3.500%

The new credit facility "Facility D" implemented and completely drawn on December 18, 2013 bears interest at a rate equal to EURIBOR plus 3.75% per annum (regardless of the Net Leverage Ratio). It has been completely drawn since its implementation and matures on December 31, 2018. The following table sets out the use of the Facility D:

(in € millions)	**Amount**
Repayment of the Altice B2B France SFA Facilities (as defined below)……………………………	451,229
Repayment of the C2B Additional Credit Facility (Floating Rate Notes)………………….…..............	275,000
Make-Whole of Floating Rate Notes (2% of the principal)…………………………………….......	5,500
Interest accrued on Floating Rate Notes…………………………………………………………….	3,961
Repayment of remaining 35% of the C2A Additional Credit Facility	53,101
Premium on the Fixed Rate Notes (8.75% of the amount repaid)	4,646
Interest accrued on the repaid portion of the Fixed Rate Notes	1,484
OID of the Facility D (0.5% of the principal)	4,000
Various commissions	1,078
Total	**800,000**

The "Capital-Investment" facility has the same margins as Facility AII. The margin rates of the additional C1 and C2A facilities are the same as those of the Senior Secured Notes described below.

The SFA includes (since 2012) a euro-denominated revolving credit facility in a maximum aggregate amount of €65 million, which bears interest at a rate equal to EURIBOR plus 4.5% per annum (regardless of the Net Leverage Ratio), which may be drawn in one or several tranches. A commitment fee of 2.25% per annum is payable quarterly in respect of undrawn amounts under the revolving credit facility. This revolving credit facility was fully undrawn as of December 31, 2013.

The SFA is secured by first and lower ranking pledges over the Obligors' (other than Ypso Holding S.à.r.l's) shares (and pledges over certain Ypso France Obligors' subsidiaries' shares), bank accounts, receivables and rights to intangible business property and intellectual property.

The July 31, 2013 amendments extended the average duration of the Ypso France SFA by modifying the breakdown by tranche. The November 22, 2013 amendment provided for the addition of the new Facility D to refinance all of the Altice B2B France SFA debt and to repay all of the Variable Rate Notes as well as a portion of the October 2012 Fixed Rate Notes.

(in thousands of euros)	**Debt at December 31, 2013**	**Final Maturity**	**Repayment**
Facility AII	28,957	June 2015	Amortizing
Facility BI	11,229	June 2014	Bullet
Facility BII	106,547	June 2016	Bullet
Facility BIII	672,112	December 2017	Bullet
Facility CI	36,015	December 2015	Bullet
Facility CII	42,298	December 2017	Bullet
Facility CIII	110,861	December 2017	Bullet
Facility CIV	426,801	December 2018	Bullet
Facility D	800,000	February 2019	Bullet
Capital-Investment II Facility	22,906	June 2015	Amortizing
Facility C1	234,130	February 2019	Bullet
Facility C2A	146,250	February 2019	Bullet
Total	**2,638,106**		

Altice B2B France SFA

Altice B2B France S.A.S. ("Altice B2B France") entered into a senior facility agreement dated August 29, 2007 (as most recently amended on August 2, 2013, the "Altice B2B France SFA") with Credit Agricole Corporate and Investment Bank as Mandated Lead Arranger, Agent and Security Agent and other lenders, for the principal purpose of the acquisition and refinancing of the financial indebtedness of the business of Altice B2B France and its subsidiaries (the "Altice B2B France Group"). The acquisition of Altice B2B France by Ypso France triggered a Change of Control (defined in the Altice B2B France SFA), so that the full amount was immediately due to Altice B2B France SFA. The full amount was paid thanks to the implementation and draw down of Facility D. The Altice B2B France SFA terminated on December 18, 2013.

Covenants under the Senior Facility Agreement

The Senior Facility Agreement includes customary covenants for this kind of financing, and specifically the following clauses, which reflect the most recent amendments:

Financial covenants

Net Leverage Ratio – The Net Leverage Ratio is defined as Consolidated Total Net Borrowings (as defined below) divided by annualized EBITDA (as defined below). This ratio must remain under the thresholds set forth in the Senior Facility Agreement (5.5 to 3.5). Compliance with the financial covenants is determined in accordance with French GAAP and not IFRS. Compliance with the financial covenants is determined at the Ypso France level. As a result, the definition of "Consolidated Total Net Borrowings" and "annualized EBITDA" is different from those in the Group's consolidated financial statements. The definitions of Consolidated Total Net Borrowings and annualized EBITDA are detailed below:

- Consolidated Total Net Borrowings means total financial indebtedness from external sources of the Ypso France Group less the Ypso France Group's cash and cash equivalents.

- Annualized EBITDA is the sum of consolidated EBITDA for the two preceding quarters ending on a quarterly end date, multiplied by two. Consolidated EBITDA as defined in the Ypso France SFA is based on the net earnings of the Ypso France Group,

  - plus,

    - exceptional or non-recurring negative items incurred or received and certain costs relating to the amendment of certain specified finance documents and the admission to trading of the Company's shares;

    - all depreciation and amortization;

    - corporation tax or any other tax on incomes or gains, but without any adjustment for any *taxe professionnelle*;

    - interest (as defined in the SFA) accrued as an obligation of or owed to any member of the Ypso France Group;

    - monitoring fees and the variable element of management fees;

    - any loss on book value arising on the sale, lease or other disposal of any asset by any member of the Ypso France Group (other than on the sale of trading stock) during such period and any loss arising on the revaluation of any asset during such period, in each case, to the extent that it would otherwise have been taken into account;

    - losses attributable to any exchange rate or translation differences;

    - proceeds of claims under any insurance to the extent that this relates to compensation for loss of profits and/or business interruption for such period;

    - the amount of any deduction from profit (to the extent actually deducted) for such period attributable to pension costs recorded as interest under French accounting rules which is non-cash pay;

    - bank agency fees under, or referred to in, certain finance documents;

    - (to the extent otherwise included) the amount of losses of any member of the Ypso France Group which is attributable to the interests of any shareholder of or, as the case may be, partner in such member of the Ypso France Group who is not a member of the Ypso France Group;

  - minus,

    - exceptional or non-recurring positive items incurred or received;

    - any gain on book value arising on the sale, lease or other disposal of any asset by any member of the Ypso France Group (other than on the sale of trading stock) during such period and any gain arising on the revaluation of any asset during such period, in each case, to the extent that it would otherwise be taken into account;

    - gains attributable to any exchange rate or translation differences;

- the fixed element of management fees whether paid in cash, deferred, or converted into capital during such period (excluding control fees paid to the Equity Sponsors);
- (to the extent otherwise included) the amount of profit of any member of the Ypso France Group which is attributable to the interests of any shareholder of or, as the case may be, partner in such member of the Ypso France Group who is not a member of the Ypso France Group;
- the amount of profit of any entity (which is not a member of the Ypso France Group) in which any member of the Ypso France Group has an ownership interest to the extent that the amount of such profit included in the accounts of the Ypso France Group exceeds the amount (net of any applicable withholding tax) received in cash by members of the Ypso France Group through distributions by that entity;
- any profit from the buy-back of outstanding debt of Ypso Holding S.à.r.l.

Debt Service Cover Ratio – Ypso France Group's consolidated cash flow (as defined in the Senior Facility Agreement and corresponding to the Ypso France Group's consolidated cash flow minus debt service adjusted for items typical for this type of debt contract) shall not be less than 1.0 times its consolidated total debt service for the same period. This ratio is tested each quarter based on the sum of consolidated cash flows over the four preceding quarters and the sum of consolidated debt service for the four preceding quarters. Under the SFA, the testing requirement is suspended as from the first testing date where the Net Leverage Ratio is equal to or less than 3.5:1.

Net Interest Coverage Ratio – The ratio of Ypso France Group's annualized EBITDA to its consolidated total net cash interest payable must remain above the thresholds set in the Senior Facility Agreement. The annualized EBITDA shall not be less than between 2.15 to 2.85 (depending on the calculation date) times the consolidated total net cash interest payable for the previous six months multiplied by two.

The following table summarizes the thresholds required with respect to these ratios as well as the levels at December 31, 2013:

	Required Threshold at December 31, 2013	Ratio at December 31, 2013
Net Leverage Ratio	5.40x	4.12x
*Debt Service Cover Ratio**	1.00x	1.42x
Net Interest Coverage Ratio	2.15x	3.57x

* Under SFA terms, the testing requirement shall be suspended permanently as from the first testing date where the Net Leverage Ratio of the Ypso France Group is equal to or less than 3.5:1.

General restrictive covenants

The Senior Facility Agreement contains negative undertakings, subject to certain agreed exceptions, including but not limited to restrictions on:

- acquisitions or investments;
- loans or otherwise extending credit to others;
- incurring indebtedness or issuing guarantees;
- creating security;
- selling, transferring or disposing of assets;
- merging or consolidating with other companies;
- paying dividends, redeeming share capital or redeeming or reducing subordinated indebtedness;
- entering into joint venture transactions;
- effecting certain transactions in derivatives;
- making a substantial change to the general nature of its business;
- changing its center of main interests; and
- modifying certain acquisition documents and other agreements.

The July 31, 2013 amendments to the Ypso France SFA lightened certain restrictions as from the first testing date as of which the Net Leverage Ratio is equal to or lesser than 3.5:1.

After the July 31, 2013 amendments, as from the first testing date where the Net Leverage Ratio is equal to or lesser than 4.0:1, the Ypso France Group will be permitted to subscribe to new loans with the sole purpose of refinancing the SFA and the payment of commissions and fees related to such refinancing.

Undertakings

The Senior Facility Agreement also contains positive undertakings, subject to certain agreed exceptions, including but not limited to covenants relating to:

- the maintenance of relevant authorizations;
- the maintenance of insurance;

- granting security over shares in any material subsidiary directly held by an Obligor;
- compliance with laws, including environmental laws and regulations;
- communication of certain information; and
- ensuring that its obligations under the Senior Facilities rank at least *pari passu* with the claims of other creditors.

As of the date of this report, the Ypso France Group is in compliance with the undertakings of the Senior Facility Agreement.

The Ypso France Group is required to deliver to lenders consolidated financial statements prepared in accordance with French GAAP and a certificate on the calculation of the ratios each quarter and, annually, audited consolidated financial statements allowing for the verification of compliance with the financial ratios.

Mandatory prepayment

Mandatory prepayments are required to be made out of, among other things, the following funds received by the Ypso France Group:

- net cash proceeds in relation to certain disposals, insurance claims and recovery claims in respect of the original acquisition, to the extent that such net cash proceeds exceed certain agreed thresholds and subject to various exclusions. This requirement shall be suspended if the Net Leverage Ratio does not exceed 3.5:1;
- for each financial year, a percentage of excess cash flow (as defined in the Senior Facility Agreement corresponding to the Ypso France Group's consolidated cash flow minus debt service obligations adjusted for certain elements typical for this type of debt contract, which percentage decreases as the Net Leverage Ratio decreases; and
- net proceeds from a primary offering in connection with a listing on a stock market where no change of control has occurred, subject to the Net Leverage Ratio, and any balance not so prepaid shall be deemed to constitute retained excess cash flow.

It should be noted that the last certificate on the financial ratio calculations before the initial public offering related to the third quarter of 2013. The Net Leverage Ratio was then 4.99x. There was ambiguity surrounding the use of net proceeds from the primary issuance less fees related to the issuance in connection with the initial public offering. Ypso France SAS thus obtained a technical amendment from the lenders under the SFA in order to clarify the implementation of the anticipated mandatory repayment provisions. This amendment was signed November 22, 2013. As a result, 25% of the net proceeds (€60.7 million) was used for the anticipated mandatory repayment. The Company decided to use this amount to repay Fixed Rate Senior Secured Notes (and the corresponding Additional C1 Facility Loan under the SFA). The SFA also allowed 50% of the net proceeds from the capital increase net of commissions after mandatory repayments (i.e., €91.0 million) to be used for a voluntary repayment of credit facilities under the SFA. The Company decided to use this amount to repay additional Fixed Rate Senior Secured Notes. The SFA amendment dated November 22, 2013 allowed for an additional sum of €53.1 million to be used for the voluntary repayment of the repurchase authorized by the February 2012 and October 2012 Indentures, using the new "Facility D" credit facility for a part of this repayment.

The senior facilities will be immediately cancelled, and all obligations under the senior facilities will be immediately payable in full, if, among other events, there is a change of control (as defined and on the terms and conditions described below) or sale of all or substantially all of the assets or business of each of the Ypso France Group, as described below.

Mandatory prepayment in case of a change of control – The Senior Facility Agreement requires the early repayment of all the amounts due to all the lenders and the cancellation of all available commitments in the following cases (each, a "**Change of Control**"):

- (a) a person or group of persons acting in concert (other than the Equity Sponsors) becomes legally or beneficially, directly or indirectly, the owner of a greater proportion of the share capital or voting rights of Ypso Holding S.à.r.l or Ypso France than the Equity Sponsors, on a fully diluted or non-diluted basis; or (b) the Equity Sponsors cease to own together legally or beneficially, directly or indirectly, equity share capital having the right to cast at least one-third of the votes capable of being cast in general meetings of Ypso Holding S.a.r.l or Ypso France (in the case of the Ypso France SFA), on a fully diluted basis.

- (a) Ypso France ceases to hold (directly or indirectly) (i) more than 99% of the equity share capital having the right to cast votes at general meetings of NC Numericable SAS or (ii) the right or ability to determine the composition of a majority of the board of directors of such company or ceases to be represented by such majority; or (b) Ypso Holding S.à.r.l ceases to hold (directly or indirectly) (i) more than 99% of the equity share capital having the right to cast votes at general meetings of Ypso France or (ii) the right or ability to determine the composition of a majority of the board of directors of Ypso France or ceases to be represented by such majority.

Exception to Mandatory Prepayment in the Case of a Change of Control. In respect of the Senior Facility Agreement, following the July 31, 2013 amendments, the lenders having approved the amendment (i.e., more than 95% of lenders (in terms of amount)) waived the right to receive prepayment of outstandings or to have their commitment to make advances cancelled as a consequence of a Change of Control if such Change of Control occurs more than six months after the first listing of the Company's shares; however, the right to demand prepayment and terminate their undertaking is maintained at all times following the six months after the first listing of the Company's shares for such lenders in the case of a Change of Control where a person or group of persons acting in concert (other than one or more of the Equity Sponsors or a subsidiary wholly-owned by Numericable Group) acquires, legally or through entitlement, directly or indirectly, more than 30% of the voting rights at the general meetings of Ypso France or Ypso Holding Lux S.à.r.l (such Change of Control, a "New Controlling Interest Change of Control").

To summarize, until May 8, 2014 (six months after the initial listing of the Company's shares) and at all times for the lenders who did not consent to the respective amendments to the Senior Facility Agreements (i.e., less than 5% of lenders (in terms of amount)), the mandatory prepayment obligation as described in the paragraph "Mandatory Prepayment in case of a Change of Control" applies. At all times after May 8, 2014, the lenders having consented to the respective amendments will have the right to demand prepayment and terminate their undertaking under the Senior Facility Agreement only if a New Controlling Interest Change of Control has occurred.

Events of default

Under the terms of the Senior Facility Agreement, lenders have the right to declare that all or part of the amounts outstanding under the Senior Facility Agreement shall become immediately due and payable following the occurrence of such event of default, and specifically in the event of non-payment or non-compliance with one of the covenants listed above. Such events of default, subject to grace periods and customary exceptions, include, without limitation:

- the nonpayment of amounts due;
- breach of financial covenants and other obligations;
- inaccuracy of a representation or statement when made, deemed to be made or repeated;
- the invalidity or unlawfulness of the finance documents under the Senior Facility Agreement;
- cross-defaults;

- insolvency;
- any event of default outstanding under any senior subordinated notes that may be issued in the future;
- the failure to comply with certain final judgments;
- audit qualification; and
- material adverse effect.

Senior Secured Notes

Summary of the Issuance Structure

The Notes Issuer Numericable Finance & Co. S.C.A. is an independent stand-alone special purpose financing company formed for the purpose of issuing the February 2012 Notes, the October 2012 Notes and any other Additional Issuer Debt permitted to be issued under an Indenture (each as defined below). All of the Notes Issuer's issued ordinary shares are held by Stichting Ypso 2, a foundation formed under the laws of the Netherlands, and the Notes Issuer's management share is held by Numericable Finance S.à.r.l., a private limited liability company incorporated under the laws of Luxembourg. The Notes Issuer has no material business operations, and it is wholly dependent on payments by the Obligors pursuant to the SFA (i.e., all payments due under the Senior Secured Notes come from the payment in the first instance by the Obligors under the Ypso France SFA, and the terms and conditions of the Senior Secured Notes and the corresponding Additional C1 Facility Loan and the Additional C2 Facility Loan reflect this arrangement (the maturity dates and the interest payments under the Additional C1 Facility Loan or Additional C2 Facility Loan correspond to the respective maturity and interest payment dates under the Senior Secured Notes). The issuance of the Senior Secured Notes allowed a refinancing of the amounts due, or payable, by Ypso France under the SFA.

February 2012 Notes

On February 14, 2012, the Notes Issuer issued €360.2 million principal amount of fixed rate 12 3/8% senior secured Notes Due February 2019 (the "February 2012 Notes"). The Notes Issuer used the proceeds to acquire a direct participation in, and subsequently to acquire, an Additional C1 Facility Loan made by J.P. Morgan Ltd. as lending bank to Ypso France (the "February 2012 Refinancing"). Ypso France used the proceeds of the Additional C1 Facility Loan to repay €350 million of debt outstanding under Facility A, Facility B and Facility C and certain capital investment facilities under the Ypso France SFA. The Notes Issuer is dependent upon payments from Ypso France under the Additional C1 Facility Loan to make payments under the February 2012 Notes. The February 2012 Notes have been issued pursuant to an indenture dated February 14, 2012 (the "February 2012 Indenture"), between, among others, the Notes Issuer, Citibank, N.A., London Branch, as Trustee, Citibank, N.A., London Branch, as Security Agent, Paying Agent and Transfer Agent and Citigroup Global Markets Deutschland AG, as registrar (as amended from time to time).

Pursuant to the Additional C Facility, the call provisions, maturity and applicable interest rate for the Additional C1 Facility Loan are the same as those of the February 2012 Notes. Its voting rights under the SFA are, however, severely limited, pursuant to a voting undertaking in respect of the Additional C1 Facility. The majority of matters under the Ypso France SFA do not require the consent of the Notes Issuer. In general, the Notes Issuer's voting rights are limited to matters concerning the Additional C1 Facility Loans which indirectly affect holders of the February 2012 Notes. Pursuant to such voting undertaking, if the voting rights of the Notes Issuer is less than 25% or greater than 66 2/3% of the aggregate of all lender voting entitlements, its lender voting rights under the Additional C Facility will be split and voted in the same proportions ("one euro/one vote") as the acceptances, rejections and abstentions, respectively, in relation to such voting request of the holders of the February 2012 Notes. If the voting rights of the Notes Issuer is greater than 25%, but less than 66 2/3% of the aggregate of all lender voting entitlements, 25% of its voting entitlement will be split and voted in the same proportions as the acceptances, rejections and abstentions, respectively, in relation to such voting request of the holders of the February 2012 Notes.

The February 2012 Notes mature on February 15, 2019 and bear interest at a fixed rate equal to 12 3⁄8% per annum. Interest is payable in cash on February 15 and August 15 of each year.

February 2012 Notes Collateral

The February 2012 Notes are guaranteed by security interests over (i) all of the ordinary shares of the Notes Issuer held by Stichting Ypso 2, (ii) the share of the Numericable Finance S.à.r.l., (iii) all bank accounts of the Notes Issuer ((i), (ii) and (iii) together, the "Shared Notes Collateral") and (iv) the Notes Issuer's receivables under the Additional C1 Facility Loan (including the indirect benefit of the security interests and guarantees under the Ypso France SFA securing the same).

The February 2012 Notes do not benefit from a direct guarantee from Ypso France or any of its subsidiaries. However, the February 2012 Notes indirectly benefit from the Additional C2 Facility Loan (as defined below), the Ypso France SFA guarantees and the Ypso France SFA collateral.

Redemption

On or after February 15, 2016, the Notes Issuer may redeem (upon instruction from Ypso France) all or a part of the February 2012 Notes at the redemption price of 106.188%, 103.094% and 100.000%, in each case, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, if redeemed during the twelve month period beginning on February 15 of 2016, 2017 and 2018 and thereafter, respectively.

The Notes Issuer may also redeem the February 2012 Notes, in whole or in part, at any time prior to February 15, 2016, at a redemption price equal to 100% of the principal amount thereof, plus the applicable "make-whole" premium and accrued and unpaid interest, if any, to the redemption date.

Following to the initial public offering, upon Ypso France's instruction, the Notes Issuer redeemed 35% of the aggregate principal amount of the February 2012 Notes with the net cash proceeds of the capital increase of the initial public offering at a redemption price equal to 112.375% of the principal amount of the February 2012 Notes redeemed, increased by accrued and unpaid interest and by all potential additional amounts. Under the terms of the SFA, 75% of the proceeds of the primary capital increase net of commissions could be allocated to the repayment of any SFA facility. Out of the €151.7 million available, €126.1 million (35% of the principal of the Additional C1 Facility Loan) were allocated to the refinancing of this facility.

Redemption for Changes in Taxes

The Notes Issuer may redeem the February 2012 Notes in whole, but not in part, at any time upon giving proper notice if changes in tax laws impose certain withholding taxes or other deductions on amounts payable on the February 2012 Notes or the guarantees thereof, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the redemption date.

The Notes Issuer is not required to make mandatory redemption or sinking fund payments with respect to the February 2012 Notes.

Change of Control/Asset Sales

The February 2012 Indenture and the Covenant Agreement relating to the February 2012 Notes provide that if the Ypso France Group or the Notes Issuer experiences a change of control (as defined in the February 2012 Indenture), the Notes Issuer must offer to repurchase the February Notes at a price equal to 101% of the aggregate principal amount of the February 2012 Notes, plus accrued and unpaid interest. In addition, if the Ypso France Group or any of its restricted subsidiaries sells certain assets, the Notes Issuer must offer to repurchase the February 2012 Notes at a price equal to 100% of the aggregate principal amount of the repurchased February 2012 Notes, plus accrued and unpaid interest in the event such asset sales result in proceeds in excess of specified minimums that have not been applied to other specified uses, in an amount equal to such excess. In the case of any such repurchase, Ypso France will pay the repurchase price to the Notes Issuer, who will pass through the payment to the holders of the February 2012 Notes.

A change of control is defined as (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Ypso France S.A.S. and its subsidiaries taken as a whole to any person (other than specified permitted holders (i.e., Altice, Cinven and Carlyle and their affiliates or any trust, fund, company or partnership owned, managed or advised by Altice, Cinven or Carlyle)); (2) the adoption of a plan relating to the liquidation or dissolution of Ypso France S.A.S.; (3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any person other than one or more permitted holders becomes the beneficial owner, directly or indirectly, of more than 50% of the issued and outstanding voting stock of Ypso France S.A.S. measured by voting power rather than number of shares; (4) during any period of two consecutive years, individuals who at the beginning of such period constituted the majority of the shareholder representatives on the board of directors of Ypso France S.A.S. (together with any new directors whose election by the majority of the shareholder representatives on such board of directors of Ypso France S.A.S. as applicable, or whose nomination for election by shareholders of Ypso France S.A.S., as applicable, was approved by a vote of the majority of the shareholder representatives on the board of directors of Ypso France S.A.S., as applicable, 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 shareholder representatives on the board of directors of Ypso France S.A.S., as applicable, then in office; or (5) Stichting Ypso 1 and Stichting Ypso 2 fail to own, directly or indirectly, 100% of the capital stock of the Issuer.

Events of Default

The February 2012 Indenture and the Covenant Agreement relating to the February 2012 Notes contain customary events of default, including, without limitation, payment defaults, covenant defaults, certain cross-defaults to mortgages, indentures or other instruments, certain events of bankruptcy and insolvency, and judgment defaults.

Covenants

The February 2012 Indenture and the Covenant Agreement relating to the February 2012 Notes contain covenants for the indirect benefit of the Notes Issuer and holders of the February 2012 Notes that, among other things, limit the ability of Ypso France or any of its restricted subsidiaries to:

- incur additional indebtedness;
- pay dividends or make other distributions;
- make other restricted payments and investments;
- create liens;
- layer debt;
- incur restrictions on the ability of its subsidiaries to pay dividends or other payments to it;
- sell assets;
- merge or consolidate with other entities;
- enter into transactions with affiliates; and
- grant additional security.

These limitations are, however, subject to a number of important qualifications and exceptions.

October 2012 Notes

On October 18, 2012, the Notes Issuer issued €225.0 million principal amount of fixed rate 8 ¾% senior secured notes due February 2019 (the "Fixed Rate Notes") and €275.0 million principal amount of senior secured floating rate notes due October 2018 (the "Floating Rate Notes" and together with the Fixed Rate Notes, the "October 2012 Notes" and together with the February 2012 Notes, the "Senior Secured Notes"). Interest on the Floating Rate Notes accrued at a rate equal to three-month EURIBOR plus 7.875%. The proceeds of the October 2012 Notes were used to acquire a direct participation in, and subsequently acquire, the Additional C2A Facility Loan and the Additional C2B Facility Loan made by J.P. Morgan Ltd., as lending bank, to Ypso France.

The proceeds of the Additional C2A Facility Loan and the Additional C2B Facility Loan were used to refinance €490 million of debt outstanding under the Ypso France SFA, including (i) €26.9 million under Facility A, (ii) €390.0 million under Facility B, (iii) €58.7 million under Facility C and (iv) €14.4 million under capital investment facilities, with approximately €10 million spent on fees in connection with the October 2012 Notes issuance and the related refinancing.

Interest on the Fixed Rate Notes accrues at the rate of 8 ¾% per annum. Interest on the Fixed Rate Notes is payable semi-annually in arrears on February 15 and August 15 commencing on February 15, 2013. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Floating Rate Notes were fully repaid on December 18, 2013 with a portion of the proceeds of Facility D. First, the Additional C2B Facility Loan was repaid to Numericable Finance, its sole lender. The latter then redeemed the Floating Rate Notes at a price of 102% in accordance with the October 2012 Indenture, defined below. The repayment of the Additional C2B Facility Loan (i.e. €275 million) was authorized by the amendment signed on November 22, 2013.

The agreement related to the voting rights of the Additional C2A Facility Loan is set forth on terms similar to those related to the Additional C1 Facility Loan.

October 2012 Notes Collateral

Through the covenants in the indenture governing the October 2012 Notes (the "**October 2012 Indenture**" and each of the October 2012 Indenture and the February 2012 Indenture, an "**Indenture**") and the security interests over (i) the Shared Notes Collateral and (ii) the Notes Issuer's receivables under the Additional C2 Facility Loan (including the indirect benefit of the security interests and guarantees under the Ypso France SFA securing the same), the holders of the October 2012 Notes are provided indirectly with the benefits, rights, protections and covenants, granted to the Notes Issuer as a lender under the Ypso France SFA.

The October 2012 Notes do not benefit from a direct guarantee from Ypso France or any of its subsidiaries. The October 2012 Notes also will not benefit from any security over the Additional C1 Facility Loan. However, the October 2012 Notes indirectly benefit from the Additional C2A Facility Loan, the Ypso France SFA guarantees and the Ypso France SFA collateral.

Redemption of Fixed Rate Notes

Following the initial public offering, the Notes Issuer, upon instruction from Ypso France, redeemed 35% of the aggregate principal amount of the October 2012 Fixed Rate Notes with the net cash proceeds of the capital increase of the initial public offering at a redemption price equal to 108.75% of the principal amount of the Fixed Rate Notes redeemed, plus accrued and unpaid interest and potential additional amounts. This amount was partly financed by the capital increase of the initial public offering and partly by a portion of the proceeds of Facility D. Indeed, only 75% of the capital increase of the initial public offering could be allocated to the repayment of debt under the SFA. As indicated above, out of the €151.7 million available, €126.1 million (35% of the principal amount of the Additional C1 Facility) was allocated to the refinancing of the Additional C1 Facility. €25.6 million were allocated to the redemption of the Additional C2A Facility. The remainder (€53.1 million) was authorized by the amendment of November 22, 2013 modifying Clause 7.1 (b) (iv). This amount was indirectly financed by a portion of the proceeds of Facility D (see above).

At any time prior to February 15, 2016, the Notes Issuer may redeem the Fixed Rate Notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, plus the applicable "make-whole" premium and accrued and unpaid interest, if any, to the redemption date.

Except pursuant to the preceding paragraph and the section "Redemption for Changes in Taxes" below, the Fixed Rate Notes are not redeemable at the Notes Issuer's or Ypso France's option prior to February 15, 2016.

On or after February 15, 2016, the Notes Issuer may redeem (upon instruction from Ypso France) all or a part of the Fixed Rate Notes at the redemption price of 104.3750%, 102.1875% and 100.0000% if redeemed during the twelve month period beginning on February 15 of 2016, 2017 and 2018 and thereafter, respectively.

Redemption for Changes in Taxes

The Notes Issuer may redeem the October 2012 Notes in whole, but not in part, at any time upon giving proper notice if changes in tax laws impose certain withholding taxes or other deductions on amounts payable on the October 2012 Notes or the guarantees thereof, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the redemption date.

Change of Control/Asset Sales

The October 2012 Indenture and the Covenant Agreement relating to the October 2012 Notes provide that if Ypso France or the Notes Issuer experiences a change of control (using the same definition as for the February 2012 Notes), the Notes Issuer must offer to repurchase the October 2012 Notes at a price equal to 101% of the aggregate principal amount of the October 2012 Notes, plus accrued and unpaid interest. In addition, if Ypso France or any of its restricted subsidiaries sells certain assets, the Notes Issuer must offer to repurchase the October 2012 Notes at a price equal to 100% of the aggregate principal amount of the repurchased October 2012 Notes, plus accrued and unpaid interest in the event such asset sales result in proceeds in excess of specified minimums that have not been applied to other specified uses, in an amount equal to such excess. In the case of any such repurchase, Ypso France will pay the repurchase price to the Notes Issuer, who will pass through the payment to the holders of the October 2012 Notes.

Events of Default

The October 2012 Indenture and the Covenant Agreement relating to the October 2012 Notes contain customary events of default, including, without limitation, payment defaults, covenant defaults, certain cross-defaults to mortgages, indentures or other instruments, certain events of bankruptcy and insolvency, and judgment defaults.

Covenants

The October 2012 Indenture and the Covenant Agreement relating to the October 2012 Notes contain covenants for the benefit of the holders of the October 2012 Notes that, among other things, limit the ability of Ypso France and any of its restricted subsidiaries to:

- incur additional indebtedness;
- pay dividends or make other distributions;
- make other restricted payments and investments;
- create liens;
- layer debt;
- incur restrictions on the ability of its subsidiaries to pay dividends or other payments to it;

- sell assets;
- merge or consolidate with other entities;
- enter into transactions with affiliates; and
- grant additional security.

These limitations are, however, subject to a number of important qualifications and exceptions.

Perpetual Subordinated Notes

In 2006, one of the Group's subsidiaries, NC Numericable S.A.S., issued €23.65 million principal amount of perpetual subordinated notes (*Titres Subordonnés à Durée Indéterminée*) ("**TSDI**") to Vilorex, a subsidiary of GDF Suez (excluding capitalized interest). The proceeds of the TSDI have been earmarked for financing the construction of plugs in towns located in SIPPEREC's southern hub (*Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication*). The TSDI bear interest at 7% per annum. Interest is capitalized, and accrued interest on the loan amounted to €14.0 million as of December 31, 2013. The TSDI were issued for an indefinite term, and are repayable in case of the liquidation or dissolution of NC Numericable S.A.S. as well as upon NC Numericable S.A.S. achieving a specified level of revenues with respect to the customers covered by the connectors. Such triggers have not been reached since the TSDI issue date. NC Numericable S.A.S. may elect to prepay all or part of the TSDI upon ten days' notice.

Finance Leases

In November 2013, NC Numericable and Completel concluded a general finance lease with BNP Paribas Rental Solution relating to the purchase and the subsequent lease of various equipment provided by telecom equipment providers such as Huaweï, Alcatel or others (aside from Cisco) for a three-year term.

In May and June 2013, NC Numericable S.A.S. entered into a sale-and-leaseback transaction, for a period of 36 months, with respect to LaBox set-top boxes with Lease Expansion for €12.7 million and €5.9 million, respectively.

The Group entered into a general lease agreement with Cisco in January 2011, which covers most equipment the Group sources from Cisco (consisting primarily of data network parts and CPEs, such as servers), with a lease term of 3 years.

In 2001, NC Numericable S.A.S. entered into a finance lease with a 15-year term with respect to an office building located in Champs-sur-Marne. The Group has an option to purchase the property at the end of the lease term at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable.

In addition, several companies of the Group have entered into various finance leases with respect to real property (for terms generally between 20 and 30 years) and office equipment (typically for terms of four years).

All leases are denominated in euros. Certain property lease arrangements specify that at the beginning of the lease the annual payments will be set at a fixed amount, but in future years will be increased by a rate of inflation (equal to a specific percentage).

As of December 31, 2013, the Group's total liability (present value of minimum lease payments) under finance leases amounted to €41.5 million. The average effective interest rate on finance leases was approximately 3.96% for the year ended December 31, 2013 compared to 3.24% for the year ended December 31, 2012. This increase in the average rate is essentially explained by the cost of the new financing entered into with Lease Expansion (see above). See Note 30.2 to the Group's financial statements.

Security Deposits Received from Customers

Security deposits received from customers amounted to € 51.9 million and €44.5 as at December 31, 2013 and 2012, respectively. These deposits are made when customers receive equipment from the Group, and the increase in the amount of deposits (already noted in 2012) from December 31, 2012 to December 31, 2013 reflects the increased deposits paid by customers for LaBox due to increased subscriptions including LaBox. Customer deposits are reimbursed when customers terminate their subscriptions, on condition that the customers have paid any outstanding invoices and have returned the equipment. The guarantee deposits are recorded in the balance sheet as items due within more than one year.

Other Financial Liabilities

Shareholder Financing

All of the shareholder financings were cancelled or capitalized at the time of the initial stock market listing of Numericable Group and of the contributions made to the latter. As at December 31, 2013, there was no longer any existing shareholder loan.

1.3 Presentation and analysis of the main categories of use of the Group's cash

1.3.1 Capital Expenditures

The Group classifies its capital expenditures in the following categories:

- *Network:* investment in improving, renovating, upgrading capacity, expanding and maintaining the Group's network (fiber, backbone and DSL), directly or, in the case of certain network upgrades, through public-private partnerships;
- *Customers:* capital expenditures linked to in-home B2C and on-site B2B equipment (high-speed routers and TV decoders) as well as in-home wiring for new B2C clients and the creation of fiber links between B2B sites;
- *Service Platforms:* investment in television and fixed-line telephony platforms; and
- *Other:* capital expenditures in connection with wholesale projects, as well as miscellaneous investments.

The Group's capital expenditures in 2012 and 2013 amounted to €285.6 million and €319.8 million, respectively.

1.3.2 Interest Payments and Debt Repayments

Much of the Group's cash flow goes to servicing and repaying its significant indebtedness. The Group made interest payments of €152.1 million and €180.6 million, respectively in 2012 and 2013. It also made debt repayments of €957.2 million and €987.4 million, respectively in 2012 and 2013. The high level of debt repayments in 2012 reflects the Group's refinancing of its debt in such year, in which it issued €831.0 million of new debt. Similarly, the high level of debt repayment in 2013 reflects the repayments of the Altice B2B France Sub-Group's debts, the Floating Rate Notes and 35% of the Fixed Rate Notes with the proceeds of the capital increase following the initial public offering and implementation of Facility D.

1.3.3 Financing of Working Capital Requirements

Working capital requirements primarily correspond to the value of inventory plus trade receivables and other receivables minus trade payables and other payables. Structurally, the Group's working capital requirements reflect differences in its business. In the B2C segment, the Group releases working capital because its B2C customers have shorter payment terms (generally 5 days) than its suppliers (generally 60 days), while in the B2B segment, the Group consumes working capital because its B2B customers have longer payment terms. The Group generally finances its working capital requirements through its cash flow from operations.

In 2012, the Group consumed €31.9 million of working capital. In 2013, the Group released €20.7 million of working capital.

1.3.4 Contractual Obligations

The table below sets out the Group's contractual commitments and obligations as of December 31, 2013, excluding in particular future interest and commitments relating to employee benefits and equivalent commitments, which are detailed in Note 23 to the Group's consolidated financial statements.

(in thousands of euros)	Maturity < 1 year	1 – 5 years	> 5 years	Total December 31, 2013
Loans and financial liabilities	64,249	2,283,075	418,818	2,766,142
Operating lease arrangements	10,381	34,798	12,978	58,157
Total	**74, 630**	**2,317,873**	**431,796**	**2,824,298**

The Group does not have any material irrevocable purchase obligations.

The amount on the line "operating lease obligations" corresponds to the amount of the minimum payments due under operating lease agreements that cannot be cancelled by the lessee. They mainly correspond to property and vehicle lease commitments as well as operating leases of TV programs. Leases involving equipment and network IRU (usage rights on local loop, backbone) or other rental contracts (rights of way) were not individually considered material.

In addition, the Group has given certain guarantees in connection with the Senior Facility Agreement, including compliance with financial covenants, conditions regarding the acquisition, disposal, use and control of assets. In addition, all of the assets and shares of the Group's subsidiaries have been pledged to the lender banks under the Senior Facility Agreement.

The Group has also committed to build 75,000 connectors for a total amount of €4.5 million on behalf of the city of Le Havre, France. In addition, through its subsidiary Sequalum, the Group has committed, subject to certain conditions, to deploy 2,600 km of fiber cables and reach 827,900 apartments and offices in the Hauts-de-Seine department.

To operate telecommunications networks, the Group needs licenses, authorizations or usage rights to infrastructure in the public and private domain. Consequently, the Group generally pays fees to the public administration in charge of managing the infrastructure (local authorities) or to the owners. In the course of its normal business activities, the Group has also entered into outsourcing contracts, particularly for certain network maintenance services.

In 2010, the Group entered into long-term MVNO agreements for voice and data transmission with Bouygues Télécom, pursuant to which the Group provides mobile telephony services to B2C customers under the Group's own brand but through the nationwide network of Bouygues Télécom, pursuant to which the Group is obligated to pay a flat fee corresponding to a minimum level of consumption.

The Group has also entered into certain operating leases, including property and vehicle leases, leases involving equipment and network IRUs and operating leases and agreements to purchase TV programs. See note 29 to the Group's consolidated financial statements.

1.4 Cash Flows

The table below summarizes the Group's cash flows for the years ended December 31, 2012 and 2013.

	For the year ended December 31, 2012	2013
(in € thousands)		
Net cash provided (used) by operating activities	530,960	570,279
Net cash provided (used) by investing activities	(285,217)	(342,657)

Net cash provided (used) by financing activities	(278,327)	(134,253)
Total net increase (decrease) in cash and cash equivalents	**(32,584)**	**93,369**

Net cash provided by operating activities

The table below summarizes the Group's net cash provided by operating activities for the years ended December 31, 2012 and 2013.

	For the year ended December 31,	
	2012	**2013**
(in € thousands)		
Cash flow from operations before changes in working capital and income tax [1]	566,213	553,918
Changes in working capital	(31,911)	20,653
Income tax paid	(3,342)	(4,292)
Net cash provided by operating activities	**530,960**	**570,279**

[1] Represents the sum of (i) net cash provided by operating activities before changes in working capital, finance costs and income tax, and (ii) finance costs, net.

Cash flow from operations before changes in working capital and income tax

Cash flow from operations before changes in working capital and income tax decreased by €12.2 million, or 2.2%, from a cash inflow of €566.2 million in the year ended December 31, 2012 to a cash inflow of €553.9 million in the year ended December 31, 2013. This decrease was driven by an increase in other financial expenses, resulting from the premiums paid in connection with early repayment of the Senior Secured Notes, compounded by a decrease in Adjusted EBITDA of €5 million.

Change in working capital requirements

The change in working capital requirements represented a cash outflow of €31.9 million in the year ended December 31, 2012, compared to a cash inflow of €20.7 million in the year ended December 31, 2013. By excluding the cash outflow related to the termination of the free share plan (€16.4 million), the Group would have recorded a cash outflow limited to €15.5 million in 2012. The year ended December 31, 2012 was exceptional for the change in working capital requirements due to increased subscriber acquisition costs resulting from a larger client base. The cash inflow was exceptionally high in 2013 due to term billing adjustments.

Income tax paid

Income tax paid represented a cash outflow of €4.3 million in 2013, compared to a cash outflow of €3.3 million in 2012, primarily as a result of the increased taxable profits at the level of the Altice B2B France sub-group. The Ypso Sub-Group continued to produce a negative taxable result in 2013 (listing of the group head, amendments to the SFA and the 2013 refinancing).

Net cash used by investing activities

The table below summarizes the Group's net cash provided (used) by investing activities for the years ended December 31, 2012 and 2013.

(in € thousands)	For the year ended December 31, 2012	2013
Net capital expenditures	(281,771)	(314,752)
Net financial investments	(3,446)	(27,905)
Net cash (used) by investing activities	**(285,217)**	**(342,657)**

Net capital expenditures

Net capital expenditures are capital expenditures net of proceeds from the disposal of tangible and intangible assets and investment subsidies and grants received.

Cash used in net capital expenditures increased by €33.0 million, or 11.7%, from a cash outflow of €281.8 million in 2012 to a cash outflow of €314.8 million in 2013, due to higher capital expenditures (up €30.2 million) in connection with a full year of deployment of LaBox instead of the 5-month deployment in 2012 (launched commercially in the third quarter of 2013) and with the continuous acceleration in fiber deployment in 2013, lower subsidies (down €5.5 million) received in connection with the DSP 92 project, partially offset by higher disposal proceeds (up €1.3 million).

Net financial investments

Net financial investments comprise acquisition of subsidiaries (net of cash received) net of disposals of subsidiaries (net of cash paid), plus acquisitions of other financial assets net of disposals of other financial assets.

Cash generated by net financial investments increased from a cash outflow of 3.4 million in 2012 to a cash outflow of €27.9 million in 2013. The Group acquired LTI Télécom in October 2013, as well as Auchan and Valvision's subscribers in March and June 2013, respectively, whereas no acquisitions were made in 2012.

Net cash used by financing activities

The table below summarizes the Group's net cash provided by financing activities for the years ended December 31, 2012 and 2013.

(in € thousands)	For the year ended December 31, 2012	2013
Issuance of shares	0	236,490
Issuance of debt	830,975	797,223
Repayment of debt	(957,189)	(987,420)
Interest on SFA debt excluding the Senior Secured Notes	*(106,513)*	*(93,157)*
Interest on Senior Secured Notes	*(47,412)*	*(84,589)*
Other repayment of debt	*1,813*	*(2,800)*
Total interest paid	(152,113)	(180,546)
Net cash (used) by financing activities	**(278,327)**	**(134,253)**

Issuance of debt

Issuance of debt totaled €831.0 million and €797.2 million in 2012 and 2013, respectively.

In 2012, Numericable Finance & Co. S.C.A. issued €831.0 million of debt (net of OID (original issue discount) and fees), comprising three issuances of Senior Secured Notes, which occurred in February and October 2012. The net proceeds of these Senior Secured Notes were used to refinance existing senior debt of Ypso France.

In 2013, the Group implemented the new Facility D for an amount of €800 million under the Senior Facility Agreement and new sale-leaseback agreements.

Repayment of debt

The Group repaid €957.2 million and €987.4 million of debt in 2012 and 2013, respectively.

In 2012, the Group repaid €117.1 million under the Senior Facility Agreement with cash from operations and €840 million with the proceeds of the Senior Secured Notes.

In 2013, the Group repaid €32.8 million under the SFA (in accordance with its obligations), €479.8 million under the Senior Secured Notes and all of the amounts due under the Altice B2B France SFA, i.e. €453.9 million.

Interest paid

The Group paid €180.5 million in 2013, an increase of €28.4 million as compared to 2012. This increase reflects the general increase in the cost of the Ypso sub-group's debt following the repayment of low margin facilities in 2012 through the issuance of the Senior Secured Notes in February and October 2012.

1.5 Off-balance sheet commitments

The Group is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on its financial condition, results of operations, liquidity, capital expenditure or capital resources.

D. RISKS

Investors should carefully consider all of the information set forth in this report, including the risk factors set forth in this section. Such risks are, as of the date of this report, the risks that the Group believes, were they to occur, could have a material adverse effect on its business, results of operations, financial condition and prospects. Investors should note that there may be other risks that have not yet been identified as of the date of this report, or whose occurrence as of the date hereof is not considered likely to have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1. Risk factors

1.1 Risks relating to the Group's industry and markets

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

The Group faces significant competition from established and more recent competitors and may face competition from new entrants and market concentrations in the future. While the nature and level of competition the Group faces varies for each of the products and services it offers, in each case the Group generally competes on the basis of price, marketing, product, network coverage and service portfolio specifications and quality and customer care. In the long term, the financial results of the Group primarily depend on its ability to continue to create, design, obtain and commercialize new products and services as well as maintain market acceptance of its new and existing products and services. The Group's competitors include companies that have greater scale, better access to financing, more comprehensive product offerings, better geographic coverage, greater financial, technical, marketing and personnel resources, larger subscriber bases, greater recognition and/or longer-established relationships with regulatory authorities, contract providers and customers. The Group's main competitor across its markets is Orange, the incumbent telecommunications operator in France that has greater financial resources and owns a network that is vastly more extensive than the Group's and that is unlikely to be duplicated or matched by the Group in the foreseeable future. SFR is also a significant competitor across the Group's markets, with extensive DSL and mobile networks. Bouygues Télécom and Free also compete with the Group on the B2C market. In the premium television market, Canal+ Group offerings are available throughout the French territory, using

satellite, cable, DTT and DSL technologies. In the B2B market, in addition to Orange, SFR and Bouygues Télécom, the Group also competes with international telecommunication operators, such as Colt, Verizon, AT&T and BT, that offer multinationals access to their international networks while the Group's network is national.

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

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

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

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

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

- *Pay television—audiovisual content*. In the pay-television market, the Group competes with providers of premium television packages such as CanalSat, DSL triple-play and/or quadruple-play operators such as Orange, Free, SFR and Bouygues Télécom, which provide IPTV, and

providers of pay-DTT such as Canal+ (which operates across multiple formats: IP TV, paid DTT, satellite and cable). The growth of IPTV has changed the market, opening up the provision of pay-television services beyond the traditional methods of cable and satellite (which is limited by the inability to install a satellite dish on the façade of buildings in certain areas, such as central Paris). In 2012, television distribution by IPTV was the most popular pay-television distribution platform in France (47.7% of overall pay-television subscriptions), ahead of satellite (32.3%), cable (13.2%) and DTT (6.8%) (source: ScreenDigest).

The Group also competes with satellite television services that may be able to offer a greater range of channels to a larger audience, reaching wider geographic areas (especially in rural areas) for a lower price than the Group charges for its cable TV services. Any increase in market share of satellite distribution may have a negative impact on the success of the Group's digital cable TV services. The Group also faces competition from satellite distribution of free-to-air television programming. To receive free-to-air programming, viewers need only to purchase a satellite dish and a set-top box. The impact of these market evolutions can be seen in the decline in the Group's individual TV RGUs (from 1,292,000 as of December 31, 2010 to 1,140,000 as of December 31, 2013).

While pay-DTT's share (which only includes Canal+ Group currently) of the pay TV market is currently low, providers of pay-DTT may in the future be able to offer a wider range of channels to a larger audience for a lower price than the Group charges for its cable TV services.

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

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

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

  The Group's DSL competitors have much more complete coverage of French homes: Orange's fixed-line network includes a local loop covering all French homes, and unbundling provides competitors such as SFR, Bouygues Télécom and Free with access to all homes where unbundling has occurred (over 85% of French homes), at a price regulated by the ARCEP. The Group's DSL competitors may therefore be more efficient in their marketing than the Group, whose network only connects 35% of French homes.

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

In addition, the Group could, in the future and particularly in the context of the build-out of FTTH networks, be required to grant competitors access to its fiber network. See "The Group operates in a heavily regulated industry. Regulatory compliance may increase its costs or restrict its business, and non-compliance could lead to sanctions. Future changes in regulation could adversely affect its business" below.

- *Mobile telephony*. The Group has offered mobile telephony services since May 2011 as an MVNO pursuant to a contractual arrangement with Bouygues Télécom and, following the acquisition of LTI Télécom, pursuant to a contractual arrangement with SFR. It offers these services as part of a quadruple-play package and to a limited extent as a stand-alone service. The Group competes with well-established mobile network operators such as Orange, SFR, Bouygues Télécom and Free, as well as with other MVNOs such as Virgin Mobile or La Poste. Competition in this market has intensified, particularly as to price, since the entry by Free in early 2012 with a low-priced unlimited calling package. The mobile telephony market in France, in which the Group remains a very small actor, is currently undergoing a transformation in France, with the introduction of new 4G offerings, declared hostilities between competitors (in particular after the introduction of 4G offerings at the same price as the 3G offerings by Free and B&You) and the development of "low-cost" brands. The evolution of consumer behavior as well as new offers could have a negative impact on the Group, in particular on the attractiveness of its products.

  Quadruple-play offerings had more success in 2013. According to a study by Médiamétrie/GFK in November 2013, more than 1 out of every 6 households – 17.2%, or 4.7 million households – had a quadruple-play subscription, an increase of 10 basis points in a year and a half.

  The Group's competitive position is also affected by its status as an MVNO and the structure of its contractual relationships with its network providers, Bouygues Télécom and SFR. See "The Group does not own a mobile network and is dependent on its mobile network providers. The Group may not be able to renew its agreements with its mobile network providers or to renew such agreements on favorable terms" below. The Group also is currently not technically able to offload its customers' mobile usage onto WiFi, which may place it in at a disadvantage compared to its competitors who are able to offload to WiFi and hence have a structurally lower cost base.

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

of December 31, 2012, Orange, SFR and Colt had market shares of 70%, 12% and 3%, respectively, and the Group had a market share estimated at approximately 7% (4% for medium-sized businesses and approximately 8% for large businesses and public sector entities) (source: Group estimates). The Group's lack of international presence is a competitive disadvantage compared to large international operators.

- *Voice*. The B2B market for voice services is extremely price sensitive, with sophisticated customers and relatively short-term (one year) contracts. The ability to compete effectively is partially a function of network capillarity, and certain of the Group's competitors have a more extensive and denser network than the Group. In addition, the Group notes that mobile telephony usage is gradually replacing fixed telephony usage by corporate employees. Although the Group has entered into an MVNO agreement with SFR, enabling it to provide mobile telephony services to B2B clients, its cost structure is less advantageous than the cost structure for the Group's services that use its own network. Thus, the replacement of fixed telephony services with mobile telephony services by corporate customers could lead to a decrease in B2B segment revenues.

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

Wholesale Market. The French wholesale telecommunications market is dominated by Orange and SFR, although their market shares vary depending on the segment, with SFR dominating the voice wholesale segment with an approximate 60% market share as of December 31, 2012 and Orange dominating in the data wholesale segment with an approximate 60% market share as of December 31, 2012. In the fiber wholesale segment, Orange is the dominant player, with a market share of approximately 70% as of December 31, 2012 (Source: Group estimate). The Group estimates that it has a market share between 10% and 20% in the three wholesale sectors of voice, data, and fiber. The Group also faces competition from consortiums of telecom operators and construction companies, such as Covage, Vinci, Eiffage and Axiom (who may lay down fiber in construction sites and then lease them on the wholesale market).

- *Voice*. The wholesale market for voice services is extremely volatile. Operators generally launch offers to tender each year and choose the provider based solely on availability and price, as there is little to no difference in the quality of service among operators in this sub-segment. Competition is therefore based primarily on price and network capillarity.

- *Data*. The wholesale market for data services is less volatile than the voice market. Competition is based primarily, in addition to price, on service quality and technological advancement.

- *Dark Fiber Infrastructure*. The wholesale market for dark fiber infrastructure is more open for wholesale voice and data carrier, as providing it does not require having a dense, national network and does not include any services that would require technical expertise. For example, certain cities in France have built their own local fiber networks and are therefore wholesale infrastructure providers (i.e., they rent the fiber to telecommunications operators).

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

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

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

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

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

The French government considers the deployment of the FTTH network a priority and announced, in February 2013, a €20 billion FTTH deployment plan and a goal to provide very high speed internet access to 50% of the population by 2017 and 100% by 2023. In October 2013, the government published a model national agreement among the national government, municipal governments and private operators, and the first of these agreements was signed in Lille at the end of October 2013. Given the support of the national and municipal governments, FTTH deployment by the Group's competitors could accelerate, and FTTH's share of the high-speed internet market could increase significantly (with an increase of 72% in one year as of December 31, 2013 (an increase of 73,000 subscriptions in one quarter and 226,000 subscriptions in one year)) (Source: ARCEP).

The Group's competitors have also implemented VDSL2 technology in certain locations.

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

1.1.3 Prolonged weakness of, or a deterioration in, macroeconomic conditions in France could weigh on the Group's business, financial condition and results of operations.

The Group operates exclusively in the French market. The Group's success is therefore closely tied to general economic developments in France. The French economy has experienced weak growth or recession in recent periods and although short-term forecasts show slight improvements, growth remains fragile, with the IMF estimating that France's GDP will grow by only 1.0% in 2014 (Source: International Monetary Fund). Negative developments in the French economy, including as a result of any possible resurgence of the Eurozone debt crisis, may have a direct negative impact on the spending patterns of consumers as well as on businesses, both in terms of products and usage levels. Such negative developments could (i) make it more difficult for the Group to attract new subscribers and customers, (ii) make it more likely that certain of the Group's subscribers or customers will downgrade or terminate their services and (iii) make it more difficult for the Group to maintain its ARPU or B2B prices at existing levels. In particular, a significant

portion of the Group's B2C business revenue is generated by premium television and multiple-play packages. Because discretionary consumer spending is affected in periods of economic uncertainty, customers may consider such premium products as being non-essential or not attractive from a cost-benefit perspective and therefore opt for the Group's non-premium packages or cheaper offers from competitors, or cancel or decide not to renew their subscriptions. While the impact on the B2B segment is more limited than in the B2C segment, the Group also faces the risk during periods of macroeconomic downturns of businesses reducing their service requirements or negotiating increasingly lower prices.

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

In general, the telecommunications industry is characterized by the frequent introduction of new products and services or the upgrading of existing products and services in connection with new technologies, as well as changes in usage patterns and in customer needs and priorities. The Group's long-term results of operations therefore depend substantially upon its ability to continue to conceive, design, source and market new products and services as well as continuing market acceptance of its existing and future products and services. The Group continuously evaluates its products and services in order to develop new offerings and improve the functionality of current offerings. In May 2012, the Group launched LaBox, which it believes is one of the most powerful and interactive set-top boxes on the French market. LaBox has been very successful with consumers, with the Group equipping subscribers with more than 300,000 units as of December 31, 2013, and has generated increasing ARPU. No assurance can be given, however, as to the continued success of LaBox among the Group's customer base. Should LaBox not enjoy continued success, or should the Group fail to or be significantly delayed in introducing new products and services in the future, or if its new products and services are not accepted and demanded by customers, its business and results of operations may be adversely affected.

In addition, the Group may be required to incur additional marketing and customer service costs in order to attract new customers and retain existing customers and attract them to any new products and services it offers, as well as to respond to competitors' advertising pressure and potentially more extensive marketing campaigns, which may adversely affect the Group's margins.

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

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

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

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

- rapid and significant technological change;
- the frequent upgrading of existing products and services in connection with new technologies; and

- the introduction of new industry standards and practices that render current company technologies and systems obsolete.

Although the Group attempts to stay ahead of the market by closely following technological developments and making investments implementing such developments, it is difficult to predict the effect of technical innovations on the Group's business. In the B2B segment, the Group may not be able to provide the technical solutions that become expected by B2B customers. The Group may also be unable to adapt to new or existing technologies to meet customer needs within an appropriate time frame. Any such inability could have a material adverse effect on the Group's business, financial condition and results of operations. The Group may also be required to incur additional marketing and customer service costs in order to retain and attract existing customers to any upgraded products and services it offers, as well as to respond to competitors' advertising pressure and potentially more extensive marketing campaigns, which may adversely affect the Group's margins.

1.1.7 The Group cannot exclude all risks or disputes in the event of software flaws or a third-party claim to software ownership.

Open-source or "free" software is software distributed pursuant to a free license (such as GNU GPL), which is generally governed by the following principles. First, the software and derivatives of the software may be used, studied, modified and distributed freely and at no charge. Second, software developed based on the original software is subject to the same license. As a result, (i) no contractual warranty is granted to users, and (ii) developments based on open-source software may have to be disclosed to and freely used by third parties.

Therefore, the Group may not be able to exercise any contractual recourse in the event of a flaw in open-source software and cannot eliminate all risk of a claim by a third party as to the ownership of developments based on open-source software or of a request to disclose the source code for such software.

"Patent trolls" – also called "non-practicing entities" – are principally engaged in acquiring patents and granting licenses, while not producing any goods or providing any services.

The Group cannot exclude all risk of a litigious claim by patent trolls, which could slow the Group's pace of innovation, force it to invest in research and development in order to circumvent the patents held by patent trolls, and/or have financial consequences in the event that it is forced to enter into licenses or settlements with patent trolls or that a dispute with such entities is not resolved in the Group's favor.

1.2 Risks relating to the Group's business and operations

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

Customer churn is a measure of the number of customers who stop subscribing for one or more of the Group's products or services. Churn arises mainly as a result of the contractual subscription period (generally 12 months in the B2C segment and between one and three years in the B2B segment), competitive influences, the relocation of clients outside of the Group's network area (which is less extensive than its competitors), mortality and price increases. Customer churn may also increase if the Group is unable to deliver satisfactory services over its network, or if it modifies the types of services it makes available in a certain region. In addition, customer churn also arises upon the cancellation of services to customers who are delinquent in their payments to the Group. For example, any interruption of the Group's services, including the removal or unavailability of programming, which may not be under the Group's control, or other customer service problems could contribute to an increase in customer churn or inhibit the Group's goal of reducing customer churn. In addition, the Group outsources many of its customer service functions to third-party contractors over which it has less control than if it was performing those tasks itself. Moreover, the churn rate in the Group's white label business may increase for reasons outside the Group's control (as it is not involved in client services and retention). In particular, Bouygues Télécom's acquisition of Darty's telecommunications business in July 2012 has already led to a decrease in Darty's DSL white label customers, which is expected to continue in the long-term. Finally, the Group continues to provide

analog television services to its subscribers, though it expects the number of subscribers to these services to continue to decrease and that these services will eventually cease. Any increase in customer churn could have a material adverse effect on revenues and an even greater impact on margins due to the fixed-cost nature of the Group's business.

The B2B segment is also subject to "tariff churn" (i.e., an existing customer negotiating tariff decreases). Large corporate customers in particular are highly sophisticated and often aggressive in seeking to renegotiate the pricing of their contracts. This leads to margin pressure.

1.2.2 Pressure on customer service could adversely affect the Group's business.

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

In the B2B and wholesale segments, customers require service to be extremely reliable and to be reestablished within short timeframes if there is any disruption. Penalties are often payable in the case of failure to meet expected service quality. In addition, product installation can be complex, requiring specialized knowledge and expensive equipment and with delays and service problems resulting in both penalties and the potential loss of a customer. In these segments, the Group relies on its experienced key customer relations personnel to handle any customer issues or requests, and the loss of such personnel can result in the loss of customers. For example, in the first half of 2012, the loss of personnel as a result of the Group relocating its B2B segment engineers from Champs-sur-Marne to Rouen adversely affected the number of installations and results in such period.

The Group has in the past experienced significant levels of customer dissatisfaction as a result of operational difficulties, both in the B2C and B2B segments. In the B2C segment, these dissatisfaction levels resulted primarily from operational difficulties stemming from the integration of the various cable businesses the Group acquired in 2005 and 2006. The Group believes that it currently experiences high levels of customer satisfaction (with satisfaction rates higher than in the past (ranging from approximately 55% to more than 70%) according to the most recent study conducted by the Group in 2013). However, no assurance can be given that such levels will remain high in the future. Improvements to customer service functions may be necessary to achieve desired growth levels, and, if the Group fails to manage such improvements effectively and achieve such growth, it may in the future experience customer service problems and damage the Group's reputation, contribute to increased churn and/or limit or slow its future growth.

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

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

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

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

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

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

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

As is common in the telecommunications industry, the Group is also dependent on certain of its competitors. Although the Group attempts to diversify its commercial relationships with its competitors, the risk of dependence on them remains. In particular, the Group relies on Orange for a portion of their network infrastructure, in particular with respect to its B2B business; Bouygues Télécom with whom the Group has entered into several MVNO agreements that enable it to provide mobile telephony services to residential customers under the Numericable brand but through Bouygues Télécom's network; SFR, with which the Group entered into an MVNO agreement, enabling it to provide mobile telephony services to individuals and businesses through the SFR network; and the Canal+ Group with which the Group has a number of content provision contracts. The Group may not be able to renew these agreements on favorable terms or at all.

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

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

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

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

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

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

The Group does not have its own mobile network. The Group has long-term MVNO agreements with Bouygues Télécom and SFR for voice and data transmission pursuant to which the Group offers mobile telephony services to its clients under its own brands, Numericable or Completel, through the network of either Bouygues Télécom or SFR. The agreements with Bouygues Télécom relating to voice transmission services expire in 2017 and are automatically renewable if not terminated in advance by either party. The agreements with Bouygues Télécom relating to data transmission were automatically renewed in 2012 for an indefinite term, subject to termination by either party. The agreement with SFR will expire in 2020 and is tacitly renewable for an indefinite term if not terminated in advance by either party. No assurance can be provided that such contracts will be renewed at all or on as favorable terms. Bouygues Télécom and SFR have best-efforts obligations under their MVNO agreements with the Group. Bouygues Télécom has the unilateral right to modify their terms should it become unable to perform all or part of its obligations due to technical or regulatory reasons. In the event of changes in economic, financial, technical or regulatory circumstances altering the equilibrium of the MVNO agreement with SFR, the parties will have the obligation to work together in good faith to modify the agreement to return the parties to an equilibrium comparable to the one that previously prevailed. The termination or modification of the MVNO agreements could have a material adverse effect on the Group's business, results of operations or financial condition.

The Group expects to continue to provide its customers with reliable service over its providers' networks in order for its quadruple-play offers to be successful. The Group relies on the networks of its providers and their affiliates to maintain their mobile facilities and government authorizations and to comply with applicable policies and regulations. If these providers or their affiliates fail to do so, the Group may incur substantial losses as a result of service disruptions. Delays or failure to add network capacity, or increased

costs associated with adding capacity or operating the network, could limit the Group's ability to increase its customer base and therefore limit its ability to increase its revenues or cause a deterioration of its operating margin. The risks related to its providers' network and infrastructure include physical damage to access lines, breaches of security, power surges or outages, software defects and disruptions beyond its providers' control, such as natural disasters and acts of terrorism. Any impact on its providers' nationwide networks will have an adverse effect on the Group's business and may adversely affect its business, results of operation and financial condition.

The MVNO agreements entered into with Bouygues Télécom do not currently allow the Group to access the 4G network of its provider, while the agreements entered into with SFR do include the supply of 4G services. The MVNO agreements entered into with Bouygues Télécom and SFR do not enable the Group to transfer its customers' mobile usage to WiFi. Furthermore, the fact that the Group is currently not technically able to transfer its customers' mobile usage to WiFi could place it in a less favorable position compared to its competitors who are able to transfer mobile usage to WiFi, thereby affording such competitors a structurally lower cost base.

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

1.2.7 The Group operates in a capital-intensive business.

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

In particular, the Group is seeking to upgrade and expand its network and will incur substantial capital expenditure to do so. Firstly, the Group intends to continue to upgrade and expand the reach of its EuroDocsis 3.0-enabled network. It increased the number of homes passed by its EuroDocsis 3.0/200 Mbits and above technology by 408,000 homes during 2013. The Group intends to upgrade 700,000 to 800,000 non-upgraded triple-play compatible plugs to EuroDocsis 3.0 in 2014 and all of the remaining 3.3 million non-upgraded triple-play compatible plugs to EuroDocsis 3.0 by the end of 2016. It also expects to develop its FTTH networks in the context of public-private partnerships, such as its "DSP 92" project. No assurance can be given that the amount of capital expenditures will not be higher than expected, that the Group will be in a position to finance such capital expenditure on acceptable terms or that such capital expenditure will be profitable. Additionally, the Group's credit facilities limit its ability to make capital expenditures. No assurance can be given that the Group will continue to have sufficient resources to maintain the quality of and expand the reach of its network and its other products and services, which are key to the Group's growth in the long-term. The need for unexpected capital expenditure, the inability to finance such capital expenditure at acceptable cost or the failure to generate profits on capital expenditure could have a material adverse effect on the Group's business, prospects, financial condition or results of operation.

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

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

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

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

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

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

1.2.10 Exposure to electromagnetic fields through telecommunications equipment has raised concerns regarding possible harmful side effects. If concern for such risks were to worsen, or if harmful effects were scientifically established, the Group's business, financial condition and results of operations could be materially adversely affected.

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

In many countries, there has been concern over possible human health risks due to exposure to electromagnetic fields through telecommunications equipment (mobile antennas, relay antennas, WiFi, etc.). In addition, the publication of two reports in January 2013 (*Agence Européene de l'Environnement et Bio-initiative*) concerning such health risks has received attention from various elected officials and associations. Furthermore, in May 2011, the *Centre International de Recherche sur le Cancer* (*Circ*), a specialist organization of the World Health Organization (WHO), gave radio-frequency electromagnetic fields a rating of '2B' in its rating system, or "possibly carcinogenic for humans."

As the Group's mobile operations are limited (the Group does not operate any mobile antennas and only uses Bouygues Télécom's and SFR's services), the Group is only exposed to such risks through its customers' use of WiFi networks. Although users may deactivate the WiFi signal from their modem or set-top box provided by the Group, the use of WiFi is one of the advantages of the Group's services and the public's perceived

danger of WiFi could lead to a decline in the Group's number of subscribers and average ARPU, as well as an increase in litigation.

Moreover, the Group cannot predict the conclusions of future scientific research publications or future evaluations of international organizations and scientific committees in charge of analyzing these questions. These publications or evaluations, and the various possible interpretations thereof, could lead to a decrease in the use of WiFi networks, as well as an increase in litigation, especially if a harmful effects were one day scientifically established.

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

As of December 31, 2013, the Group had 2,182 employees, some of whom are members of trade unions. The Group may experience lengthy consultations with labor unions and works councils as well as strikes, labor disputes, work stoppages and other labor movements, and difficulty in attracting and retaining personnel due to localized or industry-wide strikes. Strikes and other labor movements, as well as the negotiation of new collective bargaining agreements or salaries, could disrupt the Group's operations and have a material adverse effect on the Group's business, financial condition and results of operations. The Group has faced several strikes: from its personnel between 2005 and 2007 when, in connection with its merger with former cable operators, it completed several rounds of headcount optimization; in early 2009, when the Group terminated the employment of a number of its salespersons; and in the Spring of 2010, when it amended certain of the Group's door-to-door salespersons' employment terms and conditions. The strikes in 2009 disrupted headquarters' operations and let to adverse publicity.

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

1.2.12 The Group faces risks in connection with its external growth strategy.

The Group believes that the television, broadband Internet and fixed and mobile telephony industries in France may be subject to further consolidation. The Group's strategy includes the pursuit of external growth opportunities. These acquisitions or other business combinations may be transformative in nature. The success of this strategy of pursuing strategic opportunities by making selective acquisitions or other business combinations is dependent upon the Group's ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate favorable terms and ultimately complete such transactions and integrate any acquired businesses. Moreover, future consolidation in the industries in which the Group operates will reduce opportunities for acquisitions or business combinations. The Group believes that certain of its competitors are also pursuing similar acquisition strategies. These competitors may have greater financial resources available for investments or may be able to accept less-favorable terms than the Group, which may prevent it from acquiring the businesses that it targets and reduce the number of potential acquisition targets. In addition, the Group's ability to make acquisitions is subject to constraints under its subsidiaries' credit facilities.

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

material adverse effect on its results. If the Group is unable to implement its acquisition strategy or integrate acquired businesses successfully, its business and growth could be affected.

1.2.13 Failure by the Group to protect its image, reputation and brand could materially affect its business.

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

The Group's principal brand names and trademarks (such as Numericable, Completel and the name of product offerings) are key assets of its business. The Group relies upon copyright, trademark and patent laws to establish and protect its intellectual property rights, but no assurance can be given that the actions it has taken or will take in the future will be adequate to prevent violation of its intellectual property rights. Adverse publicity, legal action or other factors could lead to substantial erosion in the value of the Group's brand, which could lead to decreased consumer demand and have a material adverse effect on the Group's business, results of operations or financial condition and prospects.

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

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

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

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

as to the absence of significant impairment charges in the future, especially if market conditions were to deteriorate. See Notes 3 and 15 to the Group's consolidated financial statements.

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

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

1.3 Risks relating to the Group's structure and financial profile

1.3.1 The Group's significant leverage could affect its ability to fund its operations and its financial condition more generally.

The Group currently has a substantial amount of debt. As of December 31, 2013, the Group's total outstanding debt amounted to €2,766 million. The Group's significant leverage could lead to negative consequences, including:

- requiring the Group to dedicate a substantial portion of its cash flow from operations to payments on its debt, thus reducing the availability of the Group's cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- increasing the Group's vulnerability to a downturn in its business or economic or industry conditions;
- placing the Group at a competitive disadvantage compared to its competitors that have less debt in relation to cash flow;
- limiting the Group's flexibility in planning for or reacting to changes in its business and industry;
- limiting the Group's ability to incur growth capital expenditure, including to upgrade its network; and
- limiting, in particular, the Group's ability to borrow additional funds or raise equity capital in the future, and increasing the costs of such additional financings.

Any of these or other consequences could have a material adverse effect on the Group's ability to satisfy its debt obligations and its business, results of operations and financial condition. The Group is also exposed to interest rate risks given that the majority of its debt is floating rate debt indexed to EURIBOR plus an applicable margin. In addition to potential fluctuations in the EURIBOR rate, the margins applicable to certain credit facilities under Ypso France S.A.S.'s senior credit facility, which constitute a significant portion of the Group's debt, increase based on Ypso France Group's net leverage ratio.

1.3.2 As a holding company, the Company depends on the ability of its operating subsidiaries to generate profits and pay their debts. Any decline in their profits or in their ability to pay their debts may have a material adverse effect on the Group's financial flexibility.

The Company is a holding company that conducts its operations indirectly through operating subsidiaries (these operating subsidiaries are held, as of the first day of trading of the Group's shares, through two holding companies, the first registered under Luxembourg law and the second a simplified joint-stock company registered under French law). The Group's operating subsidiaries hold its assets and substantially all of its earnings and cash flows are attributable to such operating subsidiaries. If earnings from these operating subsidiaries were to decline, the Group's earnings and cash flow would be affected, and the affected subsidiaries might not be in a position to meet their obligations, in particular their debts, or pay dividends to the Company. The Company's cash flows are derived mainly from the receipt of dividends and

interest and repayment of inter-company loans from its subsidiaries. The ability of the Group's operating subsidiaries to make these payments depends on commercial, and contractual considerations and legal constraints, as applicable. In particular, the distribution of dividends by the Group is subject to compliance with certain financial ratios. No assurance can be given that the Group's subsidiaries will be able to provide the Group with sufficient cash flows. Any decrease in earnings or failure or inability of Group subsidiaries to make payments to the Group's other subsidiaries could have a material adverse effect on the ability of the affected subsidiaries to pay their debts and to meet other obligations, which could have a material adverse effect on the business, results of operations and the financial condition of the Group.

1.3.3 Restrictive covenants in the Group's debt instruments may limit its ability to operate its business and any failure to comply with these covenants could constitute events of default and could materially and adversely affect the Group's financial condition, results of operations, and operation as a going concern.

The Group's debt instruments contain covenants and other undertakings restricting, among other things, the Group's ability to:

- incur additional indebtedness;
- pay dividends or make other distributions;
- make other restricted payments and investments;
- create liens;
- subordinate debt;
- incur restrictions on the ability of its subsidiaries to pay dividends or other payments to it;
- sell assets;
- merge or consolidate with other entities;
- enter into transactions with affiliates; and
- grant additional security.

Certain of the Group's debt instruments also require it to comply with certain affirmative covenants and certain specified financial covenants and ratios.

The above restrictions could affect the Group's ability to operate its business and may limit its ability to react to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect the Group's ability to finance its operations, make strategic acquisitions, investments or alliances, restructure its organization or finance its capital needs. Additionally, the Group's ability to comply with these covenants and restrictions may be affected by events beyond its control, such as prevailing economic, financial and industry conditions. A breach of these covenants or restrictions by the Group could lead to a default under one or more of the Group's debt instruments which, if not cured or waived, could result in acceleration of indebtedness and cross defaults under other debt agreements. Any such actions could result in the enforcement of the Group's creditors' security interests and/or force the Group into bankruptcy or liquidation.

1.4 Regulatory and legal risks

1.4.1 The Group operates in a heavily regulated industry. Regulatory compliance may increase its costs or restrict its business, and non-compliance could lead to sanctions. Future changes in regulation could adversely affect its business.

The Group's business is subject to significant regulation and supervision by various regulatory bodies. Such regulation and supervision strongly influence how the Group operates its business. Complying with existing and future laws and regulations may increase the Group's operational and administrative expenses, restrict its ability or make it more difficult to implement price increases, affect its ability to introduce new services, force it to change its marketing and business practices, and/or, more generally, otherwise reduce or limit its revenues.

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

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

Neither Numericable nor Completel is considered by the ARCEP as an operator with significant market power in any relevant market except in the market of calls terminating on its network, like any other operator. No assurance can be given, however, that the Group will not, in the future, be identified by the ARCEP as having significant market power in one or several other relevant markets and that the ARCEP will not therefore impose additional regulatory requirements on it. For example, it is possible that the Group could, in the future and particularly in the context of the build-out of FTTH networks, be required to grant competitors access to its fiber network under certain conditions.

Pursuant to decisions adopted in the summer of 2011 and applicable until the summer of 2014 concerning the regulation of the broadband and ultra-fast broadband markets, the ARCEP identified Orange as the sole operator with significant power in the landline market and imposed specific obligations on it concerning access to its infrastructures (unbundling the copper local loop and local sub-loop and access to infrastructure).

In 2013, the ARCEP launched new market analyses on the following markets: "wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location", "wholesale broadband access", which comprises non-physical or virtual network access including "bit-stream" access at a fixed location, and "capacity services". The ARCEP issued draft decisions on November 27, 2013 concerning the regulation of these three markets for the period from mid-2014 to mid-2017, and submitted them for public consultation with a deadline of January 8, 2014, prior to submission to the European Commission. In these three draft decisions, the ARCEP identified Orange as the only operator with significant market power in these markets. However, the final decisions will not necessarily follow this position of ARCEP.

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

Moreover, as a telecommunications operator, the Group is subject to specific taxes. For instance, the Public Audiovisual Reform law of March 5, 2009 (*loi relative à la communication audiovisuelle et au nouveau service public de la télévision*) introduced a 0.9% tax assessed on the portion of the revenues (excluding VAT) of the telecommunication operators relating to electronic communication services in excess of €5 million (subject to certain deductions and exclusions, and with specific rebate for bundled offers).

Furthermore, the Group cannot guarantee that any additional tax will not be levied on the telecommunications sector.

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

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

Networks using Orange Ducts

Orange has granted the Group several IRUs on its infrastructure (mainly ducts). These IRUs, which were entered into at various dates, were granted to the Group for terms of 20 years each, and the renewal of the first of these will have to be negotiated between the parties in 2019. The Group cannot guarantee that these IRUs will be renewed or that they will be renewed on commercially acceptable terms. If Orange were not to renew such IRUs, the Group would need to require Orange to make the ducts available to it pursuant to applicable regulation, which could, however, result in different financial terms. The network using the ducts of Orange represents 55% of the Group's overall network. Orange could also grant IRUs on its infrastructure to some of the Group's competitors, increasing the competitive pressure on the Group's markets and tighten the procedures set forth by Orange to operate on its infrastructure.

New Deal Plan Networks

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

In this context, law 2004-669 dated July 9, 2004, which implemented the 2002 European directives, "2002 Telecom Package" (the "*Paquet Télécoms 2002*") into French law, imposed an obligation to conform agreements through terminating exclusive rights over the installation and/or operation of networks.

In order to clarify the conditions for implementing the conforming obligation of the agreements currently in place with public authorities (primarily local authorities), in May 2010, the Group made a proposal to the ARCEP to novate the agreements under the following approach: the ownership of physical infrastructure (the ducts) reverts back to local authorities, while ownership of all existing telecommunications equipment and cables expressly reverts back to the Group through a transfer process.

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

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

While the Group has signed nearly 80 agreements, 25 of which follow the approach acknowledged by the ARCEP, with various local authorities, no assurance can be given that the Group will be able to implement

this type of agreement across all concerned localities. The Group is currently negotiating the implementation of its proposal with certain local authorities. If the Group is unable to negotiate such agreements with local authorities, the non-renegotiated terms of the agreements in place would continue to apply and the Group may be subject to claims or proceedings by local authorities, its competitors, and national and/or European administrative authorities. Furthermore, upon expiration of the existing agreements, which include the concept of *biens de retour* (approximately half of the Group's New Deal Plan contracts), that are not renegotiated or extended, the local authority would receive ownership of whole or part of the network, for free or in exchange for payment, according to the terms of the agreement in question. In order to continue operating in this zone, the Group would need to either install all or part of a new network in the local authorities' infrastructure that would have been qualified as *biens de retour*, through the payment of fees to the local authorities or through leasing the network of another operator or the network which would have been thus transferred to such local authority.

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

Other Networks

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

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

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

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

If the Group loses its status as an operator on part of its network, if it is unable to operate it under favorable commercial or operational terms or if it is obligated to grant access to its network to competitors on

unsatisfactory economic terms, there may be a material adverse effect on its business, results of operations and financial condition.

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

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

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

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

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

The Group currently benefits from a favorable tax regime in respect of value-added tax (''VAT''). Unlike certain competitors, the Group provides television services on a stand-alone basis, which allows it to take advantage of the 10% VAT rate applicable to television services in France, which is lower than the standard 20% VAT rate, which applies to broadband Internet and fixed and mobile telephony. Since January 1, 2011, the lower VAT rate is not applicable to television services distributed in a single offer which includes, for a subscription fee, access to electronic communications networks unless the television distribution rights were partially or completely acquired in exchange for payment by the provider of such services. In such a situation, the reduced rate is applicable to the part of the corresponding subscription equal to, at the choice of the distributor, either the fees paid per user for such access rights or the price at which the services corresponding to such access rights are distributed by the distributor in a television offer without access to an electronic communications network. The Group believes that it fulfills the conditions allowing for the continued application of the reduced tax rate to television services offered in a multi-play offer and, as the Group offers a television offer separate from its bundled offers, has decided to apply the reduced VAT rate on the basis of its prices for equivalent services offered in its stand-alone television offers. However, no assurance can be given that the administration shares the Group's analysis and will not contest, in full or in part, the application of the reduced VAT rate, which could have a material adverse effect on its results of operations and financial condition.

The VAT tax rate applicable to television services increased, from 5.5% to 7.0% as of January 1, 2012 and from 7.0% to 10% as of January 1, 2014. Any potential future increases may have a negative impact on the Group's ARPU if it cannot pass it along in its product pricing.

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

As of December 31, 2013, provisions for tax proceedings totaling €36.3 million have been recorded, of which €23.2 million in respect of the VAT assessments on multi-play packages for the 2006-2010 period, and €11.4 million with respect to assessments relating to disputed expenses for services performed between 2009 and 2011. By way of comparison, provisions for tax proceedings amounted to €25.1 as of December 31, 2012 and €26.4 million as of December 31, 2011. These provisions represent management's best estimate of the likely risk, but the resolution of any of these tax matters could differ from the amount reserved, which could have a material adverse effect on the Group's cash flows, business, financial condition and results of operations for any affected period.

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

Articles 212 bis and 223 B bis of the *Code général des impôts*, created by Article 23 of the Budget Law no. 2012-1509 for 2013, limit the fraction of net financial expenses that is deductible for corporate tax purposes, subject to certain conditions and save for some exceptions, to 85% in fiscal years ending on or after December 31, 2012 and to 75% in fiscal years beginning on or after January 1, 2014.

This limitation deprived the Group of the ability to deduct approximately €30.5 million in 2013 and is likely to deprive it of a deduction of approximately €36 million in 2014 (based on rules currently in force and information available as of the date of this report).

In addition, under French thin-capitalization rules, the deduction of interest paid on loans granted by a related party, and, subject to certain exclusions, on third-party loans guaranteed by a related party, are allowed under certain conditions but subject to limitations, under the rules of article 212 of the *Code général des impôts*.

The impact of such rules on the Group's ability to effectively deduct, for tax purposes, interest paid on loans could increase its tax burden and therefore have a material adverse effect on its financial condition and results of operations.

1.4.6 The Group's future results, French tax law, tax audits or litigation and the pre-IPO reorganization may limit the Group's capacity to use its tax losses and thus reduce its net cash flows.

The Group has significant tax loss carry forwards (as described in Note 12.4 to the Group's consolidated financial statements for the fiscal year ended December 31, 2013).

The ability to use such tax loss carry-forwards depends on a variety of factors, including (i) taxable profit and the difference between the amount of such profits and that of tax losses, (ii) the general limitation under which the percentage of French tax loss carry-forwards that may be used to offset the portion of taxable profit exceeding €1 million is limited to 50% in respect of fiscal years ending on or after December 31, 2012, as well as certain specific restrictions on the use of such tax loss carry-forwards, (iii) the outcome of present and future tax audits and litigations; (iv) the consequences of the pre-IPO reorganization and of the subsequent intra-group reorganizations, and (v) potential changes in applicable laws and regulations.

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

1.5 Market Risk

1.5.1 Exchange Rate Risk

Substantially all of the Group's revenues, expenses and obligations are denominated in euro. As a result, the Group is not subject to material market risks relating to exchange rate fluctuations.

1.5.2 Interest Rate Risk

The Group is exposed to the risk of fluctuations in interest rates under certain or its debt instruments which are indexed to the Euro Interbank Offered Rate ("EURIBOR"), plus an applicable margin. EURIBOR could significantly rise in the future, leading to an increase in the Group's interest expense and reducing cash flow available for capital expenditures and hindering its ability to service the debt under certain debt instruments. The Group's debt instruments do not contain covenants requiring it to hedge all or any portion of its floating rate debt. Although the Group has in the past and expects to continue to enter into interest rate swap agreements and interest rate cap agreements, there can be no assurance that the Group will be able to adequately manage its exposure to interest rate fluctuations in the future or continue to do so at a reasonable cost. As of December 31, 2012, the Group's outstanding senior floating rate indebtedness amounted to €2,217.0 million and the Group's outstanding senior fixed rate indebtedness amounted to €585.2 million. As of December 31, 2013, the Group's outstanding floating rate indebtedness amounted to €2,257.7 million and the Group's outstanding fixed rate indebtedness amounted to €380.4 million. The increase in the Group's outstanding floating rate indebtedness and the decrease in its fixed rate indebtedness resulted from the December 2013 refinancing and the repayment of the Senior Secured Notes with the net proceeds of the Initial Public Offering.

To manage this risk effectively, the Group has in the past and expects to continue to, when it deems appropriate, enter into interest rate swap agreements and interest rate cap agreements. As of December 31, 2013, the Group was party to interest rate cap agreements with a total notional amount of €600 million. Such agreements enable the Group to mitigate, on one hand, the risk of fluctuating interest rates on the fair value of the Group's fixed rate debt and, on the other hand, cash flow exposures on the Group's floating rate debt.

Given the breakdown of the Group's debt between fixed and floating-rate, an immediate 50 basis point change in interest rates would have a full-year impact of +/- €13 million on the Group's net income (loss) for the year ended December 31, 2012.

Given the breakdown of the Group's debt between fixed and floating-rate, an immediate 50 basis point change in interest rates would have a full-year impact of +/- €11 million on the Group's net income (loss) for the year ended December 31, 2013.

1.5.3 Liquidity Risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching as much as possible the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods as of December 31, 2013. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

(in € thousands)	December 31, 2013 Less than 1 year	1 to 5 years	More than 5 years	Total
Financial liabilities under the Senior Facility Agreements	42,575	2,209,177	380,007	2,632,358
Perpetual subordinated notes	-	-	37,695	37,695
Financial liabilities under finance leases	20,578	19,799	1,116	41,493
Other financial liabilities	1,096	1,568	-	2,664
Total bonds and loans	**64,249**	**2,231,144**	**418,818**	**2,714,210**
Interest-rate derivatives	-	-	-	-
Deposits received from customers	-	51,932	-	51,932
Bank overdrafts	-	-	-	-
Total financial liabilities	**64,249**	**2,283,076**	**418,818**	**2,766,142**

The Group also has revolving credit facilities available for drawdown for a total amount of €65 million. The availability of these revolving credit facilities is subject to customary covenants and other undertakings.

In 2013, the Group significantly modified the maturity of certain senior debt through amendments to its Senior Facility Agreement on July 31, 2013 and the full refinancing of the Altice B2B Senior Faciliy Agreement through the establishment of a new credit facilty, Facility D. As of December 31, 2013, the maturity schedule of the Senior Facility Agreement was as follows:

(in € thousands)	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**After 2020**	**Total**
Senior Facility Agreement Financial Liabilities	**42,598**	**63,413**	**102,129**	**821,017**	**1,223,195**	**380,007**	**-**	**2,632,358**

The following table shows the Group's credit ratings:

Moody's	S&P
B1 (perspective positive)	B+

1.5.4 Credit and/or Counterparty Risk

Credit and/or counterparty risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Financial instruments that could potentially subject the Group to concentrations of counterparty risk consist primarily of trade receivables, cash and cash equivalents, investments and derivative financial instruments. Overall, the carrying amount of financial assets recognized in the consolidated financial statements, which is net of depreciation, represents the Group's maximum exposure to credit risk.

The Group believes that it has an extremely limited exposure to concentrations of credit risk with respect to trade accounts receivable due to its large and diverse customer base (residential and public institutions) operating in numerous industries and located across France. An analysis of credit risk on net trade receivables past due is provided in note 19 to the consolidated financial statements.

The Group's policy is to invest its cash, cash equivalents and marketable securities with financial institutions and industrial groups with a long-term rating of A-/A3 or above. The Group enters into interest rate contracts with leading financial institutions and currently believes that the risk of these counterparties defaulting is extremely low, since their credit ratings are monitored and financial exposure to any one financial institution is limited.

In 2008, at the time Lehman Brothers filed for bankruptcy, part of the Group's financial liabilities was hedged by interest rate swaps entered into with Lehman Brothers. As a result of the bankruptcy, Lehman Brothers defaulted on the interest rate swaps. The Group currently has a damages claim against Lehman Brothers for a total amount of €11.2 million. In 2013, the Group received payments of €4.5 million and €2.6 million in relation to this claim. A last payment was received in November 2013, and all amounts accepted by the administrator have been paid to Ypso France (a total of 8.9 million pounds sterling, representing approximately 93% of the initial amount claimed). The Group does not expect any additional payments from the administrator of the Lehman Brothers bankruptcy.

1.5.5 Risks Relating to Shares and Other Financial Instruments

As of the date of this report, the Group does not hold any securities apart from securities of associates and holdings in non-consolidated companies (see Note 17 "Investments in Associates" and Note 31 "Non-current Assets Held for Sale and Discontinued Operations" of the Group's consolidated financial statements). As a result, the Group believes it is not subject to material market risks relating to shares and other financial instruments.

1.6 Insurance and risk management

1.6.1 Insurance

The Group has insurance coverage under a general liability insurance policy (*responsabilité civile générale*) and a property insurance policy covering, among other things, certain operational and business interruption liabilities (*dommages aux biens et pertes d'exploitation*) and which, in particular, include deductibles and coverage exclusions. The Group does not insure against certain operational risks for which insurance is unavailable or which can only be insured at what the Group believes to be on unreasonable terms. There is also no protection against customer collection risk. The Group also maintains various motor vehicle insurance policies, including third-party liability insurance.

The Group has a directors' and officers' liability insurance policy (*responsabilité civile des mandataires sociaux*), which, in particular, includes deductibles and coverage exclusions. The Group also has insurance policies specific to its status as a listed company, which also include deductibles and coverage exclusions.

In the Group's view, the existing insurance coverage, including the amounts of coverage and the conditions, provides reasonable protection against the risks faced by the Group in the locations in which it operates, taking into account the costs for the insurance coverage and the potential risks to business operations. However, the Group cannot guarantee that no losses will be incurred or that no claims will be filed against the Group which go beyond the type and scope of the existing insurance coverage.

1.6.2 Internal Control and Risk Management Procedures

The Group put in place a department devoted to internal control and risk management within the Ypso France Group in 2008 and within the Altice B2B Group in 2009. The scope of the department now covers the activities of all of the Group's companies.

1.6.2.1 Organization of internal control

1.6.2.1.1 Definition, objectives and reference framework

The Group defines internal control as a series of resources, procedures and actions adapted to the Group's individual characteristics that contribute to the management of its business, the efficiency of its operations and the efficient use of its resources. These procedures should allow the Group to appropriately take into account the significant risks applicable to it, whether they be of an operational, financial or compliance nature.

The objectives of the Group's internal controls are (i) to provide an accurate picture of the Group's results and information; (ii) to ensure the attainment of the Group's objectives and manage the related risks; (iii) to improve management of the Group's operations; and (iv) to ensure the quality of the published financial

statements, while complying with the basic principles of internal control. These principles relate to (i) compliance with laws and regulations; (ii) alignment of operations with the instructions and guidelines provided by Management; (iii) the proper functioning of internal processes, in particular in terms of the prevention of irregularities or fraud; and (iv) the reliability of the financial information produced and disclosed.

The Group's internal control and risk management system relies on the AMF reference framework for risk management and internal controls, as well as on the principal international references, in particular COSO II and ISO 31000.

1.6.2.1.2 Internal control and risk management system

Since 2008, in order to keep pace with its growth, the Group has prioritized development of its internal control and risk management system. It created an internal control department and over time acquired methodological and documentary references as well as auditing and steering tools, to enable identification and management of operational, financial and compliance risks. Under the leadership of the Executive Committee, committees were formed beginning at the end of 2008 to reinforce its system of internal control.

Beginning in 2012, under the leadership of the CEO, the internal control department made use of new tools to enable analysis of the Group's key data and the triggering of alerts, as well as to develop the control environment with respect to the detection of irregularities or fraud, in particular with respect to sales documentation.

In 2013, the internal control department initiated a complete reworking of its key documents, with the objective of not only being able to respond to conceptual changes in the framework references, but also providing a further guarantee of the good management of risk evaluation processes.

The key documents involved include process mapping, description of key processes (financial, operational and support), description of controls in place and risk mapping.

The tools put in place provide the Group with greater overall visibility on its key processes. Evaluation of the associated risks and the relevant internal control procedures addressing such risks are a key element of its internal control system.

Since the listing of the Company's shares on Euronext Paris, the Group has been planning to put a Risk Management Committee in place under the leadership of the CEO, in order to reinforce the Group's internal control systems.

1.6.2.1.3 Participants in the internal control process

The internal control system is centered around the various departments and offices, and includes cross-functional committees. The various participants in the system coordinate to manage risks within the Group.

Department of Internal Control

The department of internal control currently comprises seven people, whose multidisciplinary and complementary skills enable them to address all of the activities of the Group's companies. These employees all possess good working knowledge of the Group's operations and organization and extensive experience with the Group's information technology.

In order to guarantee its independence, the department of internal control reports directly to the Chairman and Chief Executive Officer of the Group, with whom it carries out a weekly review of its activity.

This department carries out both internal control functions and internal audit functions, including (i) formalization and updating of key processes; (ii) performance of audits in accordance with the agreed-upon annual plan; (iii) identification of risks and review of the related risk-mapping; (iv) issuance of recommendations and monitoring of the implementation of action plans relating to the risks revealed by the audits.

It should be noted that internal control functions exist within the B2B and B2C management committees, as well as at the level of the information systems security committee, which oversees the implementation of actions addressing the Group's security issues. This presence enables the internal control department (i) to gain an operational view of the Group's activities; (ii) to bring any matters requiring vigilance to the attention of management; and (iii) to monitor transactions, acts and structural or organizational modifications that could directly impact the internal control system.

Finance Department

Accounting and management control are centralized in a single department covering all of the Group's entities.

The primary functions of this department are as follows: (i) production of the consolidated financial statements; (ii) budgetary preparation and monitoring; (iii) issuance of reports on the annual financial statements, as well as financial and operational reporting; and (iv) preparation of required information for financial disclosure. Due to its monitoring functions, the Finance Department is a major participant in the internal control system.

Legal Department

The legal department's contribution to internal control is ensuring compliance with laws and regulations.

To that effect, the Group has created positions that are dedicated to the management of inherent risks. The legal department currently comprises ten employees.

In 2012, two employees were named IT and Civil Liberties Representatives, one covering consumers and the other covering businesses. Their role is to manage the Group's legal and regulatory risks with respect to the French IT and Civil Liberties law.

In order to reduce commitment risks, delegations have been put in place on a case-by-case basis for any person who may create an obligation binding on the Group.

In addition, in order to prevent risks related to labor litigation, both in the number of cases and in the risk associated therewith, the human resources department hired an in-house labor lawyer in 2010. This lawyer provided advice to human resources managers with respect to procedures to follow to minimize litigation.

Committees

In parallel and complementary to the Group's key internal control processes, the Group created supporting committees at the end of 2008 in order to strengthen the mandate of the internal control department. These committees provide for coordination across the Group's key internal systems. They are designed to limit and/or manage the Group's risks.

These committees include the following:

(i) *the IT security committee*, which addresses the various security issues related to the IT system, the telecommunications systems and the network. Beginning in 2013, the purview of this committee was extended to cover site security;

(ii) *the commitment committee*, which is charged with the management of all expenses incurred by the Group's various departments, from the very first euro committed. The role of this committee is to require the entities in question to justify their needs and the reasonableness of any expense foreseen by the allocated budget;

(iii) *the management committees*, among which responsibility for the various divisions is divided. All departments are represented on these committees. The purpose of these committees is to monitor and manage key indicators. The combination of monitoring these indicators and

representation of the internal control department on these committees gives the Group a good understanding of the risks inherent to its activities.

(iv) *the internal controls committee*, which, as specified in Article L. 823-19 of the French Commercial Code, is charged with monitoring:

(a) the process of preparing financial information;

(b) the efficiency of the internal control and risk management system;

(c) the audit of the financial statements by the statutory auditors;

(d) the independence of the statutory auditors.

The audit committee replaced the internal controls committee at the time of the listing of the Company's shares.

1.6.2.2 Internal control and risk management procedures

The 2013 year was devoted to reworking and unifying the internal control function around thirteen key processes, in order to strengthen the Group's risk management and standardize its approach.

The methodology put in place was divided into four phases.

The first phase consisted of the implementation of an internal control reference manual describing the overall Company policy and associated points of control. The internal control reference manual is made up of a processes map divided into three levels, a documentary process reference guide, and a matrix of existing control areas.

The second phase related to the creation of risk management procedures. Based on the internal control reference manual, this phase sought to ensure the proper functioning of the Group's business by identifying and evaluating the different risks. In other words, the internal control department mapped the Group's risks.

The third phase implemented regular system surveillance through the performance of audits. In 2013, the internal control department conducted audits of thirteen key processes. In 2014, the Group plans to prepare and deploy an audit plan structured by the type of mission to be carried out and divided into three categories: compliance, expertise and follow-through.

(i) *Compliance*: Monitoring the proper application of internal rules and procedures.

(ii) *Expertise*: Updating of reference manuals and procedures in response to changes in the Group's activities and in the general audit environment; operational efficiency tests of the relevant monitoring.

(iii) *Follow-up*: Monitoring of the action plans defined following internal or external audits.

Finally, the fourth phase concerned the definition and monitoring of remediation plans implemented in response to the risks discovered during an audit. A remediation plan is defined as follows: "All corrective action plans put in place to remedy an observed failure in order to strengthen management of the risks addressed by an audit." It allows the Group to trace and evaluate corrective actions.

Following the definition of action plans, the internal control department oversees their implementation and supervises the corrective actions, evaluating the efficiency of these action plans and surveying the triggers of the undesired events as well as their consequences.

Monitoring of the remediation plan contributes (i) to the internal control reference guides by updating processes and control actions, (ii) supports risk management processes by allowing for a reevaluation of risks and controls in place and (iii) supports the audit plan by targeting activities for which corrective actions can be verified in the medium term.

Assessment of Internal Control

The assessment carried out in 2013 enabled the Group to identify actions that it should take in response to the various recommendations established based on the results of the internal and external audits.

The internal control department equipped itself with a tool for monitoring deficiencies identified either by internal or external audit. Each deficiency is subject to an operational review and goes through each stage of the cycle:

(i) definition and implementation of a remediation plan;
(ii) verification of the effectiveness of the actions taken;
(iii) reevaluation of the related risk or risks ; and
(iv) monitoring.

The internal control assessment did not reveal any serious failures or deficiencies.

1.6.2.3 Control procedures with respect to the preparation and processing of accounting and financial information

The reference manual, created as part of the Group's internal control and risk management procedures, covers all of the operational and financial processes involved in the preparation and processing of accounting and financial information.

The control procedures are intended to ensure the consistency and accuracy of information throughout the processing chain. These procedures provide security with respect to the process of creating, recording and disclosing information.

The various control procedures with respect to the preparation and processing of accounting and financial information are as follows:

(i) *The account-closing process*: The accounts are closed monthly in accordance with the established process. Each closing is organized. A reference timetable is prepared, scheduling all of the actions to be carried out and assigning responsibility for each action.

- The timetable is distributed to all participants. It provides a framework of deadlines and ensures that the information produced is complete.
- The quality of the information is ensured through verification and back-up procedures coordinated by the accounting department and the management control department. Each piece of information must have back-up, and each departure or additional note to be recorded is documented.
- Finally, the accounting and financial information produced is reviewed and approved by senior management.

(ii) *The consolidation process*: Each quarter, accounting and financial information is funneled into a central consolidation tool covering all of the Group's entities. Consolidated financial statements are produced in accordance with French GAAP in order to comply with the quarterly covenants, as well as in accordance with IFRS. Reconciliations specific to IFRS are documented and referenced in the reference manual. The annual financial statements are the subject of an external audit and certified by the statutory auditors.

(iii) *The budgetary process*: Budget preparation is subject to methodological and organizational procedures. The annual budget is prepared by the management control department and approved by the Executive Committee. Each month, a budget review is performed and forecasts are updated.

(iv) *The commitment monitoring process*: The Group has put a process in place for monitoring commitments in order to manage the associated risks. This process includes (i) computerized approval of each order recorded in the accounting tool; (ii) systematic approval by the commitment committee of each request that is not in the budget, from the first euro requested,

and of each request that is in the budget for an amount greater than €100,000; and (iii) expense authorization consistent with the delegations of authority issued.

(v) *The management reporting process*: The management control department issues a management control report after each accounting closing. This report gives the Executive Committee a view of the Group's activity, providing operational indicators and figures on the evolution of the Group's activity. This report also serves as the basis for public financial disclosure.

Taken together, these procedures provide a guarantee of proper risk management at the Group level.

Proper risk management includes monitoring evolving market trends (prices, competitors' offers, technology, FTTH network developments and macroeconomic conditions) in order to adapt the Group's offers and investments to these trends. Moreover, the Group has implemented testing and control procedures in order to prevent any quality or functionality-related problems with its products and services.

The Group also closely monitors the management of its contractual relationships to prevent and resolve in advance any problem related to content or service provision (either by modifying the contract terms or by finding other suppliers).

In 2014, the Group intends to continue to pursue the actions undertaken in 2013 in connection with the reworking of the Group's internal control function in order to strengthen its risk management procedures.

E. EQUITY INVESTMENTS

On June 27, 2013, the Group acquired 100% of the shares of Valvision, a small telecommunications operator active primarily in the cities of Audincourt, Dole, Morteau and Montbéliard. In 2012, this company generated revenue of approximately €2 million. At the end of 2012, it had 5,000 individual customers and 8,000 bulk customers. As of November 30, 2013, Valvision was merged into Numericable, which held 100% of its capital.

On October 31, 2013, the Group acquired 100% of the share capital of Invescom, a holding company whose only operations consist of holding all of the shares of LTI Télécom, a telecommunications operator primarily offering fixed telephony, mobile telephony, Internet and VPN network services to businesses.

On November 7, 2013, Numericable Group received, in connection with the initial public offering of the Company, the contribution of two Luxembourg holding companies, Ypso Holding S.à.r.l. and Altice Lux Holding S.à.r.l., the respective parent companies of Ypso France and Altice B2B France.

As of December 31, 2013, in connection with the Group's internal restructuring, Numericable and Est-Vidéocommunication were merged into NC Numericable.

F. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

1. Research and development

The Group's research and development department is located in Champs-sur-Marne France in the Chief Technology Officer's department. The principle successful innovation programs are the LaBox HMTL5 software and the cloud back-end services deployed in 2012 and 2013: social network services, holding services of third-party partners on set-top boxes and multiscreen software. In 2012, the Group filed patent applications under certain screenshot related in-house innovations on LaBox "image capture in a video signal".

2. Intellectual property

Intellectual Property

The Group licenses its television programming content from third-party content providers. The Group enters into agreements directly with authors' rights societies in France, including SACEM (*Société des Auteurs, Compositeurs et Editeurs de* Musique), SDRM (*Société pour l'administration du Droit de Reproduction Mécanique des auteurs*), SCAM (*Société Civile des Auteurs Multimedia*), SACD (*Société des Auteurs et Compositeurs Dramatiques*), ADAGP (*Société des Auteurs dans Les Arts Graphiques et Plastiques*) and ANGOA (*Agence Nationale de Gestion des Oeuvres Audiovisuelles*), broadcasters and distributors. In general, the Group pays license fees based on subscriber numbers to its content providers, and the Group's agreements with certain content providers require it to pay minimum guaranteed amounts or fixed package amounts. The Group also pays royalties based on its subscribers' consumption of on-demand content.

Trademarks and Domain Names

The Group uses several trade names, trademarks and domain names in its business. Except for the trademarks "Numericable", "Completel", "Numericable Group" and "LaBox by Numericable," the Group does not believe that any of its other trade names, service marks or trademarks is material to its business. All of the Group's trademarks and device trademarks are protected in France and, in certain cases, the European community. The Group has also registered various domain names, including www.numericable.com, www.numericable.fr and www.completel.fr.

3. Licenses, usage rights, and other intangible assets

Third-Party Copyrights

As a broadcaster of musical and audiovisual works, the Group must comply with articles L. 132-20-1 and L. 217-2 of the French Intellectual Property Code (*Code de la Propriété Intellectuelle*), which requires the Group to pay a fee to ANGOA (management or audiovisual authors' rights), the SDRM (management of sound and visual reproductions), the ADAGP (management of the rights of authors of graphic and plastice arts), the SACD (management of the rights of authors relating to audiovisual works of fiction), the SCAM (managment of the rights of authors of multimedia), the SACEM (management of musical authors' rights) for broadcasting such works. ANGOA, SDRM, ADAGP, SCAM, SACD and SACEM pass on these payments to the authors, composers and publishers whose works are reproduced, broadcast, communicated or made available to the public.

The Group is party to an agreement with the ANGOA entered into in February 2011. This contract was automatically renewed on December 13, 2013 for one year: it will be renewed automatically at the end of its initial term for successive one-year periods unless terminated by either party upon six months' notice. The fees charged by the ANGOA are based on the Group's overall revenues and are paid on a quarterly basis. The Group also guarantees a minimum fee per customer to the ANGOA.

The Group entered into a similar agreement with the SACEM, the SDRM, the ADAGP, the SCAM and the SACD in October 2003 that expired in December 2004, was extended until December 2009 and has since been automatically renewed for successive one-year periods. Pursuant to this contract, NC Numericable pays quarterly fees to SACEM based on its overall revenues. This contract can be terminated at the end of each renewal period by either party, subject to a three-month notice period.

With respect to the compensation for private copies provided by articles L. 311-1 et seq. of the French Intellectual Property Code, the Group pays compensation to Copie France based on the type and size of the copying equipment used by its customers, and such amounts totaled €3,257,902 for the year ended December 31, 2012 and €4,041,121 for the year ended December 31, 2013.

G. TREND INFORMATION AND FUTURE OUTLOOK

1. Information on trends and objectives

1.1 Future Outlook

The objectives described below are not forecasts or Group earnings estimates, but are based on its strategies and business plan. These objectives are based on data, assumptions and estimates which the Group considers to be reasonable. These data, assumptions, and estimates may change over time as a result of uncertainties in the economic, financial, competitive and regulatory environment. Furthermore, the materialization of one or more of the risks described in Section C "Risk Factors" of this report could have an impact on the Group's business, results, financial situation and perspectives and therefore jeopardize the Group's ability to the meet the objectives presented below. The Group makes no undertaking and gives no guarantee as to the achievement of the objectives in this section.

1.2 Medium-Term Outlook

As indicated below under "Profit Forecasts and Estimates", the Group expects to have upgraded between 5,900,000 and 6,000,000 EuroDocsis 3.0/200 Mbits and and above compatible plugs by December 31, 2014. The Group aims to upgrade all of its triple play local loops which are not yet upgraded to fiber in order to make them compatible with EuroDocsis 3.0/200 Mbps and above technology (3,300,000 plugs as of December 31, 2013) by the end of 2016. In addition, the Group will continue to invest in the DSP 92 project, phase II of which began in mid-2013 and should continue until 2015.

The Group estimates that the total amount of network upgrade capital expenditures (consisting of the conversion to EuroDocsis 3.0/200 Mbits and above and the DSP 92 project) should amount to approximately €220 to €230 million during the 2014-2016 period. The Group estimates that the average annual amount of capital expenditures excluding network upgrades should amount to approximately €300 million during the same period. In 2012 and 2013, Group capital expenditures amounted to €285.7 million and €319.8 million, of which €32.5 million and €42.1 million were network upgrade capital expenditures in 2012 and 2013, respectively.

The Group is aiming for an increase in its B2C individual subscriber base, including its white label end-users, of 200,000 to 250,000 between the end of 2013 and the end of 2016.

Given the expected increase in the B2C subscriber base, partially due to the upgrading of its plugs to EuroDocsis 3.0/200 Mbps and above technology, the Group's objective is an increase in revenue of between 2% and 5% per annum in 2015 and 2016, with an acceleration towards the back-end in line with the above-referenced network upgrade. This growth is in the context of consolidated revenues of €1,314.2 million for the year ended December 31, 2013, an increase of 0.9% compared to the year ended December 31, 2012.

Additionally, the Group aims to achieve an annual adjusted EBITDA growth rate superior to its revenue growth rate, with a targeted adjusted EBITDA margin rate of 50% in 2016, primarily due to improved product mix. The Group's adjusted EBITDA amounted to €615.9 million for the year ended December 31, 2013, a decrease of 0.8% compared to the year ended December 31, 2012, representing an adjusted EBITDA margin rate of 46.9%.

The Group's objective is to maintain a net leverage ratio between 3.5x and 4.0x during the 2014-2016 period. The net leverage ratio is defined as net consolidated debt (i.e., consolidated debt less cash and cash equivalents) divided by adjusted EBITDA. As of December 31, 2013, the Group had a net leverage ratio of 4.12x.

The Group will devote cash flows from its operations on a priority basis to growth and network upgrades as described above. It will actively evaluate, as from 2015 based on 2014 net income, the possibility to pay dividends to the extent consistent, on the one hand, with the priority allocation of cash flow and its net leverage ratio objectives as noted above and, on the other hand, with the constraints imposed by its finance agreements.

1.3 Long-Term Outlook

Upon completion of its network upgrade (and all related capital expenditures) in 2016, as noted above, the Group believes it can achieve, as from 2017, adjusted EBITDA growth per annum at least equal to that of 2016 as compared to 2015, as well as a normative level of capital expenditure equal to approximately 20% of revenue.

2. Profit Forecasts And Estimates

2.1 Assumptions

The Group's estimates are based on the consolidated financial statements for the year ended December 31, 2013.

These estimates are based primarily on the following assumptions:

(i) a scope of consolidation substantially unchanged from that as of December 31, 2013;
(ii) stable regulatory and tax conditions as regards to those in effect as of December 31, 2013, in particular stability with respect to regulated call termination rates;
(iii) growth in the Group's B2C individual subscriber base, including its white label end-users, of 200,000 to 250,000 between the end of 2013 and the end of 2016;
(iv) the Group will have increased the number of homes passed with its EuroDocsis 3.0/200 Mbits and above technology by 700,000 to 800,000 homes in 2014 (which will bring the total number of homes passed by EuroDocsis 3.0/200 Mbits and above technology to 5,900,000/6,000,000 at December 31, 2014).

2.2 Group forecasts for the year ended December 31, 2014

Based on the assumptions described above, the Group expects to generate for the year ended December 31, 2014 (i) annual revenue growth of 2% to 5% in 2014 with respect to 2013 (for which revenues totalled €1,314.2 million), and (ii) adjusted EBITDA growth at a rate higher than that of revenues.

The forecasts discussed in this section are based on data, assumptions and estimates which the Group considers to be reasonable. These data, assumptions, and estimates may change over time as a result of uncertainties in the economic, political, accounting, competitive and regulatory environment, or as a result of other factors unknown to the Group at the date of this report.

Furthermore, the materialization of one or more of the risks described in Section C "Risk Factors" of this report could have an impact on the Group's business, results, financial situation and perspectives and therefore jeopardize the Group's ability to the meet the objectives presented below. The Group makes no undertaking and gives no guarantee as to the achievement of the objectives in this section.

H. SIGNIFICANT CHANGES IN THE FINANCIAL OR COMMERCIAL SITUATION

On March 14, 2014, Vivendi's supervisory board announced that it had decided to enter into exclusive negociations with Altice, Numericable Group's majority shareholder, for a period of three weeks, to purchase SFR.

II. SHARE CAPITAL AND PRINCIPAL SHAREHOLDERS

A. COMPOSITION AND CHANGES IN PRINCIPAL SHAREHOLDERS AND SHARE CAPITAL

1. Principal shareholders

The table below shows the breakdown of the Company's shareholders as of the date of this report. The following description has been prepared based on the Company's knowledge, on the basis of the information available to it as of the date of this report, in particular on the basis of notifications of the crossing of legal thresholds. It does not take into account any crossing of thresholds contained in the Company's by-laws.

Shareholders	Number of shares and voting rights	Percent of share capital and voting rights	Par value
Total Altice and assimilated shares[1]	**49,577,185**	**40.00%**	**€49,577,185**
Carlyle Cable Investment SC	26,427,008	21.32%	€26,427,008
CCI (F3) S.à.r.l.	16,442,283	13.27%	€16,442,283
Total Altice-Carlyle-Cinven group[1]	**92,446,476**	**74.59%**	**€92,446,476**
The Capital Group Companies, Inc.	6,278,778	5.07%	€6,278,778
Fiberman S.C.A.[2]	1,137,154	0.92%	€1,137,154
Members of the Board of Directors	501	-	€501
Public float	24,079,103	19.43%	€24,079,103
TOTAL	**123,942,012**	**100%**	**€123,942,012**

[1] After taking into account the shares subject to the Altice Call Options, in accordance with Article L. 233-9 of the French Commercial Code.

[2] Fiberman is a Luxembourg company holding the investments of certain of the Group's executives and employees in Numericable Group. Fiberman is controlled by Altice, Carlyle and Cinven, and 47.15% of its capital is held by certain of the Group's executives and employees. After the end of Fiberman's lock-up period pursuant to the underwriting agreement entered into in connection with the IPO, it is expected that the Company's shareholders will be asked to vote on a merger of Fiberman into the Company. At the appropriate time, this merger will be subject to the authorization of the Company's extraordinary shareholders' meeting. The Company's shares held by Fiberman at the time of such merger will be canceled and Fiberman shareholders will become direct shareholders of the Company.

The above breakdown reflects Altice's acquisition on February 6, 2014 of additional Numericable Group shares from Cinven and Carlyle. See AMF Decisions and News No. 214C0226 dated February 11, 2014. On December 24, 2013, the AMF granted Altice an exemption from the obligation to file a public tender offer as a result of the completion of this acquisition. See AMF Decisions and News No. 213C2022 dated December 24, 2013.

In addition, The Capital Group Companies, Inc. (acting as investment adviser on behalf of funds) notified the Company that on January 10, 2014 it had exceeded the threshold of 5% of the Company's share capital and voting rights and now held 6,278,778 of the Company's shares and the same number of voting rights, representing 5.07% of the Company's share capital and voting rights. See AMF Decisions and News No. 214C0079 dated January 14, 2014.

To the Company's knowledge, no other shareholder holds, directly or indirectly, alone or as part of a group, more than 5% of the Company's share capital or voting rights.

None of the companies controlled by the Company control the Company.

2. History of share capital

The Company was formed on August 2, 2013 with share capital of €37,000.

The Company's share capital was increased on November 7, 2013. The contributions had a total net book value of €1,995,489,490.22. They were paid for by issuance of 113,772,229 new shares of the Company, resulting in a capital increase of €113,772,261,22 and a contribution premium of €1,881,717,261.22.

In addition, in connection with the Company's initial public offering, on November 12, 2013 the Company carried out a capital increase of €249,999,996 by issuance of 10,080,645 new shares with par value of one euro each, resulting in a capital increase of a total par value of €10,080,645 and a share premium of €239,919,351. On November 26, 2013, the Company also carried out a capital increase reserved for the Company's employees in the amount of €1,034,417.92 by issuance of 52,138 new shares with par value of one euro each, resulting in a capital increase of €52,138 and a share premium of €982,279.92.

As of the date of this report, the Company's share capital is €123,942,012, divided into 123,942,012 shares of one (1) euro par value, entirely subscribed and paid up, and all of the same class.

B. TABLE SUMMARIZING THE APPLICABLE FINANCIAL RESOLUTIONS AUTHORIZING CAPITAL INCREASES AND THE USE OF SUCH AUTHORIZATIONS

The table below shows the financial resolutions applicable as of the date of this report, which were approved by the Company's ordinary and extraordinary shareholders' meeting held on October 21, 2013 or the Company's ordinary and extraordinary shareholders' meeting held on October 25, 2013.

Purpose of the Resolution	Maximum Amount	Duration of Authorization	Use of the Authorization in 2013
Authorization to enter into transactions involving the Company's shares	See Section 21.1.3	18 months(1)	None
Delegation to the Board to decrease share capital by cancellation of treasury shares	Up to 10% of the share capital per 24 months	26 months(2)	None
Delegation of authority to the Board to increase share capital by issuance of shares and/or other securities giving access to the Company's share capital, with preferential subscription rights	€20 million with respect to capital increases(3) €300 million with respect to debt securities	26 months(4)	None
Delegation of authority to the Board to increase share capital by issuance of shares and/or other securities giving access to the Company's share capital and/or other securities giving a right to debt securities, by means of public offering without preferential subscription rights	€30 million with respect to capital increases(3) €300 million with respect to debt securities	26 months(4)	Board of Director Meetings of October 25 and November 7 Issuance of 10,080,645 new shares
Authorization given to the Board to issue shares or other securities giving access to the Company's share capital without preferential subscription rights, in consideration of contributions in kind relating to shares or securities giving access to the share capital	Up to 10% of the share capital(3)	26 months(4)	None
Delegation of authority to the Board to issue shares or other securities giving access to the share capital, without preferential subscription rights, by private placement pursuant to Article L.411-2 of the French Monetary and Financial Code	€20 million with respect to capital increases(3) €300 million with respect to debt securities	26 months(4)	None
Delegation of authority to the Board to increase capital by incorporation of premiums, reserves, profits or other items	€15 million(3)	26 months(4)	None

Purpose of the Resolution	Maximum Amount	Duration of Authorization	Use of the Authorization in 2013
Delegation of authority to the Board to increase the number of shares to be issued in a capital increase, with or without preferential subscription rights	Limit under applicable regulations (currently 15% of the initial issuance)(3)	26 months(4)	None
Delegation of authority to the Board to issue shares and/or other securities giving access to the share capital to participants in Company savings plans without preferential subscription rights	€300,000(3)	26 months(4)	Board of Director Meetings of October 25 and November 7 Issuance of 53,085 new shares
Delegation of authority to the Board to increase capital in order to grant stock options without preferential subscription rights	Up to 3% of the share capital(3)(5)	26 months(4)	Board of Directors meeting of November 7 Grant of 2,845,229 stock options (2.5% of share capital)
Delegation of authority to the Board to increase capital in order to grant free shares (existing or newly issued) to some or all of the Group's employees and officers without preferential subscription rights	Up to 3% of the share capital(3)(5)	26 months(4)	None

(1) As from October 21, 2013.

(2) As from the definitive listing of the Company's shares on Euronext Paris, in other words as from November 12, 2013.

(3) The maximum par value of capital increases that may be carried out pursuant to this delegation is deducted from the maximum overall amount of €50 million for immediate or future capital increases.

(4) As from October 25, 2013.

(5) Note that a sub-limit of 1% of the share capital applies to grants to the CEO.

C. SHARES HELD BY SUBSIDIARIES, TREASURY SHARES, AND ACQUISITION BY THE COMPANY OF ITS OWN SHARES

The ordinary and extraordinary shareholders' meeting held on October 21, 2013 authorized the Board, for a duration of eighteen months beginning on October 21, 2013, to implement a program to buy back Company shares pursuant to Article L.225-209 of the French Commercial Code, with the following terms:

Transaction Concerned	Duration of Authorization	Maximum Amount	Maximum Number of Shares
Share buyback program	18 months(1)	€6.5 million	10% of the Company's share capital

(1)As from October 21, 2013.

According to the terms of the resolution adopted by the shareholders' meeting, these shares may be acquired for the following purposes at any time to the extent permitted under applicable laws or regulations, outside of tender offer periods, and by any means, in particular for the following purposes:

- establishing a stock option plan for the Company in accordance with Articles L.225-177 *et seq*. of the French Commercial Code or any similar plan;
- granting or selling shares to employees as part of their participation in the Company's development or the implementation of any Company or Group savings plan (or similar plan) as authorized by law, in particular Articles L.3332-1 *et seq*. of the French Labor Code;
- granting free shares to employees or executive officers in accordance with Articles L.225-197-1 *et seq*. of the French Commercial Code;
- generally, honoring obligations relating to stock option plans or other allocations of shares to the employees or corporate officers of the Company or a related entity;
- issuing shares upon exercise of rights attached to securities granting access to the capital by repayment, conversion, exchange, presentation of a warrant, or any other means;
- canceling some or all of the repurchased shares;
- delivering shares (in exchange, payment or otherwise) in connection with external growth, merger, spinoff or contribution transactions;
- ensuring liquidity and activity in the market for the shares through the intermediary of an investment services provider acting under a liquidity contract complying with the ethical code recognized by the AMF.

This program is also intended to enable the use of any market practices permitted by the AMF, and, more generally, the performance of any transaction that complies with applicable regulations. In such event, the Company will notify its shareholders by press release.

The maximum purchase price per share is 200% of the price of the shares offered to the public in connection with the listing of the Company's shares on Euronext Paris, excluding acquisition costs.

On the basis of the delegation by the shareholders' meeting, the Company's board of directors decided at its meeting on January 10, 2014 to implement a share buyback program. Following is a description of the Company's share buyback program, established under Article 241-2 I of the AMF's General Regulation and announced by the Company on January 22, 2014.

Description of the share buyback program

Date of the shareholders' meeting authorizing the share buyback program

October 21, 2013

Allocation of shares held by the issuer as of January 15, 2014, by purpose

The Company did not hold any of its own shares as of January 15, 2014.

Objectives sought by the Company

The twenty-third resolution of the Company's combined ordinary and extraordinary shareholders' meeting held on October 21, 2014 authorized the board of directors to buy or cause the purchase of Company shares in order to carry out certain transactions, with the right to sub-delegate as permitted by law, pursuant to Articles L. 225-209 *et seq*. of the French Commercial Code.

On the basis of that delegation, the Company's board of directors decided at its meeting held on January 10, 2014 to implement a share buyback program for the purpose of enabling an investment

services provider, pursuant to a liquidity contract that complies with the AMF-approved ethics code, to maintain an active secondary market or provide liquidity for the Company's shares.

Maximum percent of share capital, maximum number, characteristics of shares that Numericable Group proposes to acquire, and maximum purchase price

In accordance with regulations, the Company may not at any time hold more than 10% of the shares making up its share capital, or, as of November 22, 2013[1], 12,394,201 shares.

The maximum price per share repurchased was fixed by the twenty-third resolution adopted by the combined shareholders' meeting on October 21, 2013 at 200% of the price of the shares offered to the public in connection with the listing of the Company's shares on Euronext Paris, excluding acquisition costs, for a maximum per share price of €49.60, excluding acquisition costs.

The maximum overall amount authorized for carrying out the share buyback program was fixed by the twenty-third resolution adopted by the combined shareholders' meeting of the Company on October 21, 2013 at €6.5 million, including costs and commissions.

The shares covered by this description are the Numericable Group shares listed on NYSE Euronext Paris Compartment A - ISIN Code FR0011594233.

Program duration

The buyback authorization granted by the combined shareholders' meeting of the Company on October 21, 2013 was granted for a period of eighteen months from such meeting, or until April 20, 2015.

Shares held by the Company

As of December 31, 2013, the Company had not implemented a share buyback program. The Company did not hold any of its own shares, and no shares of the Company were held by any subsidiary or third party for its account.

D. SHAREHOLDINGS OF CERTAIN EMPLOYEES OF THE GROUP

1. Indirect shareholding through Fiberman

Fiberman S.C.A. is a Luxemburg company that historically held the investments of 17 Group executives (not including the Chairman and CEO) and employees (collectively, the "Fiberman Shareholders") in Ypso Holding Lux S.à.r.l. and Altice B2B Lux Holding S.à.r.l, controlled by Altice, Carlyle and Cinven. In connection with the listing of the Company's shares on Euronext Paris, on November 7, 2013 Fiberman contributed all of the shares and other securities it held of Ypso Holding Lux S.à.r.l. and Altice B2B Lux Holding S.à.r.l. and thus became a shareholder of the Company, holding, as of the date of this report, approximately 1% of its share capital.

As of the date of this report, Fiberman S.C.A.'s capital is distributed as indicated in the table below, with 47.15% of such capital held by the 17 Fiberman Shareholders. The Chairman and CEO and other directors of the Company do not hold any Fiberman shares.

Fiberman S.C.A. Shareholders	Number of Fiberman shares and voting rights	% Fiberman capital and voting rights

[1]Most recent date on which share capital was ascertained.

Altice	789,491	12.84%
Carlyle	1,230,068	20.01%
Cinven	1,230,068	20.01%
Employees	2,899,100	47.15%
TOTAL	**6,148,727**	**100.0%**

In the context of the "Fiberman investment plan", each Fiberman Shareholder had the option to invest in Fiberman's share capital for an amount up to 100% of such person's fixed annual salary, to be financed by the Fiberman Shareholders. The Fiberman Shareholders' stake in the share capital is subject to various liquidity mechanisms.

After the end of the lock-up period to which Fiberman committed pursuant to the underwriting agreement entered into in connection with the listing of the Company's shares on Euronext Paris, it is expected that the Company's shareholders will be asked to vote on a merger of Fiberman into the Company. At the appropriate time, this merger will be subject to the authorization of the Company's extraordinary shareholders' meeting. The Company's shares held by Fiberman at the time of such merger will be canceled and Fiberman shareholders will become direct shareholders of the Company.

2. Mandatory profit-sharing agreements (*accords de participation*)

Pursuant to Article L. 3322-2 of the French Labor Code, profit-sharing agreements are required in businesses with more than 50 employees and having a taxable profit greater than a 5% return on equity. As a result, profit-sharing agreements have been entered into at the level of Numericable and Completel.

With respect to Numericable, an open-ended agreement was entered into in 2009. It may be terminated upon three months' notice prior to the end of each fiscal year.

The Completel agreement has a term of three years covering fiscal years 2011 to 2013. This agreement may be automatically renewed if not formally terminated by one of the parties.

3. Optional profit-sharing agreements (*accords d'intéressement*)

Article L. 3312-1 of the French Labor Code provides for optional profit-sharing (*intéressement*), whose purpose is to give employees collectively a share in the business's success, and specifically in its performance and results, by using a formula to calculate immediately available bonuses. Optional profit-sharing agreements have been entered into at the level of Numericable and Completel. These two agreements include profit-sharing formulas based on the projected EBITDA of the entity in question.

The Numericable agreement has a term of three years covering fiscal years 2011 to 2013. The negotiations for its renewal, pursuant to applicable law, will lead either to its renewal or to a new agreement before June 30, 2014.

The Completel agreement has a term of three years covering fiscal years 2012 to 2014. The negotiations for its renewal, pursuant to applicable law, will lead either to its renewal or to a new agreement before June 30, 2015.

4. Company savings plans and similar plans

Pursuant to Article L. 3332-3 of the French Labor Code, companies with mandatory profit-sharing plans are required to maintain company savings plans. A group or company savings plan is a collective savings system offering employees of the companies belonging to the plan the ability, with

the help of their employers, to build investment portfolios. In particular, amounts can be deposited on their behalf under a profit-sharing or incentive agreement, and employees can make voluntary contributions. Amounts invested in a company savings plan cannot be withdrawn for five years, except in the early-withdrawal cases provided for by law. Each entity in the Group created a company savings plan when the Group entered into its first company savings agreement. These plans offer Group employees the ability to immediately and fully apply the amounts paid to them under the profit-sharing and incentive plans to subscribe for shares in "open-ended company investment funds" (*fonds communs de placement d'entreprise*, or "FCPE") offered by BNP Paribas.

In connection with the listing of the Company's shares on Euronext Paris, the Company carried out a capital increase reserved for the Company's employees as well as for employees of certain French subsidiaries of the Group belonging to a company or Group employee savings plan, for an amount of €1,034,417.92 (including share premium), representing 52,138 shares, or approximately 0.04% of the Company's share capital.

E. TRANSACTIONS IN THE COMPANY'S SHARES BY THE COMPANY'S BOARD MEMBERS AND CORPORATE OFFICERS

Since the Company's initial public offering, no members of the board of directors have reported acquiring shares of the Company pursuant to Article L.621-18-2 of the French Monetary and Financial Code.

F. TRANSFER OR DISPOSAL OF SHARES UNDERTAKEN TO REGULARIZE CROSS SHAREHOLDINGS

None.

G. CERTAIN IMPORTANT INFORMATION IN THE EVENT OF A PUBLIC TENDER OFFER

In accordance with Article L. 225-100-3 of the French Commercial Code, set forth below is certain information that would be likely to have an effect in the event of a public tender offer.

1. Capital structure of the Company

See Section II.A.1, "Shareholders".

2. Restrictions contained in the by-laws with respect to the exercise of voting rights and transfers of shares or clauses of agreements notified to the Company pursuant to Article L. 233-11 of the French Commercial Code

Pursuant to the shareholders' agreement among Altice, Carlyle and Cinven (the "Shareholders' Agreement"), Altice, Carlyle and Cinven intend to act in concert with respect to the Company.

The Group in Concert will be dissolved if Cinven, Carlyle and Altice collectively hold less than 10% of the Company's share capital and voting rights or, with respect to any one of Cinven, Carlyle and Altice, if such party individually holds less than 5% of the Company's share capital and voting rights.

Under the Shareholders' Agreement, Cinven, Altice and Carlyle have agreed to coordinate in advance of any general meeting of the Company at which an important decision will be presented that might concern the Company's future prospects, in order to reach a common position.

In addition, the Shareholders' Agreement provides that the strategic decisions listed below may be made and implemented only with the prior approval of a simple majority of the board of directors:

- Adoption and modification of the annual budget, including investments and divestments, as well as the related financing plans;

- Adoption and modification, if any, of the Company's business plan;

- Appointment, dismissal and compensation (and modifications to the compensation) of the chairman and CEO and the appointment of members of the board of directors;

- Hiring or nomination, removal or firing, and compensation (and modifications to compensation) of the chairman and/or senior management of the Company's subsidiaries;

- Convening and adjournment of the Company's shareholders' meetings and adoption of draft resolutions and reports to be presented at such meetings;

- Closing of the Company's annual financial statements (statutory and consolidated) and adoption of the annual management report of the Company and its subsidiaries, allocation of profits and losses and any change in accounting methods not resulting directly from a change in laws or regulations;

- Providing sureties, guarantees or warranties (within the meaning of Article L. 225-35 of the French Commercial Code) by the Company or any of its subsidiaries in an amount greater than €10 million (excluding sureties, guarantees or warranties authorized in connection with the annual budget). However, each year the board of directors will delegate to the chairman and CEO all powers with respect to granting sureties, guarantees or warranties in an amount of less than €10 million, in accordance with Article R.225-28 of the French Commercial Code, up to an overall limit of €50 million;

- Entering into any settlement or bringing and pursuing any judicial, administrative or arbitral proceedings to which the Company or any subsidiary is a party, where the amount in controversy is greater than €10 million;

- Any acquisition, sale, investment or divestment by the Company or any of its subsidiaries (in any form whatsoever, including, in particular, in connection with an exchange, contribution, acquisition of shareholding, creation or dissolution of a subsidiary, partnership, joint venture, universal transfer of assets, etc.) representing a total investment or divestment, as the case may be, of more than €10 million, with such test to be based on enterprise value with respect to acquisitions and sales, or modification of the significant terms and conditions of such a transaction;

- Entering into any contract to acquire or sell indefeasible rights of use with respect to individual connections to the network by fiber optics or coaxial cable entered into by the Company or any of its subsidiaries;

- Distribution of dividends or any similar transaction (such as a buyback or repayment of its own shares or, more generally, of Securities);

- Authorization to implement share buyback programs;

- Entry into new borrowings or issuance of debt instruments where the total amount of loans or financial debt entered into by the Company and its subsidiaries since the signature date of the Shareholders' Agreement exceeds a cumulative threshold of €80 million;

- Changes to bank documentation that have an adverse effect on the Company;

- Entry into, modification and/or renewal of any agreement or any investment decision by the Company or any of its subsidiaries representing a total charge or expense over its full duration

equal to at least €10 million and for which financing has not been specifically provided in the budget;

- Any decision by the Company or any of its subsidiaries to enter into, modify, terminate or renew any agreement between any Shareholder or one of its Affiliated Entities, on the one hand, and the Company and/or one of its Subsidiaries, on the other hand, and/or any other agreement referred to in Articles L. 225-38 *et seq.* of the French Commercial Code, with the exception of agreements relating to ordinary course transactions entered into under market conditions (a "Decision With Respect to a Related Party Transaction");

- Any proposal to modify the by-laws of a subsidiary;

- The implementation of any stock subscription or purchase option plan, any employee and executive officer shareholding plan, mandatory or optional profit-sharing plan, company savings plan or group savings plan, or any significant modification of such plans or programs, with the exception of any modifications resulting from a legal obligation (and unless such transaction has been approved in connection with the approval of the annual budget);

- Any merger, spinoff or partial asset contribution (or any similar transaction) to which the Company or one of its subsidiaries is a party.

Furthermore, with respect to any Decision With Respect to a Related Party Transaction, each of Altice, Cinven and Carlyle will have a veto right during the six-month period following the initial public offering, *i.e*., until May 6, 2014, and, after this period, as long as it holds more than 10% of the Company's share capital.

Furthermore, the Shareholders' Agreement provides that the following strategic or important decisions must be approved by a two-thirds majority of the Company's board of directors; each of Altice, Cinven and Carlyle will have a veto right in this regard for a period of six months following the initial public offering, *i.e*., until May 6, 2014, and after this period, as long as it holds more than 10% of the Company's share capital:

- Any sale, acquisition, investment or divestment by the Company or any of its subsidiaries (in any form whatsoever, including, in particular, in connection with an exchange, contribution, acquisition of shareholding, creation or dissolution of a subsidiary, partnership, joint venture, or universal transfer of assets) representing a total investment or divestment, as the case may be, of more than €10 million, such test to be based on enterprise value with respect to acquisitions and sales;

- Any increase, decrease or amortization of the share capital as well as the issuance of securities granting direct or indirect access to the share capital of the Company or any of its subsidiaries;

- Entry into new borrowings or issuance of debt instruments where the total amount of borrowings or financial debt entered into by the Company and its subsidiaries since the signature date of the Shareholders' Agreement exceeds a cumulative threshold of €200 million;

- Any merger, spin-off or partial asset contribution (or any similar transaction) concerning the Company, and in general any legal restructuring of the Company and its subsidiaries where the expected amount of the transaction exceeds €200 million (in enterprise value), except intra-group transactions.

It is also specified that prior to entering into the Shareholders' Agreement, Cinven, Altice and Carlyle agreed on the 2014 budget and the composition of the Group's management team following completion of the initial public offering, and undertook to agree on any modifications thereto occurring within six months after the initial public offering, *i.e.*, prior to May 6, 2014.

After the end of the lock-up period pursuant to the underwriting agreement entered into in connection with the initial public offering, which will expire on May 6, 2014, the transfer of shares held by the parties to the Shareholders' Agreement will be governed by the Shareholders' Agreement. The Shareholders' Agreement includes the following provisions with respect to the transfer of shares, and in particular with respect to their orderly sale by Altice, Cinven or Carlyle, the preferential right granted to Altice by the other parties, and a proportional tag-along right for each of the parties to the Shareholders' Agreement, subject to certain exceptions.

Free transfers: Any party to the Shareholders' Agreement may freely transfer its shares to an affiliate, as long as the transferee agrees to comply with the Shareholders' Agreement and the Group Acting in Concert, and the transferring shareholder guarantees such compliance. In addition, Altice may transfer its shares through exercise of the pledge granted by Altice to the banks that financed Altice's acquisition of Company shares in the IPO, covering all of the Company shares that it held as of November 12, 2013.

Restrictions on acquisition of shares by Altice, Cinven and Carlyle: For the duration of the Shareholders' Agreement, Altice, Cinven and Carlyle agree not to carry out any acquisition of Company shares that would require one of them to make a public tender offer for the Company's shares, without first obtaining from the AMF an exemption or a decision stating that the other parties to the Shareholders' Agreement are not bound by such an obligation by reason of their participation in the Group in Concert.

Orderly transfer and Altice preemptive purchase rights: Apart from the free transfers mentioned above, a transfer made in the context of a cash tender for the Company mentioned below or a public tender offer not to be paid 100% in cash or a Complex Transaction (as defined below), any transfer of the Company's shares made by a party to the Shareholders' Agreement within five years following the completion of the initial public offering must be made through an orderly transfer procedure (in particular, an over-the-counter transfer, a market transfer, or a market placement transfer) under the following conditions: (i) the transfer must involve a number of shares representing either (x) at least 1% of the Company's share capital or (y) at least €30 million; (ii) Altice will have a preferential right to purchase the Company's shares offered for sale; (iii) if Altice does not exercise its preferential purchase right, the transferring shareholder may freely transfer the shares (subject to the tag-along right described below).

Cash offer to purchase and Altice preferential right: In the event of a third-party cash offer to purchase the Company's shares, and in the event that Cinven and/or Carlyle wishes to tender all or part of its shares to the offer, Altice will have a preferential right to acquire the shares at the price of the offer. These provisions also apply in the event of a counter bid, a competing offer or a re-opened offer, in each case at the price of the relevant offer.

Public offer other than 100% in cash and Complex Transactions: in the event of a third-party offer that is not 100% in cash (in particular a public exchange offer or a mixed offer), as well as a transfer, other than a free transfer, paid other than in cash (especially a transfer paid partially or in whole in listed or unlisted securities) (a "Complex Transaction"), Altice, Cinven and Carlyle have agreed (i) to coordinate immediately following an offer that is not 100% cash or, as the case may be, a Complex Transaction; and (ii) not to tender to the offer and not to proceed with the Complex Transaction without the prior approval of Cinven, Carlyle and Altice.

Loss of Altice's preferential and preemptive rights: Altice will definitively lose its preferential and preemptive rights in the following cases: (i) a transfer of the Company's shares by Altice that results in Altice holding less than 27.38% of the share capital; (ii) a transfer or transfers by Altice, within one calendar year, of Company shares representing more than 2.5% of the Company's share capital, not taking into account any free transfer by Altice (the "Permitted Altice Percentage") (as long as these transfers do not result in Altice holding less than 27.38% of the Company's share capital). In the event that Altice does not transfer all of the Permitted Altice Percentage within one calendar year, the non-

transferred proportionate share of the Permitted Altice Percentage will be added to the Permitted Altice Percentage in the following year, as long as the number of Company shares that Altice can transfer in the course of one calendar year does not exceed 10% of its shareholding in the Company as calculated on December 31 of the preceding year (and as long as the transfer does not result in Altice holding less than 27.38% of the Company's share capital); (iii) an indirect or direct loss of Altice's majority control by Patrick Drahi and/or his heirs; or (iv) Altice's loss of its position as principal shareholder of the Company.

Proportional tag-along right: The parties to the Shareholders' Agreement other than the transferring shareholder (including Altice, as an alternative to its preferential right) will have, for a period of five years as from November 12, 2013, a proportional tag-along right in any private transfer or private placement, prorated to their holdings in the Company's share capital on the date of this report. Cinven and Carlyle may exercise their tag-along rights with respect to all transfers of Company shares by Altice, including with respect to shares included in the Permitted Altice Percentage, excepting only free transfers.

Maintenance of the public float: Altice, Cinven and Carlyle, and the individuals with whom they coordinate, are not permitted to carry out any acquisition of Company shares that would result in a decrease in the public float (*i.e*., the percentage of the Company's share capital held by shareholders other than members of the Group in Concert and their affiliates) to less than 25% of the total number of Company shares.

Undertakings to sell: Undertakings to sell were entered into with an affiliate of Altice (the "Beneficiary") by Cinven, Carlyle, the Pechel Funds and the Five Arrows Funds (together, the "Promisors") at the time of their direct or indirect acquisition of shares of the Numericable and Completel groups. These agreements will be renewed for a remaining period of approximately 15 years following the initial public offering, before becoming sales by the Promisors of Company shares. The terms of exercise of these undertakings depend on the sale price of the Company's shares at the time of the contemplated transfer, in light of the amounts invested by each Promisor, directly or indirectly, in the Numericable/Completel groups. If the contemplated transfer by a Promisor enables it, in light of the transfer price and for the proportion in question, to achieve an annual capitalized return on its investment of at least 10%, such Promisor undertakes, pursuant to the agreements, to transfer to the Beneficiary a number of shares of the Company equal to at most 25%[2] of the shares whose sale is contemplated, such that the Beneficiary may sell such portion simultaneously with the transfer by the Promisor, thus realizing the corresponding capital gains. Thus, the purpose of these agreements is to enable the Beneficiary to obtain up to 25%[3] of the capital gains that a Promisor may realize in the event of a sale by such Promisor at a price that ensures, on the basis of its investment, an annual capitalized return of at least 10%. The Promisors and the Beneficiary reserve the right to modify these agreements to provide that the related sale shall be for cash through sharing the capital gains, without any need to transfer shares in the Company, as long as this mechanism, in which the Promisor would pay the Beneficiary an amount equal to its share of the capital gains, would result in an equivalent economic result, with identical methods of calculation and payment terms.

The Company is controlled as described above. However, the Company believes that there is no risk of control being exercised in an abusive manner.

In that regard, it should be noted that since the initial public offering, the Company's board of directors has been composed of ten members, including three independent directors. However, in the event of the resignation of a director appointed by Carlyle or Cinven (as the case may be) in certain

[2] This percentage is 20% with respect to the agreements entered into by the Pechel Funds and the Five Arrows Funds.

[3] This percentage is 20% with respect to the agreements entered into by the Pechel Funds and the Five Arrows Funds.

situations, such director shall not be replaced, and the number of members of the board of directors will be reduced to nine (of which one-third will be independent directors).

In addition, the Nominating and Compensation Committee and the Audit Committee include a majority of independent directors (three and two, respectively), and each is chaired by an independent director.

Agreements that could result in a change of control

Pursuant to the Shareholders' Agreement and to the intent of the three parties to the Shareholders' Agreement at the time of the IPO:

- The members of the Group in Concert have collectively held more than the majority of the Company's share capital and voting rights (*i.e.*, approximately 75%) since the initial public offering;

- Altice is and since the initial public offering has been the Company's largest shareholder and the principal member of the Group in Concert[4];

- At the time of the Company's initial public offering, Altice indicated that it was contemplating increasing its share of the Company's share capital and voting rights, primarily through the acquisition of some or all of the Company's shares that may be sold by Cinven and/or Carlyle. To that end, Cinven and Carlyle have granted Altice preemptive and preferential rights enabling Altice to increase its participation within the Group in Concert while preserving the Group in Concert's overall majority of the Company's voting rights.

- Since completion of the initial public offering, Altice has increased its shareholding in the Company by acquiring shares of the Company from Carlyle and Cinven on February 6, 2014, thus bringing its participation to 40% of the Company's shares (taking into account the shares that are the subject of the Altice Call Options granted by the Pechel Funds and the Five Arrows Funds). This acquisition led to a decision by the AMF to grant an exemption from the obligation to file a public tender offer. The AMF noted that Altice had acquired predominance within the majority Group in Concert formed with Carlyle and Cinven. See the abovementioned decision of the AMF.

- With certain exceptions, Altice will continue to hold its preemptive and preferential rights with regard to each of the other two members of the Group in Concert for so long as such member shall not have crossed below the threshold of 5% of the Company's share capital. As a result, Altice plans to increase its shareholding in the future, and may come to hold the majority of the share capital and voting rights in the Company by exercising its preemptive and preferential rights.

In addition, the exercise of the pledge granted by Altice to the banks that financed Altice's acquisition of Company shares in connection with the initial public offering and relating to all of the Company shares held by Altice as of November 12, 2013 could lead to a change of the controlling shareholders of the Company.

Moreover, the total or partial realization of the abovementioned pledge could reduce Altice's participation in the Company's share capital, leading it to cease to be the Company's largest shareholder.

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[4] in terms of share capital and voting rights held in the Company.

3. Direct or indirect shareholdings in the Company's capital of which it has been notified pursuant to Articles L. 233-7 and L. 233-12 of the French Commercial Code

See Section II.A.1 "Shareholders" of this report.

Other than the threshold-crossings indicated in the above table showing the Company's shareholders as of the date of this report, the Company is aware, based on the notifications of the crossing of thresholds in accordance with the Company's bylaws, of the following direct and indirect holdings of the Company's share capital:

Shareholders	% of the capital	Number of shares
Threadneedle	1.643%	2,036,079
York	0.726%	899,826
UBS AG	0.52%	644,530
Financière de l'Echiquier	0.51%	641,008
Jupiter AM	0.626%	774,979
Capital Group	5.0659%	6,278,778
UBS Wealth Management	1.43%	1,778,431
GLG Partners	0.91%	1,122,570
UBS AG	1.58%	1,954,925
Financière de l'Echiquier	1.00%	1,248,096
Threadneedle	0.465%	576,639

4. Agreements among shareholders of which the Company is aware and that may result in restrictions on share transfers or on the exercise of voting rights

See Section II.A.1 "Shareholders" of this report.

5. Rules applicable to the appointment and replacement of members of the board of directors, as well as to the modification of the Company's by-laws.

The Shareholders' Agreement contains the following provisions with respect to the composition of the Company's board of directors:

The Shareholders' Agreement gives Cinven, Altice and Carlyle the right to propose the appointment of certain directors. Altice will have the right to appoint three directors (as long as it continues to hold more than 26.8% of the Company's share capital, and two directors and one director as long as it holds more than 15% and 5% of the Company's share capital, respectively), Cinven will have the right to appoint one director as long as it holds more than 5% of the Company's share capital; and Carlyle will have the right to appoint two directors (as long as it continues to hold more than 15% of the Company's share capital, and one director as long as it holds more than 5% of the Company's share capital). The shares of the Company that are the subject of the Call Options are not included for purposes of calculating the Altice thresholds referred to above.

The Shareholders' Agreement also provides that the board of directors will include three independent directors, in accordance with the criteria defined by the corporate governance code for listed companies published by AFEP and MEDEF.

The tenth member of the board of directors will be the chairman and CEO. For a period of six months following the completion of the initial public offering, *i.e.,* until May 6, 2014, each of Altice, Cinven and Carlyle will have a veto right as to any changes in the appointment of the Company's Chairman and CEO.

The Shareholders' Agreement provides that if Altice falls below the above-referenced ownership thresholds of 26.8%, 15% and 5% of the Company's share capital, Altice will have to cause the resignation of the one, two or three directors, respectively, whom it will have appointed.

The Shareholders' Agreement also provides that if either Cinven or Carlyle falls below its ownership thresholds and therefore causes the cumulative number of directors appointed by Cinven and Carlyle to be reduced to two or one, Cinven or Carlyle (as the case may be) must cause the resignation of the director(s) it has appointed. The first director to resign in this manner will not be replaced, bringing the number of directors to nine.

In the event of the resignation of one or more of the directors appointed by Carlyle or Cinven in the case referenced above, bringing the number of directors on the Board to below nine, such directors will be replaced by one or more candidates appointed by Altice so that the Board will be composed of nine members.

In addition, the Shareholders' Agreement provides that if Altice comes to hold more than 37.5% of the Company's share capital (including the shares of the Company that are the subject of the Call Options), Altice will have the right to appoint five members of the board of directors, including the Chairman, who shall have the deciding vote, in accordance with the following terms and subject to the following reservations:

(1) Subject to his agreement, the Chairman and CEO will be deemed to have been appointed by Altice. Otherwise, (i) the roles of chairman of the board of directors and CEO will be separated; (ii) the Chairman will step down as chairman and member of the board of directors (but will remain a non-director CEO) and will be replaced as director by a new director proposed by Altice; and (iii) the new chairman of the board of directors will be chosen from among the members appointed by Altice;

(2) In the event that the board of directors has only nine members, Cinven and Carlyle undertake to vote for the appointment of an additional member of the board of directors appointed by Altice, such that the board of directors shall have ten members;

(3) In the event that on the date on which Altice crosses the threshold of 37.5% it has the right to appoint only three members (not including the chairman) of a ten-member board of directors, and in the further event that Altice's crossing of this threshold does not coincide with Cinven or Carlyle reducing their shareholdings to less than 15% or 5%, respectively, one of the two Carlyle representatives will be replaced by a candidate proposed by Altice, such that Altice shall have the right to appoint five of the ten members of the board of directors (including the chairman);

(4) At any time beginning on the date on which Altice crosses the 37.5% threshold:

    a. If Carlyle comes to hold less than the 5% threshold with respect to the Company's share capital at a time when Cinven retains more than 15%, the last Carlyle representative will be replaced by a director proposed by Cinven; and

    b. If Cinven comes to hold less than 5% of the Company's share capital at a time when Carlyle retains more than 15%, the Cinven representative will be replaced by a director proposed by Carlyle.

(5) If Altice holds less than 37.5% of the Company's share capital, the rules governing the composition of the board of directors prior to Altice's crossing of such threshold will be reinstated, and Altice undertakes to cause the resignation of the necessary director or directors for such purpose.

Following the increase in Altice's shareholdings on February 6, 2014, the composition of the board of directors was modified in accordance with the provisions of the Shareholders' Agreement described above.

As a result, as of the date of this report, the board of directors is composed of five directors proposed by Altice (including the Chairman and CEO, deemed appointed by Altice in accordance with the Shareholders' Agreement and holding the deciding vote in the event of a tie), one director appointed upon Cinven's proposal, one director appointed upon Carlyle's proposal and three independent directors.

The Shareholders' Agreement also provides that the composition of the Company's board of directors will comply with the rules regarding the balanced representation of men and women and that the organization and governance of the Company will comply with the AFEP-MEDEF Code, with the exception of the initial composition of the board of directors, which is of ten members (including three independent directors). However, the Shareholders' Agreement also provides that if Cinven or Carlyle goes below a threshold such that the cumulative number of directors that may be proposed by Cinven and Carlyle is reduced to one, Cinven or Carlyle, as the case may be, must cause the resignation of the director or directors that it has appointed. Upon the resignation of a director as described above, such director will not be replaced, bringing the number of directors to nine (of whom one-third will be independent).

6. Agreements entered into by the Company that will be modified or terminated in the event of a change of control of the Company

The following agreements are likely to be amended or terminated in the event of a change of control of the Company:

(i) The agreement with Bouygues Télécom (i.e., the White Label agreement) dated May 14, 2009 provides that in the event of a change of control (within the meaning of article L-233.1 of the French Commercial Code) to a direct competitor of Bouygues Télécom (i.e., any mobile operator with its own network in France or any other operator benefiting from administrative decisions authorizing it to deploy a mobile telephone network in metropolitan France), Bouygues Télécom will have the right to terminate the agreement;

(ii) the contract with the company Etablissements DARTY et FILS dated February 3, 2006 (i.e., the DSL White Label Contract) provides that in the event of a change of control to an electronic communications operator or a competitor of the company Etablissements DARTY et FILS, the company Etablissements DARTY et FILS will have the right to terminate the agreement;

(iii) the agreements with Bouygues Telecom for the supply of mobile telephony services (i.e., MVNO agreements) dated March 18, 2010 provides that in the event of a change of control (within the meaning of article L-233.1 of the French Commerical Code) to a direct competitor of Bouygues Telecom (i.e., any mobile operator with its own network in France or any other operator benefiting from administrative decisions authorizing it to deploy a mobile telephone network in metropolitan France), Bouygues Telecom will have the right to terminate the agreements;

(iv) the agreement with SFR for the supply of mobile telephony services (i.e., the MVNO agreement) dated April 11, 2011 provides that in the event of a change of control (within the meaning of article L.233-3 of the French Commercial Code) of COMPLETEL or any company that controls it for an operator other than SFR that is authorized to use frequencies to establish and operate a radio-electric network open to the public in Metropolitan France;

(v) the public-private partnership agreement (i.e., delegation agreement) with the Hauts de Seine department dated March 13, 2008 provides that any change in shareholder having the effect of directly or indirectly granting to a third party company the majority of the share capital of the

company benefiting from the delegation is subject to the prior approval of the Hauts de Seine department. Shareholder means the shareholders of the company benefiting from the delegation, or as applicable, the shareholders of the holding company holding the company benefiting from the delegation;

(vi) the occupation of local public property is strictly personal (*intuit personae*). As a result, certain agreements, in the event of a change of control, are likely to require prior approval or to be terminated;

(vii) certain agreements with Orange (other than the sale of networks), which are strictly personal (*intuitu personae*), are likely to require prior approval or to be terminated in the event of a change of control; and

(viii) the Senior Facility Agreement dated June 6, 2006 provides for mandatory early repayment of all amounts due to lenders and the cancellation of all commitments to make funds available in the event of a change of control.

7. Agreements providing for indemnification of members of the board of directors or employees if they resign or are dismissed without cause or if their employment is terminated by reason of a public tender offer

No agreement provides for an indemnity to be paid in the event of the resignation of a non management corporate officer.

With respect to the Chairman and CEO, severance and non-competition indemnities will be paid for forced departures related to a change of control or strategy (other than in the event of gross negligence or deliberate misconduct in performing his duties). The amount of Mr. Denoyer's severance indemnity is six months' of fixed and variable compensation, which, moreover, shall be paid only if the performance criteria for the variable component of his compensation have been achieved over the course of the two fiscal years preceding the year in which Mr. Denoyer's departure takes place.

As of December 31, 2013, the Company had three employees, all managers of the Group and members of the Executive Committee.

III. GOVERNANCE

A. GENERAL MANAGEMENT

The positions of chairman of the board of directors and chief executive officer have been combined since the Company's formation. Combining the positions of chairman of the board of directors and chief executive officer is the structure best suited to the Company and to the Group, as well as the most consistent with the functions previously carried out by the current chairman and CEO within the Numericable and Completel sub-groups, which were contributed to the Company in connection with its initial public offering.

In accordance with the law, with the Company's bylaws and with the rules of procedure of the board of directors, the Company's chairman and CEO chairs meetings of the board of directors, organizes and directs its work and meetings, and ensures the proper functioning of the Company's management bodies. In particular, he ensures that the directors are able to carry out their duties.

B. COMPOSITION OF THE BOARD OF DIRECTORS IN 2013

The table below shows the composition of the Company's board of directors as of the date of this report.

Name; business address; number of Company shares held	Age	Nationality	Expiration of term	Primary position held within the Company	Primary occupation and positions held outside the Company and the Group within the last five years
Eric Denoyer Tour Ariane, 5 Place de la Pyramide, 92088 La Défense, Cedex Number of Company shares held: One	50	French	Ordinary general meeting held to approve the financial statements for the fiscal year ending December 31, 2015	Chairman and chief executive officer	Occupation and positions held as of the date of this report: - S Inter SA, Member of the Board of Directors Occupations and positions held during the last five years that are no longer held: None.
Jonathan Zafrani *Appointed by Carlyle* 112 avenue Kléber, 75784 Paris Cedex 16 Number of Company shares held: 100[1]	36	French	Ordinary general meeting held to approve the financial statements for the fiscal year ending December 31, 2015	Director	Occupation and positions held as of the date of this report: - Carlyle, Managing Director in charge of buy-out activity in France - CECP Investment Advisors France, Manager - Sagemcom Holding SAS, Member of the Board of Directors - Build SAS (B&B group), Observer on the Supervisory Board - Dossen Investissement SAS (Sermeta group), Member of the Supervisory Board - Ypso Holding S.à.r.l., Altice B2B Holding S.à.r.l., and Altice B2B Lux S.à.r.l., Member of the Management Board Occupations and positions held during the last five years that are no longer held: - Nordic Cable Holding SCA, Nordic Cable Acquisition

Name; business address; number of Company shares held	Age	Nationality	Expiration of term	Primary position held within the Company	Primary occupation and positions held outside the Company and the Group within the last five years
					Company Holding AB, Nordic Cable Acquisition Company Sub-Holding AB and Nordic Cable Acquisition Company AB (Com Hem group, Sweden), Member of the Board of Directors - Coast Holding Sàrl, Member of the Management Board; Zodiac Marine Holding SA, Member of the Supervisory Board; WaterPik Inc., Member of the Board of Directors (Zodiac Marine & Pool group) - Otor SA[2] and Otor Finance, Member of the Board of Directors
Nicolas Paulmier *Appointed by Cinven* Cinven Partners LLP Warwick Court Paternoster Square London EC4M 7AG, UK Number of Company shares held: 100[3]	49	French	Ordinary general meeting held to approve the financial statements for the fiscal year ending December 31, 2014	Director	Occupation and positions held as of the date of this report: - Cinven Partners LLP, Partner - Diacine France SAS, Member of the Supervisory Board - Montecin France I SAS, Member of the Supervisory Board Occupations and positions held during the last five years that are no longer held: - Aprovia Group Holding S.à.r.l., Manager - Aprovia Finance S.à.r.l., Manager - Aprovia Management GUN S.à.r.l., Manager - Cinven Capital Management (BN) Limited, Member of the Board of Directors - Cinven Capital Management (BPS) Limited, Member of the Board of Directors - Cinven Capital Management (CN) Limited, Member of the Board of Directors - Cinven Capital Management (CPS) Limited, Member of the Board of Directors - Cinven Capital Management (FF) Limited, Member of the Board of Directors - Cinven Capital Management (RP) Limited, Member of the Board of Directors - Cinven Capital Management (SF No 1) Limited, Member of the Board of Directors - Cinven Capital Management (SF No 2) Limited, Member of the Board of Directors - Cinven Capital Management (TF No 1) Limited, Member of the Board of Directors

Name; business address; number of Company shares held	Age	Nationality	Expiration of term	Primary position held within the Company	Primary occupation and positions held outside the Company and the Group within the last five years
					- Cinven Capital Management (TF No 2) Limited, Member of the Board of Directors - Cinven Capital Management (TF No 3) Limited, Member of the Board of Directors - Cinven Capital Management (IV) Limited, Member of the Board of Directors - Cinven Capital Management (SP IV) Limited, Member of the Board of Directors - Cinven UK Nominees Limited, Member of the Board of Directors - CIP (IV) Nominees Limited, Member of the Board of Directors - TCF (E1) Nominees Limited, Member of the Board of Directors - TCF Nominees Limited, Member of the Board of Directors - Montecin Luxembourg SA, Member of the Board of Directors - Bonhom Luxembourg S.à.r.l., Manager - Chairman of Montecin France II SAS - Bonhom SAS, Member of the Board of Directors - Altice B2B Lux S.à.r.l., Manager - Altice B2B Lux Holding S.à.r.l., Manager - Cable Financing S.à.r.l., Manager - Diacine Investment S.à.r.l., Member of the Board of Directors - Diacine Holding S.à.r.l., Member of the Board of Directors - Diacine S.à.r.l., Manager - Anatole Comanditée, Manager
Dexter Goei *Appointed by Altice* 3 boulevard Royal, L-2449 Luxembourg Number of Company shares held: 100[(4)]	41	British	Ordinary general meeting held to approve the financial statements for the fiscal year ending December 31, 2014	Director	Occupation and positions held as of the date of this report: - Altice VII, Chairman and CEO - Altice Portugal, Member of the Board of Directors - Coditel Management, Member of the Board of Directors - Cabovisao, Member of the Board of Directors - Winreason, Member of the Board of Directors - F300, Member of the Board of Directors

Name; business address; number of Company shares held	Age	Nationality	Expiration of term	Primary position held within the Company	Primary occupation and positions held outside the Company and the Group within the last five years
					- ONI SGPS, Member of the Board of Directors - Hubgrade, Member of the Board of Directors - Knewon, Member of the Board of Directors - ONI Maderia, Member of the Board of Directors - ONI Açores, Member of the Board of Directors - ONITelecom, Member of the Board of Directors - Vinluam, Member of the Board of Directors - MTVC, Member of the Board of Directors - WSG, Member of the Board of Directors - Hot Telecommunication Systems, Member of the Board of Directors - Altice Blue Two, Member of the Board of Directors - Wananchi, Member of the Board of Directors - Titan Consulting, Member of the Board of Directors Occupations and positions held during the last five years that are no longer held: None.
Jérémie Bonnin *Appointed by Altice* 3 boulevard Royal, L-2449 Luxembourg Number of Company shares held: 100(5)	39	French	Ordinary general meeting held to approve the financial statements for the fiscal year ending December 31, 2015	Director	Occupation and positions held as of the date of this report: - Altice SA, Member of the Board of Directors - Altice VII S.à.r.l., Member of the Board of Directors - Altice Six SA, Chairman of the Board of Directors - Altice Participations GP, Member of the Board of Directors - Next GP, Member of the Board of Directors - Uppernext GP, Member of the Board of Directors - CPA Lux, Member of the Board of Directors - Altice Portugal, Member of the Board of Directors - Coditel Management, Member of the Board of Directors - Cabovisao, Member of the Board of Directors - Winreason, Member of the Board of Directors - F300, Member of the Board of Directors - ONI SGPS, Member of the Board of Directors - Hubgrade, Member of the Board of Directors

Name; business address; number of Company shares held	Age	Nationality	Expiration of term	Primary position held within the Company	Primary occupation and positions held outside the Company and the Group within the last five years
					- Knewon, Member of the Board of Directors - ONI Maderia, Member of the Board of Directors - ONI Açores, Member of the Board of Directors - ONITelecom, Member of the Board of Directors - Vinluam, Member of the Board of Directors - MTVC, Member of the Board of Directors - WSG, Member of the Board of Directors - Hamaja, Member of the Board of Directors - Hot Telecommunication Systems, Member of the Board of Directors - Hot Mobile, Member of the Board of Directors - Altice Caribbean, Member of the Board of Directors - Altice Blue Two, Member of the Board of Directors - Altice Finco, Member of the Board of Directors - Altice Financing, Member of the Board of Directors - Cool Holding, Member of the Board of Directors - Altice VII, Member of the Board of Directors - Altice VII Bis, Member of the Board of Directors - Altice Holdings, Member of the Board of Directors - Titan Consulting, Member of the Board of Directors - Altice Blue One, Member of the Board of Directors - Green.ch, Member of the Board of Directors - Green Datacentre, Member of the Board of Directors - Auberimmo, Member of the Board of Directors - Wananchi, Member of the Board of Directors - Altice Securities, Member of the Board of Directors - Altice West Europe, Member of the Board of Directors - Deficom Telecom, Member of the Board of Directors Occupations and positions held during the last five years that are no longer held: - Valvision SAS, representative of the President
Max Aaron	52	Italian	Ordinary general	Director	Occupation and positions held as

Name; business address; number of Company shares held	Age	Nationality	Expiration of term	Primary position held within the Company	Primary occupation and positions held outside the Company and the Group within the last five years
Appointed by Altice 3 boulevard Royal, L-2449 Luxembourg Number of Company shares held: 100			meeting held to approve the financial statements for the fiscal year ending December 31, 2013		of the date of this report: - Altice VII, General Secretary Occupations and positions held during the last five years that are no longer held: None.
Jean-Michel Hegesippe *Appointed by Altice* 109 rue du Faubourg Saint Honoré, 75008 Paris Number of Company shares held: Zero	65	French	Ordinary general meeting held to approve the financial statements for the fiscal year ending December 31, 2013	Director	Occupation and positions held as of the date of this report: - Altice Blue Two SAS, Chairman and Member of the Management Board - OMT Invest SAS, Chairman and Chairman of the Management Board - Outremer Télécom SA, Chairman of the Management Board - OPS SAS, Chairman and Chairman of the Management Board - Mobius SAS, Chairman - Informatique Télématique Océan Indien SARL, Manager - Martinique TV Cable SA, Chairman - Outremer Telecom Limited, Director - Word Satellite Guadeloupe SA, Chairman Occupations and positions held during the last five years that are no longer held: ATG - television channel, Member of the Board of Directors
Luce Gendry 23 bis avenue de Messine, 75008 Paris Number of Company shares held: Zero	64	French	Ordinary general meeting held to approve the financial statements for the fiscal year ending December 31, 2014	Independent Director	Occupation and positions held as of the date of this report: - IDI(2), Chairwoman of the Supervisory Board - Cavamont Holdings Ltd, Chairman - FFP(2), Member of the Board of Directors - Nexity(2), Member of the Board of Directors - INEA, Member of the Board of Directors - Rothschild & Cie, Senior Advisor Occupations and positions held during the last five years that are no longer held: - Rothschild & Cie, Managing Partner

Name; business address; number of Company shares held	Age	Nationality	Expiration of term	Primary position held within the Company	Primary occupation and positions held outside the Company and the Group within the last five years
					- Rothschild & Cie Banque, Managing Partner
Olivier Huart TDF, Immeuble Cap Sud, 106 avenue Marx Dormoy, 92541 Montrouge Cedex Number of Company shares held: Zero	50	French	Ordinary general meeting held to approve the financial statements for the fiscal year ending December 31, 2013	Independent Director	Occupation and positions held as of the date of this report: - TDF SAS, Chairman of the Board of Directors and Chief Executive Officer - Tyrol Acquisition 1 SAS, Chairman - Tyrol Acquisition 2 SAS, Chairman - Tower Associés SAS, Chairman - Tower Associés 2 SAS, Chairman - Colisée Management SAS, Chairman - Taunus Verwatlungs Gmbh, Chairman of the Supervisory Board - Taunus Management Verwatlungs Gmbh, Managing Director - Taunus Management Verwatlungs II Gmbh, Managing Director - Media Broadcast Gmbh, Member of the Supervisory Board Occupations and positions held during the last five years that are no longer held: - BT France, Chairman and chief executive officer - BT Infrastructures Critiques, Chairman and chief executive officer - Net2S(2), Chairman
Yaffa Nilly Sikorsky Capital International, 3 Place des Bergues, CH.1201, Geneva Number of Company shares held: Zero	70	Swiss	Ordinary general meeting held to approve the financial statements for the fiscal year ending December 31, 2015	Independent Director	Occupation and positions held as of the date of this report: - Hebrew University of Jerusalem, Governor Occupations and positions held during the last five years that are no longer held: - Capital International SA, Chair emeritus - Capital International Fund, Chair emeritus - Capital International SA, Consultant - Capital International Fund, Member of the Board - Capital Italia, Chairwoman of the Board - Capital International SA, Chairwoman of the Board of Directors - Capital International Limited,

Name; business address; number of Company shares held	Age	Nationality	Expiration of term	Primary position held within the Company	Primary occupation and positions held outside the Company and the Group within the last five years
					Vice-Chair of the Board of Directors - Capital Group International Inc., Member of the Board of Directors - Capital Group Inc., Member of the Board of Directors - Msci Editorial Advisory Board, Chairman and Member of the Board - Hebrew University of Jerusalem, Member of the Board of Governors, of the Executive Committee, of the Budget and Finances Committee and of the Nominating Committee

IV. COMPENSATION AND BENEFITS OF SENIOR EXECUTIVES

A. COMPENSATION AND BENEFITS OF SENIOR EXECUTIVES AND COMPANY OFFICERS

The Company is a limited liability corporation with a board of directors and was formed on August 2, 2013. Mr. Eric Denoyer serves as both chairman of the board of directors and CEO.

1. Compensation of the Non-Executive Members of the Board of Directors

Compensation paid by the Company

The general meeting of the Company's shareholders on October 21, 2013 set the total amount of attendance fees allocated to the board of directors at €180,000 per year, to be divided among the independent members of the board of directors. This amount is automatically renewed each year until modified for the future by the general shareholders' meeting. Members of the board of directors who are not independent directors do not receive any attendance fees.

At its meeting on November 8, 2013, the board of directors decided to allocate the attendance fees granted to the independent directors as follows, on an annual basis:

- a base amount of €40,000 per year is allocated to each of the independent directors, with each absence from a board meeting resulting in a deduction of €5,000 from such amount;

- an additional amount of €18,000 per year is allocated to each independent director who serves as a member of the audit committee, with each absence from a committee meeting resulting in a deduction of €4,500 from such amount;

- an additional amount of €4,500 per year is allocated to each independent director who serves as a member of the nominating and compensation committee, with each absence from a committee meeting resulting in the loss of such remuneration;

- the remuneration described above is increased to €22,000 per year for the chairman of the audit committee and to €11,000 per year for the chairman of the nominating and

compensation committee, with any absence of a chairman from a committee meeting resulting in a deduction of €5,500 from such amount.

This division will remain in effect each year until the general shareholders' meeting decides for the future to modify the overall amount of attendance fees allocated to the board.

In addition, because attendance fees are allocated on an annual basis, these amounts are calculated on a *pro rata* basis if an independent director for any reason ceases to serve on the board of directors during a fiscal year.

Generally, attendance fees are paid on a quarterly basis. However, it was decided that attendance fees in respect of the 2013 fiscal year will be paid during 2014.

As a result, no attendance fees or other remuneration were paid by the Company or by any Group entity to non-executive members of the Company's board of directors in 2011, 2012 and 2013.

Table of Attendance fees and Other Compensation Received by Non-executive Directors				
Non-executive officers	Amount paid during 2012		Amount paid during 2013	
(amount paid in euros)	Attendance Fees	Other Compensation	Attendance Fees	Other Compensation
Jonathan Zafrani[(1)]	0	0	0	0
Marco De Benedetti[(1)]	0	0	0	0
Nicolas Paulmier[(1)]	0	0	0	0
Thomas Railhac[(2)]	0	0	0	0
Dexter Goei[(1)]	0	0	0	0
Jérémie Bonnin[(1)]	0	0	0	0
Max Aaron[(3)]	0	0	0	0
Jean-Michel Hégésippe[(4)]	0	0	0	0
Luce Gendry[(5)]	0	0	0	0
Olivier Huart[(5)]	0	0	0	0
Yaffa Nilly Sikorsky[(5)]	0	0	0	0
TOTAL	**0**	0	0	**0**

(1) Marco de Benedetti was appointed by the Company's general shareholders' meeting on September 6, 2013 and resigned from the board of directors on February 14, 2014.

(2) Thomas Railhac was appointed by the Company's general shareholders' meeting on September 6, 2013 and resigned from the board of directors on November 12, 2013 with immediate effect.

(3) Max Aaron was appointed by the Company's general shareholders' meeting on October 21, 2013, effective as of November 12, 2013.

(4) Jean-Michel Hégésippe was appointed by the board of directors on February 14, 2014 to replace Marco de Benedetti.

(5) The three independent directors, Luce Gendry, Olivier Huart and Yaffa Nilly Sikorsky, were appointed by the Company's general shareholders' meeting on October 21, 2013, effective as of November 12, 2013. As a result, they did not receive any attendance fees or other compensation from the Company or any other company in the Group in 2012.

Compensation Paid by the Companies Controlled by the Company or by the Company that controls the Company in accordance with Article L. 233-16

No non-executive board member of the Company received any compensation, of any kind, paid by companies controlled by the Company. In the course of the year ended December 31, 2013, the Company has not been controlled exclusively, within the meaning of Article L. 233-16 of the French Commercial Code, by any entity.

2. Compensation of the Executive Corporate Officer

The positions of chairman of the board of directors and chief executive officer have been combined and filled by Eric Denoyer since the Company's formation on August 2, 2013.

Mr. Denoyer was an employee of Ypso France SAS until November 12, 2013, at which time he terminated his employment agreement in compliance with the recommendations of the AFEP-MEDEF Code.

At its meeting on September 27, 2013, with Mr. Denoyer not participating in the vote, the board of directors decided that the terms of his remuneration and benefits as Chairman and CEO of the Company as from the date of the final listing of the Company's shares on Euronext Paris (November 12, 2013) would be as follows:

Fixed compensation

As Chairman and CEO of the Company, Eric Denoyer receives gross annual fixed compensation of €300,000, payable monthly in arrears.

Variable compensation

In addition, the board of directors may award Mr. Denoyer, as Chairman and CEO of the Company, additional variable compensation to be paid annually, the amount of which will be determined by the board based on the performance criteria defined by the board.

For purposes of determining the variable portion of Mr. Denoyer's 2013 compensation, the board decided upon the following quantitative criteria:

- attainment of the EBITDA-CAPEX budget; and
- the growth in revenues during the year.

The maximum amount of variable compensation as a percentage of base salary is 50% for each quantitative criterion, and the maximum amount of variable compensation is 100% of the amount of fixed compensation paid to Mr. Denoyer for fiscal 2013.

The variable portion of Mr. Denoyer's 2013 compensation totaled €140,400. The degree to which these quantitative criteria were achieved was established in a precise manner but was not made public, for reasons of confidentiality.

Attendance Fees

Mr. Denoyer does not receive attendance fees for serving as chairman of the board of directors, as attendance fees are allocated only to independent directors.

Retirement plans

Mr. Denoyer does not benefit from any supplemental retirement plans.

Severance and non-competition indemnities

Severance and non-competition indemnities will be paid for forced departures related to a change of control or strategy (other than in the event of gross negligence or deliberate misconduct in performing his duties). The amount of Mr. Denoyer's severance indemnity is six months' of fixed and variable compensation, which, moreover, shall be paid only if the performance criteria for the variable component of his compensation have been achieved over the course of the two fiscal years preceding the year in which Mr. Denoyer's departure takes place.

Mr. Denoyer is not bound by a non-compete clause and therefore will not receive a non-compete indemnity in the event of his departure.

Other benefits

Mr. Denoyer has the use of a company vehicle.

Stock options and performance shares

For information on the characteristics of the stock option plans put in place by the Company and Mr. Denoyer's option grants, see "Stock subscription or purchase options and grants of free shares" below.

At its meeting on January 10, 2014, the Company's board of directors decided, based on the recommendation of the nominating and compensation committee, to grant the Chairman and CEO the same amount of fixed compensation in 2014 as in 2013 and to retain the same method of calculating his variable compensation for 2014. The other components of his compensation, as defined at the meeting of the board of directors on September 27, 2013, remain unchanged.

The table below shows the compensation paid to Eric Denoyer in his capacity as chairman and CEO by the Company or by any Group company in 2012 and 2013:

Summary Table of Compensation and Options and Shares Granted to Eric Denoyer		
(amount paid in euros)	2012	2013
Compensation <u>due</u> for the year[1] (*detailed in Table 2*)	436,482.04	381,644.81
Valuation of stock options allocated during the year (*detailed in Table 4*)	None.	3,880,894.00
Valuation of performance shares allocated during the year (*detailed in Table 6*)	None.	None.
TOTAL	436,482.04	**4,262,538.81**

(1) On a gross basis (before taxes and social charges).

Summary Table of Eric Denoyer's Compensation				
	2012		2013	
(amount paid in euros)	Amount due	Amount paid	Amount due	Amount paid
Fixed compensation[1]	200,000.00	200,000.00	214,722.25	214,722.25
Variable compensation[1]	180,000[2]	180,000[2]	140,000[3]	140,000[3]
Exceptional compensation[1]	50,000.00[4]	50,000.00[4]	20,040.52[5]	20,040.52[5]
Attendance Fees	--	--	--	--
In-kind benefits[6]	6,482.04	6,482.04	6,482.04	6,482.04
TOTAL	436,482.04	436,482.04	381,644.81	381,644.81

(1) On a gross basis (before taxes and social charges).

(2) Variable compensation paid during the first quarter of the following financial year. Such compensation is based on the achievement of the Group's EBITDA-Capex budget.

(3) Variable compensation is based on achievement of the EBITDA-CAPEX budget and the growth in revenues during the year.

(4) Exceptional bonus related to the success of the February 2012 Bond issuance

(5) Paid vacation payable as a result of the termination of the employment agreement to which Mr. Denoyer was a party until November 12, 2013, at which time he terminated his employment agreement in compliance with the recommendations of the AFEP-MEDEF Code.

(6) Company car

Employment Agreements, Supplemental Retirement Plans, and Indemnities				
Executive officers	Employment agreement	Supplemental retirement plan	Severance or other benefits due or likely to become due as a result of termination or change of office	Compensation under a non-compete clause
Eric Denoyer Position: Chairman and chief executive officer Start of term: August 2, 2013 End of term: General Meeting called to approve the financial statements for the year ending December 31, 2015	No (1)	No	Yes (2)	No

(1) Mr. Denoyer was an employee of Ypso France SAS until November 12, 2013, at which time he terminated his employment agreement in compliance with the recommendations of the AFEP-MEDEF Code.

(2) See above.

3. Amount of provisions made or recorded by the Company or by its subsidiaries for the payment of pensions, retirement plans or other benefits

The Company had provisioned approximately €302,680 as of December 31, 2013 for retirement benefits, general regime (*régime général*), for the members of the executive committee.

B. SHAREHOLDINGS AND STOCK OR PURCHASE OPTIONS HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

1. Stock subscription or purchase option plans or grant of free shares

1.1 Stock option or purchase option plans

1.1.1 Description of stock subscription option plans put in place by the Company

The Company has put two stock subscription option plans in place, one in November 2013 and another in January 2014. The first plan was directly linked to the success of the initial public offering and listing on Euronext Paris of the Company's shares and the second was essentially related to the arrival of a new manager within the Group. In the meeting held on March 11, 2014, the Company's board of directors decided, based on the proposal of the nominating and compensation committee, to fix the calendar for the granting of stock options by limiting allocations to the periods following the announcement of the annual results in March and the announcement of the first half results in September.

Stock subscription plan of November 7, 2013

The board of directors adopted a stock subscription option plan at its meeting on November 7, 2013. This plan (the "First Plan") was adopted on the basis of the delegation given to the board of directors

by the general shareholders' meeting on October 25, 2013 to allocate stock subscription or purchase options to executive officers and employees of the Company and its eligible subsidiaries, up to a limit of 3% of the share capital, without, however, exceeding a sub-limit of 1% of the share capital with respect to allocations to executive officers.

The First Plan relates to options giving the right to subscribe for shares representing a percentage of the share capital, after completion of contributions, of 2.5% of the share capital for all of the option grants (including executive officers), and of 1% of the share capital with respect to Eric Denoyer, Chairman and CEO.

The recipients include seven people in addition to the chairman and CEO.

Option grants to the respective recipients take their job performance into account, in particular, based on the performance criteria, as of September 30, 2013, used to determine their variable compensation.

The characteristics of the First Plan are set forth below:

- The exercise price of the options is equal to the initial public offering price, which price represented the best estimate of the Company's value as of such date in accordance with the methods customarily used for such estimates;
- The Plan prohibits option recipients from entering into hedging transactions with respect to their risk. All of the recipients (including the chairman and CEO) have formally undertaken not to hedge their risks.
- The exercise of options is subject to several cumulative conditions:
  - Vesting periods:
    - 50% of the options allocated to each recipient become exercisable on the second anniversary of their allocation;
    - 25% of the options allocated to each recipient become exercisable on the third anniversary of their allocation; and
    - the remaining 25% of the options allocated to each recipient become exercisable on the fourth anniversary of their allocation.
  - Performance conditions:
    - The opening of each option exercise period is conditional upon an evaluation, in accordance with methods defined by the board of directors, of performance conditions, in particular with regard to the variable compensation of the categories of recipients concerned.
    - However, in the event of a public tender offer for the Company's shares, the option recipients will have the right to exercise the options that have been allocated to them and that have become exercisable solely due to the length of time they have been held (without taking performance conditions into consideration), as from the opening date of the public tender offer.
  - Condition of presence at the Company:
    - The recipient must be an employee at the time the options are exercised.
  - Expiration date:
    - The options may be exercised for a period of up to eight years from their date of allocation.
- Finally, Mr. Denoyer is required to hold in registered form at least 50% of the number of shares issued upon exercise of his remaining options after sale of the number of shares necessary to finance the exercise of the options and pay the related taxes, social contributions

and transaction costs, until such time as he ceases to serve as the Company's chairman and CEO.

Stock subscription option plan of January 10, 2014

The board of directors adopted a stock subscription option plan at its meeting on January 10, 2014. This plan (the "Second Plan") was adopted on the basis of the delegation given to the board of directors by the general shareholders' meeting that took place on October 25, 2013 to allocate stock subscription or purchase options to executive officers and employees of the Company and its eligible subsidiaries, up to a limit of 3% of the share capital, without, however, exceeding a sub-limit of 1% of the share capital with respect to allocations to executive officers.

The Second Plan relates to options giving the right to subscribe for shares representing approximately 0.23% of the share capital for all allocations.

There are four recipients, none of whom are corporate officers.

The characteristics of the Second Plan are set forth below:

- The exercise price for the options is €27.62, which is 100% of the weighted average price of the Company's shares listed on the regulated market of Euronext Paris over the 20 trading days preceding January 10, 2014, in accordance with the provisions of Article L. 225-177 of the French Commercial Code.

- The Plan prohibits option recipients from entering into hedging transactions with respect to their risk. All of the recipients have formally undertaken not to hedge their risks.

- The exercise of options is subject to several cumulative conditions:
  - Vesting periods:
    - 50% of the options allocated to each recipient become exercisable on the second anniversary of their allocation;
    - 25% of the options allocated to each recipient become exercisable on the third anniversary of their allocation; and
    - the remaining 25% of the options allocated to each recipient become exercisable on the fourth anniversary of their allocation.
  - Performance conditions:
    - The opening of each option exercise period is conditional upon an evaluation, in accordance with methods defined by the board of directors, of performance conditions, in particular with regard to the variable compensation of the categories of recipients concerned.
    - However, in the event of a public tender offer for the Company's shares, the option recipients will have the right to exercise the options that have been allocated to them and that have become exercisable solely due to the length of time they have been held (without taking performance conditions into consideration), as from the opening date of the public tender offer.
  - Condition of presence at the Company:
    - The recipient must be an employee at the time the options are exercised.
  - Expiration date:
    - The options may be exercised for a period of up to eight years from their date of allocation.

1.1.2 Stock subscription or purchase options granted to corporate officers

The tables below show the options and free shares granted in 2013 to Eric Denoyer, the Chairman and CEO, by the Company and by any company in the Group.

Stock subscription or purchase options allocated in 2013 to Eric Denoyer by the Company or by any Group company							
Name of executive corporate officer	No. and date of plan	Option type (subscription or purchase)	Valuation of the options according to the method used for consolidated financial statements	Number of options allocated during 2013	Exercise price	Exercise period	Performance conditions
Eric Denoyer	First Plan, Nov. 7, 2013	Subscription	3,880,894	1,138,092	€24.80	Until 11/7/2021[(1)]	See above.

[(1)] Obligation to retain 50% of shares until he steps down.

Stock subscription or purchase options exercised during 2013 by Eric Denoyer			
Name of executive corporate officer	No. and date of plan	Number of options exercised in 2013	Exercise price
Eric Denoyer	First Plan, Nov. 7, 2013	0	Non-applicable

The table below shows the history of the allocation of stock subscription options by the Company and by any Group company.

History of allocations of stock subscription or purchase options - Information on subscription or purchase options	
	First Plan, Nov. 7, 2013
Date of shareholders' meeting	Oct. 25, 2013
Date of board of directors' meeting	Nov. 7, 2013
Total number of shares that may be subscribed	2,845,229
Total number of shares that may be subscribed by: Eric Denoyer	 1,138,092
Jonathan Zafrani	0
Nicolas Paulmier	0

Dexter Goei	0
Jérémie Bonnin	0
Max Aaron	0
Jean-Michel Hégésippe[(1)]	0
Luce Gendry	0
Olivier Huart	0
Yaffa Nilly Sikorsky	0
Starting date for option exercise	First period: Nov. 7, 2015 at midnight Second period: Nov. 7, 2016 at midnight Third period: Nov. 7, 2017 at midnight
Expiration date	Nov. 7, 2021 at midnight
Subscription price	€24.80 [(2)]
Terms of exercise (where the plan includes several tranches)	Not applicable
Number of shares subscribed as of the date of this report	0
Cumulative number of stock subscription or purchase options canceled or expired	0
Subscription or purchase options remaining at the end of 2013	2,845,229

(1) Jean-Michel Hégésippe was appointed by the board of directors on February 14, 2014 to replace Marco de Benedetti.

(2) Pursuant to French law and the decision of the Company's general shareholders' meeting held on October 25, 2013, this equals the price at which the Company's shares were listed on Euronext Paris and also corresponds to the Company's valuation in accordance with the objective multi-criteria methods used to value shares described in Section 5.3.1.2 of the note d'opération included in the Company's initial public offering prospectus that received visa number 13-572 from the AMF on October 25, 2013, in accordance with Article L. 225-177 of the French Commercial Code.

1.1.3 Stock subscription or purchase options granted to employees other than corporate officers

Stock subscription or purchase options granted to the top ten non-executive officer employees and options exercised by such employees				
	Total number of options allocated/ of shares subscribed or purchased	**Weighted average exercise price**	**Expiration Date**	**No. and date of plan**
Options granted in 2013, by the Company and by any eligible Group company, to the ten employees of the Company or of any Group company who were awarded the largest number of such options	1,707,137	€24.80	Nov. 7, 2021	First Plan, Nov. 7, 2013
Options on the Company and the companies previously mentioned exercised in 2013 by the ten employees of the Company and such companies who purchased or subscribed for the greatest number of options	0	Not applicable	Not applicable	Not applicable

1.2 Allocation of performance shares

Performance shares allocated during 2013 to the corporate officers by the Company or by any Group company

As of the date of this report, neither the Company nor any Group company has put in place performance share plans. Therefore, no performance shares were granted by the Company or by Group companies in 2013.

V. SOCIAL AND ENVIRONMENTAL RESPONSIBILITY OF THE BUSINESS

The report of the Board of Directors of the Company on the manner in which the Company takes into account the social and environmental consequences of its activities as well as its undertakings for sustainable development, against discrimination and for diversity is available in Annex I of the French management report, included in the French *2013 Annual Financial Report* available on the Company's website.

VI. OTHER LEGAL AND TAX INFORMATION

A. DIVIDENDS

The Company was incorporated on August 2, 2013. The year ended December 31, 2013 was therefore its first year as a corporation. The general shareholders meeting to be held on May 20, 2014 has been asked to approve that no dividend be paid with respect to 2013.

B. INFORMATION ON THE PAYMENT TERMS FOR TRADE PAYABLES

As of December 31, 2013, the total amount of trade payables of the Company, excluding invoices not delivered, totalled €127.5 million, of which €27.1 million payable before the end of December 2013, €55.2 million payable before the end of January 2014 and €65.2 million payable at a later date.

C. INJUNCTIONS OR FINANCIAL PENALTIES FOR ANTI-COMPETITITVE PRACTICES

None.

D. INFORMATION ON LUXURY EXPENSES

Information on luxury expenses: in 2013, Numericable recorded luxury expenses of €133,000 with respect to excess depreciation of rental cars.

E. INFORMATION ON THE ADDING BACK OF GENERAL EXPENSES IN TAXABLE PROFIT

No general expenses were added back for tax purposes by the Company in 2013.

F. RESULTS OF THE COMPANY OVER THE LAST FIVE YEARS

The Company was incorporated on August 2, 2013. The year ended December 31, 2013 was therefore its first year as a corporation.

	Year Ended December 31, 2013
Financial position at year end	
Share capital	123,942,012
Number of shares issued	123,942,012
Number of bonds convertible into shares	0
Compenshive income of operations	
Revenues excluding tax	1,656,963
Income before tax, depreciation and provisions	(1,626,175)
Income tax	0
Income after tax, depreciation and provisions	(1,626,175)
Amount of profits distributed	0

Net income of operations per share	
Income after tax but before depreciation and provisions	0.013
Income after tax, depreciation and provisions	0.013
Dividends distributed per share	0
Employees	
Number of employees	3
Total amount of employee salaries	173,472
Total amount paid with respect to social security and benefits (social security, charitable works, etc.)	2,978,986

II. STATUTORY FINANCIAL STATEMENTS OF THE COMPANY

The French-language statutory financial statements of the Company are available in the *French 2013 Annual Financial Report*.

III. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

Numericable Group

Consolidated financial statements

for the year ended December 31, 2013

Numericable Group
Tour Ariane
5, place de la Pyramide
92088 Puteaux La Défense Cedex

Numericable Group
CONSOLITATED STATEMENT OF INCOME

(in thousands of euros)	Notes	**2013**	**2012**
Revenue	6	**1,314,242**	**1,302,425**
Purchases and subcontracting services	7	(611,016)	(602,121)
Staff costs and employee benefits expense	8	(154,631)	(141,475)
Taxes and duties		(33,896)	(32,396)
Provisions		(20,466)	(6,219)
Other operating income	9	86,321	89,229
Other operating expense	10	(20,466)	(17,178)
Operating income before depreciation and amortization (EBITDA)		**560,088**	**592,265**
Depreciation and amortization		(304,042)	(291,724)
Operating income		**256,046**	**300,541**
Financial income		9,704	4,326
Interest relative to gross financial debt		(184,839)	(183,057)
Other financial expense		(148,513)	(32,699)
Finance costs, net	11	**(323,648)**	**(211,430)**
Income tax expense (income)	12	132,792	(2,486)
Share in net income (loss) of associates	17	(484)	(199)
Net income (loss) from continuing operations		**64,706**	**86,426**
Net income (loss) from discontinued operations		-	-
Net income (loss)		**64,706**	**86,426**
- Attributable to owners of the entity		64,550	86,377
- Attributable to non-controlling interests		156	49
Earnings per share (in euros) attributable to owners of the entity	22.3		
Net income (loss)			
- basic		0.56	0.76
- diluted		0.56	0.76

Numericable Group
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	**2013**	**2012**
Net income (loss) attributable to owners of the entity	**64,550**	**86,377**
Items that may subsequently be reclassified in profit or loss:		
Cumulative translation adjustments	-	-
Change in fair value of available-for-sale financial assets	-	-
Tax on items recognized directly in other comprehensive income	-	-
Items that will not subsequently be reclassified in profit or loss:		
Actuarial gains and losses (1)	(458)	(1,496)
Tax on items recognized directly in other comprehensive income	-	-
Total other comprehensive income (loss) attributable to owners of the entity	**64,092**	**84,881**

As the Group operates only in France, the functional and presentation currency of all the entities within the Group is the euro. As a result, no cumulative translation adjustments were recognized as of December 31, 2013 or 2012.

Available-for-sale financial assets consist of various investments in unlisted entities not included in the scope of consolidation (see Note 17) and for which there are no reliable indicators allowing the Group to determine a fair value other than its share of equity. Due to the fact that these investments are not material, these investments are measured at historical cost; accordingly, no unrealized gain or loss is recognized in the consolidated statement of comprehensive income.

(1) As indicated in Note 2.1, the Group has applied IAS 19R from 1 January 2013, by recognizing actuarial gains and losses in "Other comprehensive income."

The application of IAS 19R has resulted in a change in accounting policy that has also been reflected in the 2012 financial statements (see Note 1.3).

Numericable Group
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euros)	Notes	**December 31, 2013**	**December 31, 2012**
ASSETS			
Goodwill	13	1,483,628	1,458,686
Other intangible assets	14	307,362	326,187
Property, plant and equipment	15	1,464,763	1,389,932
Investments in associates	17	2,893	3,377
Other non-current financial assets	18	7,263	6,831
Deferred tax assets	12	132,662	-
Non-current assets		**3,398,571**	**3,185,013**
Inventories	19	49,568	45,609
Trade receivables and other receivables	20	402,888	417,371
Other current financial assets	18	4,020	4,034
Income tax receivable	12	3,410	6
Cash and cash equivalents	21	101,365	7,996
Assets classified as held for sale		-	-
Current assets		**561,251**	**475,016**
TOTAL ASSETS		**3,959,822**	**3,660,029**

(in thousands of euros)	Notes	**December 31, 2013**	**December 31, 2012**
EQUITY AND LIABILITIES			
Share capital		123,942	-
Additional paid-in capital		2,108,037	-
Reserves		(1,978,611)	-
Net invested equity attributable to owners of the parent (a)		**253,368**	**(287,364)**
Non-controlling interests		193	33
Total invested equity	22	**253,561**	**(287,331)**
Non-current financial liabilities	23	2,701,894	2,926,343
Non-current provisions	24/25	73,633	63,973
Deferred tax liabilities	12	-	-
Other non-current liabilities	26	102,585	111,266
Non-current liabilities		**2,878,112**	**3,101,582**
Current financial liabilities	23	64,249	114,732
Current provisions	24/25	6,411	2,409
Trade payables and other current liabilities	27	757,418	726,033
Current income tax liabilities	12	71	2,604
Liabilities classified as held for sale		-	-
Current liabilities		**828,149**	**845,778**
TOTAL EQUITY AND LIABILITIES		**3,959,822**	**3,660,029**

(a) See the statement of changes in equity for the reconciliation of combined equity as of December 31, 2012 (see Note 1.2) with consolidated equity as of December 31, 2013.

Numericable Group
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)	**Capital**	**Additional paid-in capital**	**Reserves**	**Net invested equity attributable to owners of the parent**	**Non-controlling interests**	**Total invested equity**
Total combined equity as of December 31, 2011	**-**	**-**	**(372,233)**	**(372,233)**	**(57)**	**(372,290)**
Dividends paid						
Comprehensive income	-	-	84,881	84,881	49	84,930
Issuance of shares	-	-	-	-	-	-
Acquisition of non-controlling interests	-	-	(12)	(12)	41	29
Total combined equity as of December 31, 2012	**-**	**-**	**(287,364)**	**(287,364)**	**33**	**(287,331)**
Dividends paid	-	-	-	-	-	-
Comprehensive income	-	-	64,092	64,092	156	64,248
Contribution of Ypso and Altice B2B (1)	113,772	1,881,717	(1,995,489)	-	-	-
Issuance of new shares (2)	10,170	226,320	-	236,490	-	236,490
Stock option plan (3)	-	-	640	640	-	640
Transactions with shareholders (4)	-	-	239,508	239,508	-	239,508
Other	-	-	2	2	4	6
Consolidated equity as of December 31, 2013	**123,942**	**2,108,037**	**(1,978,611)**	**253,368**	**193**	**253,561**

(1) Contributions of Ypso Holding SARL and Altice B2B Luxembourg SARL to Numericable Group, which resulted in a capital increase of 1,995.5 million euros (see Note 4.1.1);

(2) Capital increases carried out within the framework of the Company's IPO (public offer in the amount of 250 million euros and offer reserved for employees in the amount of 1 million euros) net of expenses incurred in connection with the IPO, which were charged to additional paid-in capital in the amount of 14.6 million euros (expenses recorded without tax effect) (see Note 4.1.2);

(3) Cost of the stock option plan granted on November 7, 2013 in favor of certain officers and employees of the Group (see Note 4.1.3);

(4) Extinguishment of shareholders debts within the framework of the contributions made to Numericable Group prior to the IPO (Super PECs) (see Note 4.1.1).

Numericable Group

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	**Notes**	**December 31, 2013**	**December 31, 2012**
Net income (loss) from continuing operations		**64,706**	**86,426**
Non-cash items			
Share in net income (loss) of associates	17	484	199
Depreciation and amortization		316,920	286,993
Gains and losses on disposals	9-10	9,688	3,565
Income tax expense (income)	12.1	(132,792)	2,486
Cost of gross financial debt	11	184,839	183,516
Other non-cash items (1)		110,073	3,028
Change in working capital and other payments			
Change in working capital		20,653	(31,911)
Income tax paid		(4,292)	(3,342)
Net cash provided (used) by operating activities		**570,279**	**530,960**
Purchases of property, plant and equipment and intangible assets (2)	14-15	(330,090)	(299,890)
Proceeds from disposals of property, plant and equipment and intangible assets	9	5,078	3,816
Decrease (increase) in loans and other non-current financial assets		(568)	(3,440)
Investments in companies included in the scope of consolidation, net of cash acquired (3)	4.1.4 4.1.5	(27,337)	(6)
Investment subsidies and grants received		10,260	14,303
Net cash provided (used) by investing activities		**(342,657)**	**(285,217)**
Capital increases of the parent company (4)	4.1.2	236,490	-
Issuance of debt (5)	4.1.6	797,223	830,975
Repayment of debt (6)	4.1.6	(987,420)	(957,189)
Interest paid		(180,546)	(152,113)
Net cash provided (used) by financing activities		**(134,253)**	**(278,327)**
Net cash flow from continuing operations		**93,369**	**(32,584)**
Net cash flow from discontinued operations		-	-
Net increase (decrease) in cash and cash equivalents		**93,369**	**(32,584)**
Cash and cash equivalents – opening balance		**7,996**	**40,580**
Cash and cash equivalents – closing balance		**101,365**	**7,996**

(1) In 2013, other non-cash items mainly relate to:
- expenses relating to the extinguishment of shareholder debts ("premiums" relative to the cancellation of Super PECs) in the amount of 81.6 million euros (see Note 4.1.1);
- the staggering of borrowing costs using the amortized cost method, with no effect on cash, in the amount of 20.0 million euros.

(2) Investments in property, plant, equipment and intangible assets financed through finance leases in the amount of 39 million euros (21 million euros in 2012) had no impact on the statement of cash flows at the time of the purchases.

(3) Mainly the price paid in connection with the acquisitions of LTI (25.5 million euros) and Valvision (3.3 million euros), net of cash acquired (1.5 million euros). See Notes 4.1.4 and 4.1.5.

(4) Capital increases carried out within the framework of the company's IPO (public offer in the amount of 250 million euros and offer reserved for employees in the amount of 1 million euros) net of expenses incurred in connection with the IPO in the amount of 14.6 million euros (see Note 4.1.2).

(5) Mainly the implementation of the new Tranche D in the amount of 800 million euros net of expenses paid in the amount of 10 million euros (see Note 4.1.6).

(6) This amount primarily reflects debt extinguished during refinancing transactions in December 2013 (bonds in the amount of 480 million euros, Altice B2B senior debt in the amount of 451 million euros, see Note 4.1.6).

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1 Basis of preparation of the consolidated financial statements

1.1 Numericable Group

Numericable Group (hereinafter referred to as **"the Company"**) is a limited company incorporated under French law in August 2013, and is headquartered in France.

On November 7, 2013, Numericable Group received, within the framework of the Company's prospective IPO, the contribution of two holding companies incorporated in Luxembourg, Ypso Holding SARL and Altice Lux Holding SARL, the parent companies of Ypso France and Altice B2B France respectively.

Ypso France, which operates the Numericable business, is a French cable television service provider. Its core products are premium digital television packages, which are available to households in areas that are triple-play enabled. Ypso France also provides French residential customers with broadband Internet, fixed telephony and mobile telecommunications services.

Altice B2B France, through its main operational entity, Completel SAS, operates the largest alternative fiber-to-the-office ("FTTO") network in France, constituting the third-largest alternative Digital Subscriber Line ("DSL") network in France. Completel SAS provides business customers with a comprehensive service offering, including data transmission, very high speed Internet, telecommunications services, convergence and mobility solutions, through fiber and DSL networks.

1.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended December 31, 2013, which comprise the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted in the European Union as of December 31, 2013. These international standards include IAS (International Accounting Standards), IFRS (International Financial Reporting Standards) and their interpretations (SIC and IFRIC).

The consolidated accounts were prepared under the responsibility of the Board of Directors, and approved by the Board of Directors on April 1st, 2014.

In accordance with French law, the consolidated financial statements will be considered final once they have been approved by the Group's shareholders at the Ordinary Shareholders' Meeting in May 2014.

As Ypso Holding SARL and Altice Lux Holding SARL, before being contributed to Numericable Group and after the IPO, were and remained entities under joint control (controlled by the Carlyle, Cinven and Altice private equity funds acting in concert), the contribution transactions do not constitute an acquisition within the meaning of IFRS 3 *Business Combinations*. The Group has opted to account for this transaction in carrying amounts, and the consolidated financial statements are prepared as if the contribution of the equity securities of Ypso Holding SARL and Altice Lux Holding SARL had occurred before January 1, 2012, the opening of the comparative period presented. The consolidated financial statements as of December 31, 2013 accordingly cover a period of 12 months.

1.3 Comparative information

The comparative data presented in respect of the 12 months ended December 31, 2012 correspond - with the exception of the application of IAS 19R (as disclosed hereafter) - to the combined financial statements of the two subgroups Ypso and Altice B2B (hereinafter referred to as the **"Two Groups"**).

Before being contributed to Numericable Group on November 7, 2013, the Two Groups were entities under joint control (controlled by the Carlyle, Cinven and Altice private equity funds).

Accordingly, the financial datas presented for comparative purposes reflect the historical assets, liabilities, revenues, expenses and cash flows that were directly related to the sub-groups, Ypso and Altice B2B, which formed two separate groups as of December 31, 2012.

Moreover, as indicated in Note 2.1, the Group has applied IAS 19R from 1 January 2013, recognizing actuarial gains and losses in "Other comprehensive income." The application of IAS 19R has resulted in a change in accounting policy that has also been reflected in the 2012 financial statements.

The impact of this adjustment on the items and main aggregates of the 2012 statement of income is set out in the following table (reconciliation of the 2012 combined financial statements with the restated 2012 financial statements presented for comparison purposes in this document).

(in thousands of euros)	**Reported 2012 financial statements**	**IAS 19R adjustment**	**Restated 2012 financial statements**
Provisions	(7,715)	1,496	(6,219)
Operating income before depreciation and amortization (EBITDA)	**590,769**	**1,496**	**592,265**
Operating income	**299,045**	**1,496**	**300,541**
Net income (loss)	**84,930**	**1,496**	**86,426**
Other comprehensive income	**0**	**(1,496)**	**(1,496)**
Comprehensive income	**84,930**	**-**	**84,930**

1.4 List of entities included in the scope of consolidation

Subsidiaries

Consolidated entities are companies controlled by the Group (including special-purpose entities), i.e. entities in which the Group has the power to govern financial and operating policies so as to obtain benefits. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date at which control commences until the date at which control ceases. Non-controlling interests in subsidiaries are identified separately in the statement of changes in equity.

Associates

Investments, in which the Group exercises significant influence, but not control or joint control, are accounted for under the equity method. Such investments are referred to as "associates" throughout these consolidated financial statements. Significant influence is the power to participate in the financial and operating policy decisions of the associate, but not control or joint control over said decisions. Associates are initially recognized at historical cost. The consolidated financial statements include the consolidated Group's share of income and expenses, from the date at which significant influence commences until the date at which significant influence ceases.

As of December 31, 2013 and 2012, the consolidated financial statements include the following entities:

Company and legal form of incorporation	Registered office	Basis of consolidation as of December 31, 2013	% control		% interest	
			2013	2012	2013	2012
Numericable Group	5 Place de la Pyramide – 92088 Paris La Défense	Parent company	100%	N/A	100%	N/A
Ypso Holding SARL	3 boulevard Royal L-2449 Luxembourg	Full consolidation	100%	100%	100%	100%
Ypso France SAS	10, rue Albert Einstein – 77420 Champs-sur-Marne	Full consolidation	100%	100%	100%	100%
NC Numericable SAS	10, rue Albert Einstein – 77420 Champs-sur-Marne	Full consolidation	100%	100%	100%	100%
Numericable SAS (1)	10, rue Albert Einstein – 77420 Champs-sur-Marne	Full consolidation	N/A (1)	100%	N/A (1)	100%
Est Vidéocom munication SAS (1)	14 rue des Mercuriales – 67450 Lampertheim	Full consolidation	N/A (1)	100%	N/A (1)	100%
ENO Belgium	26, Rue des deux Eglises – 1000 Bruxelles	Full consolidation	100%	100%	100%	100%
Numericable Finance & Co. SCA	13-15, avenue de la Liberté, L-1931 Luxembourg	Full consolidation	100%	100%	100%	100%
Numericable Finance SARL	Luxembourg	Full consolidation	100%	100%	100%	100%
Stichting Ypso 1	Netherlands	Full consolidation	100%	100%	100%	100%
Stichting Ypso 2	Netherlands	Full consolidation	100%	100%	100%	100%
ENO Holding	26, Rue des deux Eglises – 1000 Bruxelles	Full consolidation	100%	100%	100%	100%
TME France SA	Fort de Tourneville – 55, rue du 329ème – 76600 Le Havre	Full consolidation	100%	100%	100%	100%
Coditel Debt	121, avenue de la Faïencerie, L-1511 Luxembourg	Full consolidation	100%	100%	100%	100%
Ypso Finance SARL	121, avenue de la Faïencerie, L-1511 Luxembourg	Full consolidation	100%	100%	100%	100%
Sequalum Participation SAS	5, place de la Pyramide – 92800 Puteaux	Full consolidation	95%	95%	95%	95%

Company and legal form of incorporation	Registered office	Basis of consolidation as of December 31, 2013	% control		% interest	
			2013	2012	2013	2012
Sequalum SAS	5, place de la Pyramide – 92800 Puteaux	Full consolidation	95%	95%	95%	95%
Alsace Connexia Participation	40-42 Quai du Point du Jour – 92100 Boulogne	Equity method	38.15 %	38.15%	38.15%	38.15%
Altice B2B France	102 Avenue des Champs Elysées – 75008 Paris	Full consolidation	100%	100%	100%	100%
Completel SAS	5 Place de la Pyramide – 92088 Paris La Défense	Full consolidation	100%	100%	100%	100%
LTI Telecom (2)	300 route Nationale, 6 Le Bois des Côtes – 69760 Limonest	Full consolidation	100%	N/A	100%	N/A
Invescom (2)	300 route Nationale, 6 Le Bois des Côtes – 69760 Limonest	Full consolidation	100%	N/A	100%	N/A
B3G NV	Netherlands	Full consolidation	100%	100%	100%	100%

(1) Numericable and Est Vidéocommunications were merged in NC Numericable in December 2013.

(2) Invescom and LTI Telecom were acquired on October 31, 2013, as mentioned in "Significant events."

1.5 Going concern assumption

The Group was formed by a series of acquisitions, funded mainly by external borrowings. The construction and subsequent modernization of the network have also required substantial investments. These two factors explain the Group's financial structure, namely the significant proportion of financial liabilities in relation to consolidated equity, as well as the significant interest expense.

The Group currently services its debt and funds its investments through net cash from operations. Furthermore, the Group's covenants under its loan agreements require it to comply with certain liquidity ratios (see section 23.1) and to maintain certain cash levels.

Furthermore, as explained in Note 4.1.6, the Group refinanced its Senior Debt in 2013, rescheduling a large portion of its debt.

Under these conditions, and in view of the updated cash flow projections, the Board of Directors believes that the Group will be able to finance its cash requirements for the 12 months from the close

of the 2013 consolidated financial statements, and to meet its obligations in respect of its debt during this period.

As a result, the consolidated financial statements for the year ended December 31, 2013 have been prepared on a going concern basis.

2 Significant accounting policies

2.1 Accounting principles governing the preparation of the consolidated financial statements

Standards and interpretations applied by the Group as of December 31, 2013

The accounting policies for recognition and measurement used in preparing the consolidated financial statements for the year ended December 31, 2013 are the same as those used for the combined financial statements of Numericable Group, prepared in accordance with IFRS.

As mentioned in Note 1, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the European Union ("**EU**"), with mandatory application for annual periods ended December 31, 2013. The recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union have been applied in preparing the consolidated financial statements. They are available on the following website:

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

Standards and interpretations adopted by the European Union with mandatory application as of December 31, 2013 are similar to the standards and interpretations published by the International Accounting Standards Board ("**IASB**"), with the exception of IAS 39 *Financial Instruments: Recognition and Measurement* ("**IAS 39**") and the following standards and interpretations adopted by the EU but not yet mandatory in the EU from December 31, 2013.

Standards and interpretations mandatory for the year ended December 31, 2013

- IAS 19R (revised in 2011) *Employee Benefits* (applicable no later than January 1, 2013 for the Group) ("**IAS 19R**")

The main changes resulting from this revision are:

- the recognition of actuarial gains and losses through "Other comprehensive income." This results in a change in accounting principles, as the Group previously recognized actuarial gains and losses through profit or loss;
- the modification of the calculation of the financial component, due to the removal of the expected return on plan assets, which did not have an impact on the Group's financial statements;
- the immediate expensing of non-vested past service costs.

In accordance with the provisions of IAS19R, the Group has applied the new provisions retrospectively. The effect of the changes is described in Note 1.3 above.

Other amendments and interpretations applicable from December 31, 2013, but without material impact on the Group are as follows:

- Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* and *Separate Financial Statements*

  This amendment to IAS 1 requires changing the presentation of other comprehensive income in the consolidated statement of comprehensive income, in order to present items liable to be reclassified in profit or loss separately from items that will never be reclassified in this manner. Comparative information is also presented in the same way.

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* ("**IFRIC 20**")

- Amendments to IFRS 7 *Disclosures: Offsetting Financial Assets and Financial Liabilities*
- Amendments to IFRS 32 *Disclosures: Offsetting Financial Assets and Financial Liabilities*
- Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets*
- Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- IFRS 13 *Fair value Measurement* ("**IFRS 13**")

  IFRS 13 is a single source of fair value measurement and disclosure requirements for use across IFRSs. It defines fair value, sets out a framework for measuring fair value and lists disclosure requirements in respect of fair value measurements, including the fair value hierarchy currently set out in IFRS 7 *Financial Instruments: Disclosures*.

  In accordance with the transitional provisions of IFRS 13, the Group has applied the new provisions in respect of fair value prospectively.

Standards and interpretations mandatory after December 31, 2013 and not adopted early

The following are standards and interpretations that had been issued by the IASB and the IFRS Interpretations Committee and adopted by the EU at the date of these consolidated financial statements but which are not yet mandatory. The Group has not elected to adopt them early.

- IAS 27 (revised in 2011) *Separate Financial Statements* (applicable no later than January 1, 2014 for the Group) ("**IAS 27 Revised**")

This standard sets out recognition and disclosure provisions for separate financial statements, i.e. financial statements prepared by a parent, an investor, a joint venture or an associate, when such investments are carried at acquisition cost or in accordance with IAS 39. The standard also outlines the accounting requirements for dividends, and contains numerous disclosure requirements.

- IAS 28 (revised in 2011) *Investments in Associates and Joint Ventures* (applicable no later than January 1, 2014 for the Group) ("**IAS 28 Revised**")

This standard relates to the consolidation of joint ventures and associates under the equity method. Some clarifications have been included with respect to accounting for changes in ownership interests (with or without loss of control). These disclosures are now covered by IFRS 12 *Disclosure of Interests in Other Entities*.

- IFRS 10 *Consolidated Financial Statements* (applicable no later than January 1, 2014 for the Group) ("**IFRS 10**")

IFRS 10 supersedes SIC-12 *Consolidation of Special-Purpose Entities* and IAS 27 for the part relating to consolidated financial statements. This standard deals with the consolidation of subsidiaries and special-purpose entities, and redefines control, which is the basis of consolidation.

- IFRS 11 *Joint Arrangements* (applicable no later than January 1, 2014 for the Group) ("**IFRS 11**")

IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities: Non-Monetary Contributions by Venturers*.

This standard deals with the accounting for joint arrangements. The definition of joint control is based on the existence of an arrangement and the unanimous consent of the parties sharing control.

Joint arrangements are classified into two categories: (i) joint ventures, where each party has an interest in the net assets of the entity, which is accordingly consolidated at equity, a method already applied by the Group; and (ii) joint operations, where each party has direct rights to the assets and direct obligations in respect of the liabilities of the entity, which is consolidated in accordance with the contractual arrangement.

- IFRS 12 *Disclosure of Interests in Other Entities* (applicable no later than January 1, 2014 for the Group) ("**IFRS 12**")

IFRS 12 replaces provisions relating to disclosures previously included in IAS 27, IAS 28 and IAS 31.

This standard combines and supplements disclosures related to subsidiaries, joint ventures, associates, consolidated and unconsolidated SPEs.

- Amendment to IAS 32 *Disclosures: Offsetting Financial Assets and Financial Liabilities* (applicable on a mandatory basis for annual periods beginning on or after 1 January 2014)

Management is currently assessing the potential impact of the application of these standards and amendments on the statement of income, the statement of financial position, the statement of cash flows and the notes to the financial statements, but at this stage does not anticipate any material effect related to the application of these standards, interpretations and amendments.

The financial statements have been prepared according to the historical cost principle, with the exception of certain assets and liabilities detailed below:

- derivative financial instruments measured at fair value;
- financial assets at fair value through profit and loss measured at fair value;
- available-for-sale financial assets measured at fair value.

2.2 Foreign Currency Translation Adjustments

The consolidated financial statements are presented in euros, the functional currency of the Group. All financial data are rounded to the nearest thousand euro.

Foreign currency transactions are initially recorded in the functional currency at the exchange rate prevailing at the date of the transaction. At the closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the exchange rate prevailing on that date. All foreign currency differences are expensed. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of initial transaction. All foreign currency differences are recognized in profit or loss.

2.3 Revenue

Revenue from the Group's activities is mainly composed of:

- TV subscriptions, broadband Internet, basic cable services, telephony and installation fees invoiced to residential and business clients.

- Data transmission and very high speed Internet services, telecommunications services, convergence and mobility solutions invoiced to business clients.

- Network infrastructure services, including indefeasible rights of use ("IRUs") arrangements and bandwidth capacity on the network, provided to other telecommunications operators, as well as the related maintenance services.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating intercompany sales between entities included in the scope of consolidation.

Revenue is recognized and presented as follows, in accordance with IAS 18 *Revenue* (IAS 18):

- Revenues from subscriptions for basic cable services, digital pay TV, Internet and telephony are recognized on a straight-line basis over the subscription period; revenues from telephone calls made outside plans are recognized when the service is rendered.

- When a promotion not related to a customer's past consumption and purchases (such as a discount on the subscription price or free subscription for a given period) is offered to a customer, the Group recognizes the total amount of billable revenue on a straight-line basis over the term of the contract provided that the Group has the enforceable and contractual right to deliver the products after the free promotional period offered to the customer. If a promotion is not related to the subscription for a contract including a non-cancellable period, the Company recognizes revenues during the promotional period in the amount of the consideration received or receivable, as the customer's continuance is not assured.

- Installation and set-up fees (including connection) for residential customers are recognized as revenues when the service is rendered.

- Service access fees for business clients, when the access to the services is provided and they are associated to equipment or a service, are deferred, and the revenue is recognized along the estimated duration of the customer relationship, based on statistical data. They are generally staggered over the term of the contract.

- The revenue related to transmission capacity on terrestrial cables under IRU arrangements are recognized on a straight-line basis over the term of the contract.

2.4 Deferred revenue

For certain arrangements entered into with its non-residential customers, the Group receives up-front cash payments in relation to IRUs and connection fees. For these arrangements, the revenue is generally recognized on a straight-line basis over the term of the contract. Deferred revenue at the end of the reporting period represents unrecognized network lease revenue.

2.5 Operating income before depreciation and amortization

The Group has included the aggregate "Operating income before depreciation and amortization" or "EBITDA" in the consolidated statement of income because management believes that this aggregate is useful: it provides a measure of operating results that excludes non-cash items such as depreciation and amortization, thereby enhancing the predictive value of the financial statements.

Furthermore, EBITDA is an indicator used internally by management to measure the Company's operational and financial results, to make investment and resource-allocation decisions, and to assess the performance of management personnel.

EBITDA may not be comparable with similarly named measures used by other entities. Further, this aggregate should not be considered as a proxy for operating income, as the effects of depreciation, amortization and impairment, which are excluded from this measure, ultimately have an impact on operating income, which is also presented in the consolidated financial statements in accordance with IFRS 1.

2.6 Financial income and expense

Financial income and expense primarily comprise:

- interest expense and other expenses paid for financing transactions recognized at amortized cost and changes in the fair value of interest rate derivative instruments that do not qualify as hedges within the meaning of IAS 39 *Financial Instruments: Recognition and Measurement* ("**IAS 39**"), and which are recognized in "Interest relative to gross financial debt" in the consolidated statement of income;

- interest income relating to cash and cash equivalents.

2.7 Segment information

IFRS 8 *Operating Segments* requires segment information to be presented on the same basis as that used for internal reporting purposes. The Group has identified the following three segments:

- B2C Operations
- B2B Operations
- Wholesale Services

B2C Operations

The Group provides residential and business customers with TV subscription services, broadband Internet, basic cable services, telephony and installation services.

B2B Operations

The Group provides business customers with a comprehensive service offering, including data transmission and very high speed Internet, telecommunications services, convergence and mobility solutions, through fiber and DSL networks.

Wholesale Services

The Group sells network infrastructure services, including IRUs and bandwidth capacity on its network, to other telecommunications operators, as well as the related maintenance services.

2.8 Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except if it relates to items recognized directly in equity, in which case it is recognized in equity (see Note 4.1.7).

Current tax is the tax payable on the taxable income for the year, estimated using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: (i) the initial recognition of goodwill; (ii) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and (iii) investments in subsidiaries, joint ventures and associates when the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Accordingly, for companies included in the scope of consolidation, a deferred tax liability may be recognized in respect of prospective dividend payments by these companies.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and if they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities when the taxable entity intends to settle current tax liabilities and assets on a net basis or when tax assets and liabilities are to be realized simultaneously.

Deferred taxes are reviewed at each reporting date to take into account changes in tax legislation and the possibility of recovering deductible temporary differences and tax losses. A deferred tax asset is recognized when it is probable that future taxable profits against which the temporary difference can be utilized will be available within a foreseeable timeframe.

2.9 Government grants and investment subsidies

Entities of the Group may receive government grants and investment subsidies in the form of direct or indirect funding of investment projects, mainly provided by local and regional authorities. These grants are deducted from the cost of the related assets and recognized in the consolidated statement of income, based on the pattern in which the related asset's expected future economic benefits are consumed.

2.10 Goodwill and business combinations

Business combinations are accounted for in accordance with the purchase method. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3R are recognized at their fair value at the acquisition date, except for non-current assets (or groups earmarked for disposal), which are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and measured at the lower of their carrying amount and fair value less costs to sell.

The consideration transferred corresponds to the fair value, at the acquisition date, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The goodwill arising from a business combination is equal to the difference between:

- the sum of the consideration paid, the value of any non-controlling interest that remains outstanding after the business combination and, where applicable, the acquisition-date fair value of the acquirer's previously held equity interest in the target, and

- the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

Goodwill is recognized in assets in the consolidated statement of financial position. When the difference is negative, it is directly recognized through profit or loss.

The secondary costs directly attributable to an acquisition giving control are recorded in expenses in the period during which the costs are incurred, except for the borrowing costs, which must be recorded in accordance with IAS 32 *Financial Instruments: Presentation* ("**IAS 32**") and IAS 39.

When goodwill is determined provisionally at the end of the period in which the combination is effected, any adjustments to the provisional values within 12 months of the acquisition date are recognized in goodwill.

With respect to the acquisition of non-controlling interests (i.e. non-controlling interests in a subsidiary that is already included in the scope of combination), the Group fully allocates the difference between the price paid and the share in net assets acquired to equity in accordance with IAS 27, with no revaluation of the assets and liabilities acquired.

Goodwill resulting from the acquisition of subsidiaries or joint ventures is presented separately in the consolidated statement of financial position. Impairment relative to this goodwill is presented on the "Depreciation and amortization" line of the consolidated statement of income.

Goodwill resulting from the acquisition of associates is included in the carrying amount of the investment. Impairment relative to this goodwill is presented on the "Share in net income (loss) of associates" line.

Goodwill is not amortized, but is subject to impairment testing whenever there is any indication that an asset may be impaired, and at least once a year in accordance with the methods and assumptions described in Note 16.

After initial recognition, goodwill is recorded at cost less accumulated impairment losses.

2.11 Intangible assets

Recognition and measurement principles

Intangible assets are measured at cost less accumulated amortization and impairment losses. Cost comprises all directly attributable costs necessary to buy, create, produce and prepare the asset for use. Intangible assets consist mainly of indefeasible rights of use, patents, and purchased and internally developed software.

IRUs correspond to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognized as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. They are amortized over the shorter of the expected period of use and the life of the contract between 3 and 20 years.

Patents are amortized on a straight-line basis over the expected period of use, generally not exceeding 10 years.

Software is amortized on a straight-line basis over its expected useful life, which generally does not exceed 3 years.

The cost of an internally developed intangible asset is the sum of personnel expenses incurred from the date the intangible asset first meets the recognition criteria of IAS 38. An intangible asset arising from the development phase of an internal project is recognized if an entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention of completing the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- the capacity of the intangible asset to generate probable future economic benefits. Among other things, the Group must demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;

- its ability to measure reliably the expenditures attributable to the intangible asset during its development.

Capitalization of costs ceases when the project is finalized and the asset is available for use.

The cost of an internally developed intangible asset arising from the development phase of an internal IT project is amortized on a straight-line basis over its expected useful life, which generally does not exceed three years.

Agreements entered into with local authorities

To set up and operate its networks, the companies of the Group have in the past (and often before entering the Group) entered into various agreements with local authorities and representative bodies under successive legal frameworks (French cable network plan, Freedom of Communication Act of 1986, etc.). Many of these agreements convey exclusive rights to the operator and lay down obligations in terms of local television service provision, programming, pricing policy, and the associated license fees payable. Some of the agreements are public service concessions with "return property" clauses, whereby ownership of the technical equipment and civil engineering work reverts to the local authorities at the end of the concession.

The EU Telecoms Directives of 2002, known as the "Telecoms Package," establish the principle of open competition among operators in the telecommunications market, requiring national regulatory authorities to enforce fair competition conditions, without granting exclusive or special rights for setting up and operating networks. The French law of July 9, 2004, which transposed the Telecoms Package into French law, required that existing agreements be brought into compliance by the end of July 2007 at the latest, removing all exclusive rights clauses and ensuring the shared use of public civil engineering infrastructure.

Only a minority of agreements entered into with local authorities were liable to be classified in the category of public service concessions when these agreements were concluded. As such, IFRIC 12 *Service Concessions* applies solely to the public service concession arrangement with the department of Hauts-de-Seine (*Délégation de Service Public 92*).

Service Concession agreement entered into with the department of Hauts-de-Seine

Sequalum, a subsidiary of the Group, was selected in 2007 by the department of Hauts-de-Seine to plan, deploy and operate a Fiber To The Home ("FTTH") high-capacity fiber network throughout the department under a public service concession arrangement (*Délégation de Service Public* – DSP) known as DSP 92. A DSP is a form of public-private partnership under French law, pursuant to which a public authority entrusts private entities to operate a public service in return for remuneration that is based on the revenue generated by the service in question.

The terms of the service arrangement signed between Sequalum and the department of Hauts-de-Seine require Sequalum to construct the network — completing construction by 2015 — and maintain and operate the network to a specified standard for 25 years. At the end of the 25th year, the service arrangement will end.

Sequalum provides construction services to the department of Hauts-de-Seine in exchange for an intangible asset, i.e. a right to collect revenue from the network users. In accordance with IAS 38 and IFRIC 12, Sequalum recognizes the intangible asset at cost, net of grants, i.e. the fair value of the consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered.

Main characteristics of the agreement:

Control and regulation of prices	Origin of revenues	Subsidy granted by grantor	Residual value	End of agreement	Accounting model
Rates are defined in the service agreement	Users	59 million euro subsidy to finance the construction	The network will be returned to the grantor with no indemnity, except for some assets (*actifs de reprise*)	Contract will end after 25 years	Intangible assets

2.12 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Land is not depreciated. Buildings and premises are amortized on a straight-line basis over 20 years.

When property, plant and equipment include significant components with different useful lives, the components are recorded and amortized separately. With respect to network and technical equipment, depreciation is calculated on a straight-line basis. The main depreciation periods are as follows:

Network and technical equipment	***Method***	***Duration***
Network hubs	Straight line	10 to 15 years
Optical cables	Straight line	15 to 30 years
Engineering facilities	Straight line	20 to 40 years
Connections	Straight line	5 years
Digital terminals	Straight line	3 to 5 years
Furniture	Straight line	5 to 10 years
Fixtures and fittings	Straight line	8 to 10 years
Transport equipment	Straight line	2 to 5 years
Office equipment	Straight line	3 to 5 years
Computer equipment	Straight line	3 to 5 years

Gains or losses on disposal of property, plant and equipment are the difference between the profit from the disposal and the carrying amount of the asset and are recognized in the caption "Other operating income / expenses" of the consolidated statement of income.

2.13 Lease arrangements

Leases are classified as finance leases whenever the terms of the lease substantially transfer the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables in the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the term of the lease.

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss. Contingent rentals are expensed in the period in which they are incurred.

Operating lease payments are expensed on a straight-line basis over the term of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are expensed in the period in which they are incurred. In the event that incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.14 Impairment of goodwill and non-current assets

Whenever events or changes in the economic environment indicate a risk of impairment of goodwill, or other intangible assets, property, plant and equipment and assets in progress, the Group re-examines the value of these assets. In addition, goodwill, other intangible assets with indefinite useful lives and intangible assets in progress are subject to annual impairment testing during the second half of each fiscal year.

This testing is performed in order to compare the recoverable amount of an asset or a Cash Generating Unit ("**CGU**") with its carrying amount.

An asset's or CGU's recoverable amount is the greater of its fair value less costs to sell or its value in use. The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those derived from other assets or groups of assets. In that case, the recoverable amount is determined for the CGU to which the asset belongs.

A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The CGUs for the Group are "B2C Operations," "B2B Operations" and "Wholesale Services."

The value in use of each asset or group of assets is determined as the present value of future cash flows (discounted cash flow method or "DCF") by using a discount rate after tax specific to each asset or group of assets concerned.

The fair value less costs to sell is the amount obtainable from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell.

When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the caption "Depreciation and amortization" of the statement of income. Only impairment losses recognized on assets other than goodwill such as depreciable intangible assets, intangible assets with indefinite useful lives and property, plant and equipment may be reversed.

2.15 Financial assets

The Group classifies financial assets in four categories: available-for-sale; loans and receivables; held-to-maturity; and financial assets at fair value through profit and loss. They are classified as current assets and non-current assets in accordance with IAS 1.

Purchases and sales of all financial assets are recognized at the settlement date.

Available-for-sale financial assets

Available-for-sale financial assets are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, they are reported at their fair value. Gains and losses arising from changes in their fair value are recognized directly in equity, until the security is sold or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is reclassified in profit or loss for the period.

Available-for-sale financial assets consist mainly of shares in companies that are not included in the scope of consolidation. Fair value corresponds to the quoted price for listed securities. For non-listed securities, the Group values financial assets at historical cost, less any impairment losses, when a reliable estimate of fair value cannot be made using valuation techniques in the absence of an active market.

When there is objective evidence that available-for-sale assets are impaired, the cumulative impairment loss included in equity is reclassified from equity to profit or loss. Objective evidence that an available-for-sale financial asset is impaired includes, among other things, a decrease in the estimated future cash flows arising from these assets, as a result of significant financial difficulty of the issuer, a material decrease in expected future profitability or a prolonged decrease in the fair value of the security. Impairment losses recognized in profit or loss for equity instruments classified as available-for-sale are never reversed.

Available-for-sale financial assets are included in non-current assets unless management intends to dispose of the investment within 12 months of the date of the statement of financial position.

Loans and receivables

Loans and receivables are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. After initial recognition, they are measured at amortized cost using the effective interest method.

This category mainly includes trade and other receivables.

If there is objective evidence that an impairment loss has been incurred, the amount of this loss, measured as the difference between the financial asset's carrying value and its recoverable amount, is

recognized in profit or loss. Impairment losses may be reversed if the recoverable amount of the asset subsequently increases.

Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturities that the Group intends and has the ability to hold to maturity. Financial assets that are designated as held-to-maturity are measured at amortized cost, using the effective interest method.

They are reviewed for impairment on an individual basis if there is any indication that they may be impaired.

The Group does not classify any financial asset in this category.

Financial assets measured at fair value through profit or loss

These financial assets are measured at fair value, with gains and losses recorded as financial income or expenses.

This category mainly includes:
- assets held for trading that the Group intends to sell in the near future (primarily marketable securities);
- assets voluntarily classified at inception in this category;
- derivative financial assets.

2.16 Inventories

Inventories, mainly set-top boxes and technical equipment, are carried at the lower of cost and net realizable value. Cost is determined using the weighted-average cost method, and includes the acquisition cost of materials.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

2.17 Cash and cash equivalents

Cash consists of cash in bank accounts and deposits.

Cash equivalents consist of highly liquid investments not subject to significant changes in value and with an original maturity date generally less than three months from the time of purchase.

2.18 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract resulting in a residual interest in the assets of an entity after deducting all of its liabilities. The equity instruments issued by the Group are recorded for the proceeds received, net of direct issuance costs.

Financial liabilities

Financial liabilities other than derivative instruments include borrowings under the Senior Facility Agreement ("SFA"), debt related to finance leases, guarantee deposits, advances received and bank overdrafts.

They are measured at amortized cost, using the effective interest method in accordance with IAS 39. The effective interest rate is the internal rate or return that exactly discounts future cash flows through the term of the financial liability. Fees, debt issuance and transaction costs are included in the calculation of the effective interest rate over the expected life of the instrument. Accrued interest is included in "Current portion of financial liabilities" in the statement of financial position.

2.19 Derivative instruments

Derivatives are initially recognized at fair value on the date of inception of a derivative contract, and are subsequently remeasured at their fair value.

The Group enters into interest rate swaps and caps to manage its interest rate exposure. The objective is to convert variable rate financial instruments into fixed rate financial instruments. These contracts do not qualify as hedges for accounting purposes according to IAS 39, as there was no formal designation and documentation of the hedging relationship at inception. Changes in the fair value of any these derivative instruments are recognized immediately in the statement of income, under financial income and expenses.

2.20 Employee benefits, provisions and contingent liabilities

Provisions are recognized when the Group has a legal obligation (legal, regulatory or contractual) or a constructive obligation, as a result of past events, and it is probable that economic benefits in the form of an outflow of resources will be required to settle the obligation, and when the amount of the obligation can be reliably estimated. Provisions are reviewed at the end of each reporting period, and adjusted to reflect the current best estimate.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are disclosed in the notes, but are not recognized.

Employee benefits

The Group provides employee benefits through contributions to defined-contribution plans and defined-benefit plans. The Group recognizes pension costs related to defined-contribution plans as they are incurred in personnel expenses in the statement of income.

Estimates of the Group's pension and end-of-service benefit obligations are calculated annually, in accordance with the provisions of IAS 19 Revised *Employee Benefits* ("**IAS 19R**"), with the assistance of independent actuaries, using the projected unit credit method and considering actuarial assumptions including the probable turnover of beneficiaries, salary increases, expected life expectancy, the probable future length of employees' service and an appropriate discount rate updated annually.

Actuarial gains and losses arising from experience, adjustments and changes in actuarial assumptions are recognized in other comprehensive income.

Litigation

The amount of provisions for litigation is based on the Group's assessment of the level of risk, and depends on its assessment of the basis for the claims.

Restructuring

Provisions for restructuring expenses are recognized when restructuring plans have been finalized and approved by the Group's management, and when the Group has raised a valid expectation among the employees concerned that it will carry out the plan either by starting to implement the plan or announcing its main features. These provisions only include direct expenditure arising from restructuring, notably severance payments, early retirement costs, costs for notice periods not worked and other costs directly related to the closure of facilities.

2.21 Share-based payment

The Group has granted options that will be settled as equity instruments. In accordance with IFRS 2, the benefit granted to employees under stock option plans, assessed at the time of the grant of the option, is additional remuneration.

Plans granting instruments settled as equity instruments are measured at the grant date based on the fair value of the equity instruments granted. They are recognized as personnel expenses over the vesting period, taking into account an estimate of the number of options that will vest at the end of the period. In addition, for plans based on non-market performance conditions, the probability of achieving the performance objective is assessed each year and the expense adjusted accordingly.

The fair value of options granted is determined using the Black-Scholes valuation model, which takes into account an annual reassessment of the expected number of exercisable options. The expense recognized is adjusted accordingly.

2.22 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. The Group notes that it does not take a substantial amount of time to get assets ready for their intended use because of the incremental deployment of the network. IAS 23 *Borrowing Costs* consequently has no impact on the consolidated financial statements.

2.23 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to holders of ordinary shares of the parent by the weighted average number of ordinary shares outstanding during the period, excluding any treasury shares held by the Group.

Diluted earnings per share are calculated by dividing the profit attributable to holders of ordinary shares of the parent by the weighted average number of ordinary shares outstanding during the period, based on the assumption that all potentially dilutive instruments are converted and that the assumed proceeds from the conversion of these instruments has been used to acquire shares of the Group at the average market price for the period during which these instruments were outstanding.

Potentially dilutive instruments include stock options, if dilutive.

3 Critical accounting judgments and key sources of uncertainty in respect of estimates

The preparation of the consolidated financial statements in accordance with IFRS requires the Group to make a certain number of estimates and assumptions that are realistic and reasonable.

In applying accounting policies during the preparation of the consolidated financial statements described in Note 2, management is required to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses.

Such estimates are prepared based on the going concern assumption, established using currently available information and in view of the current economic environment. In the prevailing economic environment, changes in facts and circumstances may result in revised estimates or assumptions, which could affect the financial position, results of operations and cash flows of the Group.

The valuation of certain assets and liabilities in the preparation of these financial statements required management to make estimates and assumptions, particularly in respect of:

- Revenue recognition: as indicated in Note 2.3, revenue is recognized at the fair value of the consideration received or to be received when the risks and rewards of ownership of a product have been substantially transferred to the buyer or when the service is rendered. With respect to contracts that include installation, connection and set-up fees for residential customers, significant judgments must be made as to whether the recognition criteria set out in IAS 18 should be applied separately and whether installation, set-up and connection should be considered separable services. With respect to service access fees for business customers, revenue is recognized on a straight-line basis over the term of the contract. Accordingly, depending upon how judgment is exercised and how estimates are determined, the timing and amount of revenue recognized can differ significantly.

- Capitalization of development costs: the criteria for capitalizing development costs are set out in Note 2.11. Once capitalized, these costs are amortized over the estimated useful lives of the respective products (generally three years). The Group must therefore evaluate the commercial and technical feasibility of its development projects and estimate the useful lives of the products resulting from these projects. Should a product fail to substantiate these assumptions, the Group may be required to impair or write off some of the capitalized development costs in the future. Note 14 provides information on the amount of capitalized costs in the consolidated statement of financial position.
- Fair value of financial instruments (see Note 28.3): fair value is determined by reference to the market price at the end of the period. For financial instruments for which there is no active market such as interest rate swaps, which the Group currently uses to hedge its interest rate risk, fair value is estimated based on models that rely on observable market data or by the use of various valuation techniques, such as discounted future cash flows.
- Recognition of deferred tax assets on unrealized tax loss carryforwards (see Notes 2.8, 4.1.7 and 12): deferred tax assets relate primarily to tax loss carryforwards. The assets relating to tax loss carryforwards are recognized if it is probable that the Group will generate future taxable profits against which these tax losses can be offset. Evaluation of the Group's capacity to utilize tax loss carry-forwards relies on an in-depth review. The Group analyzes past events, and the positive and negative elements of certain economic factors that may affect its business in the foreseeable future to determine the probability of its future utilization of these tax loss carryforwards. As of December 31, 2013 the Group recognized deferred tax assets in a total amount of 132.7 million euros in respect of loss carryforwards whose future use was deemed probable within the forecast period of five years.
- Impairment tests (see Notes 2.10 and 16): the determination of recoverable amounts of the CGUs assessed in the annual impairment test requires an estimate of their fair value less costs

to sell as well as their value in use. The assessment of the value in use requires assumptions to be made with respect to the operating cash flows of the CGUs, as well as discount rates.

The determination of the value in use is based on assumptions such as the weighted average cost of capital and the perpetual growth rate beyond the projection period. These assumptions can vary, potentially causing the recoverable amount to fall below the carrying amount, and as such requiring the recognition of an impairment loss.

As of December 31, 2013 and 2012, the assumptions used to determine the value in use of the CGUs for which goodwill is allocated were as follows:

CGU "B2C Operations"	**2013**	**2012**
Length of forecast period	5 years	8 years
Discount rate	7.30%	7.56%
Growth rate beyond forecast period for terminal value	2.00%	1.75%

CGU "B2B Operations" and "Wholesale"	**2013**	**2012**
Length of forecast period	5 years	6 years
Discount rate	7.14%	9.42%
Growth rate beyond forecast period for terminal value	2.00%	1.00%

The calculation of value in use is based on financial budgets approved by management, the period of which was reduced to five years in 2013 in accordance with the recommendations of IAS 36. Projections in respect of subscribers, revenue, costs, and capital expenditure are based on reasonable and acceptable assumptions that represent management's best estimates. Key assumptions are the estimated number of subscribers, average revenue per user and the level of upgraded network infrastructure. The projections are based on both past experience and the expected future market penetration of the various products.

4 Significant events

4.1 Year ended December 31, 2013

4.1.1 Constitution of Numericable Group

Numericable Group was established in July 2013 by way of cash contributions in an initial amount of 37 thousand euros.

On November 7, 2013, Numericable Group received, within the framework of the Company's prospective IPO, the contribution of two holding companies incorporated in Luxembourg, Ypso Holding SARL and Altice Lux Holding SARL, the parent companies of Ypso France and Altice B2B France respectively.

The contributions of Ypso and Altice B2B Numericable Group increased the capital of the Company by a total of 1,995,489 thousand euros, breaking down into a 113,772 thousand euro increase in share capital and a 1,881,717 thousand euro increase in additional paid-in capital.

Following the contributions, the Company's share capital accordingly amounted to 113,809 thousand euros, and additional paid-in capital to 1,881,717 thousand euros.

Moreover, during the restructuring of the Group's debt in 2009, during which the Group's shareholders acquired certain loans in respect of SFA Ypso France, Ypso Holding SARL issued securities subscribed by the shareholders, including 132,664,023 subordinated interest preferred equity certificates ("Super PECs") with a nominal value of 1 euro each, the interest on which was capitalized.

Cinven, Carlyle and Altice contributed the Super PECs to Numericable Group on November 7, 2013, within the framework of the legal transactions related to the IPO. This debt was therefore extinguished in exchange for newly issued securities. Subsequently, the expense related to the extinguishment of the debt ("Premium") was recognized as financial expense in the amount of 81.6 million euros. This expense had no impact on the Group's cash position.

4.1.2 IPO and capital increases

On October 25, 2013, the Board of Directors of Numericable Group decided in principle to undertake an initial public offering of the Company on NYSE Euronext Paris.

On November 7, 2013, the Board of Directors:

- priced the IPO at 24.80 euros per share;
- decided to increase share capital by a total amount of 250,000 thousand euros through a public offering (including a 10,081 thousand euro capital increase through the issuance of new shares and 239,919 thousand euros in additional paid-in capital);
- proposed a capital increase reserved for employees, which was ultimately carried out in the amount of 1,034 thousand euros (including a 52 thousand euro capital increase through the issuance of new shares and 982 thousand euros in additional paid-in capital).

Trading on the shares began on November 8, 2013.

The costs incurred in connection with the IPO were fully charged to additional paid-in capital in a total amount of 14,582 thousand euros. These costs, borne entirely by Numericable Group, were accounted for without tax effect.

Following the IPO, the Numericable Group's share capital amounted to 123,942 thousand euros, and additional paid-in capital to 2,108,037 thousand euros. See Note 22.1 for information on the constitution of the share capital of Numericable Group.

4.1.3 Granting of stock option plans

On November 7, 2013, the Board of Directors also adopted a stock option plan in favor of certain officers and employees of Numericable Group.

The plan covers a total of 2,845,229 options for 2,845,229 shares.

As of December 31, 2013, the fair value of options granted was estimated at 9,702 thousand euros. An amount of 640 thousand euros was expensed in 2013 in respect of this plan.

See Note 25.2 for further details on this stock option plan.

4.1.4 Acquisition of Valvision

On 27 June 2013, the Group acquired 100% of the share capital of Valvision, a cable operator operating in eastern France.

The difference between the acquisition price (3,340 thousand euros) and the share of equity acquired (219 thousand euros), representing the acquired customer base, was 3,121 thousand euros. It was fully allocated to "Other intangible assets," and will be amortized over a period of three years.

No additional payment is provided for under the acquisition agreement.

4.1.5 Acquisition of LTI Telecom

On October 31, 2013, the Group acquired 100% of the shares of Invescom, a holding company that owns 100% of LTI, a B2B telecom operator.

The acquisition price amounted to 25,550 thousand euros for a share of equity acquired of 609 thousand euros. No additional payment is provided for under the acquisition agreement.

In view of the date of the acquisition, the allocation of the price to identifiable assets acquired and liabilities assumed had not been finalized as of December 31, 2013. The Company has until September 30, 2014 to finalize this process.

Therefore, the difference of 24,941 thousand euros between the acquisition price and the share of equity as reflected in the accounts of the acquired subgroup was recognized as goodwill as of December 31, 2013 (see Note 13).

4.1.6 Refinancing of Senior Debt

Amendments in July-August 2013

In July and August 2013, the Group amended its Senior Facility Agreements, allowing a large portion of its debt to be rescheduled. This renegotiation also led to a change in certain contractual conditions, including the margin applicable to the Senior Debt of Altice B2B.

This renegotiation of Senior Debt is a simple modification of existing debt. As such, the costs stemming from the renegotiation (6.2 million euros) have been measured at amortized cost in accordance with the effective interest method pursuant to IAS 39.

Refinancing in December 2013

In December 2013, the Group raised a new tranche of Senior Debt in a total amount of 800 million euros (Tranche D). This tranche is repayable by December 31, 2018 and bears interest at Euribor plus a margin of 3.75%.

The Group used the proceeds of this issue (800 million euros) and the proceeds of the capital increase carried out in the context of the public offer (250 million euros) to reimburse some of its existing debt, as follows:

- all of the Senior Debt originally subscribed by Altice B2B France in the amount of 451 million euros;
- all of the 275 million euro bond issue (Tranche C-Two B) subscribed in October 2012;
- part of the 225 million euro bond issue (Tranche C-Two A) subscribed in October 2012 (repayment of 78.8 million euros);
- part of the 360 million euro bond issue (Tranche C-One) subscribed in February 2012 (repayment of 126.1 million euros).

The renegotiation of Senior Debt represents the settlement of existing debt. Accordingly:

- the cost of settling bonds ("Premium") incurred by the Group were recognized in other financial expenses in the amount of 28.0 million euros;
- costs relating to the implementation of the extinguished debt in December 2013, which were originally recorded at amortized cost, has been recognized in other financial expenses in the amount of 15.2 million euros;
- costs relating to the implementation of the new Tranche D (7.25 million euros) have been recognized at amortized cost using the effective interest method in accordance with IAS 39.

Following the refinancing in 2013, the maturity of Senior Debt was as follows as of December 31, 2013 (nominal amounts):

Maturity	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
in millions of euros	42.6	63.4	102.1	821.0	1,223.2	380.0	2,632.4

4.1.7 Recognition of deferred tax assets

In the year ended December 31, 2013, the Group recognized deferred tax assets in a total amount of 132.7 million euros in respect of loss carryforwards whose future use was deemed probable within the forecast period of five years.

In view of the large amount of unrecognized deficits remaining as of December 31, 2013 (see Note 12.4), all of the deferred tax income recognized in 2013 was recorded in the statement of income, and no deferred tax assets were recorded in respect of actuarial gains and losses recognized in other comprehensive income or capital increase expenses charged to additional paid-in capital.

4.1.8 In-depth inquiry of the European Commission into the transfer of cable infrastructures by certain local authorities

On July 17, 2013 the European Commission signaled that it had decided to open an investigation to verify whether the transfer of public cable infrastructure to Numericable by several French municipalities between 2003 and 2006 was in line with European Union State aid rules. The European Commission expressed doubts as to the compatibility of such aid with EU rules because of the economic advantage conferred on Numericable by virtue of the conditions of the transfer.

As the Group disputes this position, and as the potential risk relating to this investigation cannot be measured reliably, no provision was recorded in the financial statements as of December 31, 2013.

4.1.9 Leaseback of modems

In May 2013 and June 2013, the Group entered into two sale and leaseback contracts with Lease Expansion, in respective amounts of 12.7 million euros and 5.9 million euros for new modems known as "La Box."

The term of the lease is three years for each contract.

4.1.10 Tax audits

In 2013, the tax administration initiated a tax audit of Altice B2B France and Completel in respect of fiscal years 2010 and 2011, resulting in the submission of proposed adjustments on December 19, 2013. The adjustments stem exclusively from the rejection of the deductibility of certain shareholder services expensed in 2009, 2010 and 2011. A tax contingency provision totaling 11.4 million euros was recorded as of December 31, 2013 to cover the proposed adjustments (income tax, VAT, withholding tax, fines, penalties and default interest).

4.1.11 Lehman Brothers compensation

The Group received two further payments of 4.5 million euros and 2.6 million euros in June 2013 and December 2013 respectively, as part of its claim following the bankruptcy of Lehman Brothers in September 2008 (see Note 28.4).

4.1.12 Cancellation of the 5 million euro fine imposed by ARCEP

In July 2013, the Constitutional Court ruled that the power to sanction held by the French regulator (*Autorité de régulation des communications électroniques et des postes* – ARCEP) did not meet the principles of independence and impartiality required by the Constitution.

On October 21, 2013, the Group obtained the annulment by the Council of State of the penalty imposed by ARCEP on December 20, 2011, which condemned Numericable and NC Numericable to a fine of 5 million euros for non-compliance with the ARCEP decision of November 4, 2010.

The Group recorded the proceeds relative to the annulment of the fine in the financial statements for the year ended December 31, 2013 under "Other operating income" (see Note 9).

4.1.13 Litigation with Free

On December 13, 2013, the Commercial Court of Paris condemned the Group to pay the sum of 6,411 thousand euros to Free as part of a dispute over an advertising campaign run by Numericable that Free claimed harmed its brand and its image (see Note 24.2 for details on the procedure). The Group appealed this decision.

The Group set aside the entire fine in the consolidated financial statements for the year ended December 31, 2013. The decision having been executed in early January 2014, the provision was classified under "Current provisions" in the consolidated statement of financial position as of December 31, 2013.

4.2 Year ended December 31, 2012

4.2.1 Bond issues

In 2012, the Group issued several bonds to refinance part of its existing financial debt.

In February 2012, the Group issued a 360 million euro bond. The issuer was Numericable Finance & Co. SCA, an unregulated securitization company in the form of a corporate partnership limited by shares incorporated under the laws of the Grand Duchy of Luxembourg. The proceeds of the notes were used by Numericable Finance & Co. to fund a buy-back of 100% of the Lending Bank's (JP Morgan) participation in a loan (the "C-One" Facility Loan), whose sole lender was the bank itself under the Senior Facility Agreement, in favor of the Group, and which allowed it to reimburse certain facilities under the SFA in the amount of 350 million euros.

The notes mature on February 15, 2019 and bear interest at 12.375%. Interests on the notes are paid semiannually on February 15 and August 15 of each year.

In February 2012, the Group also obtained a new Revolving Credit Facility under the SFA. The maximum amount that can be drawn is 65 million euros ("Revolving Credit Facility"). It matures in March 2016. The amount used under this facility bears interest equal to Euribor plus 4.5%. The amount not used under this facility, which amounted to 65 million euros as of December 31, 2013, bears interest equal to a commitment fee of 2.25%.

According to the terms of the amendment of the September 2011 Senior Facility Agreement, maturities of certain lenders' commitments were extended by two years (comprising one-half of Tranche A and the Capex Facility and two-thirds of Tranches B & C). Along with the extension of the maturities, the amendment changed the margin on the extended tranches and put a new set of financial covenants in place. The September 2011 Senior Facility Agreement became effective on February 15, 2012.

In October 2012, the Group issued another two bonds in amounts of 225 and 275 million euros respectively through the same issuer, Numericable Finance & Co. SCA. The proceeds of the notes were used by Numericable Finance & Co. to fund a buy-back of 100% of the Lending Bank's (JP Morgan) participation in two new loans, the "C-Two A Facility Loan" and the "C-Two B facility Loan," whose sole lender was the Lending Bank itself under the Senior Facility Agreement, in favor of the Group, which allowed it to reimburse certain facilities under the SFA in the amount of 490 million euros.

The "C-Two A facility" amounts to 225 million euros. It matures on February 15, 2019 and bears a fixed interest rate of 8.75% per annum. Interest is paid semiannually on February 15 and August 15 of each year, commencing on February 15, 2013.

The "C-Two B facility" amounts to 275 million euros. It matures in October 2018 and bears a floating interest rate equal to three-month Euribor plus 7.85% per annum. Interest is paid quarterly on January 15, April 15, July 15 and October 15 of each year, commencing on January 15, 2013.

The Group paid 55 million euros in fees in connection with the implementation of these new facilities (C-One, C-Two A and C-Two B) and the amendments relative to the Senior Facility Agreement. This amount includes:

- bond issuance costs of 30.2 million euros, which are amortized over the length of the notes using the effective interest method;
- waiver fees of 17.4 million euros, which are recorded in "Other financial expense" in the consolidated statement of income for the period ended December 31, 2012;

- advisory fees of 7.4 million euros, which are recorded in "Other operating expenses" in the consolidated statement of income for the period ended December 31, 2012.

4.2.2 Purchase of the Nice network

In April 2012, the Group signed an agreement with the city of Nice for the purchase of the cable network of Nice for 20 million euros.

The purchase price repayment is scheduled as follows:
- 2.5 million euros in July 2012 and 2.5 million euros in January 2013;
- the remaining 15 million euros payable over 20 years (0.75 million euros each year from 2013 to 2032), with interest of 4%.

4.2.3 Tax audits

During the third quarter of 2012, the tax audits mentioned in Note 12.5 were extended to fiscal year 2010. Tax penalties related to the fiscal years 2005 to 2009 have been reduced.

As of December 31, 2012, the amount of the provision recognized in relation to these tax audits had not been adjusted, as management believes that the financial risk related to penalties for fiscal year 2010 will represent the same amount as the reductions notified by the administration concerning the penalties for fiscal years 2005 to 2009.

5 Segment information

As stated in Note 2.7, the Group has three operating segments:
- B2B Operations
- B2C Operations
- Wholesale Services

5.1 Statement of income

The following tables provide, for each period presented, the contribution of each segment to the statement of Income (from "Revenue" to "Operating income before depreciation and amortization").

Intra-segments sales have been eliminated under the column "Eliminations."

2013 (in thousands of euros)	**B2C**	**B2B**	**Wholesale**	**Eliminations**	**2013 Total**
Revenue	**869,448**	**312,640**	**200,794**	**(68,640)**	**1,314,242**
Purchases and subcontracting services	(415,127)	(180,195)	(84,333)	68,640	(611,016)
Staff costs and employee benefits expense	(87,144)	(60,504)	(6,982)	-	(154,631)
Taxes and duties	(20,469)	(8,073)	(5,355)	-	(33,896)
Provisions	(8,616)	(11,567)	(283)	-	(20,466)
Other operating income	65,499	20,763	59	-	86,321
Other operating expense	(18,588)	(1,878)	-	-	(20,466)
Operating income before depreciation and amortization (EBITDA)	**385,003**	**71,186**	**103,900**	**-**	**560,088**

2012 (in thousands of euros)	B2C	B2B	Wholesale	Eliminations	2012 Total
Revenue	**832,568**	**324,506**	**211,476**	**(66,125)**	**1,302,425**
Purchases and subcontracting services	(386,060)	(178,420)	(103,766)	66,125	(602,121)
Staff costs and employee benefits expense	(77,592)	(57,186)	(6,697)	-	(141,475)
Taxes and duties	(19,901)	(7,569)	(4,926)	-	(32,396)
Provisions	(4,516)	(1,323)	(380)	-	(6,219)
Other operating income	68,095	21,108	26	-	89,229
Other operating expense	(16,030)	(1,148)	-	-	(17,178)
Operating income before depreciation and amortization (EBITDA)	**395,564**	**99,968**	**95,733**	**-**	**592,265**

5.2 Goodwill

Goodwill breaks down by segment as follows as of December 31, 2013 and 2012:

Carrying amount (in thousands of euros)	December 31, 2013	December 31, 2012
B2C	984,583	984,583
B2B	499,045	474,103
Wholesale	-	-
Total	**1,483,628**	**1,458,686**

5.3 Investments

Investments on property, plant and equipment and intangible assets (net of investment grants received) break down by segment as follows as of December 31, 2013:

(in thousands of euros)	December 31, 2013
B2C	165,473
B2B	73,904
Wholesale	80,452
Total	**319,829**

6 Revenue

Consolidated revenue breaks down by segment as follows:

(in thousands of euros)	December 31, 2013	December 31, 2012
B2B revenue	864,589	826,171
B2B revenue	309,646	323,201
Wholesale revenue	140,007	153,053
Total revenues	**1,314,242**	**1,302,425**

It is stipulated that all revenues are generated in France.

7 Purchases and subcontracting services

Purchases and subcontracting services break down as follows:

(in thousands of euros)	**December 31, 2013**	**December 31, 2012**
TV content, Internet and telephony costs	(315,318)	(332,853)
Outsourcing and purchased services	(98,082)	(90,752)
Advertising	(38,834)	(30,120)
Fees paid to other third parties	(35,991)	(31,936)
Royalties and license fees paid	(12,183)	(12,089)
Rights of way paid	(14,936)	(15,316)
Rental and leasehold charges	(27,023)	(25,790)
Energy	(25,846)	(23,938)
Bad debt expense	(8,000)	(9,173)
Postal expense	(4,389)	(4,378)
Transportation expense	(4,654)	(4,286)
Repair and maintenance expense	(11,830)	(11,911)
Miscellaneous operating expense	(13,930)	(9,579)
Purchases and subcontracting services	**(611,016)**	**(602,121)**

8 Personnel expenses

Personnel expenses break down as follows:

(in thousands of euros)	**December 31, 2013**	**December 31, 2012**
Wages and salaries	(99,947)	(91,343)
Social security charges	(45,923)	(43,889)
Employee profit-sharing	(5,210)	(6,243)
Costs related to the stock option plan (a)	(3,551)	-
Staff costs and employee benefits expense	**(154,631)**	**(141,475)**

(a) Includes 2.9 million euros in respect of employer contributions due on the allocation of shares and 0.6 million euros for the cost of the plan recognized in 2013 (see Note 4.1.3).

As of December 31, 2013, the Group employed a total of 2,182 people (of which 2,077 permanent contracts), compared with 1,979 as of December 31, 2012 (of which 1,910 permanent contracts).

The following table breaks down the numbers of permanent contracts by occupational category as of December 31, 2013 and 2012:

Occupational category	**December 31, 2013**	**December 31, 2012**
Managers	1,096	1,015
Senior technicians and supervisors	356	322
Operators, employees and technicians (Non Managers)	625	573
TOTAL	**2,077**	**1,910**

9 Other operating income

Other operating income breaks down as follows:

(in thousands of euros)	**December 31, 2013**	**December 31, 2012**
Own work capitalized [(a)]	75,853	82,217
Proceeds from sale of assets	5,078	3,817
Other [(b)]	5,390	3,195
Other operating income	**86,321**	**89,229**

(a) Own work capitalized work on the network performed by employees of the Group with a view to upgrading the cable network.

(b) In 2013, this item included the repayment of the 5 million euro fine imposed by ARCEP in 2012. In 2012, this item mainly included various transfers of expenses in the amount of 2.7 million euros.

10 Other operating expense

Other operating expenses break down as follows:

(in thousands of euros)	**December 31, 2013**	**December 31, 2012**
Net carrying amount of assets sold	(14,741)	(7,382)
Fees paid in connection with refinancing	(4,619)	(7,372)
Management fees paid to shareholders (a)	(1,106)	(2,424)
Miscellaneous operating expenses	-	-
Other operating expense	**(20,466)**	**(17,178)**

(a) Until the date of IPO, after which the agreements were terminated.

11 Finance costs, net

Net finance costs broke down as follows as of December 31, 2013 and 2012:

(in thousands of euros)	**Note**	**December 31, 2013**	**December 31, 2012**
Interest income received on cash and cash equivalents		111	106
Other financial income	**11.1**	9,593	4,220
Financial income		**9,704**	**4,326**
Change in fair value of interest rate derivatives		-	-
Interest expense on financing determined using the effective interest method		(184,839)	(183,057)
Interest relative to gross financial debt		**(184,839)**	**(183,057)**
Other financial expense	**11.2**	(148,513)	(32,699)
Finance costs, net		**(323,648)**	**(211,430)**

11.1 Other financial income

As of December 31, 2013, other interest income broke down primarily as follows:
- Payments received within the framework of the compensation sought after the bankruptcy of Lehman Brothers in September 2008 (see Note 28.4) in the amount of 7.1 million euros (compared with 2.8 million euros in 2012);
- Reversals of provisions for financial risks and charges in the amount of 1.9 million euros.

11.2 Other interest expense

As of December 31, 2013, other interest expense broke down primarily as follows:
- the cost of settling bonds ("Premium") incurred by the Group in the amount of 28 million euros through the reimbursement of the Senior Facilty Agreement as explained in Note 4.1.6 above;
- the costs incurred with respect to the settlement of SuperPecs in the amount of 81 million (without impact on the Group's cash position as this debt was extinguished through the issuance of shares in the context of the IPO as explained in Note 4.1.1 above) ;
- the unamortized portion of costs related to the debt settled in December 2013 (initially measured at amortized cost) in the amount of 15.2 million euros;
- the amortization of fees paid for the establishment of funding still in place at end-2013 in the amount of 8.3 million euros;
- penalties for late customer deployments in the amount of 4 million euros.

As of December 31, 2012, other interest expense broke down primarily as follows:
- early repayment of penalties paid in connection with debt refinancing in the amount of 17.4 million euros;
- amortization of fees paid for the establishment of funding in the amount of 6.2 million euros valued using the effective interest method;
- default interest in the amount of 5.6 million euros.

12 Income tax

12.1 Income tax expense

Income tax expense breaks down as follows:

(in thousands of euros)	**December 31, 2013**	**December 31, 2012**
Current tax expense / income	130	(2,486)
Deferred tax expense / income	132,662	-
Tax expense (income)	**132,792**	**(2,486)**

12.2 Reconciliation between the effective tax rate and the theoretical tax rate

(in thousands of euros)	**December 31, 2013**	**December 31, 2012**
Net income (loss) before tax	(68,086)	88,912
Less: Share of net income (loss) of associates	484	199
	67,602	89,111
Corporate tax rate in France	38%	34.43%
Income tax expense calculated at 38%	**25,689**	**(30,681)**
Reconciliation of income tax expense		
Deferred tax assets	132,662	-
Effect of revenue that is exempt from taxation and effect of expenses that are not deductible in determining taxable profit (1)	(26,231)	(13,315)
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	-	41,083
Tax credits	673	420
Effect of other differences	-	8
Income tax expense recognized in profit or loss	**132,792**	**(2,486)**
Effective tax rate (2)	(196.43)%	2.79%

(1) Consists primarily of interest expense not deductible under thin capitalization rules (15.2 million euros as of December 31, 2013, compared with 9.9 million euros as of December 31, 2012).

(2) The effective tax rate in 2013 was negative taking into account deferred tax assets during the year.

In view of the large amount of unrecognized tax losses remaining as of December 31, 2013 (see Note 12.4), the deferred tax income recognized in 2013 in respect of tax loss carryforwards whose future use is considered probable within the five-year forecast period was recorded in the statement of income, and no deferred tax assets were recorded in respect of actuarial gains and losses, which are recognized in other comprehensive income, or capital increase expenses, which are charged to additional paid-in capital.

12.3 Current tax assets and liabilities

Current tax assets as of December 31, 2013 amounted to 3.4 million euros, corresponding to installments of income tax and competitiveness and employment tax credits (CICE), for which the Group must request reimbursement.

The income tax payable is classified in "Current tax liabilities," and amounts to 71 thousand euros and 2,604 thousand euros as of December 31, 2013 and 2012 respectively.

12.4 Unrecognized deferred tax assets

Aggregate unused tax loss carryforwards amounted to 2,316 million euros as of December 31, 2013, representing a theoretical tax asset of 876 million euros. A deferred tax asset of 132.7 million euros was recognized as of December 31, 2013.

Total net tax loss carryforwards break down as follows:

(in thousands of euros)	**December 31, 2013**	**December 31, 2012**
Ypso France and its subsidiaries (1)	1,857,400	1,852,028
Altice B2B France and its subsidiaries	413,401	402,544
Ypso Holding Lux (2)	45,561	256,173
Total tax loss carryforwards	**2,316,362**	**2,510,745**
Deferred tax assets calculated at the standard rate	**876,217**	**851,103**
Of which deferred tax assets recognized	*132,662*	-
Of which deferred tax assets not recognized	*743,555*	*851,103*

(1) Including tax losses contested by the tax authorities (56 million euros as of December 31, 2013).

12.5 Tax audits

Certain subsidiaries of the Group, Ypso France, NC Numericable (including Numericable and Est Videocommunication, merged in 2013) were subject to a tax audit by the French tax authorities for the fiscal years ended from December 31, 2007 to December 31, 2010. As a result, a tax contingency provision in the amount of 24,9 million euros was recognized as of December 31, 2013 (compared with 25.1 million euros as of December 31, 2012) to cover the risk represented by this audit.

In 2013, the tax administration initiated a tax audit of Altice B2B France and Completel in respect of fiscal years 2010 and 2011, resulting in the submission of proposed adjustments on December 19, 2013. The adjustments focus exclusively on the rejection of the deductibility of certain shareholder services expensed in 2009, 2010 and 2011. A tax contingency provision totaling 11.4 million euros was recorded as of December 31, 2013 to cover the proposed adjustments (income tax, VAT, withholding tax, fines, penalties and default interest).

The total tax contingency provision was 36.3 million euros as of December 31, 2013, compared with 25.1 million euros as of December 31, 2012.

13 Goodwill

(in thousands of euros)	**December 31, 2013**	**December 31, 2012**
Net carrying amount		
Balance at beginning of year	1,458,686	1,458,638
Additional goodwill recognized during the period (1)	24,942	48
Balance at end of year (2)	**1,483,628**	**1,458,686**

(1) The additional goodwill of 24.9 million euros recognized as of December 31, 2013 was attributable to the acquisition of LTI Telecom (described in Note 4.1.5). The allocation of the acquisition price is provisional, and will be finalized within 12 months of the date of acquisition. The goodwill was allocated to the B2B Operations CGU.

(2) Goodwill breaks down as follows:

Carrying amount (in thousands of euros)	**December 31, 2013**	**December 31, 2012**
B2C Operations	984,583	984,583
B2B Operations	499,045	474,103
Total	**1,483,628**	**1,458,686**

14 Other intangible assets

(in thousands of euros)	Capitalized development costs	Rights of use, patents and licenses (a)	Commercial rights	Other intangible assets (b)	Total
Gross amount					
Balance as of January 1, 2013	5,848	720,735	42,030	39,847	**808,462**
Capital expenditure and additions	1,271	62,776	757	4,084	68,888
Reclassification	-	-	-	-	-
Business combinations	-	786	996	3,154	4,936
Balance as of December 31, 2013	7,119	784,297	43,783	47,085	**882,284**
Cumulative amortization and impairment					
Balance as of January 1, 2013	(3,242)	(413,473)	(34,690)	(30,871)	**(482,275)**
Amortization expense	(1,571)	(82,897)	(1,257)	(5,433)	(91,158)
Reclassification	-	-	-	-	-
Business combinations		(464)	(993)	(31)	(1,488)
Balance as of December 31, 2013	(4,813)	(496,834)	(36,940)	(36,335)	**(574,922)**
Net carrying amount					
Balance as of January 1, 2013	2,606	307,262	7,340	8,976	**326,187**
Balance as of December 31, 2013	2,306	287,463	6,843	10,750	**307,362**

(in thousands of euros)	Capitalized development costs	Rights of use, patents and licenses (a)	Commercial rights	Other intangible assets (b)	Total
Gross amount					
Balance as of January 1, 2012	5,384	649,724	35,949	39,392	**730,449**
Capital expenditure and additions	464	53,749	2,219	4,384	60,817
Reclassification	-	66	3,862	(3,929)	-
IFRIC 12*	-	17,195	-	-	17,195
Balance as of December 31, 2012	5,848	720,735	42,030	39,847	**808,462**
Cumulative amortization and impairment					
Balance as of January 1, 2012	(2,043)	(322,439)	(34,690)	(25,222)	**(384,393)**
Amortization expense	(1,199)	(78,726)	-	(6,190)	(86,115)
Reclassification	-	(12,299)	-	541	(11,758)
IFRIC 12*	-	(9)	-	-	(9)
Balance as of December 31, 2012	(3,242)	(413,473)	(34,690)	(30,871)	**(482,275)**
Net carrying amount					
Balance as of January 1, 2012	3,341	327,285	1,259	14,170	**346,056**
Balance as of December 31, 2012	2,606	307,262	7,340	8,976	**326,187**

(a) Rights of use represent the majority of "rights of use, patents and licenses." They reflect the rights to use civil engineering installations and infrastructure built by the incumbent operator, France Telecom, as well as investments made through the DSP.

(b) Other intangible assets primarily include customer lists (including the customers of Valvision, acquired in 2013, see Note 4.1.4) and capitalized production within the framework of IT projects relating to the network.

* As explained in note 2.11, the Group applied IFRIC 12 with respect to the contract entered into in relation to the public service concession arrangement with the department of Hauts-de-Seine (DSP 92).

The application of this principle had the following impacts on the 2012 consolidated statement of financial position:

- Recognition of the net carrying amount of 17.2 million euros classified in "Other intangible assets" (26.6 million euros of investments less 9.5 million euros of grants received as of December 31, 2011);
- Recognition of 26.4 million euros of capital expenditure in 2012 in "Rights of use, patents and licenses" (38.0 million euros of investments less 11.5 million euros of grants received in 2012).

In addition, 26.4 million euros of capital expenditure in relation to the public service concession arrangement with the department of Hauts-de-Seine (DSP 92). This amount is classified in investing activities in the consolidated statement of cash flows.

As of December 31, 2013, the total amount of investments (net of subsidies) made under DSP 92 and classified as intangible assets amounted to 71.8 million euros.

15 Property, plant and equipment

(in thousands of euros)	Land	Buildings	Network and technical equipment	Work in progress	Other	Total
Gross amount						
Balance as of January 1, 2013	1,322	142,176	2,601,954	81,022	105,275	**2,931,749**
Capital expenditure and additions	-	2,118	194,501	95,834	6,547	299,000
Disposals	(1)	(195)	(55,522)		(2,967)	(58,685)
Reclassification	-	(211)	68,204	(67,994)	1	-
Business combinations	-	-	18,740	-	792	19,532
Balance as of December 31, 2013	1,321	143,888	2,827,877	108,862	109,648	**3,191,596**
Cumulative depreciation and impairment						
Balance as of January 1, 2013	(2)	(113,499)	(1,331,752)	(4,688)	(91,876)	**(1,541,817)**
Depreciation expense	-	(4,250)	(197,668)	-	(7,209)	(209,127)
Impairment losses	-	-	-	(3,698)	-	(3,698)
Disposals	-	26	40,073	-	2,953	43,052
Reclassification	-	214	(142)	(73)	1	-
Business combinations	-	-	(14,830)	-	(413)	(15,243)
Balance as of December 31, 2013	(2)	(117,509)	(1,504,319)	(8,459)	(96,544)	**(1,726,833)**
Net carrying amount						
Balance as of January 1, 2013	1,320	28,677	1,270,202	76,334	13,399	**1,389,932**
Balance as of December 31, 2013	1,319	26,379	1,323,558	100,403	13,104	**1,464,763**

(in thousands of euros)	Land	Buildings	Network and technical equipment	Work in progress	Other	Total
Gross amount						
Balance as of January 1, 2012	1,321	70,154	2,459,782	91,739	99,488	**2,722,484**
Capital expenditure and additions	1	4,083	244,244	2,470	8,934	259,732
Business combinations	-	-	-	-	-	-
Disposals	-	(1,496)	(31,058)	-	(625)	(33,179)
Reclassification	-	69,435	(62,919)	(4,087)	(2,522)	(93)
IFRIC 12	-	-	(8,095)	(9,100)	-	(17,195)
Balance as of December 31, 2012	1,322	142,176	2,601,954	81,022	105,275	**2,931,749**
Cumulative depreciation and impairment						
Balance as of January 1, 2012	0	(41,206)	(1,241,599)	(1,333)	(89,782)	**(1,373,920)**
Depreciation expense	(2)	(5,194)	(191,812)	-	(5,247)	(202,255)
Impairment losses	-	-	-	(3,355)	-	(3,355)
Disposals	-	1,295	24,028	-	618	25,941
Reclassification	-	(68,394)	77,622	-	2,535	11,763
IFRIC 12	-	-	9	-	-	9
Balance as of December 31, 2012	(2)	(113,499)	(1,331,752)	(4,688)	(91,876)	**(1,541,817)**
Net carrying amount						
Balance as of January 1, 2012	1,321	28,948	1,218,183	90,406	9,706	**1,348,564**
Balance as of December 31, 2012	1,320	28,677	1,270,202	76,334	13,399	**1,389,932**

The carrying amount of assets classified as finance leases breaks down as follows:

(in thousands of euros)	**December 31, 2013**	**December 31, 2012**
Land	1,029	1,029
Buildings	6,558	6,868
Network and technical equipment	53,048	31,632
Other	79	160
	60,714	**39,689**

16 Impairment testing

16.1 Allocation of goodwill between cash-generating units ("CGU")

In accordance with IAS 36 *Impairment of Assets* ("**IAS 36**"), goodwill has been allocated to two CGUs: "B2C Operations" (mainly NC Numericable) and "B2B Operations" (mainly Completel SAS and LTI Telecom).

16.2 Key assumptions used to determine the recoverable amount of the CGUs

Impairment testing of goodwill is done within the cash-generating units defined above. In accordance with IAS 36 *Impairment of Assets*, impairment testing is performed by comparing the carrying amount with the recoverable amount. The recoverable amount is determined based on the value in use using a discounted cash flow model.

The determination of the value in use is established using cash flow projections based on financial budgets approved by senior management covering a planning period of five years.

Projections of subscribers, revenue, costs and capital expenditure are based on reasonable and acceptable assumptions that represent management's best estimates. Key assumptions are the estimated number of subscribers and the level of expenditure on network infrastructure upgrades. The projections are based on both past experience and the expected future market penetration of the various products.

As mentioned in Note 3, the determination of the value in use is based on assumptions such as the weighted average cost of capital and the growth rate beyond the projection period. These assumptions can vary, potentially causing the recoverable amount to fall below the carrying amount, and as such the recognition of an impairment loss.

No impairment was recognized for either of the periods presented.

The determination of the value in use is based on the following estimates as of December 31, 2013 and 2012:

CGU "B2C Operations"	**2013**	**2012**
Length of forecast period	5 years	8 years
Discount rate applied to cash flow projections	7.30%	7.56%
Perpetual growth rate used to calculate terminal value	2.00%	1.75%

In terms of the sensitivity of recoverable amounts, a change of plus or minus 0.25% in the discount rate would decrease or increase the recoverable amount by approximately 143 million euros. Likewise, a change of plus or minus 0.25% in the perpetual growth rate would increase or decrease the recoverable amount by approximately 116 million euros.

As of December 31, 2013, the amounts by which the key assumptions would have to change for the recoverable amount to equal the carrying amount were as follows:

- Increase in WACC from 7.30% to 8.73%;
- Reduction in the perpetual growth rate from 2.00% to 0.12%;
- Reduction in gross margin (calculated based on internal reporting) from an average of 50.7% to an average of 46.0% over the five-year period.

CGU "B2B Operations"	2013	2012
Length of forecast period	5 years	6 years
Discount rate applied to cash flow projections	7.14%	9.42%
Growth rate beyond projection period for terminal value	2.00%	1.00%

In terms of the sensitivity of recoverable amounts, a change of plus or minus 0.25% in the discount rate would decrease or increase the recoverable amount by approximately 74 million euros. Likewise, a change of plus or minus 0.25% in the perpetual growth rate would increase or decrease the recoverable amount by approximately 56 million euros.

As of December 31, 2013, the amounts by which the key assumptions would have to change for the recoverable amount to equal the carrying amount were as follows:

- Increase in WACC from 7.14% to 10.62%;
- Reduction in the perpetual growth rate from 2.00% to-3.70%;
- Reduction in gross margin (calculated based on internal reporting) from an average of 38.3% to an average of 32.1% over the five-year period.

17 Investments in associates

The Group exercises significant influence over Alsace Connexia Participation, an associate consolidated under the equity method. Alsace Connexia Participation's initial shareholding structure was as follows: 38.14% held by Ypso France, 38.15% by LD Collectivités and 23.71% by Sogetrel Réseaux. In 2009, LD Collectivités bought the interest held by Sogetrel Réseaux, giving it a controlling interest (61.86%) in Alsace Connexia Participation.

Alsace Connexia Participation owns a 70% stake in Alsace Connexia, which has been granted a public service concession by the regional authority of Alsace to design, build, fund, operate and market telecommunications infrastructure in the region over a 15-year period. The concession contract took effect on February 3, 2005.

The following tables provide information on the net assets and operating results of Alsace Connexia Participation:

(in thousands of euros)	December 31, 2013	December 31, 2012
Net assets (1)	7,614	8,888
Share of net assets	2,893	3,378

(in thousands of euros)	2013	2012
Revenues (Alsace Connexia)	14,463	13,050
Net income (loss)	(1,274)	(524)
Share of net income (loss)	(484)	(199)

(1) No goodwill is recognized in net assets.

18 Other current and non-current financial assets

(in thousands of euros)	Current		Non-current	
	December 31, 2013	**December 31, 2012**	**December 31, 2013**	**December 31, 2012**
Derivative instruments (1)	-	-	-	5
Investments in entities that are not consolidated (2)	-	-	35	35
Other financial assets (3)	4,020	4,034	7,228	6,791
Total financial assets	**4,020**	**4,034**	**7,263**	**6,831**

(1) As indicated in Note 28.4, the Group held until the end of 2012 interest rate cap contracts that allowed it to limit its exposure to interest rates, but these instruments were not considered as hedging instruments within the meaning of IAS 39. Consequently, changes in the fair value of these derivative instruments were recognized immediately in the statement of income under financial income (expense), the instruments in question being directly related to the implementation of the management of the Group's interest rate risk, even though they do not qualify for hedge accounting under IAS 39.

These interest-rate derivatives are presented as non-current financial assets because they are not held for trading purposes, but under a non-qualifying hedge accounting relationship.

(2) Investments in entities that are not consolidated and are classified as available-for-sale financial assets include Câble Toulousain de Vidéocommunication, Médiamétrie Expansion, Rennes Cité Média and TV7 Bordeaux. These companies are not included in the scope of consolidation due to the Group's lack of control or influence over them.

(3) As of December 31, 2013 and 2012 other financial assets include 4 million euros of cash pledged within the framework of DSP 92 (classified as current, see also Note 2.11). Remaining amounts correspond to deposits made by the Group for building leases.

19 Inventories

(in thousands of euros)	**December 31, 2013**	**December 31, 2012**
Gross amount	50,858	46,808
Impairment losses	(1,290)	(1,199)
Net carrying amount	**49,568**	**45,609**

Inventories are primarily comprised of set-top boxes used by customers to receive programming distributed via digital channels. The amount of impairment recognized to bring inventories down to their recoverable amount was not material in fiscal 2013 or 2012.

20 Trade receivables and other receivables

(in thousands of euros)	**December 31, 2013**	**December 31, 2012**
Trade receivables	309,998	272,864
Impairment losses	(33,371)	(27,167)
Trade receivables, net	**276,627**	**245,697**
Advances and down payments	2,181	2,211
Tax and social security receivables	84,826	141,806
Prepaid expenses	32,256	18,025
Other receivables	6,998	9,632
Trade receivables and other receivables, net	**402,888**	**417,371**

Trade receivables disclosed above are measured at amortized cost. Due to their short-term maturity, fair value and amortized cost are a proxy for the nominal amount of trade receivables.
Trade receivables are primarily from B2C customers, a large number of customers spread across diverse geographical areas.

B2C Customers

The average credit term for residential customers is five days. No interest is charged on outstanding balances. As of December 31, 2013, excluding some specific cases, the Group had set aside 81% of B2C customer receivables that were over 90 days past due, based on historical experience implying that 19% of receivables over 90 days past due are recoverable. Provisions on residential customer receivables due between 0 and 90 days are also set aside on a case-by-case basis, based on historic collection data and analysis of the customer's financial situation.

B2B Customers

As of December 31, 2013, the Group had set aside 60% of the B2B customer receivables that were over 90 days past due, based on historical experience implying that 40% of receivables over 90 days past due are recoverable.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognized a provision for doubtful accounts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements against these balances, nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Ageing of past due receivables

(in thousands of euros)	**December 31, 2013**	**December 31, 2012**
Not due	92,610	121,232
0-90 days	67,888	62,825
> 90 days	149,508	88,808
Total	**309,998**	**272,864**

The concentration of credit risk is limited due to the customer base being large and unrelated. No customer represents more than 5% of the total balance of trade receivables.

Change in impairment losses for trade receivables is as follows:

(in thousands of euros)	**December 31, 2013**	**December 31, 2012**
Balance at beginning of year	**(27,167)**	**(26,770)**
Impairment during the year	(12,961)	(9,322)
Losses on irrecoverable receivables	8,000	8,925
Reversal of impairment losses	-	-
Receivables classified as held for sale	-	-
Business combinations	(1,243)	-
Balance at end of year	**(33,371)**	**(27,167)**

21 Cash and cash equivalents

Cash and cash equivalents presented in the consolidated statement of cash flows include cash on hand and short-term deposits. Reconciliation between cash and cash equivalents presented in the consolidated statement of cash flows and cash and cash equivalents presented in the consolidated statement of financial position is presented below:

(in thousands of euros)	**December 31, 2013**	**December 31, 2012**
Cash	101,365	7,996
Cash equivalents	-	-
Cash and cash equivalents presented in the consolidated statement of financial position	**101,365**	**7,996**
Cash from discontinued operations	-	-
Bank overdrafts classified as financial liabilities in the consolidated statement of financial position	-	-
Cash and cash equivalents presented in the consolidated statement of cash flows	**101,365**	**7,996**

As of December 31, 2013 and 2012, the Group had no cash equivalents.

22 Equity

As of December 31, 2013, Numericable Group's share capital, based on the number of shares issued at that date, amounted to 123,942,012 euros, comprising 123,942,012 ordinary shares with a par value of 1 euro each.

22.1 Change in share capital

The share capital broke as follows as of December 31, 2013:

Date	**Transaction**	**Shares issued**
August 2013	Constitution through cash contributions	37,000
November 2013	In-kind contributions from shareholders	113,772,229
November 2013	Capital increase by public offering	10,080,645
November 2013	Capital increase reserved for employees	52,138
Total as of December 31, 2013		**123,942,012**

22.2 Treasury shares

The Group did not implement a share buyback program in 2013 or 2012.

Accordingly, it did not hold any treasury shares as of December 31, 2013 or December 31, 2012.

22.3 Earnings per share

(in thousands of euros)	**2013**	**2012**
Net income used for calculating basic earnings per share	**64,550**	**86,377**
Impact of dilutive instruments:		
Stock option plans (2)	-	-
Net income used for calculating diluted earnings per share	**64,550**	**86,377**

The following table shows the weighted average number of ordinary shares used for calculating basic and diluted earnings per share:

(number of shares)	**December 31, 2013**	**December 31, 2012**
Weighted average number of ordinary shares outstanding (1)	**115,271,326**	**113,772,229**
Impact of dilutive instruments:		
Stock option plans (2)	-	**-**
Weighted average number of shares outstanding - diluted	**115,271,326**	**113,772,229**

(1) The weighted average number of ordinary shares used in calculating earnings per share corresponds, until the date of the IPO, to the number of shares issued in exchange for contributions (see Note 22.1 "Change in share capital"). Shares issued as part of the public offering and capital increase reserved for employees were prorated.

(2) Stock options granted in 2013 (2,845,229 options) are non-dilutive in view of the average share price between the grant date and the balance sheet date, and the valuation of the plan.

22.4 Dividends

The Group did not pay dividends to its shareholders in 2013 or 2012.

23 Financial liabilities

Financial liabilities break down as follows:

(in thousands of euros)		Current		Non-current		Total	
	Note	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Financial liabilities under Senior Facility Agreements	23.1	42,575	93,187	2,589,784	2,707,498	2,632,359	2,800,685
Perpetual subordinated notes	23.2	-	-	37,695	35,208	37,695	35,208
Financial liabilities under finance leases	30.2	20,578	19,432	20,915	7,886	41,493	27,318
Other financial liabilities	23.4	1,096	2,113	1,568	131,234	2,664	133,347
Total loans and financial liabilities		**64,249**	**114,732**	**2,649,962**	**2,881,826**	**2,714,211**	**2,996,558**
Derivative instruments		-	-	-	-	-	-
Deposits received from customers	23.3	-	-	51,932	44,517	51,932	44,517
Bank overdrafts		-	-	-	-	-	-
Total financial liabilities		**64,249**	**114,732**	**2,701,894**	**2,926,343**	**2,766,143**	**3,041,075**

23.1 Financial liabilities under Senior Facility Agreements

Senior Facility agreement granted to Ypso

The Group entered into a Senior Facility Agreement ("**SFA**") dated June 6, 2006 (as amended March 2, 2007, December 9, 2009, September 8, 2011, July 31, 2013 and November 22, 2013) with BNP Paribas, CALYON, Lehman Brothers Bankhaus AG, London Branch, and Morgan Stanley Bank International Limited as the Mandated Lead Arrangers, BNP Paribas as Agent and Security Agent, and others lenders. In addition, certain subsidiaries of the Group are guarantors under the SFA, each guaranteeing, subject to certain limitations, the obligations of the other borrowers and guarantors within the SFA.

The SFA contains financial covenants that may affect the interest rates to be paid by the Group as well as the applicable margins on the SFA (see details below).

In 2012, the Group issued three bonds to refinance a portion of its current Senior Debt under the SFA. The issuer was Numericable Finance & Co. SCA, a Luxembourg company. The proceeds from the bonds were used by Numericable Finance & Co. to fund three new loans issued if favor of the Group by the Lending Bank (JP Morgan) under the Senior Facility Agreement:

- a C-One facility of 360 million euros;
- a C-Two A facility of 225 million euros;
- a C-Two B facility of 275 million euros.

In December 2013, the Group raised a new tranche of Senior Debt in a total amount of 800 million euros (Tranche D). This tranche is repayable by December 31, 2018 and bears interest at Euribor plus a margin of 3.75%.
The Group used the proceeds of this issue (800 million euros) and the proceeds of the capital increase carried out in the context of the public offer (250 million euros) to reimburse some of its existing debts, as follows:

- all of the Senior Debt originally subscribed by Altice B2B France in the amount of 451 million euros;

- all of the 275 million euro bond issue (Tranche C-Two B) subscribed in October 2012;
- part of the bond issue of 225 million euros (Tranche C-Two A) subscribed in October 2012 (repayment of 78.8 million euros) – the balance of this bond amounted to 146.3 million euros as of December 31, 2013;
- part of the bond issue of 360 million euros (Tranche C-One) subscribed in February 2012 (repayment of 126.1 million euros) – the balance of this bond amounted to 234.1 million euros as of December 31, 2013.

The table below summarizes the various tranches in place under the Senior Debt contract as of end-December 2013, their maturity, the applicable margin and the outstanding amount of the debt as of December 31, 2013:

Facility	Maturity	Margin/ Coupon (1)	Nominal (December) 2013 (2)
A2 and capex 2	June 2015	E + 3.875	51.9
B1	June 2014	E + 3.50	11.2
B2	June 2016	E + 4.75	106.5
B3	December 2017	E + 4.75	672.1
C1	December 2015	E + 4.00	36.0
C2	December 2017	E + 5.25	42.3
C3	December 2017	E + 4.75	110.9
C4	December 2018	E + 5.00	426.8
D	December 2018	E + 3.75	800.0
C-One (Bond)	February 2019	12.375	234.1
C-Two A (Bond)	February 2019	8.750	146.3

(1) Euribor ("E") + margin applicable to the facility;
(2) Nominal amount expressed in millions of euros as of December 31, 2013, excluding accrued interest and the impact of the effective interest rate.

Guarantees and Security

The Term Facilities are guaranteed irrevocably and unconditionally on a joint and several basis by each guarantor (Ypso France SAS and its subsidiaries) under the Senior Facility Agreement, subject to certain legal limitations.

The Term Facilities are secured by various security interests, such as a pledge on the shares of Ypso France SAS and its subsidiaries.

Covenants

The availability of the senior facilities mentioned in Note 23.1 is not dependent upon the Group's credit ratings, but is conditioned on its compliance with financial covenants related to the capacity of the Group to generate sufficient cash to repay its net debt. Accordingly, the Senior Facility Agreement contains customary operating and financial covenants, subject to certain agreed exceptions, including covenants restricting the ability of the Group to, among other things:

- amalgamate, merge or consolidate with any other company or be the subject of any reconstruction or materially change the nature of the business of the Group as a whole;
- sell, transfer, lease out, lend or otherwise dispose of any of its assets or agree to do so;
- enter into a material transaction that is not on an arm's length basis and for full market value;
- make acquisitions or investments;

- open or maintain an account with a bank or other financial institution providing like services other than a bank or credit institution entitled to engage in banking transactions in France, Belgium or Luxembourg;
- allot or issue shares or securities;
- change the end of its fiscal year.

The Senior Facility Agreement also requires the Group to comply with the following financial covenants:

- a maximum ratio of consolidated total net borrowings to annualized EBITDA;
- a minimum ratio of consolidated cash flows to consolidated total interest expense;
- a minimum ratio of annualized EBITDA to consolidated total net cash interest payable; and
- a maximum level of capital expenditures per fiscal year.

Compliance is tested quarterly and audited annually as of December 31 when the consolidated financial statements of Ypso France prepared in accordance with French GAAP are released. Since the SFA was established, the Group has complied every year with the financial covenants set out in the agreement.

As agreed under the SFA, the covenants are calculated on the basis of financial aggregates determined from the consolidated accounts drawn up by Ypso France in accordance with French GAAP and not IFRS. Accordingly, the EBITDA used to calculate the covenant is different from that presented in the Group's consolidated statement of income.

23.2 Perpetual subordinated notes ("TSDI")

In 2006, 23.65 million euros of perpetual subordinated notes ("*Titres Subordonnés à Durée Indéterminée*" – "**TSDI**") were issued by a subsidiary of the Group, NC Numericable, to a single subscriber, GDF Suez (Vilorex) (excluding capitalized interest). The proceeds of this borrowing were to be used to finance the construction of connectors in towns in the southern part of the SIPPEREC ("*Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication*"), a group of cities located in the Paris metropolitan area. The perpetual subordinated notes bear interest at a rate of 7% per annum. Interest on the notes is capitalized. Interest amortization is conditional. The total accrued interest payable on the notes amounted to 14 million euros and 11.6 million euros as of December 31, 2013 and 2012 respectively, and is classified as non-current in the table above in Note 23.

The instrument includes a contractual obligation to deliver cash (including interest) when cash inflows arising from revenues allow the Group to reimburse the notes. Pursuant to this contract, the payment of interest and the reimbursement of the debt are contingent upon the level of cash inflows generated; however, the Group does not have an unconditional right to avoid delivering cash. As a consequence, the instrument is recognized as a financial liability at amortized cost in accordance with IAS 32.

23.3 Deposits received from customers

Deposits received from customers amounted to 51.9 million euros and 44.5 million euros as of December 31, 2013 and 2012 respectively. Deposits are made when customers receive equipment from the Company, and are reimbursed when customers terminate their subscriptions if the customers have paid all outstanding invoices and have returned the equipment.

23.4 Other financial liabilities

As of December 31, 2013, other financial liabilities included various bank borrowings by Numericable against several banks (mainly *Caisse d'Epargne d'Alsace-Lorraine*) in the amount of 1,648 thousand euros and by Completel against various banks in the amount of 609 thousand euros.

As of December 31, 2012, other financial liabilities also included the debt of Ypso Holding Lux SARL against shareholders in the amount of 128,962 thousand euros, which was settled in 2013 as part of contributions to Numericable Group.

24 Provisions and contingent liabilities

The breakdown and change in provisions for the years ended December 31, 2013 and 2012 are as follows:

(in thousands of euros)	January 1, 2013	Change in scope	Increase	Utilization	Reversal	Reclassifi-cation	December 31, 2013
Provisions for retirement benefits	8,455	157	1,556	-	-	-	10,168
Provisions for litigation with employees	4,068	40	1,309	(1,409)	(29)	-	3,979
Provisions for commercial litigation	18,043	-	6,646	(5,245)	(2,071)	-	17,373
Provisions for tax contingencies	25,096	38	18,250	(7,087)	-	-	36,297
Other (1)	10,720	76	1,876	(96)	(349)	-	12,227
Total	66,382	311	29,637	(13,837)	(2,449)	-	80,044
Current portion	2,409	-	6,161	(2,409)	-	250	6,411
Non-current portion	63,973	311	23,476	(11,428)	(2,449)	(250)	73,633

(in thousands of euros)	January 1, 2012	Increase	Utilization	Reversal	Reclassifi-cation	December 31, 2012
Provisions for retirement benefits	6,101	2,357	-	(3)	-	8,455
Provisions for litigation with employees	3,604	1,183	(719)	-	-	4,068
Provisions for commercial litigation	21,935	6,252	(8,829)	(1,315)	-	18,043
Provisions for tax contingencies	26,977	212	(2,093)	-	-	25,096
Other	13,227	1,395	(3,902)	-	-	10,720
Total	71,845	11,399	(15,543)	(1,318)	-	66,382
Current portion	8,998	-	(8,998)	-	2,409	2,409
Non-current portion	62,847	11,399	(6,545)	(1,318)	(2,409)	63,973

(1) Mainly provisions for risks relating to the cost of customers failing to return equipment.

The Group is involved in legal and administrative proceedings that have arisen in the ordinary course of its business.

A provision is recorded by the Group when there is a sufficient probability that such disputes will lead to costs that the Group will bear and when the amount of these costs can be reasonably estimated. Certain companies of the Group are involved in a certain number of disputes related to the ordinary activities of the Group. Only the most significant disputes and proceedings in which the Group is involved are described below.

The Group is not aware of any governmental, legal or arbitration proceedings (including any proceedings of which the Group is aware, which are pending or threatened) other than those mentioned below in this section that may have or have had in the last 12 months significant effects on the financial position or profitability of the Company or the Group.

24.1 Tax audits

The French tax authorities have conducted audits of various companies of the Group since 2005 with respect to the VAT rates applicable to our multiple-play offerings. Under French tax law, television services are subject to a 5.5% VAT rate, which increased to 7% as of January 1, 2012, while Internet and telephony services are subject to a 19.6% VAT rate. When marketing multiple-play offerings, the Group allocates a price reduction compared with the price the Group would charge for its services on a stand-alone basis. This price reduction is primarily applied to its Internet and telephony services, because such services are newer products. As a result, the VAT charged to the subscribers was lower than the VAT that would have been charged if the Group had deemed the price reduction to apply primarily to the television portion of its packages.

The French tax authorities assert that these price reductions should have been calculated pro rata of the stand-alone prices of each of the services (television, broadband Internet, fixed and/or mobile telephony) included in the multiple-play packages of the Group and proposed adjustments for fiscal years 2006 to 2010.

The Group has formally challenged the tax assessments for the fiscal years from 2006 to 2009. The Group also referred the matter to the Ministry of Finance in December 2011 and sought a comprehensive settlement of the adjustments made by the tax administration in respect of the various Group companies for the period 2006-2009. Following this request, the tax administration lowered the amounts of adjustments for 2008 and 2009 by including in its calculation a limitation based on the 50/50 rule applicable on composite VAT, which was in force from 2008 to 2010. The new amounts of adjustments, totaling 17.1 million euros (excluding penalties of 40%) for the period 2006-2009, were communicated to the Group end of August 2012.

Furthermore, in 2012, the tax authorities also initiated a tax audit of fiscal year 2010, in the same matters and scope as the audits described above. These procedures gave rise to proposed adjustments at the end of June 2013, calculated in the same manner as for fiscal years 2007 to 2009, in a total amount of 6.1 million euros (excluding penalties of 40%). The Group replied on August 21, 2013, challenging the proposed adjustments. The tax administration sent replies to the Group's observations in late October 2013, pursuant to which it maintains its adjustments. To date, the 2011 and subsequent years have not been subject to VAT audits on the Numericable scope. The tax administration has also demanded payment for the 2006 adjustment on NC Numericable (approximately 2 million euros of the 17.1 million euros mentioned above for the 2006-2009 period). The Group asked for a payment deferral and filed a complaint in September 2012, which was rejected by the tax administration on June 27, 2013. The Group filed an additional request on August 20, 2013.

VAT rules applicable to multiple-play packages changed starting January 1, 2011.

As of December 31, 2012, a tax contingency provision of 24.9 million euros (compared with 25.1 million euros as of December 31, 2012) was recognized to cover all the risks related to VAT (excluding penalties of 40%, which would amount to 7.1 million euros) related to the adjustments notified for fiscal years 2006 to 2010 (i.e. 23.5 million euros). The Group replied on August 21, 2013, challenging the proposed adjustments.

In 2013, the tax administration initiated a tax audit of Altice B2B France and Completel in respect of fiscal years 2010 and 2011, resulting in the submission on December 19, 2013 of proposed adjustments. The adjustments focus on the challenge of charges for services provided to the companies in 2009, 2010 and 2011. A tax contingency provision covering all adjustments considered (income tax, VAT, withholding tax, penalties, surcharges and default interest) in the amount of 11.4 million euros was set aside December 31, 2013. In addition, the proposed adjustment results in a

reduction of tax loss carryforwards in the amount of 28.5 million euros. The Group challenged all adjustments on February 17, 2014.

As of December 31, 2013, a tax contingency provision of 36.3 million was recognized to cover all the risks related to VAT (excluding penalties of 40%, which represents 7.1 million euros) related to the adjustments notified for fiscal years 2006-2010 (i.e. 24.9 million euros) and the risks associated with the challenging of charges for services under the adjustments notified for fiscal years 2009-2011 (11.4 million euros).

24.2 Commercial disputes

24.2.1 In-depth inquiry of the European Commission into the transfer of cable infrastructures by certain local authorities

On July 17, 2013 the European Commission signaled that it had decided to open an investigation to verify whether the transfer of public cable infrastructure between 2003 and 2006 by several French municipalities to Numericable was consistent with European Union State aid rules. In announcing the opening of this in-depth investigation, the European Commission indicated that it believes that the sale of public assets to a private company without proper compensation gives it an economic advantage not enjoyed by its competitors, and that it therefore constitutes state aid within the meaning of the rules of the European Union. It argues that the transfer free of charge of the cable networks and ducts by 33 French municipalities in favor of Numericable confers a benefit of this type and, as such, state aid. The European Commission has expressed doubts about the compatibility of the alleged aid with the rules of the European Union.

The Group firmly denies the existence of any state aid. In addition, the decision to open an investigation concerns a relatively small number of network connections (200,000), the majority of which have not been migrated to EuroDocsis 3.0 and accordingly only allow access to a limited number of the Group's television services. The European Commission's decision of July 17, 2013 was published in the Official Journal of the European Union on September 17, 2013. Since then, discussions have continued within the framework of the procedure in respect of observations of third parties as well as those of the parties to the proceedings as to the allegation of the existence of aid and its extent, with the Group firmly challenging the existence of any state aid.

24.2.2 Litigation with Orange relating to IRUs

The Group entered into four non-exclusive IRUs with Orange on May 6, 1999, May 18, 2001, July 2, 2004 and December 21, 2004, in connection with the acquisition by the Group of certain companies operating cable networks built by Orange. These cable networks, accessible only through the civil engineering installations of Orange (mainly its ducts), are made available to the Group by Orange through these non-exclusive IRUs over such civil engineering installations. Each of these IRUs covers a different geographical area and was entered into for a term of 20 years.

Following ARCEP's decision 2008-0835 of July 24, 2008, Orange published, on September 15, 2008, a technical and commercial offer made to telecommunication operators pursuant to which such operators can roll out their own fiber networks in Orange's ducts. The terms of this mandatory technical and commercial offer are more restrictive than the terms that the Group enjoys under the Orange IRUs. As a result, Orange asked the Group to comply with the general rules regarding access to Orange's ducts for the purpose of maintaining and upgrading its network. This issue was litigated,

and both ARCEP and the Paris Court of Appeal ruled in favor of Orange on November 4, 2010 and June 23, 2011 respectively. Numericable appealed the decision before the French Supreme Court (*Cour de Cassation*), which upheld, for the most part, the decision of the Paris Court of Appeal.

Moreover, on October 21, 2011, ARCEP initiated penalty proceedings against Numericable, arguing that it had not complied with its November 4, 2010 decision. Consequently, in December 2011, Numericable and Orange signed amendments to the IRUs in order to comply with the November 4, 2010 ARCEP decision and to align the operating procedures set out in the IRUs with the procedures set out in the Orange generic technical and commercial offer.

In the meantime, the penalty proceedings initiated by ARCEP were not stopped by the execution of the amendments to the IRUs, and Numericable was fined 5.0 million euros on December 20, 2011 for noncompliance with ARCEP's November 4, 2010 decision. The fine was paid in full during fiscal 2012. Numericable filed an appeal against the decision before the Council of State. Within the framework of this appeal, Numericable having raised a question of Constitutional law, referred to the Constitutional Court, on the compliance with the Constitution of Article L. 36-11 of the CPCE, which sets out ARCEP's powers. On July 5, 2013, the Constitutional Court found in Numericable's favor and invalidated paragraphs 1 to 12 of Article L. 36-11 of the CPCE, on the basis of which ARCEP's December 20, 2011 decision to impose the aforementioned penalty was made. Numericable asked the Council of State to take the conclusions of this decision into consideration and accordingly to cancel ARCEP's December 20, 2011 decision. On October 21, 2013, the Council of State annulled the penalty imposed by ARCEP on December 20, 2011, which had condemned Numericable and NC Numericable to a fine of 5 million euros for non-compliance with ARCEP's November 4, 2010 ruling.

Lastly, Numericable initiated parallel proceedings against Orange before the Commercial Court of Paris on October 7, 2010 claiming damages of 2.7 billion euros for breach and modification of the IRUs by Orange. On April 23, 2012, the Commercial Court of Paris ruled in favor of Orange and dismissed the Group's claims for damages, ruling that there were no material differences between the original operational procedures and the new operational procedures published by Orange on September 15, 2008. Numericable appealed this decision before the Paris Court of Appeal and claimed the same amount of damages. Orange, in turn, claims that the proceedings materially impaired its brand and image, and claims damages of 50 million euros. The Commercial Court of Paris is expected to hear this case during the second quarter of 2014.

24.2.3 Litigation with Free relating to an advertising campaign

A claim was filed against NC Numéricable before the Commercial Court of Paris by telecommunication operator Free on August 3, 2011 in relation to the launch of the mobile offer by the Group in spring 2011 through an advertising campaign entitled "*La révolution du mobile continue*."

Free, which used the term "revolution" to refer to its launch of mobile phone services and whose latest offering was named the "Freebox Revolution," argues that Numericable's campaign led to customer confusion and damaged its brand and image. The case is currently pending before the Paris Commercial Court. Free is claiming damages of 10.0 million euros. After the hearing, the Court asked for an opinion from the French competition authority ("*Direction générale de la concurrence, de la consommation et de la répression des fraudes*" – DGCCRF) related to the reality of the assertions of Free with regard to the laws governing advertising. The DGCCRF returned an opinion in which it indicated that the questions raised by Free did not constitute a fault under the applicable law. However, on December 13, 2013, the Commercial Court of Paris condemned NC Numericable to pay Free the sum of 6,391,000 euros. NC Numericable appealed this decision. As the decision is

enforceable and the amount was paid in early 2014, the risk was fully provisioned as of December 31, 2013.

24.2.4 Litigation with several editors of value-added services (AVS)

On February 19, 2013, five companies editing value-added telephone services offering their services to the public through premium numbers (0899), jointly assigned Completel before the Commercial Court of Nanterre. The plaintiffs asked for the condemnation of Completel to pay 350,000 euros in repayment of sums corresponding to deductions made by Completel from the sums collected on their behalf. Completel made these deductions in response to practices by these companies that it considers contrary to the agreements between these companies and Completel, as well as ethical standards in the industry. They also sought payment of damages in a total amount of 12 million euros in compensation for the prejudice allegedly suffered as a result of the withholding of money by Completel.

Furthermore, in November 2012, Completel, having decided in November 2012 to put an end to this activity, suspended certain repayments and applied various contractual penalties on companies selling this type of value-added telephony services. Some of these companies assigned Completel before various Commercial Courts and sought an order for the payment of the amounts withheld by Completel or the cancellation of penalties applied by Completel. The overall claim amounts to approximately 400,000 euros, mainly representing sums collected for these companies.

24.2.5 Dispute with the Ligue de Football Professionnel

In a submission to the Commercial Court of Nanterre dated April 26 2013, the Professional Football League ("*Ligue de Football Professionnel*" – LFP) argued that Numericable had abused its dominant position in breach of its obligation of non-discrimination against the LFP when it was in charge of the production of the CFoot channel. The LFP requested 4.1 million euros in damages in compensation for the prejudice. More particularly, the LFP criticized Numericable for the low level of remuneration for the marketing of the CFoot channel compared with the remuneration of certain sports channels sold in packages. A hearing on the matter is expected in 2014.

24.2.6 Action by Colt, Free and Orange before the General Court of the European Union concerning the DSP 92 project

Colt, Free, and Orange, in three separate proceedings against the European Commission, filed a request with the General Court of the European Union for the cancellation of the final decision of the European Commission dated September 30, 2009 (Decision No. C (2009) 7426), which held that the compensation of 59 million euros granted within the framework of the public service concession for the establishment and operation of a high-capacity electronic communications network in the department of Hauts de Seine does not constitute state aid within the meaning of the rules of the European Union. The Group is not party to this proceeding. Its subsidiary Sequalum is acting as the civil party, as well as the French state and the department of Hauts de Seine. In three rulings dated September 16, 2013, the General Court of the European Union rejected the requests of the three applicants and confirmed the aforementioned decision of the European Commission. Free and Orange have appealed to the Court of Justice of the European Union.

24.2.7 Complaint of Bouygues Telecom

In late October 2013, the Group received a claim from Bouygues Telecom on the "white label" contract concluded between the two companies on May 14, 2009, initially for five years and extended once for an additional five years for the supply to Bouygues Telecom of double- and triple-play broadband offers. In its letter, Bouygues Telecom claimed damages totaling 53 million euros as a result of this contract. Bouygues Telecom alleges a prejudice that justifies, according to Bouygues Telecom, damages including (i) an amount of 17.3 million euros due to an alleged pre-contractual fraud (provision of incorrect information prior to the conclusion of the contract), (ii) an amount of 33.3 million euros as a result of alleged failure by Group companies in the execution of the contract and (iii) an amount of 2.4 million euros to repair the alleged damage to Bouygues Telecom's image. The Group considers these claims unfounded both in fact and in contractual terms, and rejects both the allegations of Bouygues Telecom and the amount of damages claimed. It nevertheless intends to continue regular discussions between the parties regarding the implementation of this contract, for which Bouygues Telecom is requesting modifications in the context of its claim. Notwithstanding this claim, which has not been brought before the courts, the parties have continued their day-to-day cooperation in conditions identical to those prevailing before October 2013. The contract, which runs until 2019, generated 37.3 million euros in revenues in 2012, 49.6% of total white label B2C revenues of 75.3 million euros and 2.8% of the Group's total revenues.

24.2.8 Investigation of DSP 92 by the Regional Auditor of Ile-de-France

In mid-November 2013, a number of press articles reported that the Regional Auditor of Ile-de-France had opened an investigation into the management of the department of Hauts-de-Seine between 2004 and 2007. The articles reported that the investigation would focus primarily on the DSP 92 project awarded to Numericable, and in particular the granting of 59 million euros in consideration for public service costs for the establishment and operating of a high-capacity electronic communications network in Hauts de Seine. The Group has no information as to the object or the timing of the investigation, and as such to its exact nature or its potential impact on the Group. However, the Group notes, as indicated above, that DSP 92 has been validated by French administrative courts, by the European Commission and by the General Court of the European Union, before which action against the DSP 92 contract has successively been brought, and that the Court of Auditors has no power to act against a non-governmental entity.

24.2.9 Litigation with employees

The Group is involved in litigation with a certain number of employees, a large part of which is due to the last merger period in 2006-2007, involving UPC-Noos, which gave rise to adjustments and harmonization in practices leading to disputes until 2009. The overall risk for this litigation is approximately 4 million euros. Most of this litigation consists of the challenge by an employee of the grounds for or the form of his or her dismissal.

25 Employee benefits

25.1 Provisions for retirement benefits

In France, the employees of the Group benefit from a general pension plan. Accordingly, the Group contributes to mandatory social security plans. This regime is considered to be a defined-contribution plan within the meaning of IAS 19. The employees of the Group are covered by the Telecom Industry Collective Bargaining Agreement ("*Convention Collective Nationale des Télécommunications*," which determines the amount of the pension due to the employee upon retirement).

The rights to conventional retirement benefits vested by employees were evaluated individually, based on various parameters and assumptions such as the employee's age, position, length of service in the Group and salary, according to the terms of their employment agreement.

25.1.1 Assumptions used for defined-benefit plans

(in thousands of euros)	**December 31, 2013**	**December 31, 2012**
Discount rate	3.0%	3.0%
Expected salary increase rate	3.0%	3.0%
Inflation rate	2.0%	2.0%
Turnover – managers (mean)	9.0%	7.0%
Turnover – other employees (mean)	18.0%	15.0%

The turnover rate can vary significantly depending on length of service.

25.1.2 Components of Net Periodic Benefit (Cost)

(in thousands of euros)	**December 31, 2013**	**December 31, 2012**
Service cost	881	713
Interest cost	253	287
Expected return on plan assets	-	-
Recognition of actuarial net (gain) loss	458	1,496
Past service cost	-	-
Amounts recognized due to plan combinations	157	-
Curtailments/Settlements	(36)	(57)
Expense in respect of post-employment benefits	**1,714**	**2,439**
Including losses (gains) recognized in other comprehensive income	458	1,496
Percentage of present value of plan liabilities	4.5%	17.7%

Actuarial gains and losses arising from experience, adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income.

25.1.3 Change in defined-benefit obligations

(in thousands of euros)	**December 31, 2013**	**December 31, 2012**
Defined-benefit obligations – beginning of year	**8.455**	**6.101**
Service cost	881	713
Interest cost	253	287
Contributions paid	-	-

Amortization of actuarial net gain (loss)	458	1,496
Benefits paid	(36)	(87)
Past service cost	-	-
Business combinations	157	-
Curtailments/Settlements	-	(57)
Defined benefit obligation – end of year	**10.168**	**8.455**

25.2 Stock option plans

On November 7, 2013, the Board of Directors adopted a stock option plan in favor of certain officers and employees of Numericable Group.

The plan covers a total of 2,845,229 options for 2,845,229 shares. The exercise price of the option is 24.80 euros per share (the price set at the Company's IPO).

The plan has a term of eight years from November 7, 2013 until November 7, 2021.

The exercise of options is subject to conditions of presence and performance (based on consolidated revenue and EBITDA – Capex).

The vesting occurs in three periods:
- 50% in November 2015;
- 25% in November 2016;
- 25% in November 2017;

As of December 31, 2013, the fair value of options was estimated at 9,702 thousand euros. An amount of 640 thousand euros was expensed in 2013 in respect of this plan.

The main assumptions used for the valuation of the plan are listed in the table below:

	Stock options – November 2013
Unit fair value at the grant date	3.41
Share price at the grant date	24.80
Exercise price of the option	24.80
Anticipated volatility (weighted average)	25%
Expiry date (maturity)	November 2021
Anticipated dividends	4%
Risk-free interest rate (government bonds)	0.75%

26 Other non-current liabilities

(in thousands of euros)	**December 31, 2013**	**December 31, 2012**
Non-current deferred revenue (more than one year)	97,429	105,791
Non-current trade payables	4,874	5,175
Non-current tax and social security payables	282	300
Other non-current liabilities	**102,585**	**111,266**

Deferred revenue at the end of the reporting period mainly represents unrecognized network lease revenue.

For certain arrangements entered into with its non-residential customers, the Group receives up-front cash payments, namely in relation to indefeasible right of use arrangements ("IRUs") and connection fees. For these arrangements, the revenue is generally recognized over the duration of the lease contract.

The non-current part of deferred revenue disclosed in the above table corresponds to revenue that will be recognized in more than one year.

The current-part of deferred revenue (i.e. revenue to be recognized in less than one year) is presented in "Trade payables and other liabilities."

27 Trade payables and other liabilities

(in thousands of euros)	**December 31, 2013**	**December 31, 2012**
Current trade payables	513,979	416,183
Trade payables – acquisition of assets	78,494	87,145
Advances and down payments received	20,464	19,884
Current accounts payables	49	21,219
Liabilities related to tax and duties	24,987	87,358
Corporate and social security contributions	54,412	45,871
Current deferred revenue (less than one year)	57,441	45,319
Other payables	7,592	3,054
Trade payables and other liabilities	**757,418**	**726,033**

28 Financial instruments

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement, and the basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Notes 2.15 and 2.19.

28.1 Fair value of financial instruments

Valuation techniques and assumptions applied to measure fair value for derivative instruments

The fair values of derivative instruments are calculated using market prices. When such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the

duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Interest rate swaps are measured at the present value of estimated future cash flows, discounted based on the applicable yield curves derived from market interest rates.

In accordance with the amendments to IFRS 7, the Group classifies its financial instruments measured at fair value into three levels (the fair value hierarchy).

- Level 1 fair value measurements are those derived from market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Levels of fair value are presented in the tables below.

Fair value measurement other financial assets

Due to their short-term nature, the fair value of cash and cash equivalents, trade receivables and other current receivables and trade payables and other liabilities, is a proxy for the net carrying amount.

Investments in entities not included in the combination are unlisted equity securities. As a result, their fair value cannot be measured reliably, and these investments are accordingly measured at cost.

Financial guarantees and collateral

Under the SFA, the Group's assets have been pledged as collateral to bank lenders.

28.2 Financial assets

		December 31, 2013 – Financial assets				
(in thousands of euros) *net amounts*	Level of fair value	Available for sale	Loans and receivables	Designated at fair value through profit and loss	Held to maturity	Total financial assets
Trade receivables and other receivables	2	-	402,888	-	-	402,888
Investments in associates	3	2,893	-	-	-	2,893
Non-current financial assets	2	35	7,228	-	-	7,263
Current financial assets	2	-	4,020	-	-	4,020
Derivative instruments		-	-	-	-	-
Cash and cash equivalents	1	-	-	101,365	-	101,365
Financial assets		**2,928**	**414,136**	**101,365**	**-**	**518,429**

(in thousands of euros) net amounts	Level of fair value	December 31, 2012 – Financial assets				
		Available for sale	Loans and receivables	Designated at fair value through profit and loss	Held to maturity	Total financial assets
Trade receivable and other receivables	2	-	417,371	-	-	417,371
Investments in associates	3	3,377	-	-	-	3,377
Non-current financial assets	2	35	6,791	-	5	6,831
Current financial assets	2	-	4,034	-	-	4,034
Derivative instruments		-	-	-	-	-
Cash and cash equivalents	1	-	-	7,996	-	7,996
Financial assets		**3,412**	**428,196**	**7,996**	**5**	**439,609**

28.3 Financial liabilities

Except for interest-rate derivatives, financial liabilities are measured at amortized cost, which is the amount at which the financial liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or irrecoverability.

Interest-rate derivatives held to maturity are measured at fair value through profit and loss.

Bonds are traded on the Irish Stock Exchange, market prices as of December 31, 2013 are as follows:
- Tranche C-One, coupon 12.375%, maturing February 2019: 122.83;
- Tranche C-TwoA, coupon 8.75%, maturing February 2019: 113.94.

28.4 Financial risk management objectives

Objective of the Corporate Treasury function

The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal reports that analyze exposures by degree and magnitude of risks. These risks include market risk (primarily interest rate risk since the Group's activities do not expose it to risks of changes in foreign currency exchange rates), credit risk and liquidity risk. The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The Group does not hold or trade in financial instruments, including derivative financial instruments, for speculative purposes.

Interest rate risk management

The Group is exposed to interest rate risk because the Group borrows funds, mostly at floating interest rates. The risk is managed by the Group, when deemed appropriate, through the use of interest rate swaps and interest rate caps. Even though the Group does not apply IAS 39 in terms of hedge accounting, hedging activities are evaluated regularly to align with interest rate views and

defined risk appetite, ensuring the most cost-effective hedging strategies are applied, in compliance with the requirements of the SFA.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point decrease is used when reporting interest rate risk internally to key management personnel. This represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been roughly 50 basis points higher (lower) and all other variables were held constant, the Group's net income (loss) for the year ended December 31, 2013 would have decreased (increased) by 12 million euros. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract.

The Group did not hold any swap contracts during the years ended December 31, 2013 and 2012.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

Financial instruments that could potentially subject the Group to concentrations of counterparty risk consist primarily of trade receivables, cash and cash equivalents, investments and derivative financial instruments. Overall, the carrying amount of financial assets recognized in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

As mentioned in Note 20, the Group considers that it has extremely limited exposure to concentrations of credit risk with respect to trade accounts receivable due to its large and diverse customer base (residential and public institutions) operating in numerous industries and located across France. In addition, the maximum value of the counterparty risk on these financial assets is equal to their recognized net carrying amount. An analysis of credit risk on net trade receivables past due is provided in Note 20.

The Group's policy is to invest its cash, cash equivalents and marketable securities with financial institutions and industrial groups with a long-term rating of A-/A3 or above.

However, in September 2008, Lehman Brothers filed for bankruptcy. Part of the Group's financial liabilities was hedged by interest rate swaps entered into with Lehman Brothers. As a result of the bankruptcy, Lehman Brothers defaulted on the swaps. There is currently a claim with Lehman Brothers for a total amount of approximately 11.2 million euros. In 2012, the Group received a first payment 2.8 million euros in relation to this claim. In 2013, the Group received two further

installments in a total amount of 7.1 million euros. As such a contingent gain of 1.3 million euros remains for the Group, but has not been recognized as of December 31, 2013.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods (excluding amortized cost and future interests). The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	December 31, 2013			
(in thousands of euros)	Less than 1 year	1-5 years	More than 5 years	Total
Financial liabilities under Senior Facility Agreements	47,341	2,226,717	380,380	2,654,438
Perpetual subordinated notes	-	-	37,695	37,695
Financial liabilities under finance leases	20,578	19,799	1,116	41,493
Other financial liabilities	1,096	1,568	-	2,664
Total bonds and loans	**69,015**	**2,248,084**	**419,191**	**2,736,290**
Derivative instruments	-	-	-	-
Deposits received from customers	-	51,932	-	51,932
Bank overdrafts	-	-	-	-
Total financial liabilities	**69,015**	**2,300,016**	**419,191**	**2,788,222**

	December 31, 2012			
(in thousands of euros)	Less than 1 year	1-5 years	More than 5 years	Total
Financial liabilities under Senior Facility Agreements	98,545	1,869,210	860,199	2,827,955
Perpetual subordinated notes	-	-	35,208	35,208
Financial liabilities under finance leases	19,432	6,359	1,527	27,318
Other financial liabilities	2,113	2,012	129,222	133,347
Total bonds and loans	**120,090**	**1,877,581**	**1,026,156**	**3,023,828**
Derivative instruments	-	-	-	-
Deposits received from customers	-	44,517	-	44,517
Bank overdrafts	-	-	-	-
Total financial liabilities	**120,090**	**1,922,098**	**1,026,156**	**3,068,344**

The Group considers that its available cash and cash equivalents and the anticipated cash flows from operations are sufficient to cover its operating expenses, capital expenditure and its financial debt requirements for the next twelve months.

29 Related party transactions

The majority shareholders of the Group are a group of investment and private equity firms: Altice, Cinven and Carlyle.

Balances and transactions between entities forming the Group have been eliminated in preparing the consolidated financial statements and are not disclosed herein. Details of transactions between the Group and other related parties are disclosed below.

29.1 Trading and financing transactions

During the year, group entities entered into the following trading transactions with related parties that are not members of the Group:

(in thousands of euros)	*Purchase of goods and services*		*Amounts owed by related parties*		*Amounts owed to related parties*	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Shareholders						
Cinven	474	610	-	-	639	-
Altice	181	1,214	-	-	-	-
Carlyle	450	600	-	-	900	450
Associate						
Alsace Connexia Participation SAS	-	-	2,280	2,235	-	-

Management fees have been paid to the shareholders (Cinven, Altice and Carlyle) in relation to certain management, financing and advisory services provided (1,106 thousands euros in 2013 and 2,424 thousand euros in 2012). These contracts ended on September 30, 2013 within the framework of the IPO.

Moreover, as mentioned in Note 4.1.1, during the restructuring of the Group's debt in 2009, in which the Group's shareholders acquired certain loans in respect of SFA Ypso France, Ypso Holding SARL issued securities subscribed by the shareholders, including 132,664,023 subordinated interest preferred equity certificates ("Super PECs") with a nominal value of 1 euro each, the interest on which was capitalized.

Cinven, Carlyle and Altice contributed the Super PECs to Numericable Group on November 7, 2013, within the framework of the legal transactions related to the IPO. This debt was therefore extinguished in exchange for newly issued securities. Consecutively, the expense related to the extinguishment of the debt ("Premium") was recognized as financial expense in the amount of 81.6 million euros. This charge had no impact on the Group's cash position.

29.2 Related-party relationships

(1) Relationships with shareholders

Relationships with Altice

Altice owns cable networks in the French West Indies (Antilles), and the Group pays call termination charges to these networks for calls made by subscribers of its network to subscribers of networks in the West Indies. Conversely, the Group receives call termination charges for calls made by subscribers of these networks to subscribers of the Group.

Finally, Altice owns Auberimmo, which is a company that rents infrastructures to the Group. Auberimmo has a sole client, Completel SAS, which is a member of the Group. Rents invoiced in 2013 amounted to 1,132 thousand euros, compared with 1,081 thousand euros in 2012.

Relationships with Carlyle

Sagemcom, one of the Group's key suppliers of set-top boxes, was acquired by funds managed by Carlyle on August 17, 2011.

NC Numericable and Completel also signed a contract for services with B&B Hotels and Econonich (together, "Group B&B Hotels"), acquired by Carlyle Group in 2010, on December 31, 2013. The contract was concluded for a period of five years, after which the parties will meet for a possible contract extension. Under the terms of the contract, NC Numericable and Completel have committed to provide the following services:

- access to broadband internet;
- creation of an IP network on all relevant sites;
- security services;
- fixed telephony services;
- TV services; and
- various other cross-cutting services.

(2) Relationships with Coditel, an entity owned by Altice and by other parties unrelated to the Group

As part of the sale of Coditel Belgium and Coditel Luxembourg in June 2011, the Group entered into a service agreement and a trademark license agreement with Coditel Holding S.A. to ensure the continuity of its operations

Service agreement

On June 30, 2011, Numericable SAS entered into a service agreement (the "Coditel Service Agreement") with Coditel. Pursuant to the Coditel Service Agreement, the Group will continue to provide Coditel with all the services it provided prior to its sale, including:

- VOD platform services and VOD content services;
- television, IP and voice engineering services;
- support and assistance in purchasing hardware and devices needed for its operations, in particular set-top boxes and software, modems, routers and mobile handsets, and also television and VOD content;
- delivery of television channels signals and existing data flows over the Group's backbone;
- upgrade of Coditel's billing software; and
- continued support of Coditel's systems currently located in the Group's premises or currently supported from the Group's systems.

In consideration of the services provided, Coditel agreed to pay the Group a total of 100,000 euros per year. In addition, Coditel will pay the Group 10% of its monthly VOD revenues.

Trademark License Agreement

On June 30, 2011, Coditel and Numericable also entered into a trademark license agreement (the "Trademark Agreement"). Pursuant to the Trademark Agreement, the Group will provide Coditel with a license to use the "Numericable" trademark, registered under Ma14502, exclusively in Belgium and Luxembourg in relation to the offering, promotion and commercialization of television, Internet and telephone products and services. The license fee is included in the annual fee of 100,000 euros under the Service Agreement. The Trademark Agreement terminates automatically on June 30, 2017, upon termination of all services under the Service Agreement or upon expiry of the Service Agreement.

29.3 Compensation of key management personnel

Compensation of members of the Executive Committee amounted to 2,226 thousand euros and 2,100 thousand euros in 2013 and 2012 respectively. This amount includes only short-term benefits such as salaries, wages and bonuses.

The Group has also set aside 303 thousand euros as of December 31, 2013 for retirement benefits (general regime) for Executive Committee members.

Lastly, the expense related to stock option plan (employer contribution + IFRS 2 expense) represents 3,409 thousand euros for members of the Executive Committee for 2013 (nil in 2012).

30 Lease arrangements

30.1 The Group as lessor

Finance leases

The Group has not any contracted finance leases as a lessor.

Operating leases

Operating leases relate to the investment property owned by the Group and leased to other companies in the telecommunications industry, with lease terms of between 15 to 30 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Future revenues related to these leases (recorded in deferred income) break down as follows:

(in thousands of euros)	Future minimum amount of rents	
	December 31, 2013	December 31, 2012
Not later than 1 year	53,930	45,318
Later than 1 year and not later than 5 years	42,224	40,930
More than 5 years	54,997	64,545
Total	**151,151**	**150,793**

30.2 The Group as lessor

Finance leases

The Group has entered into various finance leases related to property, for which the lease term is generally between 20 and 30 years, and office equipment, for which the lease term is 4 years.

The main finance lease arrangements relate to network equipment bought from Cisco and the property lease for the headquarters offices of the Group in Champs-sur-Marne, for which the Group has an option to purchase the property at the end of the lease term at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable.

All leases are denominated in euros. Certain property lease arrangements stipulate that the annual payments will be set at a fixed amount at the beginning of the lease, but will be increased in line with the inflation rate in subsequent years (i.e. a percentage increase).

(in thousands of euros)	Minimum lease payments		Present value of minimum lease payments	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Not later than 1 year	22,100	11,685	21,257	11,302
Later than 1 year and not later than 5 years	21,069	13,883	19,246	12,830
More than 5 years	1,342	721	989	595
	44,510	**26,288**	**41,492**	**24,728**
Less future finance charges	(3,018)	(1,560)	-	-
Present value of minimum lease payments	41,492	24,728	41,492	24,728
Financial liabilities related to finance leases – current portion			21,257	11,302
Financial liabilities related to finance leases – non-current portion			20,235	13,426

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 3.96% and 3.24% per annum for 2013 and 2012 respectively.

Operating leases

The Group also has property and vehicle lease commitments under operating leases. The lease term for property under operating leases is generally 3, 6 or 9 years, a standard lease term for commercial real estate in France. The lease term for vehicle under operating lease is 3 years.

As part of the networks business, leases involving equipment and network IRUs (rights of use of the local loop, backbone) or other rental contracts (rights of way) were not considered material.

In connection with its entertainment business activities, the Group has also entered into operating leases and agreements to purchase TV programs.

As of December 31, 2013, non-cancellable operating lease commitments amounted to:

(in thousands of euros)

	December 31, 2013
Not later than 1 year	10,381
Later than 1 year and not later than 5 years	34,798
More than 5 years	12,978
	58,156

31 Non-current assets held for sale and discontinued operations

None.

32 Commitments and contractual obligations

32.1 Commitments given

Guarantees in relation to the Senior Facility Agreement

As part of the SFA entered into by the subsidiaries of the Group, the following commitments were given to the lending banks:

- Compliance with financial covenants;
- Stable tax consolidation scope;
- Compliance with conditions governing the acquisition, disposal, use and control of assets.

All the assets of the Group's subsidiaries have been pledged to the banks.

Commitments in relation to business operations

The Group is committed to build 75,000 connectors for a total amount of 4.5 million euros on behalf of the city of Le Havre, France.

To operate telecommunications networks, the Group needs licenses, authorizations or rights of use to infrastructure in the public and private domain. Consequently, the Group generally pays fees to the public administration in charge of managing the infrastructure (local authorities) or to the owners. In the course of its normal business activities, the Group has also entered into outsourcing contracts, particularly for certain network maintenance services.

Lease commitments in relation to business operations

As disclosed in Note 30, the Group has entered into various lease arrangements.

Contractual obligations

The following table sets out the maturity of financial commitments in respect of borrowings and leases entered into by the Group (see the corresponding Notes):

			Maturity		Total
(in thousands of euros)	**Note**	< 1 year	1-5 years	> 5 years	December 31, 2013
Loans and financial liabilities	**23**	64,249	2,283,075	418,818	2,766,142
Operating leases	**30**	10,381	34,798	12,978	58,157
Total		**74,630**	**2,317,873**	**431,796**	**2,824,299**

32.2 Commitments received

The Group has received a commitment of a total amount of 25 million euros from GDF Suez to subscribe to perpetual floating rate notes, which will provide financing for the construction of the Sipperec network. The Group has already received 23.8 million euros in principal from GDF Suez as of December 31, 2013.

33 Events after the end of the reporting period

33.1 Liquidity contract signed with Exane BNP Paribas

In early 2014, the Group signed a liquidity contract with Exane BNP Paribas in order to improve the liquidity of its securities and the regularity of their prices on NYSE Euronext Paris. A liquidity account of 3 million euros has been opened to allow Exane BNP Paribas to make transactions under the terms of the liquidity contract.

33.2 Granting of a new stock option plan

On January 10, 2014, the Board of Directors adopted a stock option in favor of certain officers and employees of Numericable Group.

This plan covers a total of 287,618 options for 287,618 shares.

The exercise price is 27.62 per share.

33.3 Exclusive talks with Vivendi for the acquisition of SFR

On March 14th, 2014, the board of directors of Vivendi announced that it entered into exclusive talks with Altice, the majority shareholder of Numericable Group, for a period of three weeks, in order to discuss the possible acquisition of its subsidiary SFR.

IV. STATUTORY AUDITORS' REPORT ON THE COMPANY'S STATUORY FINANCIAL STATEMENTS

The French-language report is available in the *French 2013 Annual Financial Report*.

V. STATUTORY AUDITORS' REPORT ON THE GROUP CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English-speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.
This report also includes information relating to the specific verification of information given in the Group's management report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Numericable Group S.A.

Registered office: Tour Ariane – 5, place de la Pyramide – 92088 Paris La Défense Cedex
Share capital: €.123 942 012

Statutory auditors' report on the consolidated financial statements

To the Shareholders,
In compliance with the assignment entrusted to us by your by-laws and Shareholders' general meeting, we hereby report to you, for the year ended December 31, 2013, on:

- the audit of the accompanying consolidated financial statements of Numericable Group S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1 Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2013 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matter set out in the following notes to the consolidated financial statements:

- Notes 1.2 « Basis of preparation of the consolidated financial statements » and 1.3 « Comparative information » describe respectively the accounting treatment of the contribution operations to the group and their impact on the preparation and presentation of the consolidated financial statements and the comparative information ;
- Notes 4.1.2 « IPO and capital increase » and 4.1.6 « Refinancing of Senior Debt » describe the initial public offering and the refinancing operations which occurred at the end of 2013 and their impact on the hypothesis made to adopt the going concern assumption for the group as described in note 1.5 « Going concern assumption » ;
- Notes 1.3 « Comparative information » and 2.1 « Accounting principles governing the preparation of the consolidated financial statements » describe the change in accounting method resulting from the first implementation of the revised IAS 19 standard.

2 Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code *(Code de commerce),* we bring to your attention the following matters:

Note 3 « Critical accounting judgment and key sources of uncertainty in respect of estimates » to the consolidated financial statements describes the critical accounting policies and main sources of uncertainty in respect to estimates. This note also states that changes in facts and circumstances may result in revised estimates or assumptions which could affect the financial position, results of operations and cash flows of the Group. Amongst the significant estimates, there are goodwill and deferred tax assets:

- The company systematically performs, at each closing date, impairment tests on goodwill according to the methods described in note 2.14 « Impairment of goodwill and non-current assets » and note 3 « Critical accounting judgment and key sources of uncertainty in respect of estimates » to the consolidated financial statements.

  We examined the methods used to test for impairment as well as cash flow projections and assumptions used and ensured that note 16 « Impairment testing » provides appropriate disclosures thereon.
- The Group presents in its statement of financial position deferred tax assets for an amount of 132.7 million euros as at December 31, 2013, as described in note 4.1.7 « Recognition of deferred tax assets » to the consolidated financial statements.

  We assessed the information and assumptions used for the forecasted future use of tax losses to carry forward, reviewed the calculations performed by the company and ensured that Note 3, 4.17 and 12 provide appropriate disclosures thereon.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3 Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.
We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Statutory auditors

Paris La Défense, April 2, 2014

KPMG Audit
Department of KPMG S.A.

French original signed by
Grégoire Menou
Partner

Neuilly-sur-Seine, April 2, 2014

Deloitte & Associés

French original signed by
Christophe Saubiez
Partner

VI. REPORT OF THE CHAIRMAN ON CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The French-language report is available in the *French 2013 Annual Financial Report*.

VII. REPORT OF THE STATUTORY AUDITORS ON THE CHAIRMAN'S REPORT ON CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The French-language report is available in the *French 2013 Annual Financial Report*.

VIII. STATUTORY AUDITORS' FEES

Fees paid to the statutory auditors for 2012 and 2013 are as follows:

	KPMG		DELOITTE		TOTAL	
In € thousands	2013	2012	2013	2012	2013	2012
Audit services	**814**	**328**	**1,579**	**757**	**2,393**	**1,085**
- Numericable Group SA	*534*	--	*1 012*	--	*1,546*	--
- Subsidiaries	*280*	*328*	*567*	*757*	*847*	*1,085*
Services directly related to the Statutory Auditors' assignment	**96**	**4**	**276**	**654**	**372**	**658**
- Numericable Group SA	*55*	--	*239*	--	*294*	--
- Subsidiaries	*41*	*4*	*37*	*654*	*78*	*658*
Tax advice	**--**	**--**	**884**	**328**	**884**	**328**
- Numericable Group SA	--	--	*665*	--	*665*	--
- Subsidiaries	--	--	*219*	*328*	*219*	*328*
Other services	**--**	**--**	**--**	**--**	**--**	**--**
- Numericable Group SA	--	--	--	--	--	--
- Subsidiaries	--	--	--	--	--	--
TOTAL	**910**	**332**	**2,739**	**1,739**	**3,649**	**2,071**
of which Numericable Group SA	*589*	--	*1 916*	--	*2,505*	--
Subsidiaries	*321*	*332*	*823*	*1,739*	*1, 144*	*2,071*

IX. ATTESTATION OF PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

"I certify that, to my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide an accurate picture of the assets, financial condition and results of operations of the Company and all of its consolidated subsidiaries. I certify that the management report presents an accurate picture of the evolution of the activities, results of operations and financial condition of the Company and all of its consolidated subsidiaries, as well as a description of the main risks and uncertainties they face."

Eric Denoyer

Chairman and CEO