Certain Financial Information of SFR

Table of Contents

Definitions

‘‘2014 Existing Numericable Indebtedness’’ refers to all indebtedness outstanding under the Ypso France Senior Facility Agreement, including the Numericable February 2012 Notes and the Numericable October 2012 Notes, which was fully repaid and extinguished with the proceeds from certain financing transactions executed in connection with the 2014 Numericable Group Transactions.

‘‘2014 Numericable Group Transactions’’ refers to the 2014 SFR Acquisition, the 2014 Numericable Refinancing Transactions, and the related issuance of the 2014 Senior Notes and the Numericable Senior Secured Notes.

‘‘2014 Numericable Refinancing Transactions’’ refers to the refinancing of the 2014 Existing Numericable Indebtedness.

‘‘2014 Senior Notes’’ refers to the €4.17 billion Senior Notes due 2022 issued by Altice S.A. on May 8, 2014.

‘‘2014 SFR Acquisition’’ refers to the acquisition by Numericable of all the shares of SFR and SIG 50 from Vivendi, which was consummated on November 27, 2014.

‘‘Altice France Group’’ refers to Numericable-SFR S.A. and its subsidiaries after giving effect to the 2014 Numericable Group Transactions, including SFR and its subsidiaries and SIG 50, but without giving effect to the acquisition of Omer Telecom.

‘‘Altice Group’’ refers to, collectively, the Issuer and its subsidiaries (and, following the completion of the acquisition of all of the issued share capital of PT Portugal SGPS, S.A., this will also include the PT Portugal Group), unless the context otherwise requires.

‘‘Numericable February 2012 Notes’’ refers to the 12$^{3}/_{8}$% senior secured notes due 2019 that were issued by Numericable Finance & Co. S.C.A. on February 14, 2012 in an aggregate principal amount of €360.2 million.

‘‘Numericable October 2012 Notes’’ refers to the 8¾% Senior Secured Notes due 2019 that were issued by Numericable Finance & Co. S.C.A. on October 25, 2012 in an aggregate principal amount of €225.0 million.

‘‘Numericable Senior Secured Notes’’ refers to the €7,873 million (equivalent) aggregate principal amount of Senior Secured Notes issued by Numericable on May 8, 2014.

‘‘SFR’’ refers to Société Fran¸caise du Radiot´el´ephone—SFR S.A. a public limited liability company (société anonyme) organized and existing under the laws of France, SIG 50 and their subsidiaries (excluding SPT, a holding company of Maroc Telecom), unless the context otherwise requires.

‘‘SIG 50’’ refers to Société d’Investissement et de Gestion 50—SIG 50 S.A., a French corporation incorporated as a soci´et´e anonyme, registered under identification number 421 345 026 Paris and its subsidiaries.

‘‘Ypso France Senior Facility Agreement’’ refers to the senior facility agreement originally dated June 6, 2006, as amended and/or restated from time to time, including on July 18, 2006, July 28, 2006 and March 2, 2007, by a letter dated June 24, 2008, on December 9, 2009, on September 16, 2011, and on November 25, 2013, between, among others, Ypso Holding S.`a r.l., as parent; Ypso France S.A.S., Altice France S.A., EST S.A.S., Coditel Debt S.`a r.l., Est Videocommunication S.A.S., Numericable S.A.S. and NC Numericable S.A.S., as original borrowers and original guarantors; BNP Paribas, CALYON, Lehman Brothers Bankhaus AG, London Branch and Morgan Stanley Bank International Limited, as mandated lead arrangers; BNP Paribas, as agent and security agent; and the Lenders named therein.

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

The following discussion and analysis is intended to assist in providing an understanding of SFR's financial condition, changes in financial condition and results of operations. The discussion is based on SFR's audited combined financial statements as of and for the years ended December 31, 2011, 2012, and 2013, and SFR's unaudited combined condensed interim financial statements as of and for the nine months ended September 30, 2014, in each case, prepared in accordance with IFRS as adopted by the European Union. SFR's combined financial statements as of and for the years ended December 31, 2011, 2012, and 2013, were audited by KPMG Audit, a department of KPMG S.A., and Ernst & Young et Autres. and SFR's unaudited combined condensed interim financial statements as of and for the nine months ended September 30, 2014, were the subject of a limited review by KPMG S.A. An English translation of these reports are included in this Notice.

Except as the context otherwise indicates, when discussing historical results of operations under "Description of SFR's Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of SFR", "SFR", "it" and other similar terms are generally used to refer to SFR's business. In this section, references to "SFR Combined Group" refer to SIG 50, SFR and their subsidiaries, and references to the "SFR Group" refer to SFR and its subsidiaries and, as the context requires, SIG 50 and its subsidiaries.

You should read the discussion under "Management's Discussion and Analysis of Financial Condition and Results of Operations of SFR" in conjunction with the combined financial statements of SFR and the accompanying notes an English translation of which is included in this Notice. A summary of the critical accounting estimates that have been applied to SFR's financial statements is set forth below in "Critical Accounting Estimates". This discussion also includes forward-looking statements which, although based on assumptions that SFR considers reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of the risks and uncertainties SFR faces as a result of various factors, see "Risk Factors".

Presentation of Financial Information

The discussion and analysis below for each of the periods presented is based on the financial information derived from the audited combined financial statements of SFR as of and for the years ended December 31, 2011, 2012 and 2013 (the "2011, 2012 and 2013 Combined Financial Statements") and the unaudited combined condensed interim SFR financial statements as of and for the nine months ended September 30, 2014 (the "SFR Q3 2014 Combined Financial Statements" and together with the SFR 2011, 2012 and 2013 Combined Financial Statements, the "SFR Combined Financial Statements"). The SFR Combined Financial Statements cover the following parameters: (i) SFR S.A. ("SFR"); (ii) entities held directly or indirectly by SFR and its subsidiaries; (iii) Vivendi S.A.'s ("Vivendi") participation through its interest in SIG 50, in the telecommunications products and services distribution activity and the telecommunications business of Futur Télécom (a CID subsidiary), given their operational link to SFR's activity; and, with respect to the SFR Q3 2014 Combined Financial Statements, (iv) Groupe Telindus France, which was acquired by SFR on May 1, 2014, when it acquired Groupe Telindus France and operates in the telecommunications and network integration business.

In the absence of a specific IFRS text on the preparation of combined financial statements, SFR defined the basis of preparation of its combined accounts as of and for the years ended December 31, 2011, 2012 and 2013 and as of and for the nine months ended September 30, 2013 and 2014. The SFR Combined Financial Statements were prepared in accordance with IFRS as approved by the European Union.

Introduction

As SFR's business evolves towards increased convergence of the activities of the mobile telephone and broadband internet, and fixed revenue services, it will continue to globalize and unify its operations. The chief operating decision- maker checks the results and operating plans, and decides on the distribution of resources at the group level. SFR has therefore identified one individual operating sector that corresponds to the criteria of standard IFRS 8. Similarly, in view of the fact that virtually all of SFR's activity is on French territory, a single geographic segment has been retained.

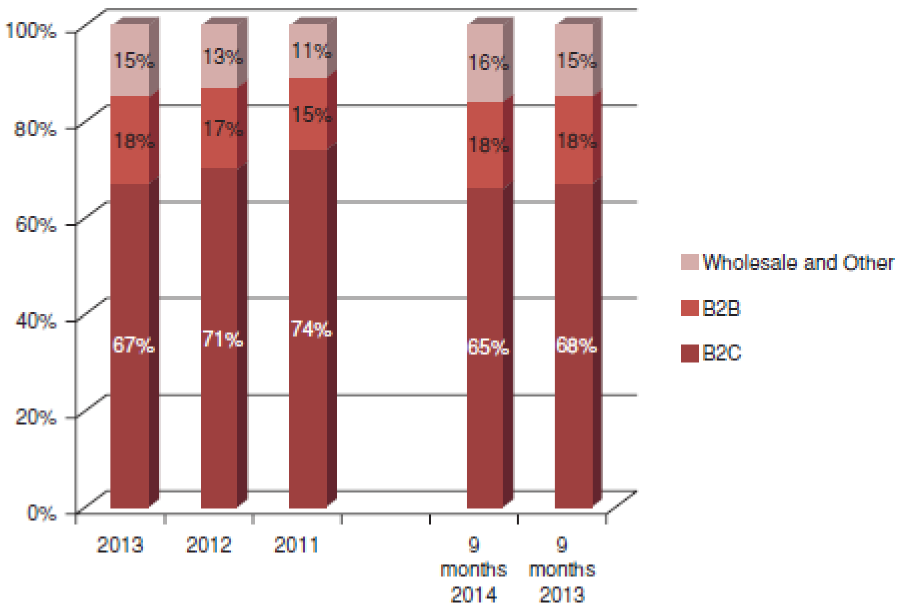
SFR's combined revenue has been broken down by the following three markets:

- B2C, which includes the offers and services marketed to the consumer market in mainland France;

•	B2B, which includes the offers marketed to VSE/SME, large companies and public entities in mainland France; and

•	Wholesale and Other, which includes: (i) services offered to mobile virtual network operators (“MVNOs”) or to foreign mobile operators whose customers use SFR’s network; (ii) voice and data transmission services; (iii) wholesale services that rely on the fiber network infrastructure; and (iv) white label DSL services offered to telecommunications operators and internet access providers. In the presentation of the SFR Combined Group’s revenues, this market also includes activities that have not been included in the B2C and B2B markets, principally Société Réunionnaise du Radiotéléphone (“SRR”), SFR Collectivités and its subsidiaries as well as inter-segment eliminations.

The following diagram illustrates the relative percentages of the activities of each of these markets in the SFR Combined Group’s revenues for the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014:



Key Figures

The following table presents the breakdown in SFR's combined revenue among its three markets as well as certain key performance indicators for the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014

	Year ended December 31,					Nine months ended September 30,		
	2013	**2012**	**2011**	**% Change 2013/2012**	**% Change 2012/2011**	**2014**	**2013**	**% Change 2014/2013**
				€ in millions				
B2C	6,873	7,974	8,982	(13.8)%	(11.2)%	4,831	5,156	(6.3)%
B2B[(a)]	1,789	1,871	1,868	(4.4)%	0.2%	1,349	1,341	0.6%
Wholesale and Other	1,536	1,442	1,333	6.5%	8.2%	1,217	1,120	8.7%
Combined revenue[(a)]	**10,199**	**11,288**	**12,183**	**(9.7)%**	**(7.3)%**	**7,396**	**7,616**	**(2.9)%**
EBITDA	**2,766**	**3,301**	**3,800**	**(16.2)%**	**(13.1)%**	**1,777[(h)]**	**2,200**	**(19.2)%**
SFR Group								
Number of mobile customers (in thousands)[(b)]	21,354	20,690	21,463	3.2%	(3.6)%	21,414	21,144	1.3%
Number of Internet customers (in thousands)[(c)]	5,257	5,075	5,019	3.6%	1.1%	5,271	5,209	1.2%
Mobile subscriber acquisition costs (in € millions)	430	497	602	(13.4)%	(17.5)%	261	303	(13.6)%
Mobile retention costs (in € millions)	541	634	645	(14.7)%	(1.8)%	351	386	(9.0)%
B2C[(d)]								
Number of mobile customers (in thousands)[(b)]	14,555	15,057	16,578	(3.3)%	(9.2)%	14,182	14,486	(2.1)%
Number of mobile subscribers (in thousands)[(b)(e)]	11,381	11,194	11,961	1.7%	(6.4)%	11,315	11,230	0.8%
Smartphone penetration rate[(f)]	64.1%	51.2%	42.1%	12.9pts	9.1pts	69%	58%	10.8 pts
Monthly Mobile ARPU over last twelve months (€)[(g)]	24.1	28.3	31.4	(15.0)%	(9.6)%	22.8	25.0	(8.7)%
Number of High-Speed Internet Customers (in thousands)[(c)]	5,209	5,039	4,994	3.4%	0.9%	5,217	5,163	1.0%
of which Fiber customers (in thousands)	197	126	97	55.6%	29.7%	249	172	44.5%
of which quadruple-play customers ("MultiPack") (as a % of the customer base)	45%	35%	24%	9.8pts	11.9pts	49%	44%	5.8 pts
Monthly Broadband Internet ARPU over last twelve months (€)[(g)]	32.5	33.3	34.1	(2.6)%	(2.1)%	32.2	32.6	(1.0)%

(a) Combined revenues for the SFR Combined Group and the B2B market include revenues from Telindus France since May 2014. On a comparable basis (excluding Telindus), 2013 SFR Combined Group revenues decreased by 4.2% and B2B revenues declined by 6.7% in the nine months ended September 30, 2014.

(b) The 2013 numbers of mobile customers include a technical purge carried out in 2013 of 92,000 inactive lines related to the migration of the billing system (with no impact on revenues). The total number of customers as of December 31, 2012 is as originally published (i.e. without the technical purge).

(c) The total number of high-speed internet customers as of December 31, 2011 was adjusted to remove 23,000 customers following the exit of Akéo 1P and 2P customers from the scope of consolidation.

(d) Mainland France, excluding SRR.

(e) Total mobile subscribers is equal to post-paid customers.

(f) Number of customers equipped with a smartphone compared to the total number of mobile customers (excluding remote connections).

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

(h) Includes a non-recurring charge of €196 million.

SFR's B2C and B2B activities are carried out in mainland France, while its Wholesale and Other activities include the activities of SRR, which operates outside of mainland France in Reunion Island and Mayotte and represented approximately 17% of Wholesale and Other combined revenues for 2013.

Key Income Statement Items

Revenue

SFR's revenue is principally comprised of revenues from services and equipment sales. The principles for recognition of revenue are described in note 1.3.4 of the SFR Combined Financial Statements.

B2C Revenue

B2C Revenue is principally comprised of pre-tax revenue from the sale of retail services and equipment to consumers (fixed and mobile) in metropolitan areas of France and call termination income for traffic to B2C customers of SFR.

The main B2C mobile telephony offers available in mainland France are:

- The "Formules Carrées" range, based on mobile internet and the provision of premium content to SFR customers ("Extras"), supplemented a range of services. These plans include access to a wide range of subsidized handsets, with a commitment period, and are available through all sales channels, in particular through SFR's network of brick-and-mortar Espace SFR stores;

- The "Red" range of plans, which do not require a time commitment and are sold essentially through the internet and cover low-priced offers;

- Prepaid offers sold under the "SFR La Carte" brand.

The majority of B2C mobile telephony revenues is generated by subscriptions ("Formules Carrées" and "Red"). Prepaid offers generated nearly 9% of retail mobile revenues in 2012 and 2013 and 7% of retail mobile revenues in the nine months ended September 30, 2014, and their weight has tended to decline with the arrival of low-priced subscription offers without time commitments.

Revenues from sales of handsets and mobile telephony accessories as well as related insurance revenues are included in B2C revenues.

The main B2C fixed offers available in mainland France are:

- Internet access offers through xDSL or optical fiber:

    - Unlimited high speed ADSL, which enables customers to access the internet with a minimum speed;

    - Very high speed fiber (FTTH) offers, which enable eligible customers to access the internet with download speeds of up to 1 Gbps;

- Fixed telephony offers, without associated internet access:

    - Pre-selection offers (call-by-call selection or automatic pre-selection), in which customers keep their telephone-line subscriptions with Orange; and

    - Offers that include the telephone-line subscription, in which customers obtain their telephone subscription from SFR rather than from Orange.

The majority of B2C fixed revenues is generated by internet access offers. Fixed telephony offers without associated internet access generated approximately 9% of B2C fixed revenues in 2012, nearly 8% in 2013 and approximately 6% in the nine months ended September 30, 2014.

SFR also offers automated home solutions to the B2C market, under its "Home by SFR" brand. Call termination income for traffic to B2C customers of SFR is also included in B2C revenues.

B2B Revenue

B2B Revenue comprises pre-tax income from the sales of services to SMEs/VSEs, large businesses and public administrations in metropolitan areas of France, including:

- 3G/4G voice and data mobile services for smartphones, tablets and PCs;
- fixed data services via xDSL technologies or fiber and business network offers (Virtual Private Networks), which provide connections to the sites of single-site or multi-site businesses;
- fixed telephony services for businesses;
- a range of unified communications solutions, including the Business Entrepreneurs Pack for VSEs, the Business Enterprises Pack for SMEs and the Business Corporate Pack (for large businesses);
- value-added hosting services intended for large account customers, or cloud services intended for
- SMEs and integration services; and
- the revenue associated with MtoM communications.

Call termination income for traffic to B2B customers of SFR is also included in B2B revenues.

Wholesale and Other Revenue

Wholesale and Other revenue is principally comprised of the following elements:

- revenue generated by the Operators division of SFR which includes:
    - revenue generated with virtual mobile operators who are customers of SFR;
    - revenue generated by roaming foreign visitors on the SFR mobile network ("roaming in"); and
    - revenue from fixed activities, including the collection and termination of voice, data and special number traffic on behalf of national and international operators, the resale of national and international connections, or the sale of end-to-end voice services.
- revenue generated by SRR, which conducts its activity as a fixed and mobile operator in Reunion and Mayotte for consumers and businesses;
- revenue generated by SFR Collectivités and its subsidiaries from regional authorities. The role of SFR Collectivités is to support the strategy of deploying SFR networks and services complementing the needs of the regional authorities; and
- intersegment eliminations.

Call termination income for traffic to customers of the Wholesale and Other activity is also included in Wholesale and Other revenues.

Costs

The costs of sales are comprised of the purchase of goods, interconnection costs, network operating and maintenance costs, and of the share of costs of sales associated with personnel expenses and taxes and duties. Purchases of goods include purchases of mobile handsets. Commercial and distribution costs include the costs of acquiring customers and developing their loyalty (excluding mobile handset subsidy costs, which are deducted from revenue) such as distributor compensation, customer service and advertising and marketing costs. Overhead costs primarily consist of information systems costs, cost structures, and taxes not associated with the costs of sales.

EBITDA

As explained in note 1.2.5 “Group operational performance” of the SFR Combined Financial Statements, SFR considers EBITDA, a non-accounting indicator, to be a measure of performance. EBITDA corresponds to operating income adjusted for other operating income and charges and net depreciation and amortization expense and provisions for impairment of intangible assets and property, plant and equipment. EBITDA illustrates the profit generated by SFR’s activities independently of financing conditions, taxes (corporate income tax) and net depreciation/amortization expense and provisions related to plant and equipment.

EBITDA is calculated from combined revenues, less cost of sales, commercial and distribution costs and general costs (excluding net depreciation and amortization expense and provisions for impairment of intangible assets and property, plant and equipment).

EBITDA is not an IFRS indicator and does not have a standard definition. As a result, SFR’s method of calculating EBITDA may not be comparable to those used to calculate indicators with a similar name by other entities.

Operating Income

Operating income corresponds to SFR’s combined EBITDA, less depreciation and amortization on intangible and tangible assets, other operating expenses, and other operating income, which includes the amortization of subscriber bases recognized during the combining of businesses and restructuring costs.

Financial Income (Expense)

Financial income (expense) is composed of:

- Net financing cost, which is composed of
    - interest expense on loans, which in turn depends on the level of the debt and the average applicable rates. For 2011, 2012 and 2013 and the nine months ended September 30, 2014, interest expense relates primarily to financial expenses in respect of the shareholder advances provided by Vivendi; and
    - interest income on cash, which is principally composed of income from the investment of cash and cash equivalents.
- Other financial income and expense, which comprise default interest, changes in the value of derivative instruments and the effects of accretion connected to debts and provisions (particularly on debt connected to the GSM license, the provision for post-employment benefits and the provision for the refurbishment of sites).

Income Tax

Income tax in the SFR Combined Financial Statements includes taxes calculated based on the net income realized by each combined entity and excludes other taxes paid by the SFR Combined Group, such as real estate taxes, Flat Rate Tax on Enterprise Networks ("IFER") and the Contribution on Value Added of Companies ("CVAE"), which are included in EBITDA and operating income. It also includes deferred taxes. The effective tax rate is defined as income tax on pre-tax income. For more information, see note 1.3.16 "Income Tax" of the SFR Combined Financial Statements.

Key Operating Measures

SFR uses several key operating measures, including total mobile and internet customers, which are used to evaluate the success of different offers.

In addition, in order to analyze the behavior of customers in a dynamic manner and evaluate the success of different offers, SFR also used the net sales indicator. In the mobile sector, SFR also distinguishes between "subscribers" and "prepaid" as these relate to offers that differ in terms of customer behavior and profitability.

None of these operating measures are measures of performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these operating measures are derived from SFR's internal operating and financing systems. As defined by SFR management, these operating measures may not be directly comparable to similar measures used by SFR's competitors or other companies.

ARPU

SFR uses ARPU as an indicator for its B2C mobile and fixed activities.

B2C Mobile ARPU is the average monthly revenues per B2C mobile customer. It is calculated by dividing Mobile B2C revenues (excluding equipment) generated over the last twelve months by the average number of customers (excluding multi-sim and back-up keys) over the same period. The average number of customers is the average of the monthly averages over the relevant period. The monthly average is the arithmetic average of the number of customers at the beginning and end of the month. ARPU is expressed as an average revenue per customer.

B2C broadband internet ARPU is the average monthly revenues per B2C high-speed internet line. It is calculated by dividing B2C High-speed internet revenues generated over the last twelve months by the average number of B2C High-speed internet lines over the same period. The average number of B2C High-speed internet lines is the average of the monthly averages over the relevant period. The monthly average is the arithmetic average of the number of customers at the beginning and end of the month.

Monthly Subscriber Acquisition and Retention Costs

SFR follows its mobile subscriber acquisition and retention costs as a performance indicator. These costs correspond to compensation paid to the distribution network and subsidies for the acquisition of the handset at the time of subscription to a package offer. As stated above, the costs of subsidizing handsets are deducted from revenues. The costs of acquiring and retaining customers are recorded in the income statement in the year they are incurred, i.e. at the time of acquisition or renewal.

Key Factors Affecting SFR's Business

The main factors having an impact on the normal course of SFR's activities and its results include: (i) economic and financial developments in France; (ii) competitive pressures; (iii) significant capital expenditures linked in particular to purchase of licenses; (iv) changes in regulatory tariff prices; and (v) the implementation of a long-term transformation plan. These factors are further described below.

Economic and Financial Environment in France

SFR generates almost all of its revenue in France and is therefore strongly exposed to economic and financial developments in France. The years 2011 to 2013 and the nine months ended September 30, 2014, were marked by almost no economic growth in France, as well as a drop in the purchasing power of households and a reduction in corporate spending. These elements have affected the results of SFR over the same period.

Intensifying Competition

SFR carries out all its business in the telecommunications sector in France, which is marked by intense and growing competition. In particular, at the start of 2012, the French mobile market experienced a significant increase in competition as a result of the entry of a fourth operator, the Iliad Group, which led to a significant increase of low-price, no-commitment offers. The entry of Iliad Group into the market negatively affected the pricing for SFR's mobile offers and churn rate, as well as its ability to attract new customers during 2012, 2013 and the nine months ended September 30, 2014.

Network Expenditures

SFR's business requires significant investments for the maintenance, modernization and development of its networks. In order to develop SFR's businesses and to improve the performance of its network, SFR acquired frequencies granted by the French authorities. The years of 2011 and 2012 were therefore marked by acquisition costs for 4G licenses (the bands 2.6 GHz and 800 MHz), with these costs representing an amount of €1,065 million in 2012. In addition, during the last three years, SFR had to pursue its investments linked to the commitments for the coverage and deployment of the network it undertook pursuant to its mobile licenses. For further information, see note 25 of the SFR 2011, 2012 and 2013 Combined Financial Statements contained elsewhere in this notice.

Regulatory Tariffs

A portion of SFR's revenue (approximately 10% in 2013 and 11% in the nine months ended September 30, 2014) is subject to changes in regulations applicable to the telecommunications sector. However, the share of revenue subject to such changes is diminishing. This is mainly related to the decrease in income from call termination on the mobile network of SFR, the tariffs for which are set by ARCEP, and the revenue linked to roaming in Europe, the tariffs for which are subject to European regulations. The decreases in tariffs implemented by the regulators over the last three years were notably as follows:

- decrease in regulated prices for mobile call terminations of 33% on July 1, 2011, of 25% on January 1, 2012, of 33% on July 1, 2012 and of 20% on January 1, 2013;
- decrease in tariffs for mobile roaming on July 1, 2011, 2012 and 2013 as described on the ARCEP website (www.arcep.fr) , under "Major Files—Mobiles—Roaming");
- decrease in prices for SMS call termination tariffs of 25% on July 1, 2011 and of 33% on July 1, 2012; and
- decrease in prices of fixed line call terminations of 40% on October 1, 2011, of 50% on July 1, 2012 and of 47% on January 1, 2013.

The tables below show the impact of the regulatory measures on SFR's combined revenue:

	2013	**2012**	**2011**	**% Variation 2013/ 2012**	**% Variation 2012/2011**
		€ in millions			
Combined revenue	10,199	11,288	12,183	(9.7)%	(7.3)%
Variation excluding regulatory impacts[(a)]	—	—	—	(7.2)%	(3.3)%

(a) Excluding the price effect of the decreases in the regulated tariff prices detailed above

	September 2014	**September 2013**	**% Variation**
	€ in millions		
Combined revenue	7,396	7,616	(2.9)%
Variation excluding regulatory impacts[(a)]			(2.3)%

(a) Excluding the price effect of the decreases in the regulated tariff prices detailed above

SFR's Long-Term Transformation Plan

SFR initiated a global transformation plan in 2012 aimed at adapting to developments in the telecommunications market and anticipating the challenges for its business (see "*Description of SFR's Business—Overview of SFR's Business*"). SFR pursued this transformation plan in 2013 and the nine months ended September 30, 2014, adapting its organization to the market developments and retaining its investment capacity in the high-speed and mobile sectors. This plan has also contributed to decreasing the operating costs of SFR by more than €1 billion between the end of 2011 and September 30, 2014.

Critical Accounting Estimates

The SFR Combined Financial Statements were prepared in accordance with IFRS standards that require SFR's management to take into account the estimates and assumptions that could affect the book value of certain assets and liabilities and charges of SFR, as well as the information in the notes to the SFR Combined Financial Statements. The management of SFR revises its estimates and assumptions regularly in order to ensure their relevance in light of past experience and the current economic situation. Should these assumptions change, the items in future financial statements of SFR could be different based on changes in estimates. The impact of the changes in accounting estimates is evaluated during the period of the change and future periods affected.

The principal estimates made by the management of SFR for the preparation of the SFR Combined Financial Statements concern the following:

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

The estimates and assumptions used by the management of SFR in the preparation of the SFR Combined Financial Statements are described in detail in note 1.3 of the SFR Combined Financial Statements.

Discussion and Analysis of the SFR Combined Group's Results of Operations

The following table provides the main line items of the SFR Combined Group's income statement for the years 2011, 2012 and 2013 and nine months ended September 30, 2013, and 2014.

	Year ended December 31,			Nine months ended September 30,	
	2013	**2012**	**2011**	**2014**	**2013**
			€ in millions		
Revenues	**10,199**	**11,288**	**12,183**	**7,396**	**7,616**
Cost of sales[(a)]	(4,851)	(5,113)	(5,681)	(3,716)	(3,518)
Commercial and distribution costs[(a)]	(1,928)	(1,965)	(1,864)	(1,213)	(1,412)
Selling, general and administrative expense[(a)]	(654)	(909)	(838)	(690)	(486)
EBITDA	**2,766**	**3,301**	**3,800**	**1,777**	**2,200**
Net depreciation expenses and provisions on intangible and tangible assets	(1,595)	(1,511)	(1,508)	(1,153)	(1,136)
Other operating income	2	11	14	2	1
Other operating expense	(169)	(270)	(84)	(117)	(76)
Operating result	**1,005**	**1,530**	**2,222**	**510**	**989**
Net financing cost	(229)	(217)	(208)	(147)	(186)
Other financial income	2	2	8	2	1

Other financial expense	(24)	(34)	(70)	(9)	(13)
Financial income	**(251)**	**(249)**	**(270)**	**(155)**	**(198)**
Income from equity affiliates	(12)	(13)	(17)	(7)	(6)
Pretax income from continuing operations	**742**	**1,267**	**1,935**	**348**	**785**
Income tax	(315)	(516)	(535)	(164)	(314)
Net earnings	**426**	**752**	**1,400**	**184**	**471**
of which					
Attributable to shareholders	**420**	**746**	**1,399**	**178**	**465**
Attributable to non-controlling interests	**6**	**6**	**1**	**6**	**6**

(a) Excluding net depreciation expenses and provisions on intangible and tangible assets

Analysis and Comparison of Results for the Nine Months Ended September 30, 2013 and September 30, 2014

The table below shows the combined income statement of SFR for the nine months ended September 30, 2013 and September 30, 2014, in millions of euros.

	For the Nine months ended September 30,			
	2014	**2013**	**Variation**	**% Variation**
		€ in millions		
Revenues	**7,396**	**7,616**	**(220)**	**(2.9)%**
Cost of sales[(a)]	(3,716)	(3,518)	(198)	5.6%
Commercial and distribution costs[(a)]	(1,213)	(1,412)	199	(14.1)%
Selling, general and administrative expense[(a)]	(690)	(486)	(204)	41.9%
EBITDA	**1,777**	**2,200**	**(423)**	**(19.2)%**
Net depreciation expenses and provisions on intangible and tangible assets	**(1,153)**	**(1,136)**	**(17)**	**1.5%**
Other operating income	2	1	1	100%
Other operating expense	(117)	(76)	(41)	53.9%
Operating result	**510**	**989**	**(479)**	**(48.4)%**
Net financing cost	(147)	(186)	39	(21.0)%
Other financial income	2	1	1	100%
Other financial expense	(9)	(13)	4	(30.8)%
Financial income	**(155)**	**(198)**	**43**	**(21.7)%**
Income from equity affiliates	(7)	(6)	(1)	16.6%
Pretax income from continuing operations	**348**	**785**	**(437)**	**(55.6)%**
Income tax	(164)	(314)	150	(47.7)%
Net earnings	**184**	**471**	**(287)**	**(60.9)%**
of which				
Attributable to shareholders	**178**	**465**	**(287)**	**(61.7)%**
Attributable to non-controlling interests	**6**	**6**	**0**	**0%**
Excluding net depreciation expenses and provisions on intangible and tangible assets				

On April 30, 2014, SIG 50 acquired all of Groupe Telindus France's securities for a total amount of €88 million, excluding €6 million for cash acquired. The principal subsidiary, Telindus France, is one of the main players in the French market for telecom and network integration and is the primary distributor for Cisco in France. Telindus France's revenues were €241.5 million for 2013 and €171 million for the nine months ended September 30, 2014, of which €98 million was recorded in the SFR Combined Group's financial statements at September 30, 2014.

Combined revenue

SFR's combined revenues decreased by €220 million, representing a decrease of 2.9% on a real basis and a decrease of 4.2% on a comparable basis, from €7,616 million for the nine months ended September 30, 2013, to €7,396 million for the nine months ended September 30, 2014. The decrease in revenues slowed: on a comparable basis, revenues decreased by 3.2% in the third quarter of 2014, compared to 4.7% in the first half.

As of September 30, 2014, the total number of mobile customers of SFR amounted to 21.4 million, an increase of 1.3% from September 30, 2013. The total number of mobile subscribers was 18.3 million, or 85.5% of total mobile customers. The total number of residential customers subscribing to broadband Internet rose by 14,000 during the nine months ended September 30, 2014, to 5.3 million.

Information by market

The changes in combined revenues by market are as follows:

	For the nine months ended September 30,		
	2014	2013	% Variation
	€ in millions		
B2C	4,831	5,156	(6.3)%
B2B[(a)]	1,349	1,341	0.6%
Wholesale and Other	1,217	1,120	8.7%
Combined revenue[(a)]	7,396	7,616	(2.9)%

(a) Combined revenues and B2B segment revenues include the revenues of Telindus France starting from May 2014 (a two-month period). On a comparable basis (excluding Telindus France), 2013 B2B combined revenues decreased by 4.2% and B2B segment revenues decreased by 6.7% for the nine months ended September 30, 2014, as compared to the nine months ended September 30, 2013.

The following table shows the changes in our key performance indicators:

	For the nine months ended September 30,			For the year ended December 30, 2013
	2014	2013	% Variation	
SFR Group				
Total mobile customers (in thousands)	21,414	21,144	1.3%	21,354
Total internet customers (in thousands)	5,271	5,209	1.2%	5,257
Mobile acquisition costs (in M€)	261	303	(41)	430
Mobile retention costs (in M€)	351	386	(35)	541
B2C				
Total mobile customers (in thousands)	14,182	14,486	(2.1)%	14,555
Total mobile subscribers (in thousands)	11,315	11,230	0.8%	11,381
Smartphone penetration	69.3%	58.4%	11 pts	64.1%
12-month rolling Mobile ARPU (€ per month)	22.8	25.0	(8.7)%	24.1
Number of broadband internet customers (in thousands)	5,217	5,163	1.0%	5,209
Of which FTTH customers (in thousands)	249	172	44.5%	197
Of which quadruple-play customers (“MultiPack”) (in % customer base)	49.4%	43.5%	6 pts	45%
12-month rolling broadband internet ARPU (€ per month)	32.2	32.6	(1.0)%	32.5

B2C Segment

B2C segment revenues decreased by 6.3% to €4,831 million (excluding 92,000 inactive lines following a technical purge completed in the fourth quarter of 2013) for nine months ended September 30, 2014, as compared to nine months ended September 30, 2013.

	For the nine months ended September 30,		
	2014	2013	% Variation
	€ in millions		
B2C			
Revenue	4,831	5,156	(6.3)%
Mobile	3,231	3,560	(9.2)%
Landline	1,600	1,595	0.3%

In the B2C Mobile market, total numbers of subscribers of SFR decreased by 66,000 subscribers in the nine months ended September 30, 2014, as compared to December 31, 2013. As of September 30, 2014, the total number of B2C Mobile subscribers was 11,315 million, an increase of 0.8%, as compared to September 30, 2013. The total number of B2C Mobile customers (subscribers and prepaid) of SFR amounted to 14.2 million as of September 30, 2014. The repositioning of clients on new rates continued during the nine months ended September 30, 2014: as of September 30, 2014, 89% of B2C Mobile subscribers benefitted from prices put in place after January 2013. Blended ARPU thus decreased by 8.7% as of September 30, 2014 as compared to September 30, 2013, as a result of the aforementioned re-pricing of existing customer contracts due to the introduction of low-price offers by Free after its entry into the market in 2012. The growth of mobile internet usage continued: 69.3% of B2C customers had smartphones as of September 30, 2014, as compared to 58.4% at the end of September 30, 2013.

In the B2C fixed market, the total number of SFR's residential customers in mainland France subscribing to high-speed internet amounted to 5,217 million as of September 30, 2014, an increase of 8,000 customers as compared to the end of 2013. Within the total number of customers subscribing to high-speed internet, the number of fiber subscribers totalled 249,000 as of September 30, 2014. The "SFR Multi-Pack" offer recorded a growth of 328,000 customers between September 30, 2014, and September 30, 2013, amounting to 2.6 million clients (49.4% of the total number of high-speed customers). The monthly broadband internet ARPU thus decreased by 1.0%, from €32.6 as of September 30, 2013, to €32.2 as of September 30, 2014.

In the field of home automation, the Home offer by SFR was integrated into a premium offer package with access to internet during the second quarter of 2014. As of September 30, 2014, it had around 30,000 customers.

B2B Segment

In a difficult and competitive macro-economic climate, B2B segment revenue was €1,349 million, including Telindus France in the nine months ended September 30, 2014, representing a decrease of 6.7% on a comparable basis (an increase of 0.6% on a real basis) as compared to the nine months ended September 30, 2013. For the nine months ended September 30, 2014, prices were affected by a difficult macroeconomic environment, where business customers sought to decrease their telecommunications expenses.

Moreover, SFR Business Team continued to focus on offering unified communication solutions through new services such as the launch in April 2014 of the Business Entrepreneurs Initial Package.

Groupe Telindus France was acquired by SFR in the second quarter of 2014. It allows SFR to reinforce its presence in the related markets of telecommunications and network integration and to offer new services to its B2B clients as a complement to its SFR Business Team offers.

Wholesale and Other

The revenue of the Wholesale and Other business (which includes, in particular, Wholesale business, SRR and intragroup eliminations) increased by 8.7% as compared to the nine months ended September 30, 2013, to € 1,217 million. This increase was mainly due to the growth of Wholesale activities, both on Fixed and Mobile markets.

Combined EBITDA

	For the nine months ended September 30,			
	2014	**2013**	**Variation**	**Variation in %**
		€ in millions		
Revenue	7,396	7,616	(220)	(2.9)%
Cost of sales[(a)]	(3,716)	(3,518)	(198)	5.6%
Sales and distribution costs[(a)]	(1,213)	(1,412)	199	(14.1)%
General expenses[(a)]	(690)	(486)	(204)	41.9%
EBITDA[(b)]	**1,777**	**2,200**	**(423)**	**(19.2)%**

(a) Excluding net depreciation expenses and provisions on intangible and tangible assets

(b) Combined EBITDA for the SFR Combined Group include contributions to EBITDA from Telindus France since May 2014.

SFR's combined EBITDA decreased by €423 million, or 19.2%, from €2,200 million for the nine months ended September 30, 2013, to €1,777 million for the nine months ended September 30, 2014. EBITDA for nine months ended September 30, 2014, includes a non-recurring charge of €196 million in relation to certain litigation matters disclosed in the financial statements of SFR, SIG 50 and their subsidiaries at September 30, 2014, December 31, 2013, 2012 and 2011. Excluding this non-recurring charge, EBITDA for the nine months ended September 30, 2014 stood at €1,973 million, a decrease of 10.3% as compared to the nine months ended September 30, 2013.

SFR's combined EBITDA includes contributions from Telindus France from May 2014. Telindus France's EBITDA was €10 million for 2013 and € 5 million for the nine months ended September 30, 2014, of which € 5 million was recorded in the SFR Combined Group's financial statements at September 30, 2014.

Excluding non-recurring charges, this evolution mainly reflects the decrease in revenue of €220 million. In total, on a comparable basis (excluding Telindus France, which entered the scope of consolidation on May 1, 2014), costs decreased by €89 million in the nine months ended September 30, 2014, as compared to the nine months ended September 30, 2013.

The decrease in costs during the nine months ended September 30, 2014, reflects:

- A decrease in acquisition and retention costs with respect to mobile customers linked to the implementation of a more selective policy, as well as a decrease in other costs linked to the improvement in operational efficiency. The ongoing long-term plan, started in 2012, aims to adapt the organization of SFR to market developments and to preserve its investment capacity in the very high-speed fixed and mobile sectors. Since the end of 2011, costs, both fixed and variable, have decreased by more than € 1 billion.

- This decrease in acquisition and retention costs of mobile customers offset the increase in interconnection costs between the first nine months of 2013 and the first nine months of 2014, with the decrease of certain regulated tariffs no longer offsetting the increase in volume, as was the case in previous years.

Combined operating income

	For the nine months ended September 30,			
	2014	**2013**	**Variation**	**% Variation**
		€ in millions		
EBITDA	**1,777**	**2,200**	**(423)**	**(19.2)%**
Net depreciation expenses and provisions on intangible and tangible assets	(1,153)	(1,136)	(17)	1.5%
Other operating income	2	1	1	N/A
Other operating expense	(117)	(76)	(41)	53.9%
Operating income	**510**	**989**	**(479)**	**(48.5)%**

SFR's combined operating income decreased by €479 million, or by 48.5%, in the nine months ended September 30, 2014, as compared to the nine months ended September 30, 2013, from €989 million for the nine months ended September 30, 2013, to €510 million for the nine months ended September 30, 2014.

This decrease reflects the decrease in EBITDA of €423 million and an increase in net depreciation expenses and provisions on intangible and tangible assets of €17 million, in connection with the increase in capital expenditures in recent years and the start of the amortization of the 4G licenses (2600 Mhz and 800 Mhz). Other operating charges increased by €41 million as compared to the nine months ended September 30, 2013, mainly due to non-recurring costs in relation to the planned sale of SFR: notably, as part of the sale of SFR by Vivendi to the Numericable Group, a €2,000 gross bonus was granted as an additional incentive and profit- sharing payment to the employees of the SFR Economic and Social Union (Unité Economique et Sociale SFR), generating a €26 million expense, accounted for in the nine months ended September 30, 2014.

Combined financial income (expense)

SFR's combined financial expense decreased by €43 million, or 21.8%, in the nine months ended September 30, 2014, as compared to the nine months ended September 30, 2013, from €198 million for the nine months ended September 30, 2013, to €155 million for the nine months ended September 30, 2014.

This lower expense reflects the decrease of €39 million in net financing costs, as compared to the nine months ended September 30, 2013. The decrease in the net financing cost results from the decrease in net average financial debt, which decreased from €8,541 million in the nine months ended September 30, 2013, to €6,721 million in the nine months ended September 30, 2014, while the average net financing cost remained stable (2.91% in the nine months ended September 30, 2013, to 2.92% in the nine months ended September 30, 2014).

Income tax on combined profit

Income tax on SFR's combined profit decreased by €150 million in the nine months ended September 30, 2014, from €314 million for the nine months ended September 30, 2013, to €164 million for the nine months ended September 30, 2014.

This €150 million savings mainly reflected the decrease in the profit before tax (tax effects: negative €173 million), not offset by the effect of the increase in the effective tax rate, from 39.7% to 45.7%. The change in the effective tax rate is due principally to the increase in the statutory tax rate, which increased from 36.1% to 38% for large companies (i.e. companies whose revenues are greater than €250 million) such as SFR and the increase in the non-deductible portion of interest expense (which increased from 15% to 25%).

Combined net earnings

SFR's combined net earnings decreased by €287 million for the nine months ended September 30, 2014 (a decrease of 60.9% as compared to the nine months ended September 30, 2013), from €471 million for the nine months ended September 30, 2013, to €184 million for the nine months ended September 30, 2014. This reduction reflects the decrease in operating income net of the effect of income taxes.

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

The table below shows the combined income statement of SFR for the years ended December 31, 2012 and December 31, 2013.

	2013	**2012**	**Variation**	**% Variation**
		€ in millions		
Revenues	**10,199**	**11,288**	**(1,089)**	**(9.7)%**
Cost of sales[(a)]	(4,851)	(5,113)	263	(5.1)%
Commercial and distribution costs[(a)]	(1,928)	(1,965)	38	(1.9)%
Selling, general and administrative expense[(a)]	(654)	(909)	255	(28.1)%
EBITDA	**2,766**	**3,301**	**(535)**	**(16.2)%**
Net depreciation expenses and provisions on intangible and tangible assets	(1,595)	(1,511)	(84)	5.6%
Other operating income	2	11	(9)	(81.8)%
Other operating expense	(169)	(270)	101	(37.4)%
Operating result	**1,005**	**1,530**	**(525)**	**(34.3)%**
Net financing cost	(229)	(217)	(12)	5.5%
Other financial income	2	2	(0)	(10)%
Other financial expense	(24)	(34)	10	(29.4)%
Financial income	**(251)**	**(249)**	**(2)**	**0.8%**
Income from equity affiliates	(12)	(13)	1	(7.7)%
Pretax income from continuing operations	**742**	**1,267**	**(526)**	**(41.5)%**
Income tax	(315)	(516)	201	(38.9)%
Net earnings	**426**	**752**	**(325)**	**(43.3)%**
of which				
Attributable to shareholders	**420**	**746**	**(326)**	**(43.7)%**
Attributable to non-controlling interests	**6**	**6**	**—**	**0%**

(a) Excluding net depreciation expenses and provisions on intangible and tangible assets

Combined revenue

SFR's combined revenue decreased by €1,089 million, of 9.7%, from €11,288 million for the year ended December 31, 2012 to €10,199 million for the year ended December 31, 2013. This decrease primarily reflects the impact of decreases in mobile prices linked to severe competition and decreases in tariffs imposed by ARCEP which included: (i) a 33% decrease in regulated prices for MTRs on July 1, 2012, then 20% on January 1, 2013; (ii) 33% decrease in SMS termination rates on July 1, 2012; (iii) decrease in roaming rates on July 1, 2012 and July 1, 2013; (iv) 50% decrease in fixed termination rates on July 1, 2012, and 47% on January 1, 2013. Excluding the impact of lower tariffs imposed by ARCEP, the decrease in revenue would have been of 7.2%.

As of December 31, 2013, the total number of mobile customers of SFR amounted to 21.4 million, an increase of 756,000 from December 31, 2012. The December 31, 2013, total takes into account a technical purge of 92,000 inactive lines, in relation to a migration of the B2C billing system (without any impact on revenue). Excluding the impact of this purge, the B2C subscribers total increased by 2.5% between 2013 and 2012. The total number of residential customers subscribing to the broadband internet rose by 182,000 customers to 5.257 million at December 31, 2013.

Information by market

The changes in combined revenue by market are as follows:

	2013	2012	% Variation
	€ in millions		
B2C	6,873	7,974	(13.8)%
B2B	1,789	1,871	(4.4)%
Wholesale and Other	1,536	1,442	6.5%
Combined revenue	**10,199**	**11,288**	**(9.6)%**

The following table shows the changes in the performance indicators:

	2013	2012	% Variation
SFR Group			
Total mobile customers (in thousands)[(a)]	21,354	20,690	3.2%
Total internet customers (in thousands)	5,257	5,075	3.6%
Mobile acquisition costs (in € millions)	430	497	(13.4)%
Mobile retention costs (in € millions)	541	634	(14.7)%
B2C			
Total mobile customers (in thousands)[(a)]	14,555	15,057	(3.3)%
Total mobile subscribers (in thousands)[(a)]	11,381	11,194	1.7%
Smartphone penetration	64.1%	51.2%	12.9
12-month rolling Mobile ARPU (€ per month)	24.1	28.3	(15.0)%
Number of broadband internet customers (in thousands)	5,209	5,039	3.4%
Of which FTTH customers (in thousands)	197	126	55.6%
Of which quadruple-play customers ("MultiPack") (in % customer base)	45%	35%	9.8%
12-month rolling broadband internet ARPU (€ per month)	32.5	33.3	(2.6)%

(a) Total mobile customers is equal to the number of customers with active SIM cards in compliance with ARCEP's definition. The total number of customers as at December 31, 2013, integrates a 2013 technical purge of 92,000 inactive lines, which was related to a migration of SFR's invoicing system (without impact on revenues). The total number of customers as at December 31, 2012, is the published number (before the technical purge).

B2C

B2C segment revenues decreased by 13.8% to €6,873 million for the year ended December 31, 2013 from €7,974 million for the year ended December 31, 2012.

	2013	2012	% Variation
	€ in millions		
B2C			
Revenue	**6,873**	**7,974**	**(13.8)%**

Mobile	4,741	5,809	(18.4)%
Landline	2,132	2,165	(1.5)%

At the beginning of 2013, SFR implemented a marketing strategy to attract retail mobile customers to its newly priced offers. This resulted in a net decrease in churn as well as a decrease in revenue linked to the drop of the ARPU, which decreased by 15% between 2013 and 2012.

The lower revenue is attributable to (i) the repositioning of mobile subscribers to new and more competitive prices in 2013 (at December 31, 2013, 85% of B2C mobile subscribers had subscribed to offers launched after January 2012 and approximately 75% to offers launched after January 2013) and (ii) the effect in 2013 of the churn of customers during 2012 after the arrival of the fourth mobile telephone operator in January 2012.

In the B2C mobile market, the net growth of subscribers amounted to an additional 279,000 subscribers in 2013. At December 31, 2013, the total number of post-paid mobile subscribers was 11.381 million customers, representing growth of 2.5%. In the B2C post-paid subscribers segment, SFR recorded in the fourth quarter of 2013 its best net sales performance since the fourth quarter of 2011 and its best month of December for three years. Approximately 80% of gross recruitments in the fourth quarter were "Carré" premium offers, particularly the September 2013 launch of an innovative range of customer contracts. For example, 4G contract customers were able to choose an "Extra" amongst five premium services and content, enabling customers to benefit fully from mobile high speed: iCoyote (driving aid), Napster (music), CanalPlay (films), Gameloft (gaming) and SFR Presse (press) (see "*Description of SFR's Business—SFR Products and Services—B2C Services—Mobile Offers—Premium post-paid offers—"Formules Carrées*"). SFR also supported the development of no-frills offers: the "Red" offer, a no-frill offer, accounted for more than 1.7 million customers at the end of 2013. Including pre-paid customers, the total number of B2C mobile customers of SFR as of December 31, 2013, amounted to 14.555 million, compared to 15.057 million as of December 31, 2012.

The growth of mobile internet usage continued in 2013: 64% of B2C customers had smartphones as of December 31, 2013 (compared to 51% as of December 31, 2012).

In the B2C market for landline telephones, the total number of SFR's residential customers in metropolitan areas of France subscribing to high- speed internet amounted to 5.209 million at December 31, 2013, an increase of 170,000 customers compared to December 31, 2012. An increased take-up of services on SFR's fiber network represented 42% of net sales over the period. The total number of fiber customers amounted to 197,000 customers as of December 31, 2013. SFR has also strengthened the attractiveness of its sales offer with the launch of the TV SFR decoder with Google Play, giving access to the TV services of SFR as well as to the Google services on television to customers who were not at that time eligible for TV by ADSL. In the field of home automation, the number of customers subscribing to the Home offer by SFR reached over 20,000 customers at December 31, 2013 (see "*Description of SFR's Business—SFR's Products and Services—B2C Services—Fixed Telephony Offers*" and "*Description of SFR's Business—SFR's Products and Services—B2C Services—Fixed Internet Offers and related services—Bundled Internet, Telephony and IP Television (triple- play)*").

Finally, SFR has been pursuing its home equipment strategy, the "SFR Multi- packs" offer. This offer gives a connection discount to customers registering for a high-speed internet offer and a mobile subscription at the same time. Customers subscribing to this offer accounted for 2.355 million customers at December 31, 2013, representing 45% of SFR's total broadband internet customers for 2013, compared to 1.785 million customers at December 31, 2012, representing 35% of the broadband internet customers total for 2012.

B2B

B2B segment revenue decreased by 4.4% to €1,789 million for the year ended December 31, 2013 from €1,871 million for the year ended December 31, 2012. The sales dynamics of the B2B market remained strong, with strong gross adds over the period (particularly for connected objects); however, the economic environment has had an unfavorable effect on the attrition rate. Similarly, prices were affected by a difficult macroeconomic environment, where business customers sought to decrease their telecommunications expenses. In particular, smaller firms sought to renegotiate prices following the arrival of the fourth entrant in the mobile market.

In 2013, SFR focused on offers and services targeting medium and small enterprises, while continuing to widen its offers to large business customers. In particular, SFR added 4G to its contract offers as well as security services and device management. Further, SFR created the "*Entrepreneurs Business Pack*" (for VSEs), the "*Corporate Business Pack*" (for large companies) and "*Enterprise Business Pack*" (for SMEs), which offers a complete range of unified communications solutions. SFR has developed hosted value-added services for the largest accounts, as well as the use of cloud computing technologies and SAAS (Software as a service, which enables surfers to access the firm's applications via an interface) to provide simple services for SMEs. SFR's cloud services offers rely on an innovative storage technology, enabling a quick response to increasing capacity requirements.

As a leader for connected objects (MtoM), SFR has increased its initiatives to enable its customers to improve their efficiency. A notable example is the launch of m-alert, a solution dedicated to the securitization of persons and tracking of goods.

Wholesale and Other

The Wholesale and Other segment revenue was €1,536 million, showing growth of 6.5%, when compared to 2012 reflecting the good sales performance of the Wholesale business as well as a drop in inter-segment eliminations, partly offset by the unfavorable evolution of SRR revenue in a context similar to that of metropolitan areas of France.

In particular, the revenue of the Wholesale business has increased slightly, both for the fixed and mobile businesses, in spite of the drop in regulated roaming rates on prices of the mobile wholesale segment, and the collateral effect from the drop in prices in the B2C mobile market following the arrival of the fourth mobile operator. In addition, SFR hosts the main MVNOs on its mobile network, including La Poste Mobile (in which it has a holding of 49%), which had attracted 943,000 customers by the end of December 2013, as well as Virgin Mobile and NRJ Mobile, with which it has signed Full MVNO agreements.

Combined EBITDA

	2013	2012	Variation	% Variation
		€ in millions		
Revenue	**10,199**	**11,288**	**(1,089)**	**(9.6)%**
Cost of sales[(a)]	(4,851)	(5,113)	262	(5.1)%
Sales and distribution costs[(a)]	(1,928)	(1,965)	37	(1.9)%
General expenses[(a)]	(654)	(909)	255	(28.1)%
EBITDA	**2,766**	**3,301**	**(535)**	**(16.2)%**

(a) Excluding net depreciation expenses and provisions on intangible and tangible assets

SFR's combined EBITDA has decreased by €533 million, or 16.2%, from €3,299 million for the year ended December 31, 2012 to €2,766 million for the year ended December 31, 2013. This decrease reflects the decrease in revenue of €1,089 million offset partly by the decrease in costs. In total, excluding non-recurring items (€15 million of net non-recurring charges in 2012), costs decreased by €539 million compared to 2012.

This significant decrease in costs for 2013 was caused by the decrease in inter-connection costs, mainly due to the reduction of certain regulated tariffs (decrease of €128 million between 2013 and 2012), acquisition and retention costs with respect to mobile customers linked to the implementation of a more selective policy, the increase in the portion of offers without handsets in the park and other costs linked to the improvement in operational efficiency enabled by the optimization of processes and the development of performance tools, particularly due to ongoing implementation of the transformation plan. This long-term plan, started in 2012, aims to adapt the organization of SFR to market developments and to preserve its investment capacity in the very high-speed fixed and mobile sectors. Since the end of 2011, costs, both fixed and variable, have decreased by more than €1 billion. In addition, as a result of the voluntary departure plan initiated in 2012 and completed in August 2013, 873 staff members chose to leave SFR.

Combined operating income

	2013	2012	Change	% Change
		€ in millions		
EBITDA	**2,766**	**3,301**	**(535)**	**(16.2)%**
Net depreciation expenses and provisions on intangible and tangible assets	(1,595)	(1,511)	(84)	5.6%
Other operating income	2	11	(9)	(81.8)%
Other operating expense	(169)	(270)	101	(37.4)%

Operating income	**1,005**	**1,530**	**(525)**	**(34.3)%**

The combined operating income of SFR decreased by €525 million in 2013 compared to 2012 (i.e. a reduction of 34.3%), decreasing from €1,530 million for the year ended December 31, 2012 to €1,005 million for the year ended December 31, 2013.

This reduction reflects the decrease in EBITDA of €535 million and an increase in net depreciation expenses and provisions on intangible and tangible assets of €84 million, which reflects the increase in investments in recent years and the start of the amortization of the 4G licenses (2600 Mhz and 800 Mhz). Other operating charges decreased by €101 million compared to 2012 as a result of the decrease in restructuring costs linked in particular to the voluntary departure plan referred to above, which decreased from €187 million in 2012 to €93 million in 2013 (see note 4.2 "Other operating income and expenses" in the SFR Combined Financial Statements).

Combined financial income (expense)

The combined financial expense of SFR increased by €2 million in 2013 compared to 2012 (i.e. an increase of 0.8%), from €249 million for the year ended December 31, 2012 to €251 million for the year ended December 31, 2013.

This increase reflects the increase in the €12 million increase in net financing costs, which was offset in part by smaller allowances for provisions for financial assets in 2013 compared to 2012. The increase in the net financing cost is explained by the increase in the average interest rate, which increased from 2.58% in 2012 to 2.80% in 2013, which was not fully offset by the decrease in net financial debt, which decreased from €8,397 million in 2012 to €8,160 million in 2013.

Income tax on combined profit

Income tax on SFR's combined profit decreased by €199 million in 2013, from €516 million for the year ended December 31, 2012 to €315 million for the year ended December 31, 2013.

This reduction reflects the decrease in the profit before tax, offset by the effect of the increase in the statutory tax rate, which increased from 36.1% to 38% for large companies such as SFR. The effective tax rate was therefore 42.5% in 2013, compared to 40.7% in 2012.

Combined net earnings

SFR's combined net earnings decreased by €326 million, 43.3%, in 2013, from €752 million for the year ended December 31, 2012 to €426 million for the year ended December 31, 2013. This reduction reflects the decrease in operating income net of the effect of income taxes.

Analysis and Comparison of Results for the Years Ended December 31, 2011 and December 31, 2012

The following table sets out the combined income statements of SFR for the years ended December 31, 2011 and December 31, 2012, in millions of euros.

	2012	2011	Change	% Change
	(in € millions)			
Revenues	**11,288**	**12,183**	**(895)**	**(7.3)%**
Cost of sales[(a)]	(5,113)	(5,681)	568	(10.0)%
Commercial and distribution costs[(a)]	(1,965)	(1,864)	(101)	5.4%
Selling, general and administrative expense[(a)]	(909)	(838)	(71)	8.5%
EBITDA	**3,301**	**3,800**	**(499)**	**(13.1)%**
Net depreciation expenses and provisions on intangible and tangible assets	(1,511)	(1,508)	(3)	0.2%
Other operating income	11	14	(3)	(21.4)%
Other operating expense	(270)	(84)	(186)	221.4%
Operating result	**1,530**	**2,222**	**(692)**	**(31.1)%**
Net financing cost	(217)	(208)	(9)	4.3%
Other financial income	2	8	(6)	(73)%

Other financial expense	(34)	(70)	36	(51.4)%
Financial income	**(249)**	**(270)**	**21**	**(7.8)%**
Income from equity affiliates	(13)	(17)	4	(23.5)%
Pretax income from continuing operations	**1,267**	**1,935**	**(668)**	**(34.5)%**
Income tax	(516)	(535)	19	(3.6)%
Net earnings	**752**	**1,400**	**(648)**	**(46.3)%**
Of which				
Attributable to shareholders	**746**	**1,399**	**(653)**	**(46.7)%**
Attributable to non-controlling interests	**6**	**1**	**5**	**N/A**

(a) Excluding net depreciation expenses and provisions on intangible and tangible assets

Combined revenue

SFR's combined revenue decreased by €895 million, or 7.3%, from €12,183 million for the year ended December 31, 2011 to €11,288 million for the year ended December 31, 2012.

This decrease reflects the impact of price decreases linked to severe competition and decreases in tariffs imposed by regulators, namely: (i) a 33% decrease in regulated prices for MTRs on July 1, 2011, then 25% on January 1, 2012 and then 33% on January 1, 2012; (ii) a 25% decrease in SMS termination rates on July 1, 2011 and then 33% on July 1, 2012; (iii) a new asymmetrical Free termination rate; (iv) a decrease in roaming rates on July 1, 2011 and July 1, 2012; (v) a 40% decrease in fixed termination rates on October 1, 2011, and then 50% on July 1, 2012. Excluding the impact of the tariff reductions introduced by the regulators, revenue would have decreased by 3.3%.

Given the competitive environment marked by the arrival of a fourth mobile telephone operator in France at the beginning of 2012, which increased to a significant degree the intensity of competition in the French market, SFR adapted and simplified its offers by:

- launching in September 2012 new simplified "Formules Carrées", with six pricing plans structured around data and innovations dedicated to a high speed mobile service and a new accompanying segmented approach, "Services Carrées"; and

- adapting the content and prices of the "Series RED" offers, which require no commitment and are distributed mainly over the internet and aimed at the low price segment.

At the end of 2012, the total number of mobile customers of SFR amounted to 20.690 million, a decrease of 773,000 compared to December 31, 2011. The total number of high-speed internet customers as of December 31, 2011, was adjusted to remove 23,000 customers following the exit of Akéo 1P and 2P customers from the scope of consolidation. Customers is the average of the monthly averages during the period concerned. The monthly average is the arithmetic mean of the number of customers at the beginning and the end of the month. The number of customers subscribing to broadband internet increased by approximately 56,000customers to approximately 5.1 million at the end of December 2012.

Information by market

The combined revenue by market was as follows:

	2012	**2011**	**% Change**
	€ in millions		
B2C	7,974	8,982	(11.2)%
B2B	1,871	1,868	0.2%
Wholesale and Other	1,442	1,333	8.2%
Combined revenue	**11,288**	**12,183**	**(7.3)%**

The following table shows the changes in the performance indicators:

	2012	**2011**	**% Variation**
SFR Group			

Total mobile customers (in thousands)[a]	20,690	21,463	(3.6)%
Total internet customers (in thousands)[b]	5,075	5,019	1.1%
Mobile acquisition costs (€ millions)	497	602	(17.5)%
Mobile retention costs (€ millions)	634	645	(1.8)%
B2C[c]			
Total mobile customers (in thousands)[a]	15,057	16,578	(9.2)%
Total mobile subscribers (in thousands)[d]	11,194	11,961	(6.4)%
Smartphone penetration[e]	51.2%	42.1%	9.1pts
12-month rolling Mobile ARPU (€ per month)[f]	28.3	31.4	(9.6)%
Number of broadband internet customers (in thousands)[b]	5,039	4,994	0.9%
Of which fiber customers (in thousands)	126	97	29.7%
Of which quadruple-play customers (“MultiPack”) (in % customer base)	35%	24%	11.9pts
12-month rolling broadband internet ARPU[f] (€ per month)	33.3	34.1	(2.1)%

(a) Total Mobile Customers is equal to the net number of lines or SIM cards in compliance with ARCEP’s definition.

(b) The total number of high-speed internet customers as of December 31, 2011 was adjusted to remove 23,000 customers following the exit of Akéo 1P and 2P customers from the scope of consolidation.

(c) Metropolitan market, excluding SRR (which provides fixed and mobile services in La Reunion and Mayotte).

(d) Total mobile subscribers is equal to post-paid customers.

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

(f) Mobile “ARPU” is the average monthly revenue per customer. It is calculated by dividing the B2C Mobile Revenue (excluding equipment) generated over the last twelve months by the average number of customers (excluding MtoM customers, multi-SIM and backup keys) over the same period. The ARPU is expressed in monthly revenue by line. Broadband internet ARPU is the average monthly revenue per B2C broadband internet line. It is calculated by dividing the average monthly revenue, based on the last twelve months, by the average number of B2C broadband internet lines over the same period. The average number of

B2C

The revenue for B2C activity was €7,974 million in 2012, a decrease of 11.2% compared to 2011:

	2012	2011	% Change
	€ in millions		
B2C			
Revenue	**7,974**	**8,982**	**(11.2)%**
Mobile	5,809	6,750	(13.9)%
Fixed	2,165	2,232	(3.0)%

This reduction was mainly caused by the loss of mobile customers and the price erosion following the arrival of the fourth mobile operator in January 2012.

The monthly B2C Mobile ARPU decreased by 9.6% in 2012, from €31.4 in 2011 to €28.3 in 2012. The total number of B2C mobile customers (post- paid subscribers and pre-paid customers) declined 9.2% to 15.057 million. This reduction was mostly caused by a decrease in the number of pre-paid customers, as the attractiveness of pre-paid offers declined with the development of “no frills” offers, such as the Red offer, launched at the end of 2011, which had about 700,000 customers at the end of 2012. At the end of December 2012, the number of mobile (post-paid) subscribers amounted to 11.194 million customers, a decrease of 6.4% compared to the end of December 2011, predominantly due to the entry of the fourth mobile operator Free in 2012.

The year 2012 was also marked by continued growth in mobile data usage, brought about by the new generation of smartphones. At the end of 2012, 51% of B2C mobile customers had smartphones (compared to 42% at the end of December 2011).

In the B2C fixed market, the number of residential customers of SFR subscribing to broadband internet amounted to 5.039 million at December 31, 2012, an increase of approximately 45,000 customers compared to December 31, 2011. The “SFR Multi-Pack” offer had 1.785 million customers at the end of December 2012, meaning that 35% of high speed customers had both high speed internet and mobile subscriptions with SFR. The broadband internet

ARPU declined 2.1%, from €34.1 at December 31, 2011 to €33.3 at December 31, 2012, in particular due to the decrease in revenues from fixed to mobile communications.

B2B

Revenue for the B2B segment was €1,871 million in 2012, a slight increase over the year (0.2%), due to growth in revenues from fixed products and services which offset the decrease in revenues from mobile products and services.

In 2012, SFR's goal in the fixed segment was to become a leader in cloud computing for businesses. In September 2012, SFR, the Caisse des Dépôts et Consignations and Bull jointly founded Numergy to provide virtualized computer equipment solutions and enable businesses to take advantage of the potential of the digital transformation. SFR entered into a trade agreement with HP regarding new services to facilitate the adoption of cloud computing by businesses. Moreover, as SFR has been approved to host health data, SFR is positioning itself as an e-health expert. Lastly, SFR signed the "Contact 14 contract" with EDF, creating a customized multi-site, multi- channel and multi-skills virtual contact center.

In the mobile segment, SFR is a leader in connectivity for connected objects (MtoM). In addition, SFR has continued deployment of 150,000 lines under the Opache contract, which provides mobile, voice and data communications and supplies terminals for French ministries and institutions. Lastly SFR launched a new range of streamlined and modular mobile telephony offers and a collaborative on-demand messaging solution for its B2B customers.

Wholesale and Other

Wholesale and Other revenue totalled €1,442 million, an increase of 8.2%, reflecting sound commercial performance on the MVNO market. In 2012, SFR developed its wholesale activities with:

- Virgin Mobile, as a result of the strengthening of the partnership begun in 2011 in ADSL and Mobile.
- La Poste Telecom, virtual mobile operator in the retail market for mobile telephony and which offers a whole range of mobile telephony services, marketed under the La Poste Mobile brand through the La Poste network. At December 31, 2012, it had 643,000 customers.

Combined EBITDA

	2012	2011	Change	% Change
	€ in millions			
Revenue	**11,288**	**12,183**	**(895)**	**(7.3)%**
Cost of sales[(a)]	(5,113)	(5,681)	568	(10.0)%
Commercial and distribution costs[(a)]	(1,965)	(1,864)	(101)	5.4%
General expenses[(a)]	(909)	(838)	(71)	8.5%
EBITDA	**3,301**	**3,800**	**(501)**	**(13.2)%**

(a) Excluding net depreciation expenses and provisions on intangible and tangible assets

SFR's combined EBITDA decreased by €501 million, or 13.2%, in 2012 compared to 2011, from €3,800 million for the year ended December 31, 2011 to €3,299 million for the year ended December 31, 2012. Excluding non-recurring profits and costs (€15 million net non- recurring costs in 2012 and €93 million non-recurring profits in 2011), combined EBITDA would have decreased by 10.6%.

This decline in Combined EBITDA reflects the €895 million decline in revenue due to the factors described above, partially offset by the €502 million decrease in costs excluding non-recurring items, particularly the decrease in interconnection costs owing mainly to the decrease in certain regulated tariffs (decrease of €257 million between 2012 and 2011), mobile acquisition and retention costs associated with the introduction of a more selective policy and other costs linked to the improvement in operational effectiveness made possible by the launch of the transformation plan in 2012, aimed at adapting its organization to market developments.

Combined operating income

	2012	2011	Change	% Change
	€ in millions			
EBITDA	**3,301**	**3,800**	**(499)**	**(13.1)%**
Net depreciation expenses and provisions on intangible and tangible assets	(1,511)	(1,508)	(3)	0.2%
Other operating income	11	14	(3)	(21.4)%
Other operating expense	(270)	(84)	(186)	221.4%
Operating income	**1,530**	**2,222**	**(692)**	**(31.1)%**

SFR's combined operating income decreased by €692 million in 2012, or 31.1%, compared to 2011, from €2,222 million for the year ended December 31, 2011 to €1,530 million for the year ended December 31, 2012.

This reduction reflects the €501 million decrease in combined EBITDA and the impact of restructuring costs associated with the voluntary departure plan started in 2012, for which €169 million was recorded in "other operating costs" during 2012.

Combined financial income (expense)

Combined financial expense decreased by €21 million, of 7.8%, in 2012, from €270 million for the year ended December 31, 2011 to €249 million for the year ended December 31, 2012.

The net financing cost increased by only €9 million, as a result of the increase of average financial net debt, which increased from €6,400 million in 2011 to €8,397 million in 2012, offsetting the decrease in the average interest rate (2.58% in 2012 compared to 3.25% in 2011, in line with the decrease in interest rates). The decrease in other financial expense is essentially due to the €42 million non-recurring charge in 2011 linked to the net cost of unwinding swaps.

Income tax on combined profits

The tax on the combined profits of SFR decreased by €19 million in 2012, decreasing from €535 million for the year ended December 31, 2011, to €516 million for the year ended December 31, 2012. The impact of the €668 million decrease in pre-tax income was, to a large extent, offset by the following items:

- a tax savings of €127 million in 2011. On December 12, 2011 a sum of €452 million in tax losses was transferred to SFR in the context of a merger with Vivendi Telecom International. These tax losses were fully used by SFR in the 2011;

- an additional tax cost of €32 million in 2012 linked to the introduction of an 85% ceiling on interest that may be deducted.

Combined net earnings

SFR's combined net earnings decreased by €648 million (i.e. a reduction of 46.3%), decreasing from €1,400 million for the year ended December 31, 2011 to €752 million for the year ended December 31, 2012. This reduction essentially reflects the reduction in the operating income of €692 million.

Liquidity and Capital Resources of SFR

The principal financing requirements of SFR comprise its working capital requirements, its operating and financial investments, its interest payments, loan repayments, and the payments of dividends to its shareholders.

SFR has met these financing requirements principally through the cash flow generated by its operating activities and by current account advances and loans granted by Vivendi, its previous shareholder. In the future, the financing requirements of SFR will be met through the cash flow generated by its operating activities and by financing at the Numericable Group level.

The capacity of SFR to generate cash in the future through its operating activities will depend on its future operating performances, themselves dependent to a certain extent on economic, financial, competitive, market, regulatory and other factors, most of which are outside of the control of SFR.

The information analyzed in this section are based on SFR Combined Financial Statements, and in particular the combined cash flow statements and notes 15 and 20.

Sources and Use of Funds

During the years ended December 31, 2013, 2012 and 2011 and the nine months ended September 30, 2014 and 2013, SFR's principal sources of funds were principally the following:

- *net cash flow from operating activities:* this amounted to € 1,339 million and €1,416 million for the nine months ended September 30, 2014 and 2013, respectively, and €1,960 million, €2,892 million and €3,197 million for the years ended December 31, 2013, 2012 and 2011, respectively;

- *available cash:* the amounts of cash and cash equivalents were €141 million as of September 30, 2014 (including exchange hedge assets), and €394 million, €267 million and €228 million as at December 31, 2013, 2012 and 2011, respectively (see note 15 "Cash and cash equivalents" of the 2011, 2012 and 2013 Combined Financial Statements); and

- *borrowing and financial debts:* during 2013, 2012 and 2011 these notably comprised of the shareholder debt contracted by SFR with Vivendi via current account advances and loans, amounting to €8,672 million, €7,609 million and €5,461 million as at December 31, 2013, 2012 and 2011, respectively. Simultaneously with the acquisition of SFR by Numericable, the abovementioned shareholder debt between SFR with Vivendi was repaid and replaced with a new shareholder loan between Numericable and SFR. As of September 30, 2014, current account advances and loans under this loan amounted to €4,855 million. Since the 2014 SFR Acquisition, which was completed on November 27, 2014, SFR's financing requirements will be met by the cash flow generated through its operating activities and by financing at the Numericable Group level.

The table below presents the amount of the net financial debt of SFR, corresponding to the net borrowing and financial debts of the cash and cash equivalents, as at December 31, 2013, 2012 and 2011 and September 30, 2014:

	As of December 31,			As of September 30, 2014
	2013	2012	2011	
	€ in millions			
Borrowing and financial debt	9,094	8,067	7,385	4,923
Cash, cash equivalents and exchange hedge assets	394	267	228	141
Net financial debt	**8,700**	**7,800**	**7,157**	**4,782**

SFR's net financial debt amounted to €4,788 million as of September 30, 2014, compared to €8,700 million as at December 31, 2013. This decrease of €3,912 million is mainly due to the payment of the sales price for the sale of the shares of SPT, which held the interest in Maroc Telecom. As explained in the SFR Q3 2014 Combined Financial Statements, the sales price, net of tax related to the capital gain realized, of €4,056 million was recorded in shareholders' equity, as it was considered as a contribution in compensation of a debt of Vivendi, the amount of the sale being deducted from the amount owed to Vivendi as a shareholder current account advance. Adjusted for this €4,056 million, net financial debt increased by €144 million, due to the cash flow linked to capital expenditures (operating investments) of €1,244 million and interest payments of €147 million, which more than offset the net cash flow from operating activities of €1,339 million.

SFR's net financial debt amounted to €8,700 million as at December 31, 2013, compared to €7,800 million as at December 31, 2012. This increase of €900 million can principally be explained by the cash flow linked to capital expenditures of €1,610 million, interest payments of €229 million and dividends of €985 million, which more than offset the net cash flow from operating activities of €1,960 million.

SFR's net financial debt increased by €643 million between December 31, 2011 and December 31, 2012, from €7,157 million as at December 31, 2011 to €7,800 million as at December 31, 2012. This increase can principally be explained by the cash flow linked to capital expenditures of €2,765 million (including €1,065 million for 4G licenses), interest payments of €217 million and dividends of €538 million, which more than offset the net cash flow from operating activities of €2,892 million and which was financed by way of an increase in shareholder debt.

For a description of changes in cash flows for the period, see "*—Cash Flow Analysis*" below. For a description of the change in loans and financial debt, see "*—Financial Liabilities—Loans and financial debt as* of December 31, 2011, 2012 and 2013 and September 30, 2014" below.

Financial Liabilities

The following table presents SFR's loans and financial debt as of December 31, 2011, 2012 and 2013 and September 30, 2014.

	As of December 31,			As of September 30, 2014
	2013	2012	2011	
	€ in millions			
Shareholder debt	8,672	7,609	5,461	4,855
Bond issuance(s)	300	300	1,296	—
Securitization of receivables	—	—	422	—
Bank loans	50	66	48	13
Debt related to financial leases	11	15	24	9
Other financial debt	60	77	136	45
Borrowing and financial debt	**9,094**	**8,067**	**7,385**	**4,923**

Borrowing and financial debt decreased by €4,171 million in the nine months ended September 30, 2014, principally due to the € 3,817 million decrease in the shareholder debt owed to Vivendi, composed mainly of shareholder advances and loans, as described below.

Borrowing and financial debt increased by €1,027 million in 2013, principally due to the €1,063 million increase in the shareholder debt owed to Vivendi, composed mainly of shareholder advances and loans, as described below.

Borrowing and financial debt increased by €682 million in 2012, principally due to the €2,148 million increase in shareholder debt owed to Vivendi, intended to finance the €1,000 million repayment of a bond issuance in 2012 and the end of the receivables securitization program, which represented €422 million as of December 31, 2011.

The following were the main categories of SFR's borrowing and financial debt as of September 30, 2014:

Shareholder debt (€4,855 million as of September 30, 2014)

Shareholder debt corresponds to the financial debt contracted with Vivendi in the form of:

- shareholder advances (cash current accounts): this is an advance granted to SFR by Vivendi as part of a short-term cash management agreement signed in February 2014, which replaced the previous advance granted in June 2011. The advance amounted to €3.4 billion as of June 30,

- 2014 and €7.5 billion, €4.9 billion and €1.8 billion as of December 31, 2013, 2012 and 2011. This advance is denominated almost entirely in euros. The interest rate is fixed according to market conditions at Euribor plus a margin of 3%;

- shareholder loans (loans or credit facilities entered into between SFR and Vivendi):

    - a loan entered into in December 2011 for €1.2 billion, bearing interest at Euribor plus a margin of 0.825% and maturing in June 2015 and which was still in force as of June 30, 2014;

    - a revolving credit facility entered into in January 2011 for € 1 billion, bearing interest at the Euribor rate plus a margin of 1% and which matured in 2012; and

    - a €1.5 billion revolving credit facility, entered into in June 2009, bearing interest at Euribor plus a margin of 2.5% and which matured in June 2013.

Bond issuance

SFR repaid €300 million of bonds at maturity on July 9, 2014, which were issued in July 2009 and bore interest of 5%.

As of December 31, 2011, SFR also had bonds outstanding of €1 billion. These bonds were composed of an initial issuance in 2005 of € 600 million of bonds due July 18, 2012, with a 3.375% coupon, increased by the issuance on May 5, 2008 of an additional €200 million, with a coupon of 5.155% and an issuance on January 28, 2009 of an additional €200 million, with the same maturity date. These issuances increased the amount of bonds outstanding due July 18, 2012 to €1 billion. These bonds were repaid in full at maturity in July 2012.

Bank loans (€13 million as of September 30, 2014)

SFR also used bank overdrafts provided periodically by credit institutions.

Other financial debt(€45 million as of September 30, 2014)

This category is composed mainly of accrued interest on the bond issuances as well as the bank loans of subsidiaries of the SFR Combined Group.

As of December 31, 2011, this category also included €40 million of commercial paper that was repaid in full in June 2012.

A receivables securitization program was set up in February 2011 for up to €500 million.

This program related to the sale of receivable held by SFR, with respect to customers pursuant to subscriptions or the provision of mobile telephony services and of the Société Allumettière Française with respect to prepaid recharge coupons, to a debt securitization fund created for the program. This program, which amounted to €422 million as of December 31, 2011, closed ahead of the original due date in June 2012.

Cash Flow Analysis

The following table summarizes the cash flows of SFR for the years ended December 31, 2013, 2012 and 2011 and the nine months ended September 30, 2014 and 2013 presented in the combined cash flow statement:

	As of December 31,			As of September 30,	
	2013	**2012**	**2011**	**2014**	**2013**
			€ in millions		
Net cash flow from operating activities	1,960	2,892	3,197	1,339	1,416
Net cash flow from investment activities	(1,638)	(2,765)	(1,903)	(1,244)	(1,265)
Net cash flow from financing activities	(195)	(89)	(1,155)	(354)	(161)
Changes in cash and cash equivalents	**128**	**38**	**139**	**(259)**	**(10)**

Net cash flow from operating activities

SFR considers Cash Flow From Operations ("CFFO"), a non-accounting indicator, to be a pertinent indicator of the SFR Group's operating performance. CFFO chiefly relates to the net cash flow derived from operating activities in the statement of cash flows ("SCF"), after deducting investments net of disposals and changes in the related working capital, adjusted for corporate income tax payments. "Cash Flow From Operations (before investments)" is defined as CFFO before investments net of sales and excluding purchases of licenses and change in working capital requirements linked to investments.

The table below presents the CFFO together with the net operating cash flow for the years ended December 31, 2013, 2012 and 2011 and the nine months ended September 30, 2013 and 2014:

		Year ended December 31,			Nine months ended September 30,	
		2013	**2012**	**2011**	**2014**	**2013**
				€ in millions		
EBITDA	(a)	2,766	3,301	3,800	1,777	2,200
Adjusted change to WCR (not linked to net investments)	(b)	(305)	154	59	(321)	(406)
Restructuring costs disbursed	(c)	(179)	(27)	(23)	(59)	(101)
Other items	(d)	(22)	4	5	127	8
Cash Flow From Operations (before investments) (I) (a)+(b)+(c)+(d)		**2,259**	**3,429**	**3,840**	**1,526**	**1,702**
Tangible and intangible investments (excl. licenses)		(1,665)	(1,658)	(1,695)	(931)	(1,012)
Sale of tangible and intangible assets		17	13	13	22	3
Investments, net of sales (excl. licenses)		***(1,648)***	***(1,645)***	***(1,682)***	***(909)***	***(1,009)***
Change in WCR linked to net investments		38	15	23	(329)	(233)
Investments (excl. licenses) net of WCR change	(e)	**(1,610)**	**(1,630)**	**(1,659)**	**(1,238)**	**(1,242)**
Cash Flow From Operations (before licenses II) (I) + (e)		**649**	**1,799**	**2,181**	**288**	**460**
Acquisition of licenses and associated spectrums	(f)	—	(1,107)	(150)	—	—
Cash Flow From Operations (III) (II) + (f)		**649**	**693**	**2,032**	**288**	**460**

The table hereunder reconciles Cash Flow From Operations (before investments) to net cash flow from operating activities:

	Year ended December 31,			Nine months ended September 30,	
	2013	2012	2011	2014	2013
	€ in millions				
Cash Flow From Operations (before investments)	**2,259**	**3,429**	**3,840**	**1,526**	**1,702**
Taxes paid	(299)	(537)	(643)	(187)	(286)
Net cash flow from operating activities	**1,960**	**2,892**	**3,197**	**1,339**	**1,416**

The Cash Flow From Operations (before investments) amounted to € 1,526 million for the nine months ended September 30, 2014, as compared with €1,702 million for the nine months ended September 30, 2013. This €176 million decrease was mainly due to the decrease in net flow generated by the activity (EBITDA) of €423 million, which was offset by a €85 million decrease in working capital requirements, which went from requirements of €406 million for the nine months ended September 30, 2013, to requirements of €321 million for the nine months ended September 30, 2014.

The Cash Flow From Operations (before investments) amounted to € 2,259 million for the year ended December 31, 2013, as compared with €3,429 million for the year ended December 31, 2012. This € 1,170 million decrease was mainly due to the decrease in net flow generated by the activity (EBITDA), the €305 million increase in working capital requirements and the increase in restructuring costs disbursed, which increased from €27 million for 2012 to €179 million for 2013.

The Cash Flow From Operations (before investments) amounted to € 3,429 million for the year ended December 31, 2012, as compared with €3,840 million for the year ended December 31, 2011. This decrease of €411 million can notably be explained by the decrease in net cash flow generated by the activity (EBITDA), partly offset by the positive change in working capital requirements of €154 million.

Working Capital Requirements (Not Linked to Net Investments)

The working capital requirements of SFR correspond principally to the value of inventory (composed mainly of mobile handsets, modems, set-top boxes and accessories) plus trade accounts receivable and other receivables and less trade accounts payable and other payables. The working capital requirements of SFR result from the specificities of each of its markets.

With respect to the B2C market, SFR generates working capital in connection with the shorter customer payment periods (generally 30 days) compared to those of the suppliers (generally 60 days), while with respect to the B2B and Wholesale and Other markets, SFR consumes working capital because the B2B and Wholesale and Other customers benefit from longer payment periods.

SFR generally finances its working capital requirements by means of cash flow generated by its sales. The change in working capital requirements of SFR can be broken down as follows for the nine months ended September 30, 2014 and 2013 and the years ended December 31, 2013, 2012 and 2011:

	Year ended December 31,			Nine Months ended September 30,	
	2013	2012	2011	2014	2013
	€ in millions				
Change in working capital requirements in the Statement of Combined Cash Flow	**(305)**	**143**	**54**	**(323)**	**(404)**
Inventories	6	111	(41)	(21)	(14)
Trade accounts receivable	69	203	126	(63)	(28)
Other receivables	(84)	198	(49)	64	(46)
Trade accounts payable	(84)	(191)	(80)	(7)	(110)
Other payables	(212)	(178)	97	(295)	(205)
Adjustments		11	6	1	(2)
Adjusted change in working capital requirements	**(305)**	**154**	**60**	**(321)**	**(406)**

SFR consumed €321 million of working capital in the nine months ended September 30, 2014, compared to €406 million in the nine months ended September 30, 2013. This difference is mainly due to increased, and better, cash collection.

SFR consumed €305 million of working capital in 2013, while it generated working capital in 2012. This change was principally due to:

- a decrease in the line item "Trade accounts receivable", in connection with the decrease in revenue of the B2C activity;
- an increase in the line item "Other receivables", and particularly the tax receivables (other than corporate income tax and VAT) and a decrease in the line item "Other payables", and notably tax payables in relation to 2012. This is linked to the merger of SFR with Vivendi Télécom International which took place in 2011 and which led to deferring from 2012 to 2013 the settlement and payment of interim taxes such as the Contribution on Value Added of Companies ("CVAE") and the Tax on Electronic Communications; and
- a decrease in the line item "Trade accounts payable", in line with the decline in the B2C activity.

For the year ended December 31, 2012, SFR generated working capital of €154 million, which can be explained by the following elements:

- the reduction in "Inventories", resulting from better management;
- the reduction in the line item "Trade accounts receivable", linked to the decrease in the revenue of the B2C activity;
- the reduction in the line item "Other receivables", and notably those of tax receivables, linked to a lower amount of interim payments on the CVAE and the Tax on Electronic Communications paid in 2012 following the merger with Vivendi Télécom International mentioned above; and
- the decrease in the line item "Trade accounts payable", in line with the decline in activity.

Tax paid

In the nine months ended September 30, 2014, taxes paid represented a cash outflow of €187 million, compared to a cash outflow of €286 million in the nine months ended September 30, 2013, in line with the decrease in taxable income.

Taxes paid represented a cash outflow of €299 million for the year ended December 31, 2013, compared to a cash outflow of €537 million in 2012, in line with the decrease in taxable income, offset by the increase in the tax rate from 36.1% to 38%.

Taxes paid represented a cash outflow of €643 million in 2011, which resulted from tax savings in 2011 of €127 million following the use of €452 million of tax losses transferred to SFR as part of its merger with Vivendi Télécom International.

Net Cash From (Used In) Investing Activities

The following table summarizes the net cash from (used in) investing activities by SFR for the years ended December 31, 2013, 2012 and 2011 and the nine months ended September 30, 2014 and 2013:

	As of December 31,			As of September 30,	
	2013	2012	2011	2014	2013
			€ in millions		
Purchase of tangible and intangible assets (excluding licenses)	(1,649)	(1,644)	(1,682)	(909)	(1,009)
Change in working capital requirements linked to capital expenditures (operating investments)	38	15	23	(329)	(233)
Investments (excluding licenses) net of the change in working capital requirements	**(1,611)**	**(1,629)**	**(1,659)**	**(1,238)**	**(1,242)**
Acquisition of licenses and associated frequencies	—	(1,107)	(150)	—	—
Net cash flow from operating investing activities	***(1,611)***	***(2,736)***	***(1,809)***	***(1,238)***	***(1,242)***
Net flows from combined entities net of cash acquired	7	(17)	(28)	(35)	7

Net flows from financial assets	(34)	(11)	(66)	29	(30)
Net cash flow from financial investments	***(27)***	***(28)***	***(94)***	***(6)***	***(23)***
Net cash from (used in) investing activities	**(1,638)**	**(2,764)**	**(1,903)**	**(1,244)**	**(1,265)**

In the nine months ended September 30, 2014, net cash used in investing activities decreased by €21 million compared to the nine months ended September 30, 2013, from an outflow of €1,265 million in the nine months ended September 30, 2013, to €1,244 million in the nine months ended September 30, 2014.

In 2013, net cash used in investing activities decreased by €1,127 million compared to 2012, from an outflow of €2,764 million in 2012 to an outflow of €1,638 million in 2013. Operating capital expenditures (or operating investments) were lower in 2013 due to the peak in the purchases of 4G frequencies (800 Mhz) in 2012 for €1,065 million.

In 2012, net cash used in investing activities increased by €862 million compared to 2011, from an outflow of €1,903 million in 2011 to an outflow of €2,764 million in 2012. This increase results from the increase in operating capital expenditures linked to the purchases of 4G frequencies, which amounted to €1,065 million in 2012 (800 Mhz), compared to €150 million in 2011 (2.6 Ghz).

Net cash flow from operating investing activities

The net total operating capital expenditures made by SFR represented € 1,238 million and €1,242 million in the nine months ended September 30, 2014 and 2013, respectively, and €1,611 million, €2,736 million and €1,809 million for the years ended December 31, 2013, 2012 and 2011, respectively.

The table below shows the distribution of the operating capital expenditures of SFR between acquisition of tangible and intangible assets for the years ended December 31, 2013, 2012 and 2011 and the nine months ended September 30, 2014 and 2013:

	Year ended December 31,			**Nine months ended September 30,**	
	2013	**2012**	**2011**	**2014**	**2013**
			€ in millions		
Acquisition of intangible assets—licenses	—	(1,107)	(150)	—	—
Acquisition of intangible assets—other	(586)	(578)	(568)	(358)	(364)
Acquisition of tangible assets	(1,079)	(1,080)	(1,127)	(573)	(648)
Acquisitions of tangible and intangible assets	**(1,665)**	**(2,765)**	**(1,845)**	**(931)**	**(1,012)**
Sales of tangible and intangible assets	(17)	(13)	(13)	(22)	(3)
Operating capital expenditures net of sales	**(1,649)**	**(2,751)**	**(1,832)**	**(909)**	**(1,009)**
Change in working capital requirements linked to operating capital expenditures	(38)	(15)	(23)	329	233
Operating capital expenditures	**(1,610)**	**(2,736)**	**(1,809)**	**(1,238)**	**(1,242)**

The investments principally related to the priorities of the SFR Combined Group detailed below.

Acquisition of licenses

The evolution over the last three years is marked by considerable investments in the context of the LTE (4G) licenses, with investments in these licenses totaling €150 million in October 2011 (2.6 GHz band) and € 1,065 million in January 2012 (800 MHz band).

Investments excluding licenses

Excluding licenses, the principal categories of investments are:

- fixed and mobile networks;
- information systems;

- equipment installation at clients' premises; and
- other investments, such as real estate and investments in the commercial distribution network;

For the year ended December 31, 2013 SFR's investments excluding licenses were distributed as follows: 60% network, 24% client equipment, 14% information systems and 2% other.

a) Investments in the network:

i. Continuation of 3G roll-out

The SFR GSM/GPRS network (2G) covered over 99.7% of the French population as of December 31, 2013, and, as of September 30, 2014, and the UMTS/HSPA network (3G/3G+) over 99% as of December 31, 2013, and as of September 30, 2014.

SFR continued to increase the capacity of its network to support the new uses of mobile internet, with 3G+ and 4G data traffic having increased by over 40% in the year ended December 31, 2013, and 70% in the nine months ended September 30, 2014.

Beyond the increase in speeds, SFR continued to invest in the densification of its 3G+ network and, in the densely populated areas, its rolling out of 3G+ over the 900 MHz frequency band, notably in Lyon, Marseille and Toulouse. This technology contributes to improving the quality of voice and mobile internet services.

To assure better coverage in terms of very high speed mobile, SFR has a large coverage in the Dual Carrier technology (latest evolution of 3G), thus covering over 75% of the population as of September 30, 2014, and making it possible to double download speeds.

ii. Acceleration of 4G roll-out

The roll-out of 4G in the 800 MHz frequency band (known as "golden frequencies") further enables more efficient coverage with better service quality, notably inside buildings. At the same time, the roll-out of 4G in the 2,600 MHz frequency band in densely populated areas enables mobile internet customers to have access to download speeds of up to 115 Mbits/s.

In the nine months ended September 30, 2014, SFR continued its investments in 4G coverage.

iii. Fixed: unbundling and roll-out of fiber optic (FTTH)

As of September 30, 2014, SFR held the largest alternative fixed network in France. With almost 6,500 NRA (Subscriber Connection Nodes) unbundled, SFR had almost 28 million homes unbundled to ADSL access. During the year ended December 31, 2013, more than 800 NRAs were unbundled, being the biggest annual volume since the start of unbundling in France in 2001.

SFR has also made investments in the very-high-speed fixed sector. During the year ended December 31, 2013, SFR invested in the development of FTTH, making more than 1.5 million homes in mainland France eligible for optical fiber (as compared with 1.1 million at end 2012). As of September 30, 2014, this number had increased to approximately 2.1 million homes.

b) Investments in information systems

Within the framework of its ONE transformation plan, SFR is putting in a considerable effort to renew its information systems, investing 14% (over €200 million) of its investments excluding licenses in 2013 to renewing such technologies. These investments have the purpose of rationalizing the existing systems by simplifying the architecture and reducing the number of application subsystems. This investment strategy meets a twofold objective: simplify the operation and thus generate savings in maintenance costs, and improve the customer service quality of SFR over all points of contact (physical distribution network, call centers, internet).

c) Investments in customer equipment

These investments cover equipment owned by SFR and provided to customers, consisting mostly of:

- the costs of modems and internet decoders provided to ADSL and fiber optic customers on the B2C segment;
- the incidental costs associated with the connection of internet clients, including notably the logistics costs of shipping the equipment and the access fees to the service billed by Orange;
- the connection costs of optical fiber customers;
- SIM cards;
- the Femto Cell equipment offered to improve coverage inside the home; and
- the telecoms equipment made available to companies (modems, routers, PABX, etc.).

The majority of these investments correspond to the equipment and costs associated with marketing of the ADSL and optical fiber offers on the B2C market.

Net cash flow from financial investment activities

The financial investments made by SFR represented €6 million and €22 million for the nine months ended September 30, 2014 and 2013, respectively, and €28 million, €29 million and €94 million as at December 31, 2013, 2012 and 2011, respectively.

	Year ended December 31,			Nine months ended September 30,	
	2013	2012	2011	2014	2013
	€ in millions				
Net flow from combined entities net of cash acquired	7	(17)	(28)	(35)	8
Net flow from other financial assets	(34)	(11)	(66)	29	(30)
Net flow from financial investment activities	***(28)***	***(29)***	***(94)***	***(6)***	***(22)***

In the nine months ended September 30, 2014, these financial investments mainly consisted of:

- the acquisition of the shares of Groupe Telindus France for a total of €36 million for the share of the securities net of €6 million in cash acquired, and with the amount of debt acquired increasing the line "Repayment of loans" in the combined cash flow statement. On April 30, 2014, SIG 50 acquired all of the shares of Groupe Telindus France from the Belgacom group for a total amount of €88 million net of € 6 million of acquired cash; and

- repayment of shareholder advances of the Foncière Rimbaud (1 & 2) companies following the sale of real estate of the Saint-Denis site for a total amount of €22 million.

In 2013, these financial investments mainly consisted of equity and current account advances of the companies Foncière Rimbaud (1 to 4), in which SFR holds a 50% stake, alongside Vinci, within the framework of the construction of the headquarters of the SFR Group in Saint-Denis.

In 2012, SFR took a stake of 46.7% in Numergy, created with Bull and the Caisse des Dépôts and which offers a range of IT infrastructure capable of hosting data and applications, accessible remotely and securely ("cloud computing services"), with robust security and confidentiality protection. SFR's interest, which amounts to €105 million, is, as of the date of this Notice, paid up at the 25% level, i.e. €26 million.

The financial investments in 2011 mainly consisted of the 49% stake taken in La Poste Telecom.

For further information, see note 11 to the SFR 2011, 2012 and 2013 Combined Financial Statements of SFR.

Net cash from (used in) financing activities

The following table summarizes the net cash from (used in) financing activities by SFR for the years ended December 31, 2013, 2012 and 2011 and the nine months ended September 30, 2014 and 2013:

	As of December 31,			As of September 30,	
	2013	**2012**	**2011**	**2014**	**2013**
			€ in millions		
Net interest paid	(229)	(217)	(208)	(147)	(186)
Dividends paid	(985)	(538)	(1,458)	(7)	(985)
Issuances/repayments of borrowings (including bonds)	(15)	(1,019)	(447)	(358)	(10)
Change in shareholder advances	1,066	2,144	2,142	239	895
Change in other financial liabilities	(25)	(455)	(1,144)	(47)	131
Other cash flow related to financing activities	(7)	(5)	(40)	(33)	(6)
Net cash from (used in) financing activities	**(195)**	**(89)**	**(1,155)**	**(354)**	**(161)**

Net interest paid

SFR paid €147 million and €186 million, respectively, of net interest in the nine months ended September 30, 2014 and 2013, and € 229 million, €217 million and €208 million, respectively, in 2013, 2012 and 2011.

Net interest paid was essentially composed of interest paid on loans, less interest received from the short-term investment of cash.

In the nine months ended September 30, 2014, net interest paid decreased by €39 million, from €186 million in the nine months ended September 30, 2013, to €147 million in the nine months ended September 30, 2014, due to the decrease in average net financial debt, which declined from €8,541 million in the nine months ended September 30, 2013, to €6,721 million in the nine months ended September 30, 2014, while the average cost of financing remained stable.

In 2013, net interest paid increased by €12 million, or 5.5%, from €217 million in 2012 to €229 million in 2013, due to the increase in the average annual cost of financing, which increased from 2.58% in 2012 to 2.8% in 2013, and despite the decrease in average net financial debt, which declined from €8,397 million in 2012 to €8,160 million in 2013.

In 2012, net interest paid increased by €9 million, or 4.3%, from €208 million in 2011 to €217 million in 2012. The increase in interest paid was related to the increase in average net financial debt, which increased from €6,400 million in 2011 to €8,397 million in 2012, partially offset by the decrease in the average cost of financing, from 3.25% in 2011 to 2.58% in 2012 due to the changes in interest rates on the financial market.

Dividends paid

SFR paid €985 million, €538 million and €1,458 million, respectively, in dividends to shareholders in 2013, 2012 and 2011. No material dividend (€7 million) was paid in the nine months ended September 30, 2014. For more information regarding dividends paid, see note 16 "Information on Equity" in the SFR 2011, 2012 and 2013 Combined Financial Statements.

Repayment of debt

In the nine months ended September 30, 2014, repayments of debt totalled €358 million, of which €58 million were with respect to the repayment of the shareholder advance to Belgacom as part of the acquisition of Groupe Telindus France (see "*—Net Cash From (Used In) Investing Activities—Net Cash Flow from Financial Investment Activities*").

On July 9, 2014, the €300 million bond issuance was repaid. In 2013, repayment of debt (including repayment of bond issuances) represented €15 million compared to €1,019 million in 2012, resulting principally from the repayment of the €1,000 million bond issuance in July 2012.

In 2011, repayment of debt (including repayment of bonds) represented €447 million, resulting primarily from the repayment of a banking facility.

Change in shareholder debt

The €239 million increase in shareholder debt in the nine months ended September 30, 2014, resulted mainly from the increase in shareholder advances from Vivendi, less the amount received from the sale of the securities of SPT (the holding company of the interest in Maroc Telecom). The sales price, net of tax related to the capital gain realized, of € 4,056 million was recorded in shareholders' equity, as it was considered a contribution in compensation of a debt of Vivendi, the amount of the sale being deducted from the amount owed to Vivendi as a shareholder advance.

The €1,066 million increase in shareholder debt in 2013 resulted mainly from the increase in shareholder advances from Vivendi of €2.6 billion, which was used to finance the repayment of a revolving credit facility in the amount of €1,500 million, which was signed in July 2009 and which matured in June 2013.

The €2,144 million increase in shareholder debt in 2012 related to the increase in shareholder advances from Vivendi of €4.7 billion, which was used to finance the repayment of €1,000 million of a shareholder loan and a short-term credit line (which amounted to € 1,542 million as of December 31, 2011).

The €2,142 million increase in shareholder debt in 2011 related mainly to the €1,200 million increase in shareholder loans. The remaining €942 million related to shareholder advances.

Change in other financial debt

In 2013, the SFR Combined Group repaid €25 million of other financial debt, compared to €455 million in 2012, which resulted primarily from the payment of the remainder of the receivables securitization program put in place in February 2011 and closed in June 2012.

In 2011, SFR repaid €1,144 million in other financial debt, reflecting mainly the repayment of commercial paper in the amount of €814 million.

Contractual Obligations and Off-Balance Sheet Arrangements

SFR's significant contractual obligations are detailed below.

Contractual commitments for the acquisition of tangible and intangible assets as of December 31, 2013

The amount of contractual commitments for the acquisition of tangible and intangible assets amounted to €889 million as of December 31, 2013. This amount includes commitments linked to the roll-out of telecommunications networks.

The schedule of these commitments is as follows:

	Minimum future payments	Less than one year	2 - 5 years	More than 5 years	2012	2011
			€ in millions			
Commitments related to Public Service Concessions (DSP)	72	27	22	23	262	336
Commitments on MDPA[(a)]	216	19	99	99	8	—
Other investments[(b)]	600	582	19	—	702	1,776
Total	**888**	**628**	**139**	**122**	**972**	**2,112**

(a) Commitments related to the roll-out of the FTTH within the Moderately Densely Populated Areas (MDPA).

(b) In 2011, the amount includes the commitment to acquire the LTE license, in the amount of €1,065 million.

Contractual commitments related to licenses as of December 31, 2013

SFR has the following list of commitments linked to telecommunication licenses:

Commitments given	Amount	Maturity
(a) UMTS license on French territory	1% of revenues generated	2021 - 2030
(a) GSM license on French territory	1% of revenues generated	2021
(a) LTE license on French territory	1% of revenues generated	2031 - 2032
(b) 3G network coverage	Not costed	2013
(c) 4G network coverage	Not costed	2023 - 2027

Commitments received	Amount	Maturity
(a) Network operating and telecommunications service provision authorizations on French territory	Not costed	2021/2032

(a) SFR is the holder of operating authorizations for its networks and for the provision of telecommunications services in France, under the following financial conditions:

- payment of a fixed part, either recorded in debt (GSM) or paid at the time of allocation (UMTS and LTE); and
- payment of a variable part corresponding to 1% of the revenues generated by these licenses.

(b) On November 30, 2009, ARCEP called on SFR to comply with its obligations to roll out the UMTS networks no later than December 31, 2013, which were to provide a rate of cover of the French metropolitan population of 99.3%.

As of December 31, 2013, the Group believes it has fulfilled its coverage obligations, subject to verification by ARCEP.

(c) Within the framework of allocation of the first block of LTE frequencies in October 2011, SFR undertook to respect the roll-out obligations for very high-speed mobile in accordance with the below timeline:

- 25% of the metropolitan population by October 11, 2015;
- 60% of the metropolitan population by October 11, 2019; and
- 75% of the metropolitan population by October 11, 2023.

These coverage obligations may be met by the use of 2.6 GHz frequencies or through the use of other frequencies held by SFR.

Through Decision No. 2012-0039 of the ARCEP dated January 17, 2012, SFR was allocated 2*10 MHz in the 800 MHz band for the sum of € 1,065 million. The commitments linked to this allocation are as follows:

- SFR undertook to fulfilL the following obligations for roll-out of very high-speed mobile:
    - coverage of 98% of the French metropolitan population by January 17, 2024 and 99.6% of the French metropolitan population by January 17, 2027;
    - coverage in the priority roll-out area (around 18% of the French metropolitan population and 63% of the territory): SFR must cover 40% of the population of this priority roll-out area by January 17, 2017 and 90% of the population of this same area by January 17, 2022; and
    - departmental coverage: SFR must cover 90% of the population of each French department by January 17, 2024 and 95% of the population of each department by January 17, 2027.
- SFR and Bouygues Telecom have a mutual obligation to share the network or share frequencies in the priority roll-out area.
- SFR has an obligation to host Free Mobile roaming in the priority roll-out area when it has covered 25% of the French population with its own network at 2.6 GHz, and if it has not signed a national roaming agreement with another operator.
- SFR must cover, jointly with the other holders of the 800 MHz band, the town centers identified by the public authorities within the framework of the “white areas” program (above 98% of the population) within a maximum period of 15 years.

Commitments linked to operating lease agreements as of December 31, 2014

The amount of the minimum future rents for operating lease agreements is detailed in the following table:

	2013					
		Schedule				
	Minimum future rents	**Under one year**	**Two to five years**	**Over five years**	**2012**	**2011**
			€ in millions			
Land	5	0	2	3	4	5
Buildings	1,842	287	899	656	1,701	1,560
of which administrative premises	566	61	206	299	521	585
technical premises	1,273	226	692	356	1,181	952
Other	159	44	67	48	146	168
Rentals	**2,006**	**331**	**968**	**707**	**1,851**	**1,732**
Buildings	(216)	(40)	(101)	(75)	(109)	(41)
Of which technical premises	(216)	(40)	(101)	(75)	(109)	(41)
Sub-leases	**(216)**	**(40)**	**(101)**	**(75)**	**(109)**	**(41)**
Net Total	**1,790**	**291**	**867**	**632**	**1,742**	**1,691**

The total amount of future technical rents includes rights of way and rents linked to the use of optical fiber. The amount of the net rents recognized for 2013, 2012 and 2011 respectively is €284 million, €276 million and €277 million.

Future finance leasing rent amounts are presented in Note 10 “Tangible assets” of the SFR 2011, 2012 and 2013 Combined Financial Statements.

SFR’s commitments on long-term contracts as of September 30, 2014

SFR’s contractual commitments on long-term contracts concern mainly telecommunications network maintenance contracts and have the following payment schedule:

	2013					
		Schedule				
	Minimum future payments 2014	Less than one year	2 - 5 years	More than 5 years	2012	2011
	€ in millions					
Commitments given	178	62	79	37	172	63
Commitments received	(127)	(14)	(50)	(63)	—	(80)
Total	**51**	**48**	**29**	**(25)**	**172**	**(17)**

SFR's other contractual commitments as of December 31, 2013

SFR's other contractual commitments as of December 31, 2013, are as follows:

	2013	Maturity	2012	2011
	€ in millions			
(a) GSM-R bank guarantees, joint and several bank guarantee	105	According to construction	92	66
Other bank deposits and guarantees	65	2026	64	90
(b) Share purchase commitments	16	2026	16	18
Pledges	84	2017	51	46
Commitments made	**269**		**223**	**219**
Other bank deposits and guarantees	(1)		(1)	(1)
Commitments received	**(1)**		**(1)**	**(1)**

(a) This is the Public/Private Partnership ("PPP") between the Groups SFR, Vinci, AXA and TDF with Réseau Ferré de France ("RFF") (see note 11 "Equity-Accounted Affiliates" in the SFR 2011, 2012 and 2013 Combined Financial Statements.

(b) SFR has made unilateral promises to buy back the stakes of a minority financial partner within certain entities. These promises may only be carried out in the event that the entities of the SFR Group do not respect the contractual commitments made upon entering into the shareholders' agreements.

Employees' Individual Right to Training (DIF)

Law No. 2004-391 of May 4, 2004 on professional training and social dialogue created, for permanent employees, an individual training entitlement of a minimum of 20 hours per year, which can be accumulated over a period of six years but limited to 120 hours. The total volume of training hours corresponding to the rights acquired under the DIF at the end of 2013, 2012 and 2011 is estimated respectively at 1,184,635 hours, 1,194,180 hours and 1,117,215 hours.

Contingent Assets and Liabilities

Following the successful takeover bid in June 2008 which enabled SFR to acquire a 96.41% stake in Neuf Cegetel, SFR initiated a squeeze-out procedure for the outstanding shares of Neuf Cegetel. The amounts set aside as compensation for Neuf Cegetel shares, which have not been claimed by the depositary institutions on behalf of rights holders, will be retained by the CACEIS Corporate Trust for ten years from the initiation date of the squeeze-out procedure (June 24, 2008). After this date they will be transferred to the Caisse des Dépôts et Consignations. These funds may be claimed at any time by rights holders subject to the French government's thirty-year prescription period.

Changes to off-balance sheet commitments and contractual obligations during the nine months ended September 30, 2014

The new significant contractual commitments made and/or received by the SFR Group during the nine months ended September 30, 2014, are summarized below:

Commitments related to the network sharing agreement with Bouygues Telecom

On January 31, 2014, SFR and Bouygues Telecom entered into a strategic network sharing agreement. They will roll out a new shared network in an area covering 57% of the French population. This agreement will enable both operators to improve their mobile coverage and generate significant savings over time.

The agreement is based on two principles:

- first, the creation of a joint venture to manage shared radio site assets, in particular passive infrastructure and geographical locations in which the infrastructure and telecom equipment are deployed, SFR and Bouygues Telecom will retain full ownership of their telecom equipment assets and their frequencies; and

- second, the provision of RAN sharing services that the operators mutually provide in 2G, 3G and 4G on shared territory. Each operator is responsible for a percentage of the shared territory, in which it ensures the design, deployment, operation and maintenance of the RAN sharing service.

This network-sharing agreement is similar to numerous arrangements already existing in other European countries. Each operator will retain its own innovative capacity as well as complete commercial and pricing independence. The first cell coverage plans were delivered by each party on April 30, 2014. At this date, each operator was able to review the other's deployment plan, since exchanging technical information on-site during the establishment of sharing agreements is prohibited by the ARCEP. This exchange of information led, on October 24, 2014, to the adaptation of the agreement and in particular regarding certain engineering choices that had been made at the time of negotiation when each party did not have all of the pertinent information about the other's network. The completion of the target network, initially expected for the end of 2017, has been delayed by one year to the end of 2018, to take into account the prior deployment delays.

Taking into account the adaption of the agreement, SFR estimates that it has off-balance sheet operating commitments consisting of given commitments totaling approximately €1,830 million and received commitments totalling approximately €2,210 million, representing a net commitment received by SFR of approximately €380 million, which applies over the entire duration of the long-term agreement.

Commitments related to the signing of the Oise THD contract on March 27, 2014

As part of the public service delegation (DSP) in the Oise area, the SFR Group has launched a new "Oise Very High Speed Internet" project for the operation and marketing of 280,000 FTTH plugs. The related investment commitment amounts to €125 million over 15 years.

Commitments related to the signing of the Eure-et-Loir Digital contract on May 27, 2014

As part of the public service delegation (DSP) in the Eure-et-Loire area, the SFR Group has launched a new "Eure-et-Loire Very High Speed Internet" project for the operation and marketing of 90,000 FTTH plugs by 2020. The related commitment amounts to €28 million.

INTERIM COMBINED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES
30 SEPTEMBER 2014
SFR—SIG 50, AND THEIR SUBSIDIARIES

NUMERICABLE-SFR S.A.

Statutory auditor's review report on the condensed combined financial statements of the companies SFR, SIG 50 and subsidiaries for the period from January 1st to September 30, 2014

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and is construed in accordance with French law and professional standards applicable in France.

Period from January 1st, to September 30, 2014

To the Executive Director,

In our capacity as Statutory Auditors of Numéricâble-SFR and in response to your request, in the framework of the implementation by Altice, the principal shareholder of Numéricâble-SFR, of the planned issuance of bonds to finance the acquisition by Altice of the Portuguese assets of the Brazilian telecom group Oi, we have reviewed the condensed combined financial statements of the companies SFR, SIG 50 and subsidiaries (hereinafter 'the Group') for the period from January 1st to September 30, 2014 (hereinafter 'the Combined Financial Statements') as attached to this report.

Please note that your company prepared the Combined Financial Statements of the Group for the first time at September 30, 2014. The comparative information relating to the period from January 1st to September 30, 2013 has not been audited or reviewed.

These Combined Financial Statements have been prepared by your Management Board. Our role is to express an opinion on these statements, based on our review.

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Combined Financial Statements are not prepared in all material respects in accordance with IAS 34—the standard of the IFRS as adopted by the European Union applicable to interim financial statements.

Without qualifying our opinion above, we draw your attention to note "Basis of preparation" which describes the particular context, the scope of combination and accounting policies used in the preparation of the Combined Financial Statements.

Paris La Défense, January 8, 2015
KPMG Audit
Département de KPMG S.A.
Grégoire Menou
Partner

TABLE OF CONTENTS

Combined Income Statement

(in millions of euros)	Note	September 2014	September 2013
Revenue	3.1	**7 396**	**7 616**
Cost of sales		(4 640)	(4 431)
Commercial and distribution costs		(1 415)	(1 605)
Selling, general and administrative expenses	3.2	(716)	(515)
Other operating income	3.3	2	1
Other operating expense	3.3	(117)	(76)
Operating results		**510**	**989**
Interest income		3	2
Interest expense		(150)	(188)
Net financing cost		***(147)***	***(186)***
Other financial income	4	2	1
Other financial expense	4	(9)	(13)
Financial income		**(155)**	**(198)**
Income from equity affiliates		(7)	(6)
Pre-tax income from continuing operations		**348**	**785**
Income tax		(164)	(314)
Net earnings from continuing operations		**184**	**471**
Net earnings from discontinued operations		**—**	**—**
Net earnings		**184**	**471**
of which			
Attributable to the Group:		**178**	**465**
Net earnings from continuing operations		178	465
Attributable to non-controlling interests		**6**	**6**
Net earnings from continuing operations		6	6

For the earnings per share, refer to the Basis of Preparation.

The Accompanying Notes are an integral part of the Combined Financial Statements

Combined Statement of Comprehensive Income

(in millions of euros)	September 2014	September 2013
Net earnings	**184**	**471**
Foreign currency translation adjustments	(0)	0
Other	(1)	—
Related taxes	—	—
Other items related to equity affiliates	0	2
Items to be subsequently reclassified to earnings	**(0)**	**2**
Actuarial differences on post-employment benefits	(1)	(1)
Related taxes	0	0
Items not to be subsequently reclassified to	**(1)**	**(0)**
Combined comprehensive income	**183**	**473**
of which		
Comprehensive income attributable to the shareholders of the Group	177	467
Comprehensive income attributable to non-controlling interests	6	6

The Accompanying Notes are an integral part of the Combined Financial Statements

Combined Balance Sheet

(in millions of euros)	Note	September 2014	December 2013
ASSETS			
Goodwill	5	5,266	5,188
Intangible assets	6	3,757	3,931
Tangible assets	6	4,413	4,532
Investments in equity affiliates		155	152
Deferred tax assets		112	127
Other non-current assets	7	160	185
Non-current assets		**13,863**	**14,115**
Inventories		277	240
Trade accounts receivable and other receivables	8	2,817	2,558
Other current financial assets	7	8	2
Cash and cash equivalents	9	135	394
Current assets		**3,237**	**3,194**
TOTAL ASSETS		**17,100**	**17,309**
LIABILITIES			
Combined reserves		6,252	1,860
Earnings		178	420
Shareholders' equity		**6,430**	**2,281**
Non-controlling interests		10	11
Combined equity		**6,440**	**2,291**
Non-current provisions	10	175	156
Long-term borrowings and other financial liabilities	11	33	1,248
Deferred tax liabilities		5	2
Other non-current liabilities	13	501	540
Non-current liabilities		**714**	**1,947**
Current provisions	10	407	335
Short-term borrowings and financial liabilities	11	4,889	7,846
Trade accounts payable and other payables	12	4,629	4,874
Other current financial liabilities	13	22	17
Current liabilities		**9,947**	**13,071**
TOTAL LIABILITIES		**17,100**	**17,309**

The Accompanying Notes are an integral part of the Combined Financial Statements

Combined Cash Flow Statement

(in millions of euros)	Note	September 2014	September 2013
Net earnings attributable to the Group		**178**	**465**
Adjustments			
Non-controlling interests		6	6
Income tax (current / deferred)		164	314
Other expenses (including capital gain or loss on divestiture of financial assets)		40	1
Financial earnings	4	155	198
Earnings from equity affiliates		7	6
Amortization, depreciation and operating provisions		1 290	1 113
Gains or losses on tangible or intangible assets		9	3
Tax paid		(187)	(286)
Change in working capital		(323)	(404)
Net cash flow from (used in) operating activities		**1 339**	**1 416**
Purchase of tangible and intangible assets	6	(931)	(1 012)
Purchases of combined companies, after acquired cash		(35)	(2)
Purchase of other financial assets		(9)	(31)
Investments		***(976)***	***(1 045)***
Proceeds from sales of property, plant, equipment and intangible assets	6	22	3
Proceeds from sales of combined companies, after divested cash		—	10
Sale of other financial assets		38	1
Divestitures		***60***	***14***
Change in working capital related to PPE and intangible assets		(329)	(233)
Cash flow of investing activities		***(329)***	***(233)***
Net cash flow from (used in) investing activities		**(1 244)**	**(1 265)**
Interest paid	4	(150)	(188)
Interest received	4	3	2
Dividends paid		(7)	(985)
Borrowings (including bonds)	11	—	0
Repayments of borrowings (including bonds)	11	(358)	(10)
Change in shareholder advances	11	239	895
Change in other financial liabilities	11	(47)	131
Other cash flow related to financing activities		(33)	(6)
Net cash flow from (used in) financing activities		**(354)**	**(161)**
Change in cash and cash equivalents		**(259)**	**(10)**
Cash and cash equivalents:			
Opening balance	9	394	267
Closing balance	9	135	257
Change in cash and cash equivalents		**(259)**	**(10)**

The Accompanying Notes are an integral part of the Combined Financial Statements

Combined Statement of Changes in Equity

(in millions of euros)	Combined reserves including earnings	Items of comprehensive income[(a)]	Equity (group share)	Non-controlling interests	Combined equity
BALANCE AS AT DECEMBER 31, 2012	**2,864**	**(20)**	**2,844**	**8**	**2,852**
Dividends paid	*(982)*	—	*(982)*	*(3)*	***(985)***
Other transactions	*0*	—	*0*	—	***0***
Dividends and other transactions	**(982)**	**—**	**(982)**	**(3)**	**(985)**
Net income	*465*	—	*465*	*6*	***471***
Income and expenses recognized directly in shareholders' equity	—	*2*	*2*	—	***2***
Combined statement of comprehensive income	**465**	**2**	**467**	**6**	**473**
Total changes over the period	**(517)**	**2**	**(515)**	**3**	**(513)**
BALANCE AS AT SEPTEMBER 30, 2013	**2,347**	**(18)**	**2,329**	**10**	**2,339**
Dividends paid	—	—	—	—	**—**
Other transactions	*(0)*	—	*(0)*	—	***(0)***
Dividends and other transactions	**(0)**	**—**	**(0)**	**—**	**(0)**
Net income	*(45)*	—	*(45)*	*0*	***(45)***
Income and expenses recognized directly in shareholders' equity	—	*(3)*	*(3)*	—	***(3)***
Combined statement of comprehensive income	**(45)**	**(3)**	**(48)**	**0**	**(48)**
Total changes over the period	**(45)**	**(3)**	**(48)**	**0**	**(48)**
BALANCE AS AT DECEMBER 31, 2013	**2,302**	**(21)**	**2,281**	**11**	**2,291**
Dividends paid	*0*	—	*0*	*(7)*	***(7)***
Other transactions[(b)]	*3,973*	—	*3,973*	*(0)*	***3,973***
Dividends and other transactions	**3,973**	**—**	**3,973**	**(7)**	**3,965**
Net income	*178*	—	*178*	*6*	***184***
Income and expenses recognized directly in shareholders' equity	—	*(1)*	*(1)*	—	***(1)***
Combined statement of comprehensive income	**178**	**(1)**	**177**	**6**	**183**
Total changes over the period	**4,150**	**(1)**	**4,149**	**(1)**	**4,148**
BALANCE AS AT SEPTEMBER 30, 2013	**6,452**	**(22)**	**6,430**	**10**	**6,440**

(a) Details in the statement of comprehensive income

(b) Contribution of Vivendi by offsetting receivable in connection with the assignment of SPT; refer to Basis for Preparation of Combined Accounts

The Accompanying Notes are an integral part of the Combined Financial Statements

Notes to the Condensed Interim Combined Financial Statements

Basis of Preparation

These interim combined financial statements have been drawn up on December 23, 2014 by Numericable-SFR S.A. (hereinafter referred to as Numericable) in its capacity as new controlling shareholder of the companies SFR S.A. and SIG 50 S.A. (hereinafter referred to respectively as SFR and SIG 50).

They have been drawn up on the basis of the accounting data of the companies SFR and SIG 50 and their subsidiaries, for the 9 months ended as of September 30, 2014, as reported in the quarterly consolidation packages provided to Vivendi SA until the takeover of SFRS.A., SIG 50 S.A. and their subsidiaries by Numericable-SFR S.A. (previously Numericable Group S.A.).

They must be read in conjunction with the annual combined statements as at the end of December 2013 and the condensed interim combined financial statements as at the end of June 2014 which are attached to the Numericable Group Reference Document update filed with the French Autorité des Marchés Financiers on October 28, 2014.

Context

During its meetings on April 4 and 5, 2014, the Supervisory Board of Vivendi learned the result of the negotiations with Altice/Numericable, in the context of the reciprocal exclusivity granted on March 14, with a view to a partnership between SFR and Numericable, and unanimously decided to select the bid of Altice/Numericable.

In the context of a new reciprocal exclusivity undertaking with Altice/Numericable, and after obtaining the advisory opinion of the staff representative bodies of Numericable, Vivendi and SFR on this plan, the deal was signed on June 20, 2014.

The completion of this agreement was subject to certain conditions, in particular obtaining the approvals of the competent regulatory authorities. On October 27, 2014 the Competition Authority, after an in-depth examination of the file, authorized, subject to conditions, the purchase of SFR by Numericable Group. This operation was finalized on November 27, 2014.

Altice main shareolder of Numericable-SFR, has announced that it has signed a definitive agreement to purchase the Portuguese assets of the Brazilian telecom group Oi. These assets comprise the existing business of Portugal Telecom outside of Africa and excludes others, among which Portugal Telecom's Rio Forte debt securities. The transaction, net of financial debt, accrued post-retirement liabilities and other purchase price adjustments will be financed by new debt and existing cash from Altice.

To finance this acquisition, Altice plans to carry out a bond issue. These interim combined financial statements have been drawn up so as to be included in the corresponding offering memorandum.

Combination scope

The arrangement that constitutes the combined group (hereinafter referred to as the "Group") has no independent legal existence prior to the separation, and is made up of entities under the common control of Vivendi on September 30th 2014.

As of September 30, 2014, the Group principally comprised the following companies:

- the entities held directly and indirectly by SFR and its subsidiaries,
- the entities held directly or indirectly by SIG 50 and its new subsidiary, Groupe Telindus France S.A.

The combination scope presented in Note 27—List of Entities Combined of the accompanying notes to the 2013 annual combined accounts—includes in particular three new subsidiaries as of September 30, 2014. These are the companies Groupe Telindus France S.A., Telindus France S.A.S. and Telindus Morocco S.A.S.

As a reminder, the combination scope as at December 31, 2013 excluded SPT, held by SFR and owner of the interest in Maroc Telecom. This company was sold to Etisalat on May 14, 2014.

Terms of treatment of the holding company SPT owning the interest in Maroc Telecom:

As a reminder, in the historical combined accounts:

- the shares of SPT were cancelled in return for a reduction in equity,
- the dividends received from SPT, net of withholding tax, were presented in the Changes in Equity and in the Cash Flow statements, reducing the dividends paid by SFR to Vivendi.

In the interim combined statements as of September 30, 2014,

- the proceeds of sale, net of the tax on the capital gain generated in the sum of 4 billion euros, was recorded in exchange for the combined equity, insofar as it is considered as a contribution by offsetting of receivables of the shareholder Vivendi,
- the amount received on the sale reduces the Vivendi current account.

Presentation of the business

The business in France comprises mainly:

- the telephony business of SFR in France, which develops mobile, fixed-line, internet and television services with consumers and with business, corporate, community and operator clients. SFR operates in mainland France, as well as in La Réunion and Mayotte,
- the business of distributing telecommunications services and products in France,
- the business of telecoms and network integration, in particular via Telindus

Conventions used when preparing the combined accounts

Intercompany transactions between the Group and the other entities of the Vivendi Group

All balances relative to current operations between the entities of the Group and the other entities of the Vivendi Group have been presented on the balance sheet as third party asset or liability accounts in the combined accounts. All loans and borrowing between the entities of the Group and the other entities of the Vivendi Group have been presented as financial assets or liabilities in the combined accounts.

The transactions with the other entities of the Vivendi Group are presented in Note 24—Transactions with Related Parties of the annual combined statements as of December 31, 2013. The main changes concern the financial debts to Vivendi presented in Note 11—Borrowing and Financial Debts.

Earnings per share

As the combined group is not legally constituted on this date, the number of shares in circulation cannot be established. Consequently, no earnings per share are presented in the Combined Financial Statements.

Income tax

The deferred taxes recorded as tax loss carry-forwards were determined by taking into account the effect of the tax consolidation implemented within Vivendi.

The tax results of the companies included in the tax consolidation perimeter have been taken into account as part of the tax consolidation arrangements implemented by Vivendi, pursuant to the provisions of Article 223-A of the General Tax Code. Pursuant to the tax consolidation convention, carry- forward losses recorded during the period of tax consolidation will remain the property of Vivendi. Consequently, no deferred tax asset has been recognized in respect of these carry-forwards in the combined financial statements presented.

Note 1. Accounting Principles and Valuation Methods

1.1. Interim financial statements

The condensed interim financial statements of the nine months period ending September 30th 2014 are presented and have been prepared on the basis of standard IAS 34—*Interim Financial Reporting*, as adopted in the European Union (EU) and published by the IASB (*International Accounting Standards Board*). Thus, with the exception of the elements described in paragraph 1.2, the combined group applied the same accounting methods as in its combined financial statements for the financial year ended December 31, 2013 (refer in particular to Note 1—Accounting Principles for Combined Financial Statements), and the following provisions have been upheld:

- The calculation of the tax for the period is the result of the product of the annual effective rate of estimated tax, applied to the pre- tax accounts result for the period,

- The expenditure recorded over the period in remunerations paid in shares, staff benefits and employee profit sharing corresponds to the proportion of the estimated expenses for the year, possibly restated with non-recurring events that have occurred over the period.

- Actuarial assumptions used for post-employee benefits accounted for the nine-months ended September 30, 2014 are based on actuarial studies done for the year 2013; meaning no significant impact related to actuarial assumptions has been recorded in shareholders' equity during that period.

1.2. New IFRS standards and interpretations applicable from January 1, 2014

From the first quarter of 2014, the Group applied the IFRIC 21—*Levies* interpretation, published by the IFRIC on May 20, 2013, adopted in the EU on June 13, 2014, and published in the Official Journal of the EU on June 14, 2014. This clarifies certain accounts treatments applicable to levies, in compliance with IAS 37—*Provisions, Contingent Liabilities and Contingent Assets*.

IFRIC 21 specifically deals with the accounting of liabilities in respect of a levy or tax payable imposed by the public authorities on companies in accordance with legal or regulatory provisions, with the exception, specifically, of income tax and VAT. The application of this interpretation could therefore lead to changes in the timing of recognition of liabilities for taxes. This interpretation, mandatory from January 1, 2014 with retrospective effect to January 1, 2013, had no material impact on the financial statements of SFR

Furthermore, and as a reminder, with retrospective effect to January 1, 2012, the Group chose to apply early the standards on the consolidation methods: IFRS 10—*Consolidated Financial Statements*, IFRS 11—*Joint Arrangements*, IFRS 12—*Disclosure of Interests in Other Entities*, IAS 27—*Separate Financial Statements*, and IAS 28—*Investments in Associates and Joint Ventures*, the impacts of which are described in note 1 accompanying the combined financial statements for the financial year ended December 31, 2013. The application of these standards had no material impact on the financial statements of the Group.

1.3. Presentation of the combined financial statements

1.3.1. Combined income statement

The principal captions presented in the combined income statement are revenues, operating profit, financial income, share of profit of companies accounted for under the equity method, income tax and profit.

Operating profit is the result of operations after taking account of net depreciation and amortization expense, additions to provisions, and non-recurring items, classified under other operating income and expenses.

Other operating income and expenses mainly cover restructuring costs, amortization charged against intangible assets acquired in a business combination, gains and losses on the sale of intangible assets and property, plant and equipment, and other non-financial non-recurring income and expenses.

Financial income (expenses) comprises interest expense on loans, interest income generated by cash and cash equivalents, and other financial income and expenses (in particular, the effect of unwinding the discount on assets and liabilities).

1.3.2. Other comprehensive income

Other comprehensive income consists principally of translation adjustments, changes in the fair value of cash flow hedging instruments (foreign exchange and interest rate hedges), actuarial gains and losses on post-employment benefits, and the effects of related taxes.

These items are classified according to their nature and are shown separately according to whether or not they will be subsequently reclassified to income.

1.3.3. Combined balance sheet

Assets and liabilities with a maturity shorter than the operating cycle, i.e., generally 12 months, are classified under current assets and liabilities. Assets and liabilities maturing after 12 months are generally classified within non-current items, except for deferred taxes which are always classified within non-current items.

1.3.4. Statement of cash flows

Net cash flow from operating activities

To determine the net cash flow from operating activities, profit is restated for items with no cash impact and for the net change in working capital. Profit is also restated for current and deferred taxes, and for all components of financial income and expenses. Net cash flow from (used in) operating activities also excludes the net change in working capital linked to intangible assets and property, plant and equipment.

Net cash flow from investing activities

Net cash flow from investing activities includes, in particular, acquisitions and sales of intangible assets, property, plant and equipment and financial fixed assets; the net change in working capital linked to intangible assets and property, plant and equipment; and cash flow derived from the gain or loss of control of a subsidiary.

Net cash flow from financing activities

Net cash flow from financing activities includes, in particular, increases and decreases in loans, changes in amounts owed to Vivendi S.A., dividends paid, capital increases and borrowing costs, as well as all cash flow impacts of other financing activities.

1.3.5. Group operational performance

The Group considers EBITDA and cash flow from operations (CFFO) to be relevant indicators of the Group's operational performance.

EBITDA

The Group considers EBITDA, a non-accounting indicator, to be a measure of performance. EBITDA shows the profit generated by the Group's activities independently of financing conditions, taxes (corporate income tax) and the obsolescence of plant and equipment (net depreciation/amortization expense and provisions). EBITDA as defined by the Group corresponds to operating profit restated for other operating income and expenses and for net depreciation and amortization expense and provisions for impairment of intangible assets and property, plant and equipment.

CFFO

The Group considers CFFO, a non-accounting measurement, to be a relevant indicator of the Group's operating performance. CFFO chiefly relates to the net cash flow derived from operating activities in the statement of cash flows (SCF), after deducting investments net of disposals and changes in the related working capital, and before deducting corporate income tax payments.

1.3.6. Segment information

In light of prevailing trends in the Group's business resulting in the increased convergence of mobile telephony and high-speed telephony and fixed internet services, Group management monitors operations in a comprehensive, unified manner. The chief decision-maker on operations verifies results and operating plans and decides on the allocation of resources at Group level. The Group has therefore identified a single operating segment meeting the criteria of IFRS 8.

Similarly, since virtually all of the Group's business is carried out on French territory, a single geographic segment has been identified.

This presentation could be modified in the future to reflect developments in the Group's businesses and operating criteria.

Note 2. Significant events over the period

Purchase of SFR by Altice / Numericable

During its meetings of April 4 and 5, 2014, the Supervisory Board of Vivendi unanimously decided to select the purchase bid of Altice/Numericable for SFR.

The transaction was signed on June 20, 2014. Closing took place on November 27, 2014 (see Note 17—Post-Closing Events).

Acquisition of Groupe Telindus France

On April 30, 2014, SIG 50 acquired all shares of Groupe Telindus France from the Belgacom Group for a total amount of €88 million, net of the cash acquired for €6 million. The main subsidiary, Telindus France, is one of the leaders in the French telecoms integration and ICT (Information and Communication Technology) market, and is the leading Cisco distributor in France. Thanks to this transaction, SFR will thus considerably strengthen its presence in the adjacent market of telecoms integration and this will enable it to offer new services to its corporate clients in addition to the offers from SFR Business Team.

Note 3. Operating Income

3.1. Breakdown of Revenues

(in millions of euros)	September 2014	September 2013
Sales of goods	376	357
Sales of services	7,020	7,259
Revenues	**7,396**	**7,616**

3.2. Selling, general and administrative expenses

Excluding a non-recurring charge of €196 million, and excluding Telindus France, which entered the scope of consolidation on May 1, 2014, Selling, general and administrative expenses decreased by €31 million in the nine months ended September 30, 2014, as compared to the nine months ended September 30, 2013.

Note 3. Operating Income

3.3. Other Operating Income and Expenses

(in millions of euros)	September 2014	September 2013
Other operating income	**2**	**1**
Amortization of customer bases recognized in business combinations[a]	(50)	(50)
Restructuring costs[b]	(15)	(22)
Other[c]	(53)	(5)
Other operating expenses	**(117)**	**(76)**

(a) The amortization of customer bases recognized in business combinations represents the amortization of the customer bases recognized at the time of the acquisition of the Neuf Cegetel Group in 2008.

(b) The restructuring costs include the settlement payments and other costs linked to GPEC (Provisional Jobs and Skills Management).

(c) This amount includes, among other things, an additional profit sharing and incentive payment totaling €26 million, paid to employees of SFR's EEU (Economic and Employee Unit) as part of the planned sale of SFR to Numericable.

Note 4. Financial Income

As net financing costs are presented directly in the income statement, other financial income and expenses are detailed hereunder:

(in millions of euros)	September 2014	September 2013
Other financial income	**2**	**1**
Effect of undiscounting liabilities[a]	(5)	(5)
Effect of undiscounting provision for risks and liabilities[b]	(2)	(2)
Other	(2)	(7)
Other financial expenses	**(9)**	**(13)**

(a) Principally concerns the debt related to the GSM license.

(b) Principally concerns the provision for employment benefits plans and the provision for site rehabilitation presented in Note 10—Provisions.

Note 5. Goodwill

5.1. Net Change in Goodwill

The net change in goodwill can be analyzed as follows:

(in millions of euros)	September 2014	December 2013
Gross value at opening balance	**5,194**	**5,194**
Acquisitions[a]	77	0
Transfers	—	—
Gross value at closing balance	**5,272**	**5,194**
Impairment losses at opening balance	**(6)**	**(6)**
Change	—	—
Impairment losses at closing balance	**(6)**	**(6)**
Net value at end of period	**5,266**	**5,188**

(a) Concerns the provisional goodwill (before works allocating the purchase price) generated by the acquisition of Groupe Telindus France. The allocation of the price of acquisition will be finalized within 12 months of the date of acquisition, in compliance with IFRS standards. The value of the goodwill will only become final after this period.

5.2. Goodwill Impairment Test

The return on investment of acquisitions is monitored at Group level, the only operating sector on which impairment tests are carried out.

As at September 30, 2014, the Group has not identified any indication of loss of value that may require a goodwill impairment test.

Note 6. Tangible and Intangible Assets

6.1. Net intangible assets

	September 2014			December 2013		
(in millions of euros)	**Gross**	**Amort and impairment losses**	**Net**	**Gross**	**Amort and impairment losses**	**Net**
Acquired software	2,020	(1,726)	294	2,061	(1,737)	323
Software developed internally	2,418	(1,588)	830	2,695	(1,854)	841
Licenses[a]	2,505	(724)	1,781	2,505	(620)	1,885
Customer databases[b]	568	(526)	42	562	(476)	86
Other[c]	1,592	(783)	810	1,532	(736)	796
	9,103	**(5,346)**	**3,757**	**9,355**	**(5,424)**	**3,931**

(a) The gross amount includes in particular:

– the UMTS license for €619 million acquired in 2001, commissioned in June 2004, and amortizable until the end of the period granting the right (August 2021). The frequencies acquired in June 2010 for €300 million are amortizable over 20 years;

– the GSM license for €278 million acquired in March 2006, recorded at the discounted value at 4% of the annual fixed royalty of €25 million, and amortizable until the end of the period granting the right (March 2021);

– the LTE license for €150 million acquired in October 2011 under the allocation of 4G frequencies in the 2.6 GHz band, commissioned in November 2012 and amortizable until the end of the period granting the right (October 2031);

– the LTE license for €1,065 million acquired in January 2012 under the allocation of 4G frequencies in the 800 MHz band, commissioned on 3 June 2013 and amortizable until the end of the period granting the right (January 2032).

(b) Includes in particular:

– the Neuf Cegetel customer base, valued upon acquisition at €464 million,

– the FrNet2 customer base, valued upon acquisition at €98 million.

(c) Mainly includes site search costs, concession contracts (IFRIC 12), rights of way and service access costs.

The analysis of the change of intangible assets is as follows:

(in millions of euros)	**September 2014**	**December 2013**
Opening balance	**3,931**	**4,082**
Amortization and impairment losses	(556)	(729)
Acquisitions	358	586
Disposals / Write-down	(2)	(4)
Changes in combination scope	9	0
Other	17	(4)
Closing balance	**3,757**	**3,931**

6.2. Net tangible assets

(in millions of euros)	September 2014 Gross	September 2014 Amort and impairment losses	September 2014 Net	December 2013 Gross	December 2013 Amort and impairment losses	December 2013 Net
Land	80	(1)	79	78	(1)	76
Buildings	2,971	(1,682)	1,289	2,900	(1,614)	1,286
Equipment and machinery	5,488	(3,467)	2,021	5,326	(3,267)	2,058
Work in progress	255	—	255	301	—	301
Other	2,496	(1,726)	770	2,397	(1,587)	810
	11,291	**(6,877)**	**4,413**	**11,002**	**(6,470)**	**4,532**

Analysis of the changes in tangible assets is as follows:

(in millions of euros)	September 2014	December 2013
Opening balance	**4,532**	**4,468**
Amortization and write-off	(648)	(932)
Acquisitions / Increase	573	1,079
Disposal	(28)	(21)
Changes in combination scope	5	(61)
Other	(20)	(2)
Closing balance	**4,413**	**4,532**

Note 7. Other Current and Non-Current Assets

(in millions of euros)	September 2014	December 2013
Non-current operating assets	**79**	**79**
Advances to equity-accounted and non-combined companies	44	65
Non-combined equity securities	10	12
Other	27	29
Non-current financial assets	**81**	**106**
Total other non-current assets	**160**	**185**
Other current financial assets	**8**	**2**

The decrease of non-current financial assets is due to the repayment of shareholder advances of the Foncière Rimbaud 1 and Foncière Rimbaud 2 companies, following the sale of these companies' assets.

Note 8. Trade Accounts Receivable and Other Receivables

(in millions of euros)	September 2014	December 2013
Accounts receivable	2 256	2 147
Bad debt allowance[(a)]	(460)	(465)
Net accounts receivable	**1 796**	**1 681**
Receivables from suppliers	183	228
Employee and tax receivables	454	529
Prepaid expenses	186	103
Income taxes	8	3
Receivables linked to tax integration[(b)]	186	9
Other non-operating receivables	5	5
Accounts receivable and other receivables	**2 817**	**2 558**

(a) The Group considers that there is no significant collectability risk for unprovisioned overdue receivables.

(b) In the interim financial statements receivables and payables linked to tax integration are not offset (See. Note 12—Trade Accounts Payable and Other Payables).

Note 9. Cash and Cash Equivalents

(in millions of euros)	September 2014	December 2013
Cash	40	297
Cash equivalents	95	98
Cash and cash equivalents	**135**	**394**

Note 10. Provisions

(in millions of euros)	Opening Balance Dec. 2013	Allocations	Utilization	Recoveries and changes of estimates	Other changes	Closing Balance Sep. 2014
Staff benefit schemes	76	7	(0)	—	4	87
Restructuring[(a)]	85	0	(41)	(0)	—	44
Site renovation costs[(b)]	61	—	(1)	—	—	60
Litigation and other[(c)]	269	214	(63)	(39)	11	391
Provisions	**491**	**221**	**(105)**	**(40)**	**15**	**582**
Current provisions	*335*	*214*	*(104)*	*(40)*	*2*	*407*
Non-current provisions	*156*	*7*	*(1)*	*(0)*	*13*	*175*

(a) Restructuring: the recovery of €41 million only concerns the voluntary redundancy plan provisioned in 2012 and 2013.

(b) Site renovation costs: the Group is required to renovate the technical sites of its network upon expiry of the lease, in the event of its non-renewal or in the event of early termination.

(c) Litigation and other: this includes, among other things, provisions whose amount and type are not detailed because their disclosure could harm the Group. The provisions made for litigation cover the risks relating to contentious proceedings instigated against the Group. All provisioned litigation is currently awaiting a hearing or pleadings before a court. The unused part of the provisions recognized at opening corresponds to litigations which have been settled with sums, paid by the Group, that are lower than those provisioned (refer to Note 16—Litigation).

Notes to the Condensed Interim Combined Financial Statements

Note 11. Borrowing and Financial Debt

11.1. Analysis of borrowing and financial debt

(in millions of euros)	September 2014	December 2013
Shareholder debt[a]	—	1,200
Debt relative to finance leasing	6	8
Other financial debt	27	40
Non-current borrowing and financial debt	**33**	**1,248**
Shareholder debt[a]	4,855	7,472
Bond loan[b]	—	300
Bank loans	13	50
Debt relative to finance leasing	3	3
Other financial debt	18	20
Current borrowing and financial debt	**4,889**	**7,846**
Borrowing and financial debt	**4,923**	**9,094**

(a) Shareholder debt: this category corresponds to the financial debt contracted with Vivendi in the form of:

- cash current account: this is an advance on current account granted to the Group by Vivendi:
  - to SFR in June 2011. This facility was drawn to the level of €7.5 billion as of December 31, 2013 and €3.6 billion as of September 30, 2014 respectively. This advance is denominated almost entirely in euros. The interest rate has been variable since January 1, 2014 (Euribor 1 month +3%);
  - to SIG 50 in 2002. This facility, not drawn as of December 31, 2013, was drawn to the level of €96 million as of September 30, 2014;
- shareholder loan: the loan, entered into with SFR in December 2011 for €1.2 billion at the Euribor +0.825% rate with maturity in June 2015, has been reclassified in current financial debts.

(b) Bond loan (net of amortized cost): the Group issued a bond loan of €300 million in July 2009 at the rate of 5%, with maturity on July 9, 2014 (repaid on time).

11.2. Breakdown by Maturity of Future Cash Flow linked to Borrowing and Financial Debt

The table below is a schedule of the contractual cash flow of borrowing and financial debt, including interest coupons, on a non-discounted basis, as of September 30, 2014. The interest payable is calculated on the basis of the debt and the interest rates on that date.

The annual effective percentage rate over the period is 2.92%.

		September 2014		
		Schedule of repayments		
(in millions of euros)	Book value	Under one year	Two to five years	Over five years
Shareholder debt	4 855	4 855	—	—
Bond loan	—	—	—	—
Borrowing in respect of leasing	9	3	5	1
Other financial debts	58	31	22	5
Borrowing and financial debts	**4 923**	**4 889**	**27**	**6**

Note 12. Trade Accounts Payable and Other Payables

(in millions of euros)	September 2014	December 2013
Trade accounts payable	2 644	2 878
Customer’s credit balances	374	622

Tax debts	520	508
Social security debts	326	338
Prepaid income	525	524
Income tax	3	3
Tax integration debt[(a)]	236	1
Other	1	1
Trade accounts payable and other payables	**4 629**	**4 874**

(a) In the interim financial statements receivables and payables linked to tax integration are not offset (See. Note 8—Trade Accounts Receivable and Other Receivables).

Note 13. Other Current and Non-Current Liabilities

(in millions of euros)	**September 2014**	**December 2013**
Deferred income[(a)]	302	309
GSM license	110	136
Other	25	28
Other non-current liabilities	**437**	**473**
Uncalled share capital (Numergy)	63	63
Other	1	5
Non-current financial liabilities	**64**	**68**
Total other non-current liabilities	**501**	**540**
Uncalled share capital (Numergy)	16	16
Other	6	1
Other current financial liabilities	**22**	**17**

(a) Including linked to IRU (Irrevocable Rights of Use) contracts: €248 million as of end of September 2014.

Note 14. Transactions with Related Parties

During the first nine months, no transaction with related parties had any significant effect on the financial situation or the profitability of the Group, with the exception of the transactions presented in Note 11—Borrowing and Financial Debts.

Note 15. Contractual Commitments

15.1. New significant commitments of the period

The new significant contractual commitments made and/or received by the Group during the first nine months are detailed hereunder:

Commitments related to the sharing of the networks with Bouygues Telecom

The network sharing agreement signed with Bouygues Telecom on January 31, 2014, and its amendment dated October 24, 2014 (see Note 17—Post-Closing Events), represents given commitments for approximately €1,830 million and received commitments for approximately €2,210 million, representing a net commitment received by SFR of approximately €380 million, which applies over the entire duration of the long-term agreement.

Commitments related to the signing of the Oise THD contract on March 27, 2014

As part of the public service delegation (DSP) in the Oise area, the SFR Group has launched a new “Oise Very High Speed Internet” project for the operation and marketing of 280,000 FTTH plugs. The related investment commitment amounts to €125 million over 15 years.

Commitments related to the signing of the Eure-et-Loire Digital on May 27, 2014

As part of the public service delegation (DSP) in the Eure-et-Loire area, the SFR Group has launched a new "Eure-et-Loire Very High Speed Internet" project for the operation and marketing of 90,000 FTTH plugs by 2020. The related commitment amounts to €28 million.

15.2. Other Commitments

Apart from the commitments indicated above, the net contractual commitments made by the combined Group are described in the notes to the condensed interim combined financial statements as of June 30, 2014.

Note 16. Litigations

Legal Proceedings

In the normal course of its business, SFR is subject to various lawsuits, arbitrations and governmental, administrative or other proceedings.

The costs which may result from these proceedings are only recognized as provisions when they are likely to be incurred, and when the obligation can be reasonably quantified or estimated, in which case the amount of the provision represents our best estimate of the risk, provided that we may, at any time, reassess such risk if events occur during such proceedings.

To the company's knowledge, there is no lawsuit, arbitration and governmental or other proceedings, or exceptional event (including any proceedings of which the issuer is aware which are pending or threatened) which may have or which have had a significant impact on the company's and on its group's financial position, profit, business and property during the previous nine months, other than those described below.

Are mentioned in the present note all significant litigations in which SFR is in request and defense.

Claim of Orange Against SFR and Bouygues Telecom

On April 29, 2014, Orange brought a claim before the Competition Authority on the subject of an agreement for sharing part of the mobile access networks between Bouygues Telecom and SFR, signed on January 31, 2014. Orange considers that this agreement constitutes a collusive practice, through concerted action and horizontal agreement, between rival companies. Orange demanded the immediate suspension of its implementation as an interim measure. The Competition Authority rejected Orange's demand of interim measures on September 25th, 2014. Orange filed an appeal before the Paris court of Appeal against this decision. In parallel, the case is still under investigation by the Competition Authority, on the merits.

Bouygues Telecom's Complaint against SFR and Orange in connection with the wholesale mobile call termination and retail mobile telephony markets

Claim Before the French Competition Council

Bouygues Telecom brought a claim before the French Competition Council against SFR and Orange for certain alleged unfair trading practices on the call termination and mobile markets ("price scissoring"). On May 15, 2009, the French Competition Authority resolved to postpone its decision on the issue and remanded the case for further investigation. On December 13, 2010, SFR was heard on these allegations by the instructing magistrate. On August 18, 2011, SFR received a notification of grievances in which the Competition Authority noted the existence of abusive price discrimination practices. On December 13, 2012, the Competition Authority fined SFR €66 million. SFR appealed against this decision. The case was argued before the Paris Court of Appeal on February 20, 2014. The Paris Court of Appeal gave its deliberation on June 19, 2014, under the terms of which it dismissed SFR's procedural arguments, demanded *Amicus Curiae* at the European Commission on the economic and legal matters raised in this case, and postponed its decision on the merits of the case pending the opinion of the Commission.. The Commission gave its opinion on December 1st, 2014. A new hearing by the Court of Appeal is expected on February 25, 2014. On July 9, 2014, SFR filed an appeal before the Cour de Cassation (French Supreme Court) regarding the procedural claims.

Third-Party Damages Litigation

Following the decision of the Competition Authority of December 13, 2012, Bouygues Telecom, OMEA and El Telecom (NRJ Mobile) brought a claim before the Paris Commercial Court against SFR for damages suffered. They are seeking damages of €623.6 million, €67.9 million and €28.6 million, respectively. In compliance with the settlement agreed between SFR and Bouygues Telecom in June 2014, the hearing to close the mediation process was held on September 5, 2014. Notification of the decision on September 11, 2014 did put an end to the litigation between the two companies.

Regarding OMEA and EI Telecom’s claims, SFR asked the court to stay the damages proceedings pending a final decision or at least the decision of the Paris Court of Appeal. On October 14th, 2014, the Court decided to stay the proceeding until the Paris Court of Appeal decision.

Complaint against Orange before the French Competition Authority (NRA ZO)

On December 9, 2009, SFR and SFR Collectivités brought a claim before the French Competition Authority against Orange for unfair practices.

Following the filing of this claim, SFR brought a claim for damages before the Paris Commercial Court (NRA ZO) against Orange.

Complaint against Orange before the Paris Commercial Court (call termination—call origination)

On February 22, 2010, SFR brought a claim against Orange seeking the rescindment of the Orange call origination charge for the period 2006-2007 and its replacement by a charge that is 2% lower for 2006 and 15% lower for 2007.

On June 25, 2013, all of SFR’s claims were dismissed. On July 25, 2013, SFR filed an appeal against the judgment of the Commercial Court.

Complaint by Orange Réunion, Orange Mayotte, and Outremer Télécom against Société Réunionnaise du Radiotéléphone (SRR)

Orange Réunion, Orange Mayotte and Outremer Télécom notified the French Competition Authority of alleged unfair price differentiation practices implemented by SRR on the Consumer market and on the Business market. On September 16, 2009, the Competition Authority delivered interim measures against SRR, pending its decision on the merits.

SRR had to put an end to a price difference exceeding that of the costs borne by SRR according to the on-net/off-net network. As the Competition Authority found that SRR had not fully respected the order it had delivered, on January 24, 2012 it fined it €2 million. With regard to the procedure on the merits, on July 31, 2013 SRR signed a statement of non- contestation of grievances and a letter of commitments. Consequently, the general reporting judge proposed a reduction in the fine incurred by SRR to the board of the Authority.

Following the Authority’s decision of September 16, 2009, Outremer Telecom brought action for damages against SRR on June 17, 2013 before the Commercial Court of Paris for the loss it alleges it suffered owing to the practices of SRR. On November 13, 2013, the Court postponed its decision until the decision on the merits by the Competition Authority.

On June 13, 2014, the Authority handed down its decision on the “Consumer” portion of the complaint, fining SFR and its subsidiary SRR €45.9 million. The “Business” portion is still under investigation by the Competition Authority.

On October 8, 2014, Orange brought action for damages against SRR and SFR before the Commercial Court for the loss it alleges it suffered owing to the practices of SRR. Orange is seeking damages of €135.2 million

Complaint against Orange before the French Competition Authority regarding the mobile telephony services to professionals market

On August 9, 2010, SFR filed a complaint before the French Competition Authority against Orange for anti-competitive practices on the professional mobile market.

Complaint of Orange Against SFR ("Overflow" Case)

In a complaint filed on August 10, 2011, Orange asked the Paris Commercial Court to compel SFR to immediately stop its practices of unfair "overflow" of interconnection to their respective networks.

On December 10, 2013, SFR was ordered to pay €22.1 million to Orange. On January 10, 2014, SFR appealed against this decision.

Complaint against Orange (Abuse of Dominant Position on the Retail Mobile Telephony Secondary Home Market)

On April 24, 2012, SFR filed a complaint before the Commercial Court of Paris against Orange for practices constituting an abuse of its dominant position on the secondary residence market. On February 12, 2014, the Commercial Court of Paris ordered Orange to pay €51 million in damages.

Orange appealed against this judgment. On April 2, 2014, Orange also asked for suspension of the provisional execution of the decision of the Commercial Court. On July 4, 2014, this request was rejected. The Paris Court of Appeal cancelled to commercial court's decision on October 8th 2014. On November 19, 2014, SFR brought the case to the French Supreme Court.

Litigation with Free

On May 21, 2012, Free filed a complaint against SFR before the Paris Commercial Court. Free is challenging the subsidy model associated with SFR's *Carrées* offerings sold over the Internet from June 2011 to December 2012, claiming that it constitutes a consumer credit mechanism and that, as such, SFR is guilty of unfair practices by not respecting the provisions inherent to consumer credit, including providing prior information to customers. Free has asked, among other things, that the Paris Commercial Court compel SFR to inform its customers, and to award damages of €29 million. On January 15, 2013, the Paris Commercial Court dismissed all of Free's claims and awarded SFR the sum of €0.3 million in damages. On January 31, 2013, Free appealed this decision.

Litigation with the UFC

On June 7, 2012, the French Federal Union of Consumers (UFC) filed a complaint before the Paris Court of First Instance (*Tribunal de Grande Instance*) against SFR alleging that the general conditions of use of SFR's *La Carte* offering contain unfair clauses. The UFC is seeking the removal of these clauses and damages.

Complaint against Orange (Unbundled Zones Case)

On November 26, 2012, SFR notified the French Competition Authority of practices constituting an abuse of dominant position on the retail high- speed internet access market in non-unbundled areas.

Complaint against Iliad, Free and Free Mobile

In June 2014, SFR summonsed Iliad, Free and Free Mobile before the Commercial Court of Paris for acts of unfair competition in order to have it recognized that at the time of the launch of Free Mobile and subsequently, Iliad/Free were guilty of disparagement against the services of SFR.

Litigation with the CLCV

On January 7, 2013, the French consumer protection association, CLCV (Consumption, Housing and Quality of Life) filed a complaint before the Commercial Court of Paris against SFR.

The CLCV considers certain clauses contained in the general conditions of subscription of SFR (as well as those of other telephone operators) to be unfair. It is also seeking compensation for the collective loss.

Employee litigation arising from the transfer of customer relations centers in Toulouse, Lyon, and Poitiers

Following the transfer of the customer relations centers located in Toulouse and Lyon to the company Infomobile, and of the center in Poitiers to a subsidiary of the Bertelsmann Group, former employees of these sites filed complaints with the industrial tribunals (*conseils des prud'hommes*) of each of these cities, claiming unfair execution of their employment contracts and fraudulent breach of Article L.1224-1 of the French Labor Code and of the legal provisions relating to dismissal on economic grounds. The findings of the courts on this issue in 2013 were not consistent; the Toulouse Court of Appeal sanctioned the SFR and Téléperformance groups in half the cases, while the courts of Lyon and Poitiers rendered judgments which were favorable to SFR. The cases are at different stages of proceedings: industrial tribunal, Court of Appeal and Supreme Court. On June 18, 2014, the Court of Cassation confirmed the decision of the Court of Appeal of Toulouse.

Disputes with independent distributors (B2C and SFR Business Team)

SFR, like other companies that use an indirect distribution model, faces complaints by its distributors, and almost systematically by its former distributors. These recurring disputes revolve around the abrupt termination of the contractual relationship, the abuse of economic dependency and/or requests for reclassification of a distributor as a commercial agent and, more recently, applications for reclassification of a manager as a branch manager and reclassification of the employment contracts of the employees working at these points-of-sale as employment contracts with SFR. Following several adverse rulings of the Supreme Court in relation to the status of branch managers, various Courts of Appeal have recently issued a number of decisions favorable to SFR. With regard to the reclassification of employment and sales contracts in these disputes, apart from a few exceptions, SFR has benefited from favorable case law.

Note 17. Subsequent Events

Network sharing agreement with Bouygues Telecom

On January 31, 2014, SFR and Bouygues Telecom entered into strategic network sharing agreement. They will roll out a new shared network in an area covering 57% of the French population. This agreement will enable both operators to improve their mobile coverage and generate significant savings over time.

The agreement is based on two principles:

- First, the creation of a joint venture to manage shared radio site assets, in particular passive infrastructure and geographical locations in which the infrastructure and telecom equipment are deployed. SFR and Bouygues Telecom will retain full ownership of their telecom equipment assets and their frequencies;

- Secondly, the provision of RAN-sharing services that the operators mutually provide in 2G, 3G and 4G on shared territory. Each operator is responsible for a percentage of the shared territory, in which it ensures the design, deployment, operation and maintenance of the RAN-sharing service

This network-sharing agreement is similar to numerous arrangements already existing in other European countries. Each operator will retain its own innovative capacity as well as complete commercial and pricing independence. The first cell coverage plans were delivered by each party on April 30, 2014. At this date, each operator was able to review the other's deployment plan, since exchanging technical information on-site during the establishment of sharing agreements is prohibited by the ARCEP. This exchange of information led, on October 24, 2014, to the adaptation of the agreement and in particular regarding certain engineering choices that had been made at the time of negotiation when each party did not have all of the pertinent information about the other's network. The completion of the target network, initially expected for the end of 2017, has been delayed by one year to the end of 2018, to take into account the prior deployment delays.

Altice-Numericable Understanding

On 27th November 2014 Altice and Numericable Group announced the closing of the transaction to combine SFR and Numericable. Vivendi received €13.366 billion in cash of which €200 million will be contributed to the financing of the acquisition of Virgin Mobile by Numericable Group. Vivendi will keep a 20% stake in the new combined entity, which it will be free to sell after a one year lock-up period, subject to Altice's pre-emption right. That day, the company Numericable Group changed its name into Numericable-SFR.

Certain Summary Financial Information and Other Data

SFR

The following table sets forth the revenues and Adjusted EBITDA based on historical financial statements of SFR, and the Altice France Group Pro Forma Financial Information that has been prepared by the Altice Group for the purpose of presenting its consolidated financial information.

Altice France Group Pro Forma Financial Information contains intercompany and pro-forma adjustments that do not refer to Numericable-SFR S.A. only, but also include other adjustments relating to the Altice S.A. perimeter. Had Numericable-SFR S.A. prepared Pro Forma Financial Information at its level, there would have been differences between the figures. As such, Altice France Group Pro Forma Financial Information is not and should not be considered, for any period, as the Numericable-SFR Pro Forma Financial Information.

	Historical Financial Information of Numericable Group and SFR					Altice France Group Pro Forma Financial Information
	For the year ended December 31,			For the nine months ended September 30,		LTM ended September 30[3]
	2011	2012	2013	2013	2014	2014
	€ in millions					
Revenue						
SFR	12,183.0	11,288.0	10,199.0	7,616.2	7,396.4	9,979.2
Adjusted EBITDA[1]						
SFR[2]	3,805.4	3,416.1	2,845.8	2,265.3	2,011.7	2,592.1

(1) Adjusted EBITDA is defined by the Altice Group as operating income before depreciation and amortization, goodwill impairment, management fees, other expenses, net and reorganization and non recurring costs. Adjusted EBITDA includes an add back for equity based compensation and CVAE, a business tax levied in France. The Altice Group believes that these measures are useful to readers of its financial as it provides them with a measure of the operating results which excludes certain items we consider outside of our recurring operating activities or that are non cash, making trends more easily observable and providing information regarding our operating results and cash flow generation that allows investors to better identify trends in its financial performance. Adjusted EBITDA should not be considered as a substitute measure for operating income and may not be comparable to similarly titled measures used by other companies (including the Altice France Group).

(2) For the year ended December 31, 2013 and the nine months ended September 30, 2013 and 2014 respectively, includes an add back for CVAE (Cotisation sur la Valeur Ajoutée des Entreprises) amounting to € 53 million, €40.7 million and €46.2 million respectively and an add back for equity based compensation amounting to €27.0 million, €23.7 million and €4.1 million, respectively. Adjusted EBITDA for nine months ended September 30, 2014, excludes a non-recurring charge of €196 million in relation to certain litigation matters disclosed in the financial statements of SFR, SIG 50 and their subsidiaries at September 30, 2014, December 31, 2013, 2012 and 2011.

(3) LTM ended September 30, 2014 is calculated by (i) adding the revenue, EBITDA or Adjusted EBITDA or other applicable line item for the nine months ended September 30, 2014 and the year ended December 31, 2013 and (ii) subtracting the revenue, EBITDA or Adjusted EBITDA or other applicable line item for the nine months ended September 30, 2013 from such sum.

Capital Expenditures

SFR

	For the year ended December 31,			For the nine months ended September 30,	
	2011	**2012**	**2013**	**2013**	**2014**
			€ in millions		
Capital Expenditures[(1)]	1,809.0	2,736.0	1,610.0	1,009.0	909.0
Adjusted EBITDA—Capital Expenditures	**1,996.4**	**680.1**	**1,235.8**	**1,256.3**	**1,102.7**

(1) Includes €1,107 million and €150 million of acquisition of licenses and associated spectrums for the years ended December 31, 2012 and 2011, respectively.

SFR Operating Data

The following table sets forth the key operating measures of SFR:

	As of, or for the year ended, December 31,		As of nine months ended September 30,
	2012	**2013**	**2014**
	(Unaudited) (in thousands except number of RGUs per individual user and ARPU or unless otherwise indicated)		
B2C Operating Data:			
Footprint[(1)]			
SFR Operating Data:			
Total Mobile customers[(2)]	15,057	14,555	14,182
Total Mobile subscribers[(3)]	11,194	11,381	11,315
Smartphone penetration rate[(4)]	51.2%	64.1%	69.3%
12-month rolling Mobile ARPU[(5)] (€)	28.3	24.1	22.8
Number of broadband internet customers	5,039	5,209	5,217
FTTH customers	126	197	249
Quadruple-play customers (“MultiPack”) (as % of customer base)	35%	45%	49.4%
Broadband internet ARPU[(5)] (€)	33.3	32.5	32.2

(1) A home is deemed “passed” if it can be connected to the distribution system without further extension of the network. SFR Homes Passed is subject to unbundling by SFR of its IP voice, internet or television services.

(2) Total Mobile Customers is equal to the number of customers with active SIM cards in compliance with ARCEP definition. The customers base as at September 30, 2014 and December 31, 2013, integrates a technical purge of 92,000 inactive lines in 2013, which was related to a migration of invoice system (without impact on revenues). The customers base as at December 31, 2012, is the published base (before such technical purge).

(3) Total Mobile Subscribers is equal to post-paid subscribers with active SIM cards only.

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

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