

**Altice N.V.**

**Remuneration Report 2016**



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The Netherlands

## **REMUNERATION REPORT 2016 – ALTICE N.V.**

**(for the financial year ended December 31, 2016)**

This report gives an overview of the remuneration of the Board and explains how the remuneration policy was applied in 2016. Such report is also made available on the Company's website.

The Remuneration Committee was appointed to advise the Board and to prepare Board resolutions related to remuneration. The Remuneration Committee has the following duties:

- making proposals to the Board for the remuneration policy to be implemented;
- making proposals for the remuneration of the individual Executive Board Members, for adoption in the General Meeting, including: (i) the remuneration structure and (ii) the amount of fixed remuneration, Shares or options or other variable remuneration components, pension rights, redundancy pay, and other forms of compensation to be granted as well as (iii) the performance criteria and how these should be applied; and
- preparing the remuneration report.

In exercising its duties, the Remuneration Committee may request the services of a remuneration consultant.

### **1. Composition, number of meetings and main items discussed**

The Remuneration Committee consists of at least two and no more than three Non-Executive Board Members. The Remuneration Committee is chaired by an independent Non-Executive Board Members designated by the Board. The members of the Remuneration Committee have the requisite remuneration policy expertise to effectively fulfil the Remuneration Committee's role. The Board appoints and may at any time dismiss members of the Remuneration Committee.

On December 31, 2016, the Remuneration Committee consisted of three Board Members: Mr. Jean-Luc Allavena, Mr. Jurgen van Breukelen and Mr. Scott Matlock, with Mr. Scott Matlock acting as the Chairman.

The Remuneration Committee meets as often as is deemed necessary, but is required to meet at least once a year or at the request of one or more of its members. The Remuneration Committee held six meetings in 2016 and reviewed, among others, the following matters:

- the HR strategy of the Group;
- the amendment of the SOP;
- the amendment of the remuneration of Mr. Dexter Goei and Mr. Michel Combes;
- the determination of the annual cash bonus of the Executive Board Members for the financial year 2015;
- the amendment of the LTIP;
- the amendment of the Remuneration Policy of the Board;
- the granting of stock options;
- the determination that no amount will be paid by the Company under the Cash Compensation Plan; and
- the remuneration policy for the Executive Board Members and the members of the management team for the year 2016.

The following table shows the attendance at meetings of the Remuneration Committee.

<b>Date</b>	<b>Jurgen van Breukelen</b>	<b>Scott Matlock</b>	<b>Jean-Luc Allavena</b>
January 11, 2016	Present	Present	Present
February 26, 2016	Present	Present	Present
March 9, 2016	Present	Present	Present
May 9, 2016	Present	Present	Absent
July 25, 2016	Present	Present	Present
November 3, 2016	Present	Present	Present

## **2. Remuneration policy**

The remuneration policy was adopted by a resolution of the General Meeting with effect from June 28, 2016 and is made available on the Company's website (the "**Remuneration Policy**"). The Remuneration Policy continues the Remuneration Policy that was adopted on August 7, 2015 (subject to and with effect from the effective date of the Merger), which in turn continued the Remuneration Policy that applied to Altice S.A. following the listing of its shares on Euronext Amsterdam on January 31, 2014. Pursuant to the Articles of Association, the remuneration of the Executive and Non-Executive Board Members is determined by the General Meeting in accordance with the Remuneration Policy.

### **2.1 Remuneration philosophy**

The Company's remuneration philosophy and framework applies to Executive Board Members, including in their capacity as an employee or service provider to Group companies. The remuneration philosophy and framework also apply, with certain limitations, to a wider group of employees. The Company's remuneration philosophy for Executive Board Members (and other senior managers) is based on the following principles:

- provide total remuneration that attracts, motivates and retains candidates with the knowledge, expertise and experience required for each specific role;
- provide remuneration firmly geared towards pay-for-performance, with an appropriate proportion of the overall package being delivered through variable pay elements linked to performance over the short and long term;
- encourage and reward performance that will lead to long-term enhancement of shareholder value; and
- take into account remuneration practices in the markets in which the Company operates and competes for talent.

The Company expects the General Meeting to be held in June 2017 to amend the Remuneration Policy in order to clarify that cash bonuses may have a deferred element.

The compensation package for the Executive Board Members consists of the following fixed and variable components which are discussed in more detail below:

- fixed remuneration;
- annual cash bonus;
- cash compensation plan; and
- equity incentives.

## 2.2 *Remuneration for Non-Executive Board Members*

The compensation of Non-Executive Board Members is currently set at €60,000 per annum per Non-Executive Board Member with further fixed fees payable to reflect additional responsibilities and time commitment, such as chairmanship of Board committees. The members of the Audit Committee and the Remuneration Committee currently receive additional fees of €20,000 and €5,000 per annum respectively. The chairmen of the Audit Committee and the Remuneration Committee currently receive additional fees of €20,000 and €10,000 per annum respectively.

## 2.3 *Remuneration for Executive Board Members*

### *Fixed remuneration*

Notwithstanding any additional remuneration payable to the Executive Board Members by certain of the Company's subsidiaries under this Remuneration Policy for services rendered to the Group, the following annual remunerations are payable by the Company to the Executive Board Members:

<b>Executive Board Member</b>	<b>Amount (€)</b>
President	200,000
Vice-President	150,000
CEO	180,000
CFO	160,000
COO	150,000
Other Executive Board Member	150,000

Elements of fixed pay, comprising salary, benefits (including retirement benefits) are set at appropriate levels taking into account various factors such as the nature of the role, the experience and performance of the individual, and local and sector market practice amongst peers of a similar size and scope to the Group. Fixed pay elements are reviewed by the Remuneration Committee annually to ensure they remain competitive.

In addition, certain benefits may be provided by the Group to Executive Board Members (and, in certain cases, to other employees). These other benefits can include medical insurance, life assurance and retirement benefits.

### *Variable pay*

Variable pay elements are intended to motivate the Executive Board Members, in their capacity of employee or service-provider to Group entities, (and other senior managers) towards the achievement of Group-wide and personal objectives which ultimately promote delivery of the corporate strategy and the creation of shareholder value. The form and structure of variable pay elements are reviewed at regular intervals to ensure they continue to support the objectives of the Group and its Shareholders. Further details regarding each of the variable pay elements currently operated are provided below.

#### *(i) Annual cash bonus*

The Group operates an annual performance-related bonus plan for the Executive Board Members, in their capacity of employee or service-provider to Group entities (and other senior managers). Performance-related bonuses will be a percentage of an Executive Board Member's fixed annual salary and will be determined by the General Meeting. The Board makes a proposal thereto based upon a recommendation of the Remuneration Committee.

Different percentages will apply depending upon the Executive Board Member's (or senior manager's) seniority. Performance-related bonuses will be determined based upon the achievement of certain pre-determined key performance indicators based on Group, regional, divisional and individual performance, as appropriate. Performance-related bonuses will be paid only if certain minimum performance thresholds are met.

#### *(ii) Cash Compensation Plan*

Executive Board Members, in their capacity of employee or service-provider to Group entities, (and other senior managers) will be eligible to participate in the Group's Cash Compensation Plan (the "CCP"). Under the CCP, a discretionary pool may be created upon the recommendation of the Remuneration Committee annually, based

upon the Group's performance (such as Group's EBITDA minus capital expenditure) for the particular financial year against pre-determined stretching financial targets.

The extent to which on-target performance will be achieved is determined by the Remuneration Committee once the Group's results have been published for the particular financial year. The General Meeting may, upon proposal of the Board based on a recommendation of the Remuneration Committee, allocate all or part of the pool between the Executive Board Members, in their capacity of employee or service-provider to Group entities. The President and the CEO of the Company may, in consultation with the Remuneration Committee, allocate any remainder of the pool between the other eligible employees.

### *(iii) Equity incentives*

The Executive Board Members, including the President, as reward for their employment with or provision of services to Group entities, and other employees of the Group are eligible to participate in any equity incentive plan the Group operates. Equity incentives are granted to the Executive Board Members by the General Meeting upon a proposal of the Board based on a recommendation of the Remuneration Committee.

### *(iv) Adjustments to variable remuneration*

Pursuant to Dutch law and the Code, the variable remuneration of Board Members may be reduced or Board Members may be obliged to repay (part of) their variable remuneration to the Company if certain circumstances apply:

- test of reasonableness – pursuant to Dutch law and the Code, any variable remuneration payable to an Executive Board Member (in any capacity whatsoever within the Group) may be adjusted by the Board to an appropriate level if payment of the variable remuneration were to be unacceptable according to the criteria of reasonableness and fairness;
- claw back – the Board will have the authority under the Code and Dutch law to recover from an Executive Board Member (in any capacity whatsoever within the Group) any variable remuneration paid on the basis of incorrect financial or other data; and
- deduction of value increase of Common Shares – in the case of a Common Share price increase due to a public offer on the Common Shares, Dutch law prescribes that the remuneration of an Executive Board Member (in any capacity whatsoever within the Group) be reduced by an amount equal to the value increase of the Common Shares. Only Common Shares received by means of remuneration are subject to deduction – Common Shares that the Executive Board Member has purchased are not. Similar provisions apply in the situation of an intended legal merger or demerger, or in other significant transactions (*i.e.*, transactions that fall within the scope of Section 2:107a DCC).

These rules did not apply to Altice S.A. and the Company will accordingly not apply these rules to any variable remuneration, shares and options which were paid or granted to Executive Board Members (in any capacity whatsoever within the Group) prior to the Merger, or Shares or options which were allotted by the Company in exchange for shares or options of Altice S.A. pursuant to the Merger.

## **3. Implementation**

The Remuneration Policy was adopted by the General Meeting on June 28, 2016. The principles described in the Remuneration Policy have been applied in 2016.

To ensure that the remuneration of the Executive Board Members is linked to performance, a significant proportion of their remuneration package is variable and dependent on the short and long-term performance of the individual Board Member and the Group (please see section 7 "*Performance criteria*" for more details on the performance criteria applied). Performance targets must be realistic and sufficiently stretching and - particularly with regard to the variable remuneration components - the Remuneration Committee ensures that the relationship between the chosen performance criteria and the strategic objectives applied, as well as the relationship between remuneration and performance, are properly reviewed and accounted for, both ex-ante and ex-post. The current remuneration package does not encourage Executive Board Members and employees to take unjustified risks and is focused on the Company's long-term development, growth and value creation.

The Remuneration Committee regularly reviews whether the Remuneration Policy or the way it is implemented should be adjusted. For example, in 2016, the Remuneration Committee assessed the need for:

- amending the SOP (as further discussed in section 6 “*Share options*”) in order to, *inter alia*, reflect more accurately the way the Company intends to implement the SOP, reduce the period for calculating the exercise price to 30 days, modify the definition of good leaver and bad leaver to align them with market practice and clarify the mechanism for the settlement of the stock options; and
- introducing a new long-term incentive plan, based on cash and on equity-based remuneration (the LTIP, as further discussed in section 6 “*Share options*”), mainly to support the retention of the participants under the SOP whose stock options have partially vested.

Upon its ex-post review of the relationship between the chosen performance criteria and the strategic objectives of the Group, and of the relationship between remuneration and performance, the Remuneration Committee - given the importance of the link between the variable remuneration of the Executive Board Members and the Group’s strategic ambitions - decided not to change the definition of the financial performance criteria for the financial year 2017.

In 2017, the Remuneration Committee will continue to assess whether the amount and components of the remuneration package of the Executive Board Members is appropriate and is in the best interests of the Company and its Shareholders on a long-term basis.

Accordingly, the Company has complied with best practice provision II.2.12 of the Code, save for the deviations indicated in section 3.6 “*Comply or explain*” of the Management Report.

#### 4. Remuneration of the Board

##### *Remuneration of the Board in 2016*

The table below provides an overview of the remuneration of each Board Member for the financial year ended December 31, 2016. For every amount specified, the amount includes gross amounts, before the impact of social security or income tax deductions.

Name	Fixed fee	Additional fee for services to the Group <sup>(1)</sup>	Committee membership	Annual cash bonus <sup>(2)</sup>	Cash compensation plan <sup>(3)</sup>	Equity-based compensation <sup>(4)</sup>	US Carried Interest Plan <sup>(5)(6)</sup>	LPP collective plan <sup>(7)</sup>	Total <sup>(8)</sup>
Patrick Drahi <sup>(9)</sup>	€150,000	-	N/A	-	-	€2,089,472	€4,394,153	-	€6,633,625
Dexter Goei	€181,667	CHF480,724 €9,265	N/A	€2,400,000	-	€2,089,472	€6,558,918	CHF9,738	€1,729,223
Michel Combes	€90,000	€60,000	N/A	€700,000	-	€4,458,305 <sup>(10)</sup>	-	CHF9,175	€5,816,721
Dennis Okhuijsen	€160,000	€173,333	N/A	€750,000	-	€672,283	-	-	€1,755,616
A4, S.A. <sup>(11)</sup>	€150,000	-	N/A	-	-	-	-	-	€150,000
Jurgen van Breukelen	€2,600 <sup>(12)</sup>	N/A	€4,450 <sup>(12)</sup>	N/A	N/A	N/A	N/A	N/A	€27,050 <sup>(12)</sup>
Scott Matlock	€60,000	N/A	€5,000	N/A	N/A	N/A	N/A	N/A	€65,000
Jean-Luc Allavena	€60,000	N/A	€25,000	N/A	N/A	N/A	N/A	N/A	€85,000

(1) Payable to the Executive Board Members by Group Companies for services rendered to the Group.

(2) The Group operates an annual performance related bonus plan for the Executive Board Members, in their capacity of employee or service-provider to Group Companies. Please refer to section 2 “*Remuneration policy*”. The annual cash bonuses specified here relate to performance in 2015 but were paid out in February 2016 as an advance on the annual cash bonuses that the Executive Board Members were entitled to for the financial year 2016. The final amount of the annual bonuses of the Executive Board Members was determined by the General Meeting of June 28, 2016.

(3) Please refer to section 2 “*Remuneration policy*”.

(4) This refers to the expense recorded in the consolidated statement of income with regards to the stock options granted to the Executive Board Members for the year ended December 31, 2016. Please refer to section 6 “*Share options*” for a summary of the stock options granted to the Executive Board Members under the SOP and the LTIP.

(5) This refers to the expense recorded in the consolidated statement of income with regards to the Class C Units granted to the Executive Board Members under the US Carried Interest Plan. Please refer to section 6 “*Share options*” for a summary of the grants of Class C Units to the Executive Board Members.

(6) For calculation purposes, the average exchange rate of U.S. dollars into euros for the year ended December 31, 2016 was used (€1.00 = \$1.1069).

(7) Please see section 8 “*Pension schemes / early retirement*”.

(8) For calculation purposes, the average exchange rate of Swiss Francs into euros for the year ended December 31, 2016 was used (i.e. CHF1 = €0.91730).

(9) Patrick Drahi stepped down from his position as Board Member and President of the Company on September 6, 2016.

(10) Please refer to section 6 “*Share options*” for a summary of the stock options granted to Mr. Combes under the SOP. In addition, on July 9, 2016, the Board of Directors granted 294,120 conditional Preference Shares B to Mr. Michel Combes. These conditional Preference Shares B will vest on the fourth anniversary of the grant date and will be issued and automatically be converted into Common Shares A upon vesting.

(11) The permanent representative of A4 S.A. on the Board of Directors is Mr. Jérémie Bonnin. Pursuant to a services agreement entered into between the Company, A4, S.A. and Mr. Bonnin, the fixed remuneration to which A4, S.A. is entitled as Executive Board Member is paid by the Company directly to Mr. Bonnin. Mr. Bonnin receives other compensation from Group Companies for services rendered to the Group.

(12) Including 21% VAT.

## **5. Scenario analyses**

The Remuneration Committee regularly reviews the framework of the remuneration of the Executive Board members and its components to determine if any adjustments are required - for example to adapt such remuneration to market developments or if the mix between fixed remuneration, variable remuneration and long-term incentives would no longer be set at an appropriate level given the expansion of the Group - with a view to making recommendations to the Board in that respect. In that context, the Remuneration Committee may conduct pay scenario analysis modelling on an ad hoc basis, which may, for example, assess the pay-out quantum for Executive Board Members under different performance scenarios. This modelling may be undertaken to ensure that the Remuneration Policy links directly to the Company’s performance and is therefore in the interest of Shareholders.

Accordingly, the Company has complied with best practice provision II.2.2 of the Code, save for the deviations indicated in section 3.6 “*Comply or explain*” of the Management Report.

## **6. Share options**

### **6.1 Stock Option Plan**

The Board and the General Meeting approved the establishment of the SOP on August 7, 2015, subject to and with effect as of the effective date of the Merger. The SOP was subsequently amended by the Board on recommendation of the Remuneration Committee on January 11, 2016 and on March 14, 2016, by the General Meeting on June 28, 2016 and by the Board on recommendation of the Remuneration Committee on July 25, 2016, subject to and with effect as from the moment following the EGM 2016, when the proposed amendments to the articles of association of the Company, resolved upon in the EGM 2016, took effect. The SOP was last amended by the Board on March 20, 2017. The purpose of the SOP is, amongst others, to provide prospective candidates to join the Group or prospective candidates for promotion within the Group with appropriate incentives and to support their retention. The number of options granted under the SOP depends on the position, the importance of the role, the seniority, the performance and the development potential of the participant on a mid/long term. The grant of stock options under the SOP may be accompanied, for certain participants, by the grant of a deferred cash bonus subject to the same vesting conditions.

The Board, upon recommendation of the Remuneration Committee, may grant stock options to eligible participants under the conditions set out by the SOP. Employees of the Group and, in exceptional cases, individuals who are not employees of the Group are eligible to participate in the SOP. In addition, the General Meeting may resolve to grant stock options to Executive Board Members under the SOP as reward for their employment with or provision of services to Group Companies and in that case determines the number and the applicable criteria of such stock options, based on a recommendation of the Remuneration Committee. Non-Executive Board Members are not eligible for participation in the SOP.

Options granted under the SOP are subject to vesting conditions, which are time-based. For each participant, the stock options will vest as follows:

- a first tranche of 50% of the stock options a participant holds vests on the 2<sup>nd</sup> anniversary of the start date of the vesting period;

- a second tranche of 25% of the stock options a participant holds vests on the 3<sup>rd</sup> anniversary of the start date of the vesting period; and
- a third tranche of 25% of the stock options a participant holds vests on the 4<sup>th</sup> anniversary of the start date of the vesting period.

Notwithstanding the foregoing, the Board, upon recommendation of the Remuneration Committee, may adjust the start date of the vesting period of any participant, provided that the Board concurrently grants a benefit to such participant.

No consideration is payable for the allocation of the stock options. The exercise price of stock options granted under the SOP is equal to the weighted average price at which the Common Shares A are traded on Euronext Amsterdam during a period of 30 days preceding (i) the date of the offer made to and accepted by the employee to join the Group, (ii) the date on which the employee is promoted to a new function within the Group, or (iii) for an existing employee within the Group, the date on which the decision was made to grant him additional or new stock options, as the case may be. The Board, upon recommendation of the Remuneration Committee, may adjust the exercise price (at the time of or after the grant of the stock options) in a more favorable way for the participants, unless such an adjustment would have the effect of creating a material detriment to the Shareholders.

The following table summarizes the stock options granted to Executive Board Members under the SOP<sup>(1)</sup>.

Name	Issue date	Tranches	Number of options granted	Current status	Exercise price (€)	Value at the grant date (€)	Value at vesting (€)	Vesting <sup>(2)</sup>
Next Alt (controlled by Patrick Drahi) <sup>(3)</sup>	January 31, 2014	First (50%)	5,309,734	Vested	7.0625	0	32,800,882	January 31, 2016
		Second (25%)	2,654,867	Vested	7.0625	0	35,090,705	January 31, 2017
		Third (25%)	2,654,867	Unvested	7.0625	0	N/A	January 31, 2018
Dexter Goei	January 31, 2014	First (50%)	5,309,734	Vested	7.0625	0	32,800,882	January 31, 2016
		Second (25%)	2,654,867	Vested	7.0625	0	35,090,705	January 31, 2017
		Third (25%)	2,654,867	Unvested	7.0625	0	N/A	January 31, 2018
Dennis Okhuijsen <sup>(4)</sup>	January 31, 2015	First (50%)	733,810	Vested	13.6275	3,594,201	4,881,671	January 31, 2017
		Second (25%)	366,905	Unvested	13.6275	1,797,100	N/A	January 31, 2018
		Third (25%)	366,905	Unvested	13.6275	1,797,100	N/A	January 31, 2019
Michel Combes	January 31, 2016	First (50%)	1,418,104	Unvested	17	0	N/A	January 31, 2018
		Second (25%)	709,052	Unvested	17	0	N/A	January 31, 2019
		Third (25%)	709,052	Unvested	17	0	N/A	January 31, 2020

(1) The share option plan of Altice S.A. (“SOP SA”) came into effect on January 31, 2014. The Company, as surviving entity in the cross-border merger with Altice S.A., has adopted a stock option plan which has replaced the SOP SA as of the effective date of the merger, under (substantially) the same conditions as applicable to the SOP SA. Each option granted under the SOP SA was exchanged for four options, each entitling to one Common Share A in the share capital of the Company, at 25% of the applicable exercise price under the SOP SA.

(2) Vested options can be exercised at any time until the 10<sup>th</sup> anniversary of the issue date.

(3) Patrick Drahi stepped down from his position as Board Member and President of the Company on September 6, 2016.

(4) On January 30, 2014, the board of directors of Altice S.A. decided to grant to Mr. Okhuijsen €10 million worth of options on the first anniversary, and €10 million worth of options on the second anniversary, of the initial public offering of Altice S.A. In March 2015, the remuneration committee of Altice S.A., based on a recommendation from the management, resolved to grant all €20 million worth of options to Mr. Okhuijsen retroactively on January 31, 2015.



## 6.2 Long Term Incentive Plan

The General Meeting approved the establishment of the LTIP on June 28, 2016. The LTIP was subsequently amended by the Board on recommendation of the Remuneration Committee on July 25, 2016, subject to and with effect as from the moment following the EGM 2016, when the proposed amendments to the Articles of Association, resolved upon in the EGM 2016, took effect. The LTIP will mainly be used by the Company to grant stock options to participants under the SOP whose options have partially vested, in order to support retention of such participants, such grant being accompanied, for certain participants, by the grant of a deferred cash bonus subject to the same vesting conditions. The number of options granted under the LTIP depends on the position, the importance of the role, the seniority, the performance and the development potential of the participant on a mid/long term.

The Board, upon recommendation of the Remuneration Committee, may grant stock options to eligible participants under the conditions set out by the LTIP. Employees of the Group and in exceptional cases individuals who are not employees of the Group are eligible to participate in the LTIP. In addition, the General Meeting may resolve to grant stock options to Executive Board Members under the LTIP as reward for their employment with or provision of services to Group Companies and in that case, determines the number and the applicable criteria of such stock options, based on a recommendation of the Remuneration Committee. Non-Executive Board Members are not eligible for participation in the LTIP.

Options granted under the LTIP are subject to vesting conditions, which are time-based. For each participant, all the stock options will vest on the 3<sup>rd</sup> anniversary of the start date of the vesting period. Notwithstanding the foregoing, the Board may, upon recommendation of the Remuneration Committee, adjust the start date of the vesting period of any participant, provided that the Board concurrently grants a benefit to such participant.

No consideration is payable for the allocation of the stock options. The exercise price of stock options granted under the LTIP is equal to the weighted average price at which the Common Shares A are traded on Euronext Amsterdam during a period of 30 days preceding (i) the date on which the decision was made to grant the participant additional or new stock options, or (ii) an alternative date determined by the Board. The Board, upon recommendation of the Remuneration Committee, may adjust the exercise price (at the time of or after the grant of the stock options) in a more favorable way for the participants, unless such an adjustment would have the effect of creating a material detriment to the Shareholders.

The following table summarizes the stock options granted to Executive Board Members under the LTIP.

Name	Issue date	Number of options granted	Current status	Value at the grant date (€n)	Exercise price (€)	Vesting <sup>(1)</sup>
Patrick Drahi <sup>(2)</sup>	January 31, 2016	755,287	Unvested	0	13.24	January 31, 2019
Dexter Goei	January 31, 2016	755,287	Unvested	0	13.24	January 31, 2019

(1) Vested options can be exercised at any time until the 10<sup>th</sup> anniversary of the issue date.

(2) Patrick Drahi stepped down from his position as Board Member and President of the Company on September 6, 2016.

## 6.3 US carried interest plan

In the US, the Group has implemented a long-term equity incentive plan for certain members of its management team (the “**US Carried Interest Plan**”). The purpose of the US Carried Interest Plan is to provide participants with an opportunity to participate in the long-term growth and financial success of Altice USA, by being granted “profits interest” in the form of units of ownership in a US limited partnership (the “**Class C Units**”).

A profits interest gives the participant the right to share in specified future profits and appreciation in value that the investors of the limited partnership may receive, including profits paid upon a sale of the investors’ interests. Economically, a profits interest is generally equivalent to a stock option granted on the stock of a corporation. As in the case of a stock option, a profits interests has no value at grant. Instead, the holder of a profits interest only realizes value if the limited partnership on which it is granted appreciates in value or has profits.

The Class C Units will vest as follows:

- time vesting Class C Units: 50% of the Class C Units will vest on the second anniversary of the grant date; 25% of the Class C Units will vest on the third anniversary of the grant date; and 25% of the Class C Units will vest on the fourth anniversary of the grant date. For the initial grants under the US Carried Interest Plan, the vesting period started on December 21, 2015, i.e. the date of the Suddenlink's acquisition by the Group;
- performance vesting Class C Units: 100% of the Class C Units will vest if certain performance targets, which have been set at the level of Altice USA, have been achieved with respect to financial year 2019.

All unvested Class C Units will automatically vest in case of a change of control of Altice USA.

In the event of an IPO of Altice USA, a participant may be required to exchange his or her Class C Units for common stock in the newly listed entity or one of its affiliates. An IPO will not accelerate the vesting of the Units.

The following table summarizes the Class C Units granted to current Board Members under the US Carried Interest Plan.

Name	Grant date	Tranches	Number of Class C Units granted	Current status	Value (€m)	Vesting
Patrick Drahi (through Uppernext S.C.Sp)	July 13, 2016	First (50%)	5,650,000	Unvested	5	December 31, 2017
		Second (25%)	2,825,000	Unvested	2.5	December 31, 2018
		Third (25%)	2,825,000	Unvested	2.5	December 31, 2019
Dexter Goei	July 13, 2016	First (50%)	5,650,000	Unvested	5	December 31, 2017
		Second (25%)	2,825,000	Unvested	2.5	December 31, 2018
		Third (25%)	2,825,000	Unvested	2.5	December 31, 2019
	July 13, 2016	N/A	10,000,000	Unvested	9 <sup>(1)</sup>	2020 (subject to performance conditions)

(1) \$10 million. For calculation purposes, the average exchange rate of U.S. dollars into euros for the year ended December 31, 2016 was used (€1.00 = \$1.1069).

## 7. Performance criteria

The variable remuneration of the members of the senior leadership team of the Group, including the Executive Board Members, is determined for 2/3 based on financial performance criteria and for 1/3 based on personal performance criteria:

- each individual's personal objectives are determined every year and assessed at the end of each year;
- with respect to the financial performance criteria:
  - for those members of the senior leadership team who exercise corporate functions, such as the Executive Board Members, the financial performance criteria are assessed at the Group level;
  - for the other members of the senior leadership team, the financial performance criteria are assessed at the Group level for 1/3 and at the level of the Group Company employing them for 1/3;
  - the three indicators which were used in 2016 as financial performance criteria were Revenues, Adjusted EBITDA and Adjusted EBITDA - CAPEX + change in Working Capital (for more details on these indicators, please refer to Note 4.2 to the Consolidated Financial Statements). The target level of each such indicator (the "Target") was set based on the Group's annual budget for

the financial year 2016, as approved by the Board. Depending on the actual amount of each such indicator, as set forth in the Consolidated Financial Statements, the calculation could either result in the variable remuneration to be nil or exceed the pre-agreed amount:

Amount of each indicator compared to the Target	Result for such indicator
Less than 95% of the Target	0
95% of the Target	50%
100% of the Target	100%
110% of the Target	150%

Between such levels, a linear interpolation is applied. The average of the results of the three indicators constitute the multiplying factor to be applied to the pre-agreed amount of variable remuneration in order to determine the amount of the variable remuneration for the year.

On this basis, the Remuneration Committee compared the amount of the three indicators as set forth in the Consolidated Financial Statements to the Targets and calculated the multiplying factor which, at the Group level, amounts to 113.1% for 2016.

In addition, in 2016, when assessing whether the personal performance criteria had been met, the Remuneration Committee took into account the exceptional results achieved by the senior management team in developing the Group as well as implementing the Group's strategy, and the personal contribution of each Executive Board Member to such results.

## **8. Pension schemes / early retirement**

The Company operates no pension or retirement schemes for its Board Members or its members of senior management. It, however, makes contributions to mandatory social security schemes in the countries of employment of its Board Members and its members of senior management.

In addition, the Group subscribed to a LPP collective plan (*La Prévoyance Professionnelle*) for all its employees, including Board Members, who are based in Switzerland. The Swiss pension system is based on three pillars: a state pension, an occupational pension and a private pension provision, the aim of which is to maintain the accustomed standard of living for the employee and his family during retirement or in the event of disability or death. The LLP collective plan corresponds to the second pillar, i.e. the occupational pension. It is very common in Switzerland and provides for extra benefits compared to the minimum requirements imposed by Swiss law. It is based on contributions from the Group as well as from the employee.