

Altice N.V.

Remuneration Report 2015



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The Netherlands

REMUNERATION REPORT 2015 – ALTICE N.V.

(for the financial year ended 31 December 2015)

This report gives an overview of the remuneration of the Board and explains how the remuneration policy was applied in 2015. 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:

- (a) making proposals to the Board for the remuneration policy to be implemented;
- (b) making proposals for the remuneration of the individual Executive Directors, 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
- (c) 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 Directors. The Remuneration Committee is chaired by an independent Non-Executive Director 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 31 December 2015, 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 (including the remuneration committee of Altice S.A. prior to its merger with and into the Company) held 3 meetings in 2015 and reviewed, among others, the following matters:

- the efficiency of the Remuneration Committee of Altice S.A. during the year 2014;
- the remuneration report of Altice S.A. for the year 2014;
- the remuneration paid to the Executive Directors of Altice S.A. and other managers for the year ended 31 December 2014 by taking into account remuneration practices in the markets in which the Company operates;
- the performance of the Executive Directors and certain other managers in the context of discretionary bonuses;
- the granting of stock options; and
- the remuneration policy for the Executive Directors of the Company and the management team members for the year 2015.

2. Remuneration policy

The remuneration policy was adopted by a shareholder's resolution with effect from 9 August 2015 and is made available on the Company's website. The remuneration policy continues the remuneration policy that applied to Altice S.A. following the listing of its shares on Euronext Amsterdam on 31 January 2014. Pursuant to Article 16.4 of the Company's articles of association, the remuneration of the Executive and Non-Executive Directors 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 Directors, including in their capacity as an employee or service provider to Group entities. The remuneration philosophy and framework also apply, with certain limitations, to a wider group of employees.

The Company's remuneration philosophy for Executive Directors (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 no changes in its remuneration policy for 2016.

2.2 Remuneration framework

The Remuneration Committee annually develops proposals for the Group's remuneration of individual Executive Directors and other senior managers for consideration by the Board. Such proposals include the following components:

- fixed remuneration (annual salary and benefits);
- short-term incentives (i.e., performance-based bonuses); and
- long-term incentives.

The Company and the Group companies may not provide Executive Directors or Non-Executive Directors with any personal loans or guarantees, unless such loans or guarantees are made with the prior approval of the Non-Executive Directors, in the ordinary course of business and on the terms applicable to all personnel.

Fixed Remuneration

The elements of fixed pay comprising salary and benefits (including retirement benefits) are set at appropriate levels, taking into account various factors such as the role, experience and performance of the individual as well as local and sector market practices amongst peers of comparable size and scope to the Group. Fixed pay elements are normally reviewed annually to ensure they remain competitive.

In addition, the Group may provide certain benefits to Executive Directors (and, in certain cases, to other employees). These other benefits may include medical insurance, life insurance and retirement benefits.

Short-term incentives

The short-term incentive is a key element of a “pay-for-performance” culture and is linked to pre-determined, measurable targets set and assessed by the Remuneration Committee. Short-term incentives provide context for management decisions, ensure focus on primary corporate financial, operational or strategic goals and reward decisions that drive short-term results and support long-term strategy.

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.

The variable remuneration of the Executive Directors (in any capacity whatsoever within the Group) may be adjusted, partly or fully recovered or reduced if certain circumstances apply:

1. Test of Reasonableness: the Board may adjust variable remuneration to an appropriate level if payment of the variable remuneration is unacceptable according to the reasonableness and fairness criteria;
2. Claw-back: the Board may recover from an Executive Director any variable remuneration paid on the basis of incorrect financial or other data.

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 Directors (in any capacity whatsoever within the Group) prior to the cross-border merger between the Company and Altice S.A. in August 2015, or shares or options which were allotted by the Company in exchange for shares or options of Altice S.A. pursuant to such cross-border merger.

Long-term incentives

As a reward for their employment with or provision of services to Group entities, Executive Directors, including the President and other employees of the Group, are eligible to participate in the stock option plan (as further discussed in section 3 “*Compensation of Executive Directors*”) at the discretion of the Remuneration Committee.

3. Compensation of Executive Directors

Base salaries

The following annual remuneration is payable by the Company to individual Executive Directors:

Executive Director	Amount (EUR)
President	200,000
Vice President	150,000
CEO	180,000
CFO	160,000
Other Executive Director	150,000

Variable pay

Variable pay elements are intended to motivate the Executive Directors, in their capacity as an employee or service-provider to Group entities, and other senior managers, to achieve 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 that they continue to support the objectives of the Group and its shareholders. Further details regarding each of the variable pay elements currently granted (annual cash bonuses, cash compensation plan and stock option plans) are provided below.

(i) Annual cash bonus

The Group operates an annual performance-related bonus plan for Executive Directors, in their capacity as an employee or service-provider to Group entities, and other senior managers. Performance related bonuses are calculated as a percentage of the employee’s fixed annual salary and are determined at the General Meeting.

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

(ii) *Cash compensation plan*

Executive Directors, in their capacity as an employee or service-provider to Group entities, and other senior managers, are eligible to participate in the Group's Cash Compensation Plan ("CCP"). Under the CCP, a discretionary pool is created 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 has been achieved is determined by the Remuneration Committee once the Group's results have been published for the particular financial year. At the General Meeting, in consultation with the Remuneration Committee, the proceeds of the pool are allocated between the Executive Directors, in their capacity as an employee or service-provider to Group entities. The President and the CEO of the Company will, in consultation with the Remuneration Committee, allocate the proceeds of the pool between the other eligible employees.

(iii) *Stock option plan*

The Executive Directors, including the President, as a reward for their employment with or provision of services to the Group entities, and other employees of the Group are eligible to participate in the stock option plan at the discretion of the Remuneration Committee.

4. Implementation

The remuneration policy was adopted by a shareholder's resolution on 7 August 2015, subject to and with effect from the effective date of the cross-border merger between the Company and Altice S.A. The principles described in the remuneration policy have been applied and the Remuneration Committee continuously reviews the framework of the remuneration and its components to determine if any adjustments are required. For example, the Remuneration Committee may assess the need for reviewing the stock option plan (as further discussed in section 3 "*Compensation of Executive Directors*") and for introducing a new long-term incentive plan, based on cash and on equity-based remuneration. The current remuneration package does not encourage Executive Directors and employees to take unjustified risks and is focused on the Company's long-term development, growth and value creation.

5. Remuneration of the Board

The remuneration of the members of the Board for 2015 is set out in the following table⁽¹⁾.

Remuneration of Board Members in 2015⁽²⁾

Name	Fixed fee	Additional fee for services to the Group ⁽³⁾	Committee membership	Annual cash bonus ⁽⁴⁾	Cash compensation plan ⁽⁵⁾	Equity based compensation ⁽⁶⁾	Total ⁽⁷⁾
Patrick Drahi	EUR 78,333	-	N/A	-	-	EUR 4,043,596	EUR 4,121,929
Dexter Goei	EUR 255,116	CHF 375,000 EUR 72,678	N/A	EUR 2,400,000	-	EUR 4,043,596	EUR 7,122,547
Dennis Okhuijsen	EUR 219,996	EUR 77,499	N/A	EUR 750,000	-	EUR 672,283	EUR 1,719,778
Jérémie Bonnin ⁽⁸⁾	EUR 141,550	EUR 19,319 CHF 146,366	N/A	EUR 750,000	-	EUR 1,078,292	EUR 2,126,221
Jurgen van Breukelen	EUR 36,300 ⁽⁹⁾	N/A	EUR 27,225 ⁽⁹⁾	N/A	N/A	N/A	EUR 63,525
Scott Matlock	EUR 60,000	N/A	EUR 35,000	N/A	N/A	N/A	EUR 95,000
Jean-Luc Allavena	EUR 60,000	N/A	EUR 25,000	N/A	N/A	N/A	EUR 85,000
Michel Combes ⁽¹⁰⁾	EUR 23,076	N/A	EUR 17,308	N/A	N/A	N/A	EUR 40,384

- (1) For every amount specified, the amount includes payments from Altice S.A. in 2015 up to its merger into the Company.
- (2) Gross amounts, before the impact of social security or income tax deductions.
- (3) Payable to the Executive Directors by subsidiaries for services rendered to the Group.
- (4) The Group operates an annual performance related bonus plan for the Executive Directors, in their capacity of employee or service-provider to Group entities. Please refer to section 3 “*Compensation of Executive Directors*”. The annual cash bonus specified here relates to performance in 2014 but was paid out in 2015.
- (5) Please refer to section 3 “*Compensation of Executive Directors*”.
- (6) This refers to the expense recorded in the consolidated statement of income with regards to the stock options granted to the Board Members for the year ended 31 December 2015. No options had vested or were exercised during the year ended 31 December 2015.
- (7) For calculation purposes, the average exchange rate of Swiss Francs into Euros for the year ended 31 December 2015 was used (i.e. 1.0679).
- (8) As a Board Member of Altice S.A. until 8 August 2015 and as a permanent representative of A4 S.A. on the Board since 9 August 2015.
- (9) Including 21% VAT.
- (10) On 19 May 2015, Mr Michel Combes resigned from his position as non-executive director of Altice S.A.

6. Scenario analyses

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 Directors 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.

7. Share options

The following table summarizes the stock options granted to current members of the Board.⁽¹⁾

Name	Issue date	Tranches	Number of options granted	Current status	Value (EUR in million)	Vesting ^{(2), (3)}
Next Alt S.à r.l. (controlled by Patrick Drahi)	31 January 2014	First (50%)	5,309,734	Vested	37.5	31 January 2016
		Second (25%)	2,654,867	Unvested	18.75	31 January 2017
		Third (25%)	2,654,867	Unvested	18.75	31 January 2018
Dexter Goei	31 January 2014	First (50%)	5,309,734	Vested	37.5	31 January 2016
		Second (25%)	2,654,867	Unvested	18.75	31 January 2017
		Third (25%)	2,654,867	Unvested	18.75	31 January 2018
Jérémie Bonnin (permanent representative of A4 S.A.)	31 January 2014	First (50%)	1,415,928	Vested	10	31 January 2016
		Second (25%)	707,964	Unvested	5	31 January 2017
		Third (25%)	707,964	Unvested	5	31 January 2018
Dennis Okhuijsen ⁽⁴⁾	31 January 2015	First (50%)	733,810	Unvested	10	31 January 2017
		Second (25%)	366,905	Unvested	5	31 January 2018
		Third (25%)	366,905	Unvested	5	31 January 2019

- (1) The share option plan of Altice S.A. (“SOP SA”) came into effect on 31 January 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 A Share in the share capital of the Company, at 25% of the applicable exercise price under the SOP SA.

- (2) For each participant in the SOP, options will vest as follows:
- A first tranche of 50% of the options such participant holds vests on the 2nd anniversary of the issue date;
 - A second tranche of 25% of the options such participant holds vests on the 3rd anniversary of the issue date;
 - A third tranche of 25% of the options such participant holds vests on the 4th anniversary of the issue date.
- (3) Vested options can be exercised at any time until the 10th anniversary of the issue date.
- (4) On 30 January 2014, the board of directors of Altice S.A. decided to grant to Mr Okhuijsen EUR 10 million worth of options on the first anniversary, and EUR 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 EUR 20 million worth of options to Mr Okhuijsen retroactively on 31 January 2015.

8. Performance criteria

The performance criteria that are applied to assess the variable remuneration are a combination of personal objectives and financial criteria as well as quantitative and qualitative criteria. Each individual's personal objectives are determined every year and assessed at the end of each year. The main financial criteria that were applied in 2015 were EBITDA, Revenues, EBITDA-Capex, with the emphasis on each differing between the Group companies.

In 2015, when assessing whether these criteria had been met, the Group took into account the exceptional results achieved by the senior management team in developing the Group as well as the Group's new strategy.

From 2016 onwards, the objective will be to standardize the short term remuneration for the senior management team of the Group and to link the variable remuneration to the financial criteria at the Group level, to the financial criteria at the Group company level and to the personal objectives of the individual. The financial criteria that will be applied are Revenue, EBITDA and generated cash flow.

The annual budget for the financial year 2016 will be used as a basis to define the target level of the variable remuneration and the accounts for the financial year 2016 will be used to calculate such remuneration. The calculation provides for a threshold, which, depending on the financial results, could either result in the variable remuneration to be nil or exceed the normal variable remuneration.

9. Pension schemes / early retirement

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