DRAFT PREPARED BY

IN RESPONSE

TO THE SIMPLIFIED PUBLIC EXCHANGE OFFER

INITIATED BY

DRAFT RESPONSE DOCUMENT PREPARED BY THE COMPANY
(NOTE EN REPONSE)

THE PUBLIC OFFER AND THIS DRAFT RESPONSE DOCUMENT ARE SUBJECT TO THE APPROVAL OF THE AMF

Terms of the Public Offer

8 Altice NV common shares A to be issued for 5 SFR Group shares tendered (cum dividend)

Public Offer period

21 trading days. The calendar shall be determined by the *Autorité des marchés financiers* (the "**AMF**") pursuant to its General Regulation.

This document is an unofficial English-language translation of the draft Response Document (*note en réponse*) prepared and filed with the AMF on 5 September 2016 in accordance with the provisions of Articles 231-19 and 231-26 of the AMF General Regulation.

In the event of any differences between this unofficial English-language translation and the official French document, the official French document shall prevail.

IMPORTANT NOTICE

In application of Articles 231-19 and 261-1 I of the AMF General Regulation, the independent expert report, Accuracy, is included in this draft Response Document.

The Company is advised by Perella Weinberg Partners. This draft Response Document is available on the websites of the Company (www.sfr.com) and of the AMF (www.amf-france.org) and may be obtained free of charge from the Company, at 1 square Béla Bartók in Paris.

In accordance with Article 231-28 of the AMF General Regulation, the document entitled Other information regarding in particular the legal, financial and accounting information relating to the Company will be made available to the public in the same manner as mentioned above no later than the day before the opening of the public exchange offer. The document that will be made available to the public in this respect will incorporate by reference the registration document (*document de référence*) dated 16 June 2016 (the "**Registration Document**"). A press release will inform the public

of how this information will be made available to them no later than the day before the opening of the public exchange offer.

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1. PRESENTATION OF THE PUBLIC OFFER

1.1. Presentation of the Public Offer

Altice NV, a Dutch public limited company (*naamloze vennootschap*) having its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands, registered with the commercial register of the Netherlands under number 63329743 ("**Altice NV**" or the "**Offeror**") irrevocably offers to the shareholders of SFR Group, a public limited company (*société anonyme*) having its registered office at 1 square Béla Bartók in Paris, registered with the Company Registry of Paris under the identification number 794 661 470 ("**SFR Group**" or the "**Company**") to exchange the shares they hold in SFR Group, pursuant to the terms and conditions set forth below (the "**Public Offer**").

Under the Public Offer, the Offeror offers to the Company's shareholders to exchange the SFR Group shares they hold for newly issued Altice NV common shares A, according to an exchange ratio of 8 Altice NV new common shares A for 5 SFR Group shares tendered (cum dividend).

Targeted shares

At the date of this draft Response Document the existing number of SFR Group shares is 442,366,919, representing 442,411,626 voting rights. SFR Group shares are listed on Compartment A of Euronext Paris under ISIN FR0011594233.

At the date of this draft Response Document, the Offeror indirectly holds 343,922,878 SFR Group shares (these shares held through Altice France SA and Altice France bis S.à r.l., subsidiaries controlled by Altice NV, and it being specified that there are no treasury shares held by SFR Group). As a result, the Public Offer targets all existing shares of SFR Group not yet directly or indirectly held by the Offeror, i.e. at the date of this draft Response Document, a maximum of 98,444,041 shares, representing 22.25 % of the existing share capital of SFR Group.

The Public Offer also targets the 1,396,420 new SFR Group shares that may be issued upon exercise of the 1,396,420 SFR Group stock options held by 6 beneficiaries (see paragraph 1.5 below).

There does not exist any other equity security, financial instrument or right giving access to the capital or voting rights of SFR Group either immediately or in the future.

In accordance with the provisions of Article 231-13 of the AMF General Regulation, BNP Paribas and JPMorgan Chase Bank, N.A. acting through its Paris branch ("**J.P. Morgan**"), as presenting banks, and acting on behalf of the Offeror, filed the Public Offer and the draft Offering Document with the AMF on 5 September 2016. BNP Paribas and J.P. Morgan guarantee the content and the irrevocable nature of the undertakings given by the Offeror in relation to the Public Offer.

The Public Offer will be conducted using the simplified procedure in accordance with the provisions of Articles 233-1 et seq. of the AMF General Regulation and will be open for 21 trading days.

Existing Altice NV common shares A and common shares B are listed on the regulated market of Euronext Amsterdam (under ISIN NL0011333752 and ticker symbol ATC for common shares A and under ISIN NL0011333760 and ticker symbol ATCB for common shares B). In accordance with Article 231-28 of the AMF General Regulation, the document entitled Other information regarding in particular the legal, financial and accounting information relating to

the Offeror will be filed with the AMF and made available to the public no later than the day before the opening of the Public Offer.

1.2. Context and Reasons for the Public Offer

1.2.1. Context of the Public Offer

Presentation of the Offeror and of the Company

SFR Group is the second largest telecommunications operator in France and holds prime positions in all of France's telecommunications market segments, from consumer to business-to-business (B2B), local authorities and wholesale. SFR Group implements Altice group's strategy in France offering similar telecommunications services and content delivery in the form of press, exclusive TV channels (RMC, BFM TV, SFR Sport, SFR News, etc.). SFR Group is supported by its fiber and 4G networks that it continues to improve aiming, as a result of its investment strategy, to rapidly extend its coverage to every corner of the country while offering optimal service quality. SFR Group aims to create the nation's new converging leader offering a comprehensive range of Internet-access, fixed-line, mobile and audiovisual services. SFR Group is also an expert for solutions in the fields of unified communications, Internet of Things and cloud computing for businesses. In the consumer segment, the group operates under the SFR and RED brands. In the B2B segment, it operates under the SFR business brand, serving over 190,000 companies. The group serves 21.9 million mobile customers and 6.4 million households subscribing to broadband services.

Altice NV is the listed apex structure of the Altice group, which is specialized in the provision of telecom services and media content, both on fixed networks (cable, DSL and fiber) and on mobile networks. The group operates in Western Europe (France, Belgium, Luxembourg, Portugal and Switzerland), the United States, Israel, the French Antilles, Guyana, the Indian Ocean and the Dominican Republic. The group provides, to both companies and the general public, (i) telecommunications services including high quality pay television, fast broadband Internet and fixed line telephony, and (ii) exclusive content and access to premium channels or the press. The group aims to become a convergent player in both telecommunications (fixed and mobile) and in terms of the content provided to its subscribers (telecoms and media).

Historical background

Following its IPO in November 2013, Numericable Group brought together under a single brand Numericable all of the cable businesses previously acquired by Altice in France (Ypso, Complétel, NCN, TDF Câble, Noos). Numericable Group, 30% of which was then owned by Altice, is the leading French cable operator.

In 2014, Altice acquired the stakes held by the Carlyle and Cinven funds in Numericable Group, and thus more than two-thirds of the share capital and voting rights in Numericable Group, reaching 74.59% on 24 July 2014. These transactions, being reclassifications within a concerted action, led to an exemption from the obligation to file a draft public tender offer. Since then, Altice has had exclusive control of Numericable Group.

At the end of November 2014, Numericable Group acquired from Vivendi 100% of the share capital of SFR and became Numericable-SFR. As a result, Vivendi became a 20% shareholder in Numericable-SFR.

Within the framework of Vivendi's exit from the capital of Numericable-SFR carried out in May 2015, Numericable-SFR bought a block of its own shares from Vivendi representing 10% of the share capital, while the balance of Vivendi's investment was acquired by Altice.

Following this transaction, Altice held approximately 78% of the share capital and voting rights of Numericable-SFR after cancelation of the shares bought back by Numericable-SFR.

In June 2016, the Target adopted a new name: SFR Group.

1.2.2. Reasons for the Public Offer

The transaction aims at simplifying Altice group's structure, fully aligning the interests of the shareholders of SFR Group and Altice NV, increasing the group's organizational flexibility and the cash flows and facilitating the sharing of skills and best practices within the group. The goal is for Altice NV to become the group's only company to have its equity securities traded on a regulated market, reflecting the group's expanding globalization, while improving its efficiency and facilitating the implementation of its strategy. The transaction will also expand the free float and should improve the liquidity for SFR Group and Altice NV equity holders.

The transaction also offers SFR Group shareholders who tender their shares in the Public Offer exposure to a group more than twice its size in terms of revenues and EBITDA, geographically diversified in high-growth, low-competition markets, possessing quicker-growing assets, with higher margins and cash flow generation capacity and improved liquidity. The liquidity of Altice NV shares is higher than the one of the SFR Group shares in absolute value and with regards to the respective market capitalizations of both companies.

This transaction, if followed by a squeeze-out procedure, also has the advantage for both the Altice group and SFR Group, of freeing them from the constraints of listing and reducing associated costs.

1.3. Review of the terms of the Public Offer

Under the Public Offer, the Offeror irrevocably offers to the Company's shareholders to exchange the SFR Group shares they hold for newly issued Altice NV common shares A, according to an exchange ratio of 8 Altice NV new common shares A for 5 SFR Group shares tendered (cum dividend) (the "**Offer Consideration**").

The Public Offer may be accepted no later than the last day of the Public Offer, to be determined by the AMF.

The terms of the Public Offer described below correspond to the SFR Group shares tendered (cum dividend). Therefore, if a dividend is paid to SFR Group shareholders before the settlement-delivery of the Public Offer, the terms of the Public Offer will be adjusted (see paragraph 1.4 below). In this respect, SFR Group carried out a special distribution of dividends to its shareholders (€5.70 per share) on 14 October 2015, but no new distribution of dividends is currently planned for the financial year ended 31 December 2015.

Orders tendering shares in the Public Offer shall only concern a number of 5 SFR Group shares or any multiple of such number. If the number of shares that a shareholder of SFR Group wants to tender in the Public Offer is not a multiple of 5, this shareholder shall acquire or sell SFR Group shares in order to tender in the Public Offer a number of SFR Group shares equal to 5 or any multiple of 5.

1.4. Adjustment of the terms of the Public Offer

If between the date of filing of the Public Offer (i.e. 5 September 2016) and the settlement-delivery date of the Public Offer:

(i) the issued and outstanding SFR Group shares, Altice NV common shares are changed into a different number of shares or a different class by reason of any share dividend, subdivision, reclassification, split, reverse split, combination or exchange of shares, or

(ii) SFR Group or Altice NV decides to pay a dividend, or

(iii) SFR Group or Altice NV makes any other distribution to its security holders or shareholders,

in each case with a registration date that precedes the settlement-delivery of the Public Offer, then the terms of the Public Offer will be appropriately adjusted to take into account the transactions described above.

It should be noted that under the statutory provisions of Altice NV in force, holders of common shares B are entitled to request that their common shares B be converted into Altice NV common shares A (see table in paragraph 2.6.2 of the Offeror's draft Offering Document). Such conversions of common shares B into common shares A at the request of the holders concerned will have no financial impact on other present or future shareholders of Altice NV and therefore will not result in an adjustment of the terms of the Public Offer.

1.5. Situation of holders of stock options

To this date, there exists 3,164,825 SFR Group stock options under the stock options plans of 7 November 2013, 10 January 2014, 28 May 2014, 28 November 2014, 13 April 2015 and 8 September 2015. Out of this total, 1,396,420 stock options are exercisable (corresponding to the same number of newly issued shares) during the Public Offer period.

Beneficiaries of stock options who wish to tender shares in the Public Offer must have exercised their stock options sufficiently in advance in order for the new shares (resulting from the exercise of the stock options) to be tendered in the Public Offer no later than the last day of the Public Offer.

A liquidity will be offered to beneficiaries unable to exercise their stock-options of SFR Group shares. Unless an agreement is reached to implement an alternative mechanism that would entitle beneficiaries of stock options in SFR Group shares to receive Altice shares, the concerned shareholders will benefit from a liquidity that allows them, if SFR Group shares are no longer admitted to trading on Euronext Paris or if the percentage of the share capital and of the voting rights held by Altice exceeds 95%, to transfer to Altice after the lock-up period the SFR Group shares that could not be tendered in the Public Offer against, as the case may be, Altice shares according to the Offer Consideration under the Offer, or for an amount in cash equal to the market price of that same number of Altice shares on the date of transfer.

2. REASONED OPINION OF THE COMPANY'S BOARD OF DIRECTORS

Pursuant to the provisions of Article 231-19, 4° of the AMF General Regulation, Board members held a meeting on 4 September 2016 called by the Chairman of the Board to review the draft Public Offer and issue a reasoned opinion on the benefit such a Public Offer would have for the Company, its shareholders and its employees.

All Board members were present or represented. The meeting was chaired by Mr. Michel Combes, Chairman of the Board. The Chairman reminded the directors of the terms and conditions of the Public Offer as set forth in the draft Offering Document forwarded by Altice NV. The directors then reviewed the Company's draft Response Document.

Perella Weinberg Partners, in its capacity as the Company's financial advisor, presented the findings from his analysis of the terms of the Offer Consideration. The firm Accuracy, represented by Mr. Bruno Husson, appointed by the Board of Directors at its meeting of 5 August 2016 as an independent expert ("**Independent Expert**") has been tasked with evaluating whether the financial terms and conditions of the Public Offer were fair to the Company's shareholders.

The Independent Expert's work was supervised and coordinated by Ms. Luce Gendry, Ms. Manon Brouillette, and Mr. Bernard Attali, independent Board members who presented their remarks to the Board.

The following is an extract of the meeting minutes regarding the reasoned opinion on the Public Offer:

"Having considered the findings of the Independent Expert's report, the analyses prepared by Perella Weinberg Partners and the observations made by the independent directors, and after having discussed these factors, the Board noted that:

(i) the Independent Expert, after having performed a multi-criteria analysis in order to evaluate the Company and Altice NV, concluded that the Public Offer was fair from a financial standpoint;

(ii) Perella Weinberg Partners, the Company's financial advisor, also concluded that the proposed Offer Consideration was fair from a financial standpoint and accordingly issued a fairness opinion;

(iii) the Offer Consideration represents, on the basis of the Altice NV closing market price of 2 September 2016, a 2.6% premium over the SFR Group closing market price of 2 September 2016, and a 10.3%, 14.2% and 8.9% premium over the volume-weighted average price per SFR Group share for the one-month, two-month and three-month periods ended 2 September 2016, respectively; by way of illustration, the Offer Consideration proposed by Altice NV corresponds to a value per SFR Group share of €24.72;

(iv) the Public Offer provides an opportunity to the shareholders of SFR Group to exchange their SFR Group shares for Altice NV common shares A, giving them access to the liquidity of Altice NV common shares A, which is higher than the liquidity of SFR Group shares (both in absolute value as well as relative to the respective market capitalization of the two companies), and that should be strengthened even further by the increase of the free float resulting from the contemplated transaction;

(v) because it is an exchange offer, the Public Offer allows SFR Group shareholders to become shareholders of a company of significant size, to benefit from the geographic and sectoral diversification of the Altice group business and to be shareholders of a group with solid or leading positions in markets that are less competitive than the French market. It would also allow the shareholders to benefit fully from a further integration of the Altice group's activities and from the simplification of the group's structure; and

(vi) because it is an exchange offer, the Public Offer allows the shareholders of SFR Group to benefit from growth prospects and cost reductions expected in particular in the United States, where Altice group anticipates run-rate annual costs savings of $215 million for Suddenlink and $900 million for Cablevision, which provides potential for significant improvement in their profitability.

As for the advantage of the Public Offer for the Company, the Board noted that the Offeror's goal is to continue to pursue the industrial strategy of Altice group and to implement this strategy at SFR Group level in order to consolidate its leading position on the French market. The Board pointed out that the planned transaction was friendly in nature and thus part of the pursuit of the Company's business and development.

With regard to employees, the Offeror intends to rely on the existing workforce to pursue the Company's policy regarding human resources management. The Board determined that the Public Offer will have no impact on employment within the Company and will not affect the respective individual or collective status of employees of the Company or its subsidiaries. The Board also noted that the Public Offer will have no impact on the implementation of the agreement signed with trade unions on 4 August 2016 which allows to initiate the restructuring of the Distribution.

In light of the foregoing, having reviewed the findings of the Independent Expert's report and the analysis of the Offer Consideration presented by Perella Weinberg Partners and the observations made by the independent directors, the Board, having deliberated on the matter, believes that the Public Offer is in the best interest of the Company, its shareholders and its employees, and therefore unanimously resolves to:

(i) recommend to the shareholders to tender their shares in the Public Offer;

(ii) approve the Company's draft Response Document; and

(iii) authorize the CEO, Mr. Combes, to finalize and sign said draft,

it being specified that the directors representing Altice NV or associated with it (including Mr. Combes) voted in the same way as the results of the vote by the three independent directors for the sole purpose of ensuring compliance with the quorum and majority rules provided for in the French Commercial Code."

3. INTENTIONS OF BOARD MEMBERS

During this Company Board meeting, all Board members stated their intention to tender their SFR Group shares in the Public Offer.

4. INTENTIONS OF THE COMPANY REGARDING TREASURY SHARES

At this date, the Company holds no treasury shares. The liquidity agreement entered into in 2014 with Exane BNP Paribas will be suspended beginning on 5 September 2016 pursuant to Article 231-40 of the AMF General Regulation.

5. ELEMENTS RELATING TO THE COMPANY THAT MAY HAVE AN IMPACT ON THE PUBLIC OFFER

5.1. Share capital structure and ownership

On 31 August 2016, the Company's share capital was € 442,366,319 divided into 442,366,319 shares with a par value of €1 each, fully paid up and all of the same class.

The Company's share capital and voting rights at that date were held as follows:

Shareholders	Number of shares	% of share capital (6)	Number of voting rights	% of voting rights
Altice NV (1), of which:	343,922,878	77.75%	343,922,878	77.74%
- Altice France SA (2)	*343,760,378*	*77.71 %*	*343,760,378*	*77.70%*
- Altice France bis S.à r.l. (3)(4)	*162,500*	*0.04%*	*162,500*	*0.04%*
Directors	*842,119*	*0.19 %*	*842,520*	*0.19 %*
Treasury stock (5)	0	0 %	0	0 %
Public	*97,601,922*	*22.06 %*	*97,646,228*	*22.07%*

(1) Controlled by Mr. Patrick Drahi

(2) Wholly owned by Altice Luxembourg SA, which is wholly owned by Altice Group Lux S.à r.l., itself wholly owned by Altice NV

(3) Wholly owned by Altice France SA

(4) Altice France SA and Altice France Bis S.à r.l. acting in concert.

(5) Includes shares held under the liquidity agreement; for infomation purposes, 0 shares as of 31 August 2016.

(6) Percentages are calculated based on the total number of shares issued by the Company, including treasury shares.

5.2. Restrictions to the exercise of voting rights and share transfers according to the articles of association

Notification of thresholds crossing and identification of shareholders

Pursuant to Article L. 233-7 of the French Commercial Code, the Company instituted a statutory obligation to declare when thresholds had been crossed (Article 15 of the Company's articles of association), which requires that as long as SFR Group shares are admitted for trading on a regulated market, any natural or legal person that, alone or in concert, directly or indirectly holds a fraction of the share capital or voting rights equal to 0.5% of the share capital or voting rights, or any multiple of this percentage, must notify the Company by registered letter, return receipt requested, within four trading days after crossing said threshold of the total number of:

- shares and voting rights it holds directly or indirectly, alone or in concert;
- securities giving deferred access to the Company's share capital, which it directly or indirectly, alone or in concert, holds and the voting rights potentially attached thereto; and
- shares already issued that this person may acquire under an agreement or financial instrument mentioned in Article L.211-1 of the French Monetary and Financial Code.

The Company's articles of association state that the provisions of paragraph VI *bis* of Article L. 233-7 of the French Commercial Code and the AMF General Regulation apply *mutatis mutandis* to the above thresholds.

The same deadline and terms and conditions for notifying the Company also apply to cases in which the shareholder's interest in capital or voting rights falls below one of the above thresholds.

Legal sanctions for failure to comply with the reporting obligation apply only at the request of one or more shareholders holding at least 2% of the Company's share capital or voting rights.

The Company reserves the right to alert the public and the shareholders either regarding information brought to its attention, or failure to comply with the above obligation by the natural or legal person in question.

Share transfer and the exercise of voting rights

There is no clause in the articles of association restricting transfers of SFR Group shares or the exercise of voting rights.

5.3. Agreement provisions brought to the Company's attention pursuant to Article L. 233-11 of the French Commercial Code

Pursuant to the provisions of Article L. 233-11 of the French Commercial Code, no agreement provision has been brought to the Company's attention stipulating preferential sale or purchase conditions for SFR Group shares on at least 0.5% of its capital or voting rights.

5.4. Direct or indirect holdings in the Company's share capital disclosed pursuant to the crossing of a threshold or a transaction on securities

Since 1st January 2015, the Company received the following notifications that legal and statutory thresholds had been crossed:

Declaring company	Aspects of threshold crossing	Reason of threshold crossing	Date of threshold crossing		% of capital	% of declared voting rights
Vivendi	In concert with Altice France SA(1)	Share transfer by Vivendi	06/05/2015	↘	0%	0%
Vivendi	Individual	Share transfer by Vivendi	06/05/2015	↘	0%	0%
Altice France SA(1)	Direct and indirect through Altice France Bis S.à r.l.	Acquisition through Altice France Bis S.à r.l.(2) of the Company shares previously held by Vivendi	06/05/2015	↗	70.35%	70.35%
Altice France Bis S.à r.l.(2)	Individual	Purchase of shares that were previously held by Vivendi	06/05/2015	↗	10.00%	10.00%
Altice France SA(1)	Individual	Cancellation of Company treasury shares and purchase of shares of the Company	31/07/2015	↗	67.37%	67.37%
Altice France bis S.à r.l.(2)	Individual	Cancellation of Company treasury shares	31/07/2015	↗	11.11%	11.11%
Altice France SA(1)	In concert with Altice France bis S.à r.l.(2)	Cancellation of Company treasury share and purchase by Altice France SA(1) of Company shares	03/08/2015	↗	78.48%	78.48%
Altice Luxembourg SA(3)	Indirect through Altice France SA(1) and Altice France Bis S.à r.l.(2)	Tender by Altice SA of its investment in Altice France SA(1) to the benefit of Altice Luxembourg SA(3)	06/08/2015	↗	78.48%	78.48%
Altice NV (4)	Indirect through Altice France SA(1) and Altice France Bis S.à r.l.(2)	Merger of Altice SA by absorption into Altice NV(4)	09/08/2015	↗	78.48%	78.48%

Declaring company	Aspects of threshold crossing	Reason of threshold crossing	Date of threshold crossing		% of capital	% of declared voting rights
Altice Group Lux S.à r.l.[5]	Indirect through Altice Luxembourg SA[3], Altice France SA[1] and Altice France Bis S.à r.l.[2]	Tender by Altice NV[4] to Altice Group Lux S.à r.l.[5] of its shareholding in Altice Luxembourg SA[3]	22/12/2015	↗	78.48%	78.48%
Altice France Bis S.à r.l.[2]	Individual	Share transfer by Altice France Bis S.à r.l.[2] of Company shares it held in Altice France SA[1]	23/12/2015	↘	0.04%	0.04%
Altice France SA[1]	Individual	Share transfer by Altice France Bis S.à r.l.[2] of the Company shares to Altice France SA[1]	23/12/2015	↗	78.44%	78.44%
Altice France SA[1]	Individual	Dilution	14/03/2016	↘	78%	77.99%
Altice France SA[1]	Individual	Dilution	22/04/2016	↘	77.73%	77.72%
Altice NV[4]	Indirect through Altice Group Lux S.à r.l.[5], Altice Luxembourg SA[3], Altice France SA[1] and Altice France Bis S.à r.l.[2]	Dilution	22/04/2016	↘	77.77%	77.76%

[1] Wholly owned by Altice Luxembourg SA
[2] Wholly owned by Altice France SA
[3] Wholly owned by Altice Group Lux S.à r.l.
[4] Controlled by Mr. Patrick Drahi
[5] Wholly owned by Altice NV

5.5. Special control rights

The Company has not issued any security conferring special control rights.

5.6. Control mechanism provided for in a potential employee participation scheme, when control rights are not exercised by the latter

Not applicable. There exists no employee participation structure within SFR Group (such as company mutual funds - FCPE).

5.7. Agreements between shareholders known to the Company that may entail restrictions on share transfers or the exercise of voting rights

To the Company's knowledge, at the date of this draft Response Document, there is no agreement between shareholders that may entail restrictions on share transfers or the exercise of voting rights.

5.8. Rules applicable to the appointment and replacement of Board members as well as to the amendment of the Company's articles of association

5.8.1. Rules applicable to the appointment and replacement of Board members

Rules for the appointment and replacement of Board members are governed by the laws applicable to public limited companies and by Article 16 of the Company's articles of association.

The Company's Board of Directors must have a minimum of three (3) members and a maximum of eighteen (18) members, subject to legal exemptions. Each director must own at least one hundred (100) shares for the duration of his or her term of office.

Pursuant to the provisions of Article 16, 3° of the Company's articles of association, no one over 78 years of age can be appointed as a director and the number of directors over 78 years of age cannot exceed one-third (1/3) of the directors currently on the Board. When this age limit is reached during a director's term, he or she is deemed to have resigned at the conclusion of the following ordinary general meeting.

Directors are appointed and removed by the Company's general meeting, which may remove them at any time. The term of office of a director is three (3) years, which is renewable.

Board members are always eligible to serve another term, subject to laws currently in force or the Company's articles of association applicable in particular to a director's age.

When one or more positions becomes vacant, either because a director dies or resigns, the Board of Directors may make provisional appointments between two shareholders' meetings under the terms and conditions currently prescribed by law.

The individual appointed to replace another director shall only remain in office for the remainder of his or her predecessor's term.

Any provisional appointments made by the Board of Directors are subject to confirmation by the next general meeting. If an appointment is not confirmed, resolutions adopted by the Board and acts performed by it or by the directors shall nonetheless continue to be valid.

When the number of directors falls below the legal minimum, directors must immediately call a general meeting to appoint new Board members.

5.8.2. Rules applicable to amendment of the Company's articles of association

The extraordinary general meeting has exclusive competence to amend the Company's articles of association pursuant to the laws and regulations applicable.

A quorum for extraordinary general meetings is met only if the shareholders present, deemed present or represented at a meeting called pursuant to the first notice, hold 25% of the shares with voting rights, or hold 20% of the shares with voting rights at a meeting called on second notice. If the quorum is not met pursuant to the second notice, the meeting is to be postponed to a date no later than 2 months after the date for which it had been called.

Resolutions at an extraordinary general meeting are passed by a two-thirds majority of the votes cast by the shareholders present, deemed present or represented.

5.9. Powers of the Board of Directors relating in particular to the issuance and repurchase of equity securities

In addition to the general powers vested to it by law and by the Company's articles of association, the Board of Directors has been granted the following authorizations by the shareholders general meeting held on 21 June 2016:

Purpose of the resolution	Maximum amount	Term of authorization
Authorization to trade in SFR Group shares	Up to 10% of the share capital	18 months [5]
Delegation of authority granted to the Board of Directors to issue shares or equity securities, with preemptive subscription rights	€250 million in capital increases [1], €3 billion in debt obligations	26 months [5]
Delegation of authority granted to the Board of Directors to issue shares or equity securities by offer to the public, without preemptive subscription rights	€110 million in capital increases [1][2], €3 billion in debt obligations	26 months [5]
Delegation of authority granted to the Board of Directors to issue shares or equity securities by private placement, without preemptive subscription rights	€110 million euros in capital increases [1][2], €3 billion in debt obligations	26 months [5]
Authorization granted to the Board of Directors to issue shares or equity securities without preemptive subscription rights, up to 10% of the Company's share capital	€110 million [1][2]	26 months [5]
Delegation of authority granted to the Board of Directors to increase the number of equity securities to be issued when increasing the capital with or without preemptive subscription rights	15% of the initial issue	26 months [5]
Authorization granted to the Board of Directors to issue shares or equity securities without preemptive subscription rights as consideration for in-kind contributions for the share capital or equity securities.	10% of the share capital [1]	26 months [5]
Delegation of authority granted to the Board to increase the share capital by incorporating premiums, reserves, profit, etc.	€1 billion	26 months [5]
Delegation of authority granted to the Board of Directors to issue shares and/or equity securities reserved for members of a corporate savings plan without preemptive subscription rights	€10 million [1]	26 months [5]
Authorization granted to the Board of Directors to grant stock options or call options	Up to 1.5% of the share capital [1][3]	26 months [5]
Delegation of authority granted to the Board of Directors to increase the capital in order to allocate existing free shares or issue them to staff members and executive directors of the group or to some of them, without preemptive subscription rights	Up to 0.5% of the share capital[1][4]	26 months [5]

[1] The maximum overall par value amount of the capital increases that may be made pursuant to this delegation is set off against the overall ceiling amount set at €365 million in immediate and/or future capital increases.

[2] The maximum overall par value amount of the capital increases that may be made pursuant to this delegation is set off against the overall ceiling amount set at €110 million in capital increases without preemptive subscription rights.

[3] Note that, under this resolution, a sub-ceiling set at 0.3% of the share capital applies to allocations to executive directors.

[4] Note that a sub-ceiling set at 0.2% of the share capital applies to allocations to executive directors.

[5] With effect from 21 June 2016.

5.10. Agreements entered into by the Company which will be amended or terminated in the event of a change of control of the Company

To the Company's knowledge, the main agreements entered into by the Company that are capable of being terminated or affected in the event of a change of control of the Company are described in paragraph 7.4.5.5 of the Registration Document. However, these provisions should not be implemented within the Public Offer given that SFR Group is already controlled by Altice.

5.11. Severance payments in favor of executives and directors

The Chairman and Chief Executive Officer is not entitled to termination payment or other severance benefit on behalf of the Company or any of its subsidiaries in connection with a

resignation or a dismissal, whether or not in connection with a public offer. Likewise, non executive directors are not entitled to any termination payment or other severance benefit.

For both Deputy CEOs (*Directeur général délégué*), one of them being a Board member, termination benefits are reserved for forced departures related to a change of control or strategy (barring dismissal for professional misconduct or gross professional misconduct). Termination benefits are set at six (6) months of compensation (fixed and variable), which will be paid only if the performance criteria for the variable component of the compensation were met during the two fiscal years preceding the year in which the departure takes place.

6. INDEPENDENT EXPERT REPORT

On 5 August 2016, the Company's Board of Directors' meeting held appointed the firm Accuracy, represented by Mr. Bruno Husson, as independent expert pursuant to the provisions of Article 261-1, I of the AMF General Regulation, with the task of drafting a report on the financial terms and conditions of the Public Offer.

This report, dated 4 September 2016, is provided below in its entirety.

Accuracy

Figures for decision

Independent Expert Appraisal

in connection with a Public Exchange Offer
initiated by *Altice* on *SFR Group*'s securities[1]

September 2016

[1] This report is an informal English translation of the independent valuation report provided in French by Accuracy, as independent expert, which is included in the offer document filed with the French Market Authorities, AMF by the target. This translation has not been reviewed or approved by Accuracy.

If questions arise when comparing the two reports, the report in French shall prevail in all cases.

Transaction Support & Advisory
Forensics, Litigation & Arbitration
Valuation & Fairness Opinion
Corporate Recovery Services
Economics & Business Analysis

Independent Expert Appraisal in connection with a Public Exchange Offer initiated by *Altice* on *SFR Group*'s securities

SFR Group (ex *Numericable-SFR*) is one of the four Telecom operators which share the French market. The group develops fixed and mobile activities, internet access services and media activities. The company is listed on Compartment A of *Euronext* in Paris. With a market capitalization of almost €9 billion at the date of this appraisal, *SFR Group* posted 2015 revenue of more than €11 billion. *SFR Group* is currently owned by *Altice* (77.77%), company directors (0.14%) and other shareholders (22.09%)[2].

Altice is a multinational group specialized in cable and telecommunications, listed on *Euronext* in Amsterdam. With a market capitalization of almost €14.5 billion at the date of this appraisal, *Altice* posted 2015 revenue of more than €14.6 billion. The stake of 77.77% in the SFR Group is one of its major assets; *Altice* also owns stakes in US cable operators *Suddenlink* (70%) and *Cablevisions* (*Optimum*) (70%), as well as a certain number of equity holdings (fully owned and grouped under *Altice International*) in Telecom groups in Portugal, Israel and the Dominican Republic.

SFR Group was the result of the merger between *Numericable*, historically owned by *Altice*, and *SFR*, acquired from *Vivendi* in October 2014. In spring 2016, *Altice* also contributed the activities of *Altice Media Group* and its stake in *NextRadioTV* to the *SFR Group*.

Altice would now like to simplify the group's capital structure and increase the liquidity of *Altice* securities by consolidating the public shareholding of the *SFR Group* at its level (hereinafter "the Operation"). In practice, this simplification will be carried out via a public exchange offer ("the Offer") initiated by *Altice* ("the Offeror") concerning *SFR Group*'s securities (the "Target"), of eight *Altice* class A shares for five *SFR Group* shares, i.e. an exchange ratio of 1.60 ("the Exchange ratio"). Note that at the date of this appraisal, the Operation had not been publically announced.

The obligation for a company subject to a public exchange offer to appoint an independent expert is set out in the general principle outlined in Article 261-1 of the AMF General Regulation: *"the target company of a takeover bid shall appoint an independent appraiser if the transaction is likely to cause conflicts of interest within its board of directors, supervisory board or governing body that could impair the objectivity of the reasoned opinion mentioned in Article 231-19 or jeopardise the fair treatment of shareholders or bearers of the financial instruments targeted by the bid"*. With regard to the Offer described above, the appointment of an independent expert is therefore required according to the following provision in Article 261-1: *"if the target company is already controlled by the offeror, within the meaning of Article L. 233-3 of the Commercial Code, before the bid is launched;" (§ I- 1°).*

It is in this regard that *Accuracy* was mandated by *SFR Group*'s board of directors, as an independent expert, to deliver an opinion (*attestation*) as to the fair nature, for *SFR Group* minority shareholders, of the exchange ratio considered within the framework of the Operation.

This independent appraiser report is therefore a fairness opinion within the meaning of Article 262-1 of the AMF General Regulation, for which the principles of reporting are set out in implementing instruction n°2006-08 dated July 25, 2006 and in a recommendation on the independent financial expert appraisal dated September 28, 2006, amended on October 19,

[2] According to the financial statements of Altice as of June 30, 2016.

2006 and July 27, 2010. Our expert appraisal falls within this context and does not apply to any other based on other foreign laws or regulations.

This report is divided into five distinct parts. The first provides a summary of *Accuracy*, expert appraisals carried out during the past twenty-four months, along with a statement of independence and a description of the diligence applied during this mission. The second part presents the Operation's context via a brief summary of the *Altice* group's history, a description of its current business portfolio and an analysis of the stock market activity of the *Altice* and *SFR Group* shares ("both Groups") and, finally, outlines the impact of this context on the rules for implementing the assessment methods and determining the fair nature of the Exchange ratio. The third part describes the assessment carried out to estimate the value of *SFR Group* and *Altice* shares in line with the multi-criteria approach recommended by the market authorities under similar circumstances. The fourth part presents our comments on the criteria for assessing the Offer proposed by *BNP Paribas* and *JP Morgan*, the presenting banks ("the Banks"). The fifth and final part presents our conclusions on the fair nature of the Exchange ratio for *SFR Group* minority shareholders.

1. Presentation of Accuracy and the main diligence applied

1.1. Presentation of Accuracy

Accuracy is a corporate finance-consulting firm that is fully owned by its Partners. Present in Europe, North America and India, *Accuracy* offers a wide range of "made-to-measure" corporate finance solutions in the following five fields: transaction support, litigation support, recovery services, market analysis and financial assessments.

With a team of over 300 consultants (of which one hundred and fifty in Paris), *Accuracy* has a solid track record in business and corporate assessments, as well as the evaluation of complex financial instruments (management package, options, preferred shares, etc.).

During the past twenty-four months, *Accuracy* has completed the following independent expert appraisals of listed companies.

Fairness opinions performed by Accuracy since September 2014

Date	Target company	Offeror	Transaction	Submitting bank
Sep-15	**Lafarge**	*LafargeHolcim*	Takeover bid followed by a squeeze-out bid	Société générale, UBS
Apr-15	**Lafarge**	*Holcim*	Public exchange offer	Société générale, UBS
Nov-14	**Rocamat**	*Rocafin, Rocafin II, Rocafin III*	Takeover bid followed by a squeeze-out bid	Oddo & Cie

Accuracy is not a member of either of the two professional bodies approved by the AMF pursuant to Article 263-1 of its General Regulation. The company believes that its size, its wide range of expertise in terms of analysis and financial assessment and the internal procedures in place are a guarantee of the pre-requisite quality control, which are both rigorous and independent, required by this kind of mission.

1.2. Personnel assigned to the mission

This mission was carried out jointly by Bruno Husson and Henri Philippe, Partners of *Accuracy*.

Since the first squeeze-out procedure in September 1994, Bruno Husson has been involved on more than ninety occasions, in his role as independent expert, in view to deliver a fairness opinion of the financial conditions proposed for a transaction involving the minority shareholders of a listed company. Bruno Husson is a graduate of HEC and has a PhD in finance; he is also an Affiliate Professor of the *HEC Group*, where he has lectured in corporate finance since 1977.

Henri Philippe has over 18 years' experience in financial assessment and took part in all of the aforementioned transactions. Henri Philippe is a graduate of ESC Bordeaux, holds an MBA from the Wake Forest University and a PhD in finance from the Université Paris-Dauphine; he also gives classes at the *HEC Group*, the Ecole Nationale des Ponts & Chaussées and at the Université de Paris-Dauphine.

To fulfill the mission, Bruno Husson and Henri Philippe were assisted by Roula Harfouche, a Partner specialized in assessments, and a team of experienced financial advisory consultants.

Roula Harfouche has over 17 years' experience in financial assessment, particularly in litigation cases. Roula Harfouche is a graduate of EDHEC and holds a Masters in Management from the London School of Economics.

The quality control of this fairness opinion was carried out by Frédéric Duponchel, *Accuracy*'s Managing Partner.

1.3. Declaration of independence

In accordance with paragraph II of Article 261-4 of the AMF General Regulation (new title VI relating to independent expert appraisals), *Accuracy* certifies "*that there are no known past, present or future ties between it and the parties concerned by the Operation and their advisors that could compromise its independence or impair the objectivity of its assessment when carrying out the appraisal*".

1.4. Compensation

The amount of the flat-rate fee received by *Accuracy* in compensation for this mission totals €600,000 before taxes.

1.5. Diligence applied

1.5.1. Work schedule

Accuracy implemented the following work schedule:

- analysis of the Operation's context;
- meetings with the representatives of *SFR Group*'s advisory bank, *Perella Weinberg Partners*;
- telephone meetings with the financial executive officers of *Altice* and *SFR Group*[3];
- an historic financial analysis of both Groups, as well as a sample of comparable listed companies based on recent registration documents and annual reports;
- analysis of the forecast performance of both Groups based on a consensus of financial analysis established by *Altice*'s consultants;
- analysis of the stock market activity of the *SFR Group* and *Altice* shares over the recent period (before the announcement of the Operation which took place after the publication

[3] During these meetings, the executive officers of both Groups mainly provided feedback regarding Q2 2016 results and, in reaction to the consensus of financial analysis established for both Groups by *Altice*'s consultants, also provided indications regarding their medium- and long-term objectives in terms of operating margin and capital expenditure.

of this document), of the liquidity of these shares, along with the level of coverage by financial analysts;
- critical review of the valuation benchmarks represented by the Groups' share prices and the target prices of financial analysts;
- valuation of both Groups' shares based on a multi-criteria approach including in particular the implementation of the discounted cash flow method and the stock market comparisons method on the database of forecasts collected from financial analysts' consensus;
- as part of these two methods, an in-depth analysis of the assets and liabilities added or deducted from the estimated value of the business portfolio (or enterprise value) in order to obtain the value of shareholders' equity;
- as part of the DCF method, the construction of an extrapolation period in order to rationalize the calculation of a terminal value using a normative cash flow estimate and establish the applicable discount rate;
- as part of the stock market comparisons method, the identification of the meaning and importance of the biases resulting from the inevitable existing differences between the Company and peers on a whole and within the benchmark sample between peers themselves;
- critical analysis of criteria for determining the Exchange ratio provided by the Offeror's advisory banks presenting the Offer;
- the signature of a representation letter addressed to *Accuracy* by an *SFR Group* representative;
- drafting of this independent expert appraisal.

Accuracy considers that it has completed this mission in full compliance with the AMF General Regulation and its recommendations relating to independent financial appraisals.

1.5.2. Mission timetable

Our work began unofficially on July 26, 2016. *Accuracy* was mandated by *SFR Group*'s board of directors during its meeting on August 5, 2016. On August 25, 2016, the Offeror presented us with the financial conditions which it intended to propose in the Offer as an exchange ratio range and on September 2, 2016 informed us of the final exchange ratio chosen for the Offer. We reported on our work to the independent directors of *SFR Group* on September 2. Our mission was completed on September 4, 2016 with the signature of this report.

1.5.3. Information used

With the exception of the items mentioned below, our work was based exclusively on information in the public domain, i.e.:
- press releases published by both Groups;
- the consolidated financial statements of both Groups (annual reports, financial statements as of March 31 and June 30, 2016);
- the consolidated financial statements of certain of *Altice*'s business areas or equity holdings (*Suddenlink*, *Cablevision*, *Altice International*);
- both Groups' performance presentations to financial analysts drafted by *Altice*;
- notes and studies published by financial analysts on *SFR Group* and *Altice*'s shares since May 2016;
- financial analysts' consensus on both Groups compiled by *Altice*;
- market information published by the *Bloomberg*, *Capital IQ* and *Mergermarket* financial databases.

In order to refine the estimate of the assets and liabilities added or deducted from the estimated value of the business portfolio (or enterprise value) of both Groups as of June 30, 2016 to obtain the value of shareholders' equity at this date, we were provided with certain financial information (the breakdown of certain elements of the balance sheet in particular), which is generally available in the annual financial statements, that is not published in the interims and in particular in those dated June 30, 2016.

1.5.4. Limitations of our work

We considered that the information provided to us by the executive officers of both Groups, either directly or indirectly via their respective boards, within the framework of our mission, was reliable and given in good faith.

In particular, the Offeror provided us with a consensus of forecasts compiled by 24 financial analysts on both Groups from a sample of brokers which it selected. Drawing on available analyst notes, we verified that a certain number of these forecasts came from notes published by analysts. The remaining forecasts did not refer to published notes, but are drawn from the models of analysts to which we did not have access and which we were therefore unable to analyze.

Moreover, despite being based on an analysis of both Groups' financial statements, our work is in no way an audit, or even a limited review, of these financial statements.

2. Background of the Operation

2.1. Introduction to *Altice* and *SFR Group*

2.1.1. Altice has grown rapidly through numerous external growth acquisitions

Altice was established in 2002 and is now an international telecommunications group that offers a complete range of Internet access, fixed and mobile telephone and audiovisual services to its customers. The *Altice* group has evolved very rapidly since its inception by means of numerous external growth acquisitions. These transactions began in the first decade following 2000 with the acquisition of the French cable operator *Numericable* in 2005 and accelerated with the Group's listing on the stock market in January 2014. At present, *Altice* operates in four regions of the world: Western Europe (primarily France and Portugal), the United States, Israel and the Dominican Republic.

The chronological presentation below indicates the principal acquisitions carried out by the company since it was established

- The group was established in France based on Numericable in the 2000s

  Altice, which was established in the early 2000s, was originally a holding company operating in the telecommunications sector, whose first two acquisitions *Est Vidéocommunication* and *Coditel*, were acquired in France and Luxembourg in 2002 and 2003. The Group then further consolidated its base by acquiring small French cable operators such as *France Télécom Câble, TDF Câble* and *NC Numericable*, which were purchased in March 2005 in partnership with the *Cinven* investment fund.

  In February 2014, just after the company's IPO, *Altice* acquired full control of *Numericable* by finalizing the buyback of 10% of its share equity from its financial partners *Civen* and *Carlyle*, which took a stake in the company in 2007. This transaction resulted in *Altice* acquiring 40% of *Numericable's* share capital and the majority of its voting rights.

- … The Group then spread geographically through targeted acquisitions in Israel and in the French overseas territories.

  After consolidating the market for cable operators in France, *Altice* initiated a strategy of geographic expansion by acquiring the Israeli cable company *Hot* in 2009, then made three acquisitions in the French overseas *départements* and territories and the Dominican Republic in 2013 and 2014.

  Altice finalized its acquisition of *Outremer Télécom* in July 2013, a company that had been operating in the French overseas *départements* and territories of Martinique, Guadeloupe, French Guiana, Mayotte and Réunion. In the fall of 2013, *Altice* announced the acquisition of two companies in the Dominican Republic: *Tricom*, a fixed and mobile operator, and *Orange Dominicana*, a mobile operator.

- … The Group moved up to the next level in France with the purchase of SFR

On February 24, 2014, *Altice* confirmed market rumors by announcing that it had begun discussions with *Vivendi* regarding a possible alliance between *Numericable* and *SFR*. These discussions led to an offer by *Numericable* to purchase 100% of the capital of *SFR* on March 5, 2014, involving an offer of part cash and part shares in the new combine *Numericable-SFR*. Following a number of adjustments concerning the percentage of *SFR* shares paid in cash sparked by successive offers made by *Bouygues Télécom*, which was also interested in acquiring *SFR*, the *Numericable* offer was ultimately accepted by *Vivendi*. In exchange for selling *SFR, Vivendi* received a sum of €13.5 billion in cash and a 20% stake in the new *Numericable-SFR* entity, in addition to a potential earn-out benefit of €750 million. The acquisition of *SFR* by *Numericable* was finalized on November 27, 2014.

As part of this major acquisition for *Numericable, Altice* once again increased its stake in its subsidiary through two successive transactions. In June 2014, the Group first exercised share purchase options to acquire 2.6% of the share capital of *Numericable-SFR* from the *Péchel Industries* and *Five Arrows* investment funds. In July 2014, *Altice* then bought back *Numericable-SFR* shares held by *Cinven* and *Carlyle*, a transaction that had been announced on April 7, 2014, a block of shares representing 34.6% of outstanding shares, paid partly in cash and partly in *Altice* shares, approximately 14% and 20% respectively. Following this transaction, *Cinven* and *Carlyle* held respective stakes of 6.7% and 3.3% in the share capital of *Altice*.

At the same time, *Altice* pursued its expansion policy in France by announcing the acquisition of the virtual mobile operator *Virgin Mobile* in May 2014 for €295 million.

On February 18, 2015, Altice announced the buyback of the 20% stake held by *Vivendi* in *Numericable-SFR's* share capital at the price of €40 per share through a dual transaction involving (i) the buyback and cancellation by *Numericable-SFR* of 10% of its treasury shares, (ii) the buyback of the outstanding 10% of the stake by *Altice*. With this transaction complete, *Altice* held around 70.4% of the share capital and voting rights of *Numericable-SFR,* or 78% after restatement of treasury shares.

- …*Altice* also took on a new dimension with sizeable acquisitions in Portugal and the United States

Altice carried out three major acquisitions abroad in 2014 and 2015, whereas up till then it had been operating essentially in France and its overseas *départements* and territories.

In November 2014, the group acquired the historic operator *Portugal Telecom* for an enterprise value of €7.4 billion, including an earn-out of €500 million. In May 2015, this acquisition was followed by the purchase of 70% of the share capital in the seventh largest U.S. cable operator, *Suddenlink*, at an enterprise value of $9.1 billion. A third acquisition took place in September 2015, when the Group acquired 70% of another U.S. cable operator, *Cablevision*, at an enterprise value of $17.7 billion. This last acquisition, which resulted in the emergence of the fourth largest cable operator in the United States, included the businesses of two media groups, *Newsday Media Group* and *News 12 Networks*, acquired by *Cablevision* in 2008.

- Altice is now a major telecommunications player, which has recently initiated a strategy of convergence between its telecom and media businesses.

Altice recently initiated a strategy of convergence between its telecom and media businesses so as to offer stand-out and innovative content to its fixed and mobile customers. In what is now a mature market, this convergence action is part of a strategy to stand out from the competition.

In an initial phase, *Altice* announced a partnership agreement in July 2015, with Alain Weill who held a 37.8% stake in the media group *NextRadioTV,* which at the time was listed in Paris on the *Euronext* market. According to this agreement, the stake was sold to *Groupe News Participations,* a company held jointly with Alain Weill via his holding company *News*

Participations (51%), and by *Altice*, via its subsidiary, *Altice Content Luxembourg* (49%); simultaneously, *News Participations* took a 24% stake in *Altice Content Luxembourg*. In accordance with stock market regulations, *Groupe News Participations* submitted a takeover bid after this acquisition on January 12, 2016, for the balance of *NextRadioTV* shares at €37 per share, representing a premium of 30.5% over the average share price of the previous six months. As all regulatory requirements were met when this offer ended, a squeeze-out was implemented on *NextRadioTV* securities on February 8, 2016 at the same price of €37. In the ultimate phase of this transaction, the 75% stake of *Altice* in *Altice Content Luxembourg* was taken up by *SFR Group* on April 27, 2016, at a price that transparently incorporates the price paid to acquire *NextRadioTV,* the partial buyback of the N23 television station and net cash generated by the company since then.

Legally speaking, after conclusion of this transaction, the percent stake *SFR Group* now holds in *NextRadioTV* via its two subsidiaries and lower tier subsidiary, *Altice Content Luxembourg* and *Group News Participations,* amounts to around 37% (i.e. 75% x 49%). Notwithstanding, from an economic and financial standpoint, in view of the conversion procedures related to the convertible bonds underwritten entirely by *SFR Group* that *Group News Participations* issued to finance the purchase of *NextRadioTV*, and through current accounts opened by its subsidiaries, *SFR Group* has the option of increasing its stake in *NextRadioTV* to 100% through an additional investment of €59 million, which represents the exercise price of the put and call options concluded between the partners on stakes held by *News Participations* in *Altice Content Luxembourg* and *Group News Participations*[4].

In July 2015, in parallel with the announcement of the partnership with Alain Weill, *Numericable-SFR* also stated that it had entered into exclusive negotiations with *Altice Média Group France,* a 100% owned subsidiary of *Altice* that includes some twenty publications in France, to include *Libération, L'Express, L'Expansion, L'Etudiant* and *Stratégies*. The acquisition of *Altice Media Group* by *SFR Group* was finalized on May 25, 2016.

Simultaneous to these acquisitions of media companies, *Altice* also obtained a number of broadcasting rights, especially in the sports arena. On November 26, 2015, *Altice* acquired the broadcasting rights for the English Premier League in France and Monaco, for the three seasons beginning in August 2016.

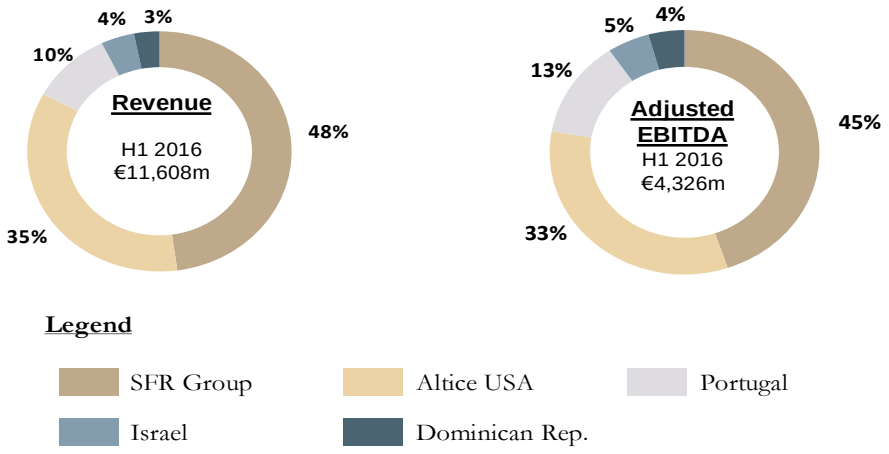
2.1.2. Altice is now a global player in telecommunications

Through the numerous acquisitions outlined above, *Altice* now owns a portfolio of assets featuring A-brands that confer international presence to it in Europe (*SFR*, *Virgin Mobile*, *Portugal Telecom*), in the United States (*Suddenlink* and *Optimum*, the *Cablevision* commercial brand), in Israel (*Hot*) and in the Caribbean (*Tricom* and *Orange* in the Dominican Republic).

The Group now employs nearly 55,000 people and produced revenues of €14.6 billion in 2015, and €11.6 billion during the first half of 2016, bolstered by the consolidation of *Suddenlink* and *Cablevision* into the Group. Despite the various efforts at diversification carried out by *Altice, SFR Group* still accounts for 48% of sales and 45% of EBITDA for the Group.

[4] For this reason, *NextRadioTV* has been fully consolidated in the accounts of *SFR Group* since April, 2016.

Altice – Geographical mix



Source: H1 2016 pro forma results

The dynamics of growth and profitability differ amongst the various assets of the Group to the extent that they are strongly influenced by certain national specifics. The purpose of this section is to provide an analysis of past performance of these various assets.

➢ SFR Group

An historic player on the French market

SFR was established in 1987 within *Compagnie Générale des Eaux (*now *Vivendi)* and is a long-standing player in mobile telephony in France, which in 1992 opened up the second largest GSM network in the country. In 1996, *Compagnie Générale des Eaux* launched a fixed telephony offer by establishing a new group that was named *SFR-Cegetel* in partnership with other international partners, especially *Mannesmann,* which was later acquired by *Vodafone.* In 2007, *SFR* pursued the diversification of its business by launching its first ADSL offer. During the same year it purchased the fixed assets, to include telephony and ADSL, of *Tele2* in France.

The company took on its current format by acquiring 100% of its former fixed telephony subsidiary *Neuf Cegetel* in 2008, which had been sold to *Neuf Télécom* in 2005. This transaction resulted in the emergence of a generalist telecom operator, working under the fixed telephony brand *SFR,* access to the Internet and mobile telephony and featuring the capacity to rival the dominant French operator.

In 2011, *Vivendi* acquired the outstanding 44% of *SFR* held by *Vodafone* in order to obtain 100% control of the company.

Performance has fallen off since the arrival of a fourth mobile operator in France

SFR was the national champion of the 2000s, but has experienced a significant deterioration in operational performance with the arrival of a fourth mobile operator in France.

The launch of a "Free Unlimited" fixed offer by the new market entrant in January 2012 in order to rapidly accumulate market share triggered a price war on the mobile telephony market.

This aggressive sales policy was rapidly successful and duly detrimental to the three major operators, *SFR, Orange* and *Bouygues Télécom*, who lost 200,000, 201,000 and 159,000 customers respectively over the two months following the launch of *Free Mobile.* In all, between December 2011 and December 2012, *SFR* lost nearly 800,000 mobile customers. Subsequently, the company succeeded in limiting the hemorrhage in subscriptions by

implementing a highly competitive pricing strategy, which however brought about a drop of 24% in average income per user between 2011 and 2013 and undermined its profitability.

The Group is in reorganization

In September, 2013, *Vivendi,* once again buffeted by the flagging performance of its subsidiary *SFR,* announced that it was considering splitting the Group in two separate companies so as to isolate *SFR* from its media and music businesses.

Since the acquisition of *SFR*, *Altice* has implemented an ambitious reorganization plan based on the commercial synergies between *SFR* and *Numericable* and the rationalization of costs in the new *Numericable-SFR* entity.

The competitive environment in the French market has affected the sales performance of the Group. In 2015, *Numericable-SFR* lost nearly one million mobile customers and its revenue fell 3.5%, but its management team was nonetheless able to stabilize average income per customer and to improve the EBITDA margin. Income figures for the first half of 2016 were viewed favorably by the financial markets. The stock price of *SFR Group* rebounded by 9.4% on August 9, 2016, when results were published, despite lower performance compared to the previous year, with revenues and EBITDA falling 4.3% and 6.8% respectively with relation to the second half of 2015. In addition, 861,000 mobile customers left between June 2015 and June 2016. However, the market was pleased by better than expected performance and an improvement over the first quarter of 2016.

SFR Group is now seeking to improve network quality by making significant investments to rapidly implement its fiber and 4G networks. The company already has a fiber network with 8.5 million ADSL eligible lines and 4G coverage of 70% of the territory. Also, as emphasized above, it has committed to a convergence strategy for its telecom and media content businesses.

According to Group management, dense territorial coverage of *SFR* networks and a renewed offer combining telecommunications and media should act to reclaim customers and increase average revenue per subscriber so as to correct deficient revenue and margins.

- **Altice USA**

Altice USA came about through the merging of two U.S. regional cable operators acquired by *Altice* in 2015, *Suddenlink* and *Cablevision*.

Suddenlink is the seventh largest player on the U.S. market. It operates essentially in the Southern half of the country, in Texas, West Virginia, Louisiana, Arkansas and Arizona, where it services nearly 1.5 million individual and 90,000 business customers. The Group earned revenues of $2.4 billion in 2015.

Cablevision is concentrated in the New York metropolitan region and its extended areas encompass New York, New Jersey and Connecticut. The company has over 3 million customers. The Group earned revenues of $6.5 billion in 2015.

Altice USA has a buoyant U.S. market that it services via two companies well established in their respective areas. Revenues for *Suddenlink* and *Cablevision* have been increasing in recent years, up 10.9% and 4.5% respectively between 2013 and 2015.

- **Portugal**

Portugal Telecom, the long-standing operator in the country, is the premier player in telecommunications. At the time of its acquisition by *Altice* from the Brazilian operator *Oi* in June 2015, the company was facing operational and financial difficulties resulting from the major economic crisis that shook the country in 2010. This led to a drop in revenues of 20% between 2011 and 2015. In the first half of 2016, revenues continued to fall, around 3% compared to the first half of 2015, but at a diminished level.

The new shareholder has implemented major savings representing €120 million of operating income in an effort to re-establish profitability. The company is also implementing numerous projects that aim to bolster recovery in the business. Implementation of fiber networks should connect 3.5 million households in 2017. In order to improve income per customer, the company is also betting that fixed customers will go for its "Quadruple Play" offer and is counting on the conversion of mobile customers from pre-paid to monthly offers.

- **Israel**

  Altice is present in Israel via its subsidiary *Hot,* which emerged after the merger of three Israeli cable operators in 2003. *Hot* was acquired by *Altice* in 2009 and now offers fixed and mobile services, with the former accounting for 80% of revenues. In 2015, the company earned €923 million, an increase of 4.7% over 2013.

- **Dominican Republic**

  Altice has been operating in the Dominican Republic since 2013 following the acquisition of two local players, *Orange Dominicana* and *Tricom*, which work in the mobile and fixed sectors respectively. In this country, *Altice* now works as a generalist operating the leading cable network and providing mobile service under the *Orange* brand following an agreement reached with the *Orange* Group when its former subsidiary was purchased.

2.1.3. The Group is currently in debt, a consequence of the financing methods chosen for acquisitions

The Group's history shows that *Altice* grew rapidly by means of numerous external growth transactions over recent years. These acquisitions were financed using several methods, including capital increases through cash contributions or share exchanges, bond issues and bank debt. The Group often favored bank borrowings from among these forms of financing, with the result that *Altice* now has a rather high financial leverage situation (the relationship between net financial indebtedness and market value of share equity).

This section summarizes the financing of the principal transactions carried out by *Altice* over the past few years.

In 2013, *Altice* issued bonds in the amount of $1.7 billion in order to finance its two acquisitions in the Dominican Republic. The Group also issued other bonds for around €300 million and took on bank borrowings in the amount of €800 million to finance the acquisition of *Outremer Telecom* and to refinance a portion of outstanding debt.

In April 2014, the offer to *Vivendi* for the purchase of *SFR* called for a payment of €13.5 billion in cash and a 20% stake for *Vivendi* in the new *Numericable-SFR* entity. In November 2014, *Numericable* carried out a capital increase of €4.7 billion as part of this deal. *Numericable* subsequently issued five bonds in Euros and USD in the amount of €8.7 billion, together with additional bank borrowings amounting to €3.8 billion, with the primary objective of financing the cash payment not covered by the capital increase and to refinance a part of SFR's debt, which amounted to around €4.8 billion of net financial debt in September 2014, prior to the conclusion of the transaction.

In 2014, *Altice* also carried out several financial transactions that contributed to increasing the Group's financial leverage. In April, the company issued two new bonds in Euros and USD in the amount of €4.5 billion in order to exercise its preferential subscription rights under the *Numericable* capital increase and to refinance a portion of the *Altice* debt. In parallel, *Altice* increased its stake in *Numericable* by buying a block of shares representing 34.6% of share capital from *Carlyle* and *Cinven*. This transaction included a cash payment of around 40% of the total amount and a payment in *Altice* shares of around 60% of the total amount. This cash payment

was partially financed by the capital increase carried out in June 24, 2014 in the amount of €911 million, as well as through a seller's loan of €500 million repaid in February 2015.

Also during 2014, *Altice* completed the acquisition of *Portugal Telecom* for the enterprise value of €7.4 billion. The price paid for 100% of share equity amounted then to €6.1 billion, including a €500 million price supplement. The outlay of €5.6 billion was refinanced through the issue of five new debenture loans in Euros and USD in the amount of €4.9 billion, as well as through a new bank loan of €300 million.

In May 2015, the Group announced the buyback of 20% of *Numericable-SFR* share capital held by *Vivendi* under the *SFR* acquisition. Of this, 10% was acquired by *Altice* and financed by a seller's loan, and 10% acquired by *Numericable-SFR* via purchase of treasury shares financed in part by a revolving credit line of €1.1 billion.

In May 2015, *Altice* also announced the acquisition of *Suddenlink* in the United States, a transaction that was partially financed by supplemental indebtedness of $1.7 billion at *Suddenlink*.

In September 2015, *Altice* indicated that it had acquired 70% of *Cablevision*, with the transaction partially financed through *Altice* by a capital increase of $1.8 billion and additional borrowings totaling $8.6 billion.

The result at the end of this period of sustained external growth transactions, is gross financial debt for the Group at June 30, 2016 amounting to €50.5 billion, including an amount of €15.5 billion with *SFR Group*, as indicated in the table below. In the face of a market capitalization figure of €15.9 billion on the same date, this amount of debt net of cash, results in financial leverage of 3.1.

Financial debt of Altice group as of June 30, 2016

In €m	SFR Group	Cable-vision	Sudden-link	Other entities	Altice group
Financial debt	15,485	13,327	6,108	15,626	50,546
- Cash and cash equivalents	367	300	299	544	1,510
= Net financial debt	**15,118**	**13,027**	**5,809**	**15,082**	**49,036**

Source: Altice investor presentation June 30, 2016 (pages 28 to 30)

2.2. Analysis of the market activities of the *SFR Group* share

2.2.1. Liquidity of the share

SFR Group (formerly Numericable) is listed in Compartment A of the regulated market *Euronext Paris*. The share is regularly followed by over twenty financial analysis offices, of which fifteen have published at least five memos on the company since January 1, 2016. At end July, 2016, *SFR Group's* market capitalization amounted to around €9.3 billion. The share is part of the SBF120 index, a benchmark index on the French market.

SFR Group - Liquidity analysis

	Average share price in	Average daily volumes		Cumulative volumes			In
		Number of shares	As a % of share	Number of shares	As a % of share	As a % of free float *(1)*	
08/26/2016	22.29	135,572	0.0%	135,572	0.0%	0.2%	3.0
Last week *(2)*	22.35	175,734	0.0%	878,672	0.2%	1.3%	19.6
Last month *(2)*	21.75	286,654	0.1%	6,593,041	1.5%	9.5%	143.4
Last 3 months *(2)*	22.90	317,259	0.1%	20,939,082	4.7%	30.1%	479.6
Last 6 months *(2)*	26.67	292,740	0.1%	38,056,234	8.6%	54.7%	1,015.0
Last 12 months *(2)*	30.23	264,120	0.1%	69,199,382	15.6%	99.4%	2,091.8

The share capital of *SFR Group* is held primarily by *Altice* (77.8%). As such, this leaves only 22.2% of shares as free float. Some institutional shareholders hold a stake in excess of 1% of share capital, including *Capital Group, Carmignac, Blackrock and Marble Arch Investments*. Due to the insignificance of the free float, volumes traded over the past twelve months represented only 15.6% of share capital. Despite this, during the same period, daily transactions amounted to €8.0 million on the average, which guaranteed a satisfactory level of liquidity for minority shareholders.

2.2.2. Changes in the share price since the IPO

Due to a significant operating leverage figure, a reflection of capital intensity, and a high financial leverage situation, the *SFR Group* share price reacts strongly to the publication of all information that could impact growth and profitability outlooks of its business portfolio. The consequence of this is high volatility in the share price since the company's IPO, which at the time was named *Numericable*.

Note: Share price adjusted for dividends paid and rights issue announced on 10/29/2014
Source: Bloomberg

Legend

1 - Nov. 8, 2013: Initial public offering of Numericable, first closing price €13.2
2 - Apr. 7, 2014: Numericable announces the acquisition of SFR, share price increases by 14.8%
3 - Apr. 1, 2016: Discussions between Orange and Bouygues Telecom end, share price decreases 18.0%
4 - Aug. 9, 2016: Q2 2016 results beat expectations, share price increases by 9.4%

As illustrated by the above graph, the share gained significant ground between early November 2013 and early March 2015, arriving at a peak of €50.9 on March 6, 2015, which represents a share price four times greater than its initial listing at €13.2 on November 8, 2013. In 2014, highlights included *Numericable's* acquisition of *SFR* in April and the perspective of an operational merger between the two companies to become *SFR Group*. At the same time, the Group carried out a series of major transactions to restructure its financing, including a capital increase for €4.7 billion and a bond issue of €7.9 billion.

Since its peak on March 6, 2015, the share price has fallen almost continually, losing over half of its value by August 26, 2016, when it traded for €22.3. The logical consequence of the falling

share price and the simultaneous increase in indebtedness is that financial leverage rose significantly from 0.6 at the end of 2014 to 1.1 at end 2015, and 1.5 as of June 30, 2016, which serves to further exacerbate share volatility.

During this period, the information with the greatest impact was probably that announced on April 1, 2016 relating to the end of discussions between *Orange* and *Bouygues Telecom,* as this meant the abrupt end of the consolidation process within the sector in France. Immediately after this news was published, the share prices of all French operators dropped significantly, especially *SFR Group,* whose share fell 18%.

During the two months subsequent to this correction, the share price achieved relative stability, followed by a new phase of pronounced deterioration. The share lost around 30% between June 7 and July 7, 2016, probably an effect of unfavorable movement in key indicators, especially numbers of customers, and the perspective of major restructuring, which was formally announced on August 4 in the form of a voluntary departure plan involving 5,000 people, representing around one third of Group employees. Near the end of the period, on August 9, 2016, an announcement of second quarter results higher than expected spurred the share price to a 9% increase and would appear to mark the end of the downward trend.

2.3. Analysis of the market activities of the *Altice* share

2.3.1. Altice share capital structure

On June 26, 2015, the *Altice* Group announced a merger of the central holding company *Altice SA*, which is registered in Luxembourg and listed on the *Euronext* in Amsterdam, with *Altice NV,* a newly established company organized under Dutch law. For this transaction, the central holding company's capital structure was reorganized. The share capital of *Altice NV* was split into two share classes A and B, with each shareholder of *Altice SA* to receive three *Altice NV* Class A shares and one *Altice NV* Class B share, hereinafter referred to "A share or security" and "B share or security".

These two classes of shares have the same economic rights to dividends and net asset value at liquidation, but differ by the number of voting rights, one for Class A shares and 25 for Class B shares, in line with their respective face values of €0.01 and €0.25. Holders of B shares may, upon request, exchanger their securities for A shares at effective parity of 1 for 1. The two share classes were admitted on the Amsterdam exchange on August 10, 2015 in exchange for former *Altice SA* shares at the rate of three A shares and one B share for each *Altice SA* share.

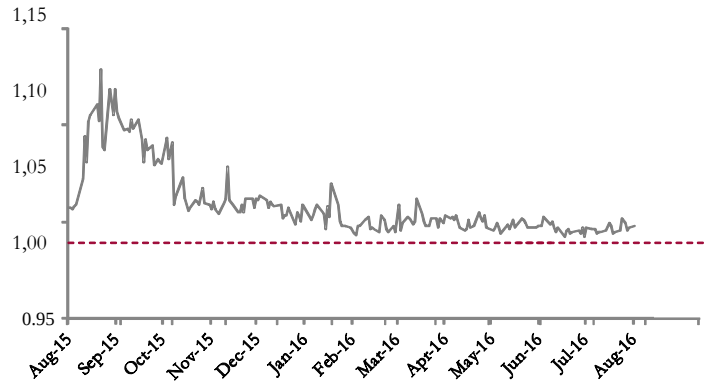
On March 31, 2016, date of the latest available data, share capital of *Altice* comprised 1,113 million shares split up into 841 million A shares, representing around 75% of shares, and 272 million B shares, representing around 25% of shares. Through his holding company *Next*, Patrick Drahi owns 45.1% of A shares and 58.7% of B shares for a total of 49.6% of share capital, which conveys to him 57.4% of voting rights.

Additionally, when it was set up, *Altice NV* granted, to the exclusive benefit of *Next,* a warrant for the subscription of preference shares A, each preference share A having a par value of €0.04 and conveying four voting rights, but no significant economic value. The purpose of the underlying mechanism is to ensure lasting control of the Group by *Next.* This replaces an equivalent mechanism that existed with *Altice SA.* The functioning of the new mechanism may be summarized as follows: assuming an *Altice NV* shareholder obtains over 20% of voting rights, *Next* has the option of exercising as many warrants as required to retain a percentage of

capital equal to 66.67%[5], through A and B shares already owned and A preference shares newly acquired through the payment of at least one-quarter of the value of each A preference share, i.e. €0.01 per share.

The existence of these warrants considerably limits the value of voting rights held by minority shareholders, because it prevents the replacement of current management through the introduction of hostile resolutions in general meetings or the launch of a takeover bid. Because of this, to the extent that they have the same economic rights and differ only through the number of voting rights held, A and B class shares should have more or less the same value for minority shareholders.

- Premium for Altice B shares vs. Altice A shares -



Source: Bloomberg

This assumption is further supported by an analysis of the premium of B shares over A shares as indicated by the share price of the two shares. So, as shown in the graph above, this premium indeed existed just after the IPO, at an average of 6.5% over the four weeks following the IPO, but has diminished since then and for six months has been situated at close to zero. With regard to this, we note that A and B shares have satisfactory liquidity, although daily volumes traded are ten times higher for A shares than for B shares, amounting to €17.3 million and €1.3 million respectively over the last month before August 26, 2016.

Altice shares offered for exchange by the Offeror as part of the Offer are A shares. Therefore, the two following sections dealing with the liquidity of the *Altice* share and recent movement in the share price will be based exclusively on data relating A shares.

2.3.2. Liquidity of the *Altice A* share

Altice is listed in Compartment A of the regulated market *Euronext Amsterdam* exchange and is part of the *Euronext 100* and *Euro Stoxx 600* indices. Like *SFR Group,* its share is regularly monitored by some fifteen financial analyst offices, of which ten have published at least five memos since January 1, 2016.

At end August, 2016, market capitalization for *Altice* amounted to €16.4 billion with significant fluctuations since the share's IPO on January 31, 2014. As indicated above, free float of A shares represents about one quarter of A shares in circulation (see *supra*, section 2.3.1). Despite

[5] Where B shares were not converted to A shares, the percentage of capital corresponded precisely to the percentage of voting rights. Said conversion would give rise to the issuing of 25 A shares for each B share brought to the offer, one of which is given to the bearer of B shares and 24 are acquired free of charge by *Altice NV,* who is entitled to disposition thereof.

this modest free float base, the share features satisfactory liquidity. An equivalent of 73% of share capital has been traded over the last twelve months and over the same period daily volumes of shares traded averaged €34.6 million.

Altice - Liquidity of A shares

	Average share price in	Average daily volumes		Cumulative volumes			In
		Number of shares	As a % of share	Number of shares	As a % of share	As a % of free float *(1)*	
08/26/2016	14.01	1,074,799	0.1 %	1,074,799	0.1 %	0.5 %	15.1
Last week *(2)*	13.97	846,226	0.1 %	4,231,128	0.5 %	2.1 %	59.1
Last month *(2)*	13.92	1,243,952	0.2 %	28,610,888	3.5 %	14.5 %	398.2
Last 3 months *(2)*	13.84	1,478,759	0.2 %	97,598,074	12.0 %	49.3 %	1,351.0
Last 6 months *(2)*	14.23	1,666,971	0.2 %	216,706,237	26.6 %	109.5 %	3,083.0
Last 12 months *(2)*	15.32	2,259,152	0.3 %	591,897,845	72.6 %	299.0 %	9,065.5

(1) Shareholders with less than 1% of share capital
(2) Period before August 26, 2016
Note: Average share price computed on the basis of daily closing prices
Source: Bloomberg

2.3.3. Share price performance since the IPO

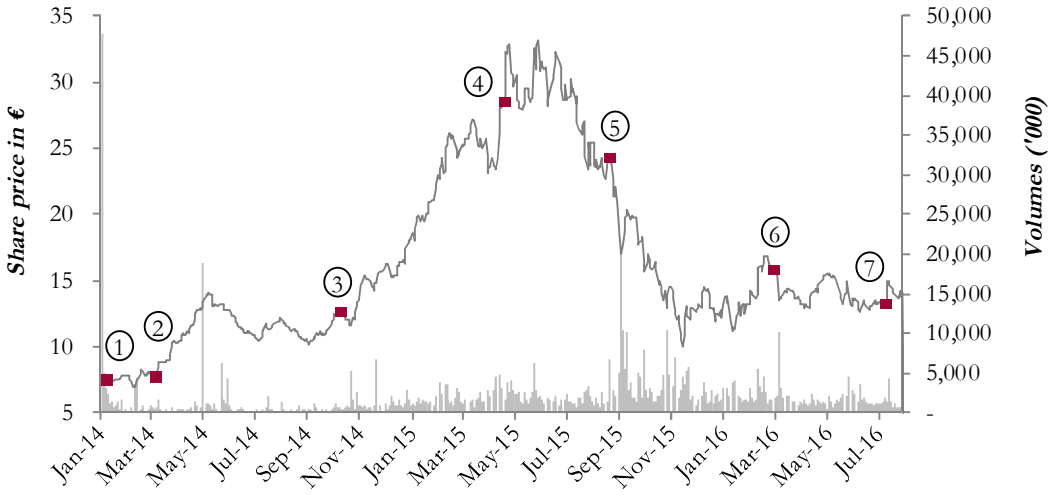
Altice's shares were floated on the stock market on January 31, 2014, i.e. around three months after those of *Numericable*. A few weeks later, at the beginning of April 2014, *Altice* announced the acquisition of SFR by its subsidiary *Numericable*. The new entity *SFR-Numericable*, 80%-owned alongside the *Vivendi* group, therefore represented the *Altice* group's main asset. As a consequence, *Altice*'s share price performance logically mirrored that of its subsidiary *SFR-Numericable*, at least until spring 2015 when Altice's business portfolio began to decorrelate from that of its French subsidiary due to the impact of foreign acquisitions (*Portugal Telecom* in November 2014, *Suddenlink* in May 2015 and *Cablevision* in September 2015).

Like the *SFR Group* share, *Altice*'s share price rose dramatically initially: driven by even greater financial leverage, the share price more than quadrupled, from an initial listing price of €7.2 on January 31, 2014 to an historical high of €33.16 on June 26, 2015.

With a time lag of around five months compared with the *SFR Group* share price, *Altice*'s share price began a period of strong decline at the beginning of August 2015 until the beginning of December 2015. The share lost around two thirds of its value, falling below the €30 threshold on August 8, 2015 and reaching its low of €10 on December 4, 2015. However, between the beginning of December 2015 and the end of March 2016, the *Altice* share regained 50% of its value compared with its historical low, driven in particular by the approval by the US regulator of the acquisition of *Suddenlink* and the positive signs regarding the possible acquisition of *Cablevision*.

During the second quarter of 2016, in the absence of any highlights other than those relating to the position of the group's French subsidiary, the *Altice* share price performance was correlated to that of the *SFR Group*, with nonetheless less pronounced fluctuations due to the increased weighting of international assets, and in particular US assets, in the group's valuation. Thus, at the beginning of April 2016, the *Altice* share price fell around 12% (compared with 18% for the *SFR Group* share price) following the halt to the consolidation of the French telecoms market. Moreover, between June 7 and July 7, 2016, impacted by the deterioration in *SFR Group*'s competitive position, the *Altice* share price fell 18% (compared with 30% for the *SFR Group* share price). However, due to good operating performances in the United States and Portugal, the favorable impact of the Q2 2016 earnings release was more marked for *Altice* than for the *SFR Group*, with share price increases of 15% and 9% respectively.

- Altice A - Share price trends since IPO -



Note : Share price and volumes adjusted for 10/08/2015 stock split
Source : Bloomberg

Legend

1 - 31 jan. 2014 : Initial public offering of Altice, first closing price 7,2€
2 - 7 apr. 2014 : Altice announces acquisition of SFR by Numericable, share price increases 11,5%
3 - 2 nov. 2014 : Altice announces acquisition of Portugal Telecom
4 - 20 may 2015 : Altice announces acquisition of Suddenlink, share price increases 11,6%
5 - 17 sept. 2015 : Altice announces acquisition of Cablevision
6 - 1 apr. 2016 : Discussions between Orange and Bouygues Telecom end, share price decreases 11,8%
7 - 9 aug. 2016 : Q2 2016 results beat expectations, share price increases 14,9%

2.4. Impact on the valuation method

In terms of the valuation process implemented, the context of the Offer which we have outlined has four key implications.

- *SFR Group*, and to an even greater extent *Altice*, are relatively diversified Telecom groups for which the various activities are based on specific business models that offer differentiated growth outlook. As a result, the value of these two groups cannot be estimated using a simple global approach. A valuation must be based on an analysis of the value of each component of both groups (sum-of-the-parts approach).
- As we have noted, both groups were recently formed. We were therefore able to use benchmark transaction prices to estimate the value of certain components of both Groups to a sufficiently reliable extent.
- Moreover, these various growth transactions were financed through heavy reliance on financial debt, to an extent which both groups currently have high loan capitals (1.5 and 3.1 at market value at June 30, 2016 for *SFR Group* and *Altice* respectively). As a direct consequence of the funding structure, the various valuation methods used (DCF, stock market comparisons, etc.) are likely to give a relatively large range in terms of both groups' share price valuations.
- *SFR Group* is currently pursuing a strategy based on the convergence of Telecom and content activities which should, in the long term, lead to the level of its activity becoming more sensitive to the general economic environment than in the past. In terms of the DCF method, this strategic shift will be taken into account when estimating the risk component

of the discount rate. In terms of the stock market comparisons method, particular attention must also be paid to select a sample of companies with similar strategies.

2.5. Determining the fair nature of the Exchange ratio

The Offer is a voluntary public exchange offer, to which the shareholders of *SFR Group* are free to respond favorably or not by deciding to present or retain their securities.

As we mentioned in the introduction to this report, the company targeted by the Offer is controlled by the initiating company, which holds close to 78% of its share capital. The appointment of an independent expert is therefore required under the stock market regulations, as the Offer is likely to generate, within the Target's board of directors, conflicts of interest that might bring into question the equal treatment of all the shareholders, or at least compromise the reasoned opinion that the directors are required to give on the interest of the Offer for minority shareholders.

In relation to this potential conflict of interest, we have noticed, in the draft offer document drawn up by *Altice*, the intention of the management teams of the two Groups to "*implement specific remuneration for the Altice model, which will be submitted to the approval of their respective Board of Directors and formalized by the end of 2016*"[6]. In our view, such a project, announced in the context of the Offer, is one of the elements that a minority shareholder of *SFR Group* will take into account to assess the interest, from a financial viewpoint, of the exchange offer formulated by *Altice* and to decide whether or not to bring its shares to the Offer. In this regard, we of course noted, as indicated in the draft offer document, that the remuneration payable by SFR Group would comply with market practices in this area[7], but at the current stage of the project we have not been able to verify and, *a fortiori*, to incorporate the envisaged mechanism in our work. Therefore, neither the conditions set out below, by virtue of which the exchange ratio proposed by *Altice* can be regarded as fair for the minority shareholders of *SFR Group*, nor the conclusions formulated in this regard at the end of this report, incorporate the potential existence of this mechanism.

In the context of the Offer, this expert report serves a dual purpose: (i) primarily, to issue a fairness opinion on the Exchange ratio and (ii) secondly, to clarify to the directors of *SFR Group* the interest of the Offer for the Company's shareholders from a strictly financial viewpoint.

As the remuneration offered to the Target's minority shareholders in exchange for their securities exclusively includes the Offeror's securities and not a cash amount, the Offer cannot lead to the immediate implementation of a squeeze-out, regardless of the Offer's outcome. However, as indicated in the draft Offer Document drawn up by *Altice*, the Offer could represent the first step in a process of closing the share capital of *SFR Group*, a process that would eventually result - depending on the outcome of the Offer – in the implementation of a squeeze-out that would have to be requested to the AMF, within three months following the

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[6] According to the terms of the draft offer document, the remuneration that would be paid by *SFR Group* to Altice is justified by the fact that *SFR Group* benefits from the "*Altice* model", i.e. from the "*know-how, methodologies, processes and the unique services provided by the management team of Altice*", this model mainly including "*(1) the process for developing and integrating new products and business models (2) the process for improving network quality (3) the process for improving customer relationship management and maximizing customer experience, notably by leveraging from efficient IT/processes, (4) the process of selection of strategic suppliers and improving technical and commercial negotiations with the same.*"

[7] More precisely, the Offeror indicates that "*the fee received by Altice would be based on an objective and documented measurement of the contribution of Altice to SFR Group's performance, in a value-based approach, including the impact on EBITDA and other key performance indicators, enabling to ensure the balance of the model for each of the parties.*"

closing of the Offer on the basis of a compensation price in cash not determined on the date hereof, or, at a later stage, in the launch of a takeover bid followed by a squeeze-out bid. In view of *Altice*'s prior control of *SFR Group*, and also considering that the synergies expected from the acquisition of *SFR Group* are presumed to result from the combination (now complete) of *Numericable* with *SFR*, we estimate that the amount of the synergies relating to the squeeze-out (particularly the elimination of costs associated with the stock-market listing of shares of *SFR Group*) is very modest in relation to the value of the own funds of the two Groups and may therefore be disregarded when assessing the fairness of the Exchange ratio.

Furthermore, under the terms of the Offer, the securities received by the shareholder of *SFR Group* in exchange for its own securities, shares issued by a French company listed in Paris and therefore subject to the *AMF*'s General Regulations, are class A shares issued by *Altice*, a Dutch company listed on the Amsterdam Stock Exchange. In this regard, we have previously stated (see section 2.3.1 above), that, unlike the minority shareholders of *SFR Group*, the minority shareholders of *Altice* cannot benefit from the protection associated with public purchase offers or hostile AGM resolutions. This is due to the existence of two additional obstacles: The first of these is the existence of a warrant to subscribe for class A preference shares granted to *Next*, the controlling shareholder of *Altice*; the second, which may become more important if the first ceases to be a factor, is the existence of class B shares, each of which carries 25 voting rights and a substantial part of which are held by the controlling shareholder. At the same time, as indicated in the draft Offer Document, the comparative analysis of the legal provisions or articles of association in force at *Altice NV* and at *SFR Group* results in the same observation that the minority shareholders of *Altice NV*[8] are less protected. All in all, even though their (negative) impact on the value of the shares of *Altice NV* is hard to measure, all these elements must, *a priori*, be taken into consideration by *SFR Group*'s minority shareholder when it decides whether to bring its shares to the Offer, even if the situation of a minority shareholder in *SFR Group* is already impacted by the control exercised by *Altice*.

All in all, as part of the analysis described above, for the exchange ratio to be regarded as fair (as in "reasonable" or "acceptable") for the minority shareholders of *SFR Group*, it must, as a minimum, incorporate in a satisfactory manner the value of the assets and the prospects for growth of the two Groups involved in the Operation. The question of whether a premium should be added to absorb the negative impact of the aforementioned governance problems (and the associated protection of minority shareholders) is not so simple. Minority shareholders whose investments in SFR Group represent significant amounts in relation to the average daily trading volumes currently registered on the market for the shares (i.e. around €6 million in the last month) may estimate that the negative effect of the aforementioned legal provisions is offset by the positive impact of the better liquidity that they might achieve by receiving class A *Altice* shares. However, this does not apply to the minority shareholders of SFR Group, which do not assign the same value to the liquidity supplement provided by the Offer.

[8] A number of the strategic decisions (e.g. a capital increase) that require, in a French company, a vote in favor by two-thirds of the shareholders at the EGM, are taken by simple majority; furthermore, although a new director may be appointed at *SFR Group* on the basis of a simple majority at the AGM, the appointment of an executive member of the board of directors of *Altice* takes place by means of the Nominating Shareholder (Next) and may only be rejected by the AGM of Altice NV by a two-thirds majority (and the quorum must be more than 50%).

3. Valuation of *SFR Group* and *Altice* securities

This section describes the valuation work carried out in order to estimate the market values of *SFR Group* and *Altice* securities. This valuation work was carried out in compliance with a multi-criteria approach. In accordance with the *AMF* recommendation on independent expertise No. 2006-15 relating to independent expertise, this approach was based on an analysis of the available valuation references and the implementation of valuation methods that are commonly used in business.

3.1. Available valuation references

3.1.1. Consolidated net assets

In this case, for both *SFR Group* and for *Altice*, the net recorded assets figure cannot be used as a relevant reference of the market value of the equity of both Groups, specifically because it includes neither goodwill generated internally by growth and the profitability of the business portfolio, nor any capital gains that may be generated by the sale of assets that are not directly required for operation.

3.1.2. Recent transactions on capital or on a number of assets of both Groups

As noted (see above, Section 2.1), both groups were only recently incorporated and their respective scope has grown rapidly in recent years by way of acquisitions. As part of the financing of these operations, many significant transactions were made on the securities of both Groups. However, only the most recent transactions (thus those not older than six months) may constitute relevant valuation references of the market value of the securities of both Groups. In fact, over the recent period, we did not identify any significant transactions (for instance a capital increase or the sale of a block of securities representing more than 10% of the capital) which may constitute a relevant reference of the market value of *SFR Group* or *Altice* shares.

Similar conditions apply when assessing the relevance of transaction prices recorded on a number of significant assets acquired by both Groups over the recent period. In terms of *Altice*'s Portuguese assets (acquired in November 2014) and US assets (acquired in May and September 2015), these references are in the first instance too old to be used, and furthermore, we have been unable to substantiate the relevance of these transaction prices in the light of the business plans drawn up at the date of acquisition. However, we will select the transaction prices relative to the *Altice Media Group* and *NextRadioTV* companies, taken over in May 2016 by *SFR Group* from *Altice* in the financial conditions set out above (see above, section 2.1.1).[9]

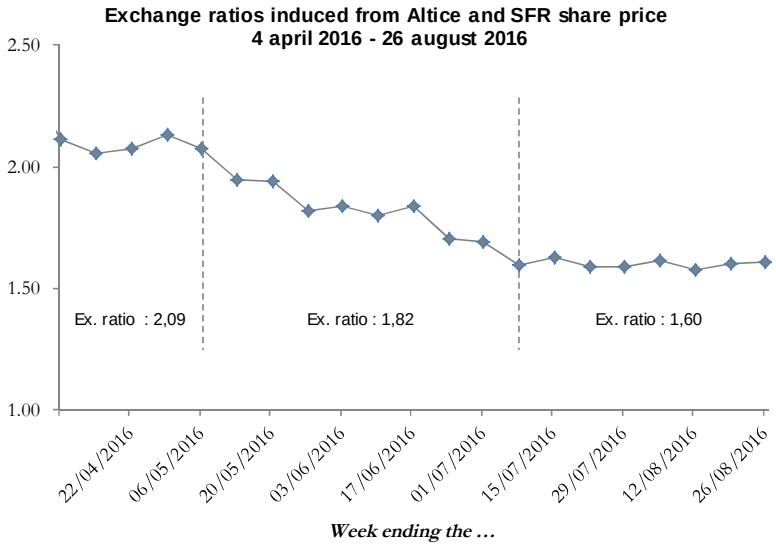
[9] In this regard, the management of *SFR Group* confirmed by letter of representation that they were not aware of anything likely to cause a significant change in the value of the business portfolio of the *Altice Media Group* and *NextRadioTV* companies since their acquisition by Altice.

3.1.3. Exchange ratio inferred by share prices

Based on the analyses described previously (see above, sections 2.2.1 and 2.3.2), in our view the conditions are met to ensure satisfactory efficiency of the *Altice* A and *SFR Group* securities markets. In other words, we consider that, subject to selection of the recent period due to the many market developments and changes in scope described above, the exchange ratio resulting from the share prices is a relevant reference in relation to the Offer, since we consider that the share prices of *Altice* and *SFR Group* securities include not only the development potential of both Groups, but also their specific characteristics in terms corporate governance and shareholders' rights even if their impact is limited.

As noted previously (see above, sections 2.2.2 and 2.3.3), the major event that significantly impacted the share prices of both Groups over the recent period is the announcement on Friday, April 1, 2016, of the failure of the merger between *Orange* and *Bouygues Télécom* (fall in the share prices of *SFR Group* and *Altice* by 18% and 12% respectively on Monday, April 4, 2016). We thus chose that date as the starting point of our analysis of the historical exchange ratio between the two securities.

The following chart shows the changes in exchange ratio of the share prices of both Groups over the period starting April 4, 2016 and ending August 26, 2016. In order to eliminate statistical noise due to the high volatility of both shares, the exchange ratio inferred by the share prices of both Groups was established on a weekly basis.



Source : Bloomberg

Average volume-weighted weekly prices of SFR and Altice shares

The graph clearly shows three phases in the evolution of the exchange ratio measured in this way.

- In the month following the announcement of the end of discussions between *Orange* and *Bouygues Télécom*, exchange ratio stood at 2.09 (weekly average determined over five weeks following Monday, April 4).[10]
- After this initial period and until the beginning of July 2016, exchange ratio fell steadily (average exchange ratio of 1.82), especially after the results announcement of *SFR Group*

[10] We considered that the efficiency of the two securities' markets (in its semi-strong form) is sufficient to assume that all the effects of the announcement of Friday, April 1, are integrated into share prices as of Monday, April 4.

for the first quarter 2016. In the end, this period is marked by the increasingly pronounced investor estrangement from the *SFR Group* security.

- Since the beginning of July 2016, exchange ratio has remained stable at around 1.60, and the announcement August 9 of both Groups' results for the second quarter 2016 did not call this new balance into question.

Based on this historical analysis of the exchange ratio inferred by the share prices of both Groups over the recent period, we consider that a reasonable range of exchange ratio lies between 1.60 and 1.80. The bottom of this range corresponds to the exchange ratio inferred by current share prices (spot exchange ratio). However, we consider that the hypothesis cannot be rejected according to which the fall in exchange ratio noted since the announcement of the failure of the merger between *Bouygues Télécom* and *Orange* is partly the result of an over-reaction on the part of investors to the many negative announcements relating to the *SFR Group* security during the period. We thus set the upper limit of the range to equal the average exchange ratio observed over the entire period (1.80) and close to the average exchange ratio observed in the middle period (1.82).

3.1.4. Target price of financial analysts

We created a sample of seven consulting firms following *SFR Group* and *Altice* simultaneously and selected the ratings after the publication of results for the second quarter 2016.

Target prices of brokers covering both companies

		Target price (€)		Exchange
Broker	**Date**	**Altice**	**SFR Group**	**ratio**
Broker 1	08/19/2016	15.0	25.0	1.67
Broker 2	08/19/2016	19.6	43.0	2.19
Broker 3	08/10/2016	19.6	30.9	1.58
Broker 4	08/10/2016	20.0	45.0	2.25
Broker 5	08/09/2016	13.0	34.0	2.62
Broker 6	08/09/2016	16.0	28.0	1.75
Broker 7	08/09/2016	14.1	32.0	2.27
Average		**16.8**	**34.0**	**2.05**

An analysis of these target prices highlighted a range of parities of between 1.67 and 2.62.

Given the levels of leverage of both Groups (as of June 30, 3.1 and 1.5 for *Altice* and *SFR Group* respectively), any difference in appraisal of the value of the business portfolios of both Groups is mechanically amplified in terms of the value of the securities. Hence the wide disparity of target prices posted by financial analysts and the limited relevance, in our view, of the exchange ratio reference based on average or median target prices.

3.2. Valuation Methodology

3.2.1. A three-step valuation process which precludes any direct approach of the value of equity capital

We adopted a three-step valuation process which consists of successively estimating the value of the business portfolio of both Groups (or enterprise value), the value of their net financial

debt and their non-operating assets/liabilities, then based on the balance between these two components, the market value of their equity capital.

Such an approach excludes, by its construction, the use of valuation methods that aim to directly determine the value of equity capital in a single step, without performing the two intermediate steps of estimating the enterprise value and the value of net financial debt and other non-operating assets and liabilities. In this regard, from the outset the two methods based respectively on discounting a stream of future dividends (DDM, Discounted Dividends Model) or the use of earnings ratios (PER, Price Earnings Ratio), were disregarded. These two methods are admittedly based on a purely conceptual plan, but in practice the first is too rudimentary to provide a reliable estimate of the value of multi-polar groups, while the second specifically requires a similarity in the financial structures of the valued company and comparable listed companies that is seldom encountered in reality.

The methods used (or at least considered) to value the business portfolio of both Groups are the three methods usually adopted in connection with a multi-criteria valuation, namely the DCF method, the peer comparison method and the comparable transactions method. For the reasons given hereinafter (see below, section 3.6), this final method could not be implemented under the required conditions of reliability.

3.2.2. A valuation process based on the sum of the various components of both Groups (*sum-of-the-parts*)

Given the diversity of the business portfolios of both Groups, the various valuation methods selected were implemented using a sum-of-the-parts approach. This approach is based on the independent valuation of homogeneous blocks of assets, that is to say those with the same economic models and thus similar growth prospects and levels of risk.

In the case in point, this approach was restricted by the sets of consolidated financial statements that are publicly available, which prevented us from carrying out this analysis at the most detailed level, distinguishing the various components of *Altice International* (i.e. Portugal, Israel, Dominican Republic and others). The value of the SFR Group's business portfolio was estimated on the basis of two components (telecoms business and *Altice Media* business) and that of *Altice* based on five components (telecoms business of *SFR Group*, *Altice Media*, *Cablevision*, *Suddenlink* and *Altice International*).

3.2.3. Forecast information used for the DCF method and the peer comparison method

As mentioned previously (see above, section 1.5.4), neither the management of the Offeror, nor that of the Target, supplied a business plan. However, the Offeror provided forecasts from financial analysts, dated May 2016 to July 2016, taken from a sample of 24 research departments established by it. For the purposes of our analysis, we selected those sets of forecasts (i) covering the period from 2016 to 2020, (ii) distinguishing the five components included in our valuation process (see above, section 3.2.2) and (iii) based on the following three key aggregates: revenues, EBITDA and investments. In the end, the selected forecasts came from 15 research departments for *Altice* and 20 research departments for *SFR Group*.

Furthermore, the management of *SFR Group* confirmed that it had no indicators to suggest that the enterprise values of *Altice Media Group* and *NextRadioTV* had changed significantly since their acquisition by *SFR Group* in May 2016. In our work, we thus considered the enterprise

value of media business solely on the basis of its purchase price, and thus in our models, we only selected forecasts for the *SFR Group* telecoms business.

We did not receive any updates regarding the consensus after the publication of results for the second quarter of 2016. However, we conducted phone conversations with the management of *Altice* and *SFR Group* who confirmed the relevance of the consensus data, and set out their medium-term objectives or ambitions for both Groups, specifically in terms of operating margin and investment rates.

The primary changes that emerged from the analysts' consensus as established can be summarized thus:

Regarding business growth, only *Suddenlink* shows a significant increase in revenues with a compound annual growth rate (CAGR) of +4.4%. However, for *SFR Group*, *Altice International* and *Cablevision*, financial analysts anticipate near-stability or a slight increase in revenues over the period 2016-2020.

Regarding operating margins, the situation is more mixed.

- The consensus shows very significant ambitions for *SFR Group* and *Cablevision*, whose EBITDA margins are expected to rise by 6.1 and 7.2 points respectively over the period 2016-2020. At *SFR Group*, analysts include the impact of restructuring plans recently announced by the group's management in their forecasts, in a difficult climate for the French telecoms market. At *Cablevision*, the problem is a completely different one. When the Group's acquisition was announced in September 2015, the management of *Altice* clearly announced their ambition to achieve synergies in the region of $900m per year once up and running. The analysts' consensus incorporates a fraction (about 40%) of this ambition.

- The consensus also shows a significant increase in profitability at *Suddenlink*, whose EBITDA margin is forecast to increase over the same period by 4.2 points. The reasons for this change this are twofold: the synergy plan announced at acquisition ($215m year on year), apparently broadly incorporated into analysts' forecasts, and the sustained growth in revenues (+4.4% per year on average over the period) in a locally dynamic market, with business characterized by very high operating leverage.
- Finally, the consensus expresses a slight improvement in profitability at *Altice International* whose EBITDA margin is forecast to increase by 1.9 points over the period 2016-2020.

3.3. Financial parameters and data shared by both valuation methods

3.3.1. Factors taken into account to shift from enterprise value to equity value (including minority interests)

For the implementation of the two valuation methods selected as part of our work (DCF method and peer comparison method), we estimated the various transitional items of the enterprise value at equity value (including minority interests) as of June 30, 2016 based on the accounting periods of both Groups on that date.

<u>Net financial debt</u>

The net financial debt of *Altice* as of June 30, 2016 (€49,036m of which €15,118m held by *SFR Group*) includes only items subject to debt covenants. It consists primarily of bonds (€40,405m

of which €11,766m held by *SFR Group*) whose market value does not differ significantly from the carrying value.

Other financial liabilities

This item primarily includes derivatives, securitization, reverse factoring, debt issued by *Cablevision* guaranteed by the value of its *Comcast* shares (see below under "Other non-operating assets and liabilities"), the *Suddenlink* vendor note, accrued interest and leasing debt.

Provision for retirement benefits

The provision for retirement and similar benefits, net of assets from related schemes corresponds to rights acquired by *SFR Group* and *Altice* employees to date. Since the interest cost relating to retirement benefits is recognized in financial income and not in personnel expenses (which include service costs), this provision was included in items moving from enterprise value to equity value.

As part of a financial valuation, the rights that employees will gain in the future should also be taken into account. Based only on the information provided in the accounts of both Groups, we believe that the value of these future rights is appraised through the service cost implicitly incorporated in the forecast operating margin and thus in the future free cash flows of both Groups.

Other provisions

The provisions relate primarily to provisions for risks and litigation, restructuring and rehabilitation. Disbursements relating to these provisions are in the first instance not included in the financial analysts' forecasts, such that the amount of these provisions was incorporated in non-operating liabilities items.

This category also includes the present value of costs resulting from restructuring to be implemented at *Cablevision*, *Suddenlink* and *SFR Group*, based on estimates provided by the Offeror.

Other non-operating assets (liabilities)

Other financial assets mainly comprise *Comcast* shares held by *Cablevision* and other less significant assets and liabilities held for sale. This category also incorporates the purchase price of 4G licenses relating to LTE technology, outstanding as of June 30, 2016.

Deferred tax assets and liabilities

We did not take into account deferred tax liabilities arising from Purchase Price Allocations (PPA) made in the wake of acquisitions. However, this category includes deferred tax assets and liabilities resulting from timing differences (specifically those related to provisions).

Regarding deferred tax assets related to tax loss carryforwards, the financial managers of both Groups disclosed the amount of tax loss carryforwards as of December 31, 2015 for *SFR Group*, *Altice US*, and *Altice International*, as well as the tax rates applicable to the calculation of the related tax savings. On this basis, we calculated the present value of potential tax savings, based on the tax rules in force in the countries concerned, using the discount rates defined below to implement the DCF method (see below, section 3.4.2).

Investments in equity associates and joint ventures

Investments in equity associates were valued for their book value.

Cash from the exercise of stock options

Cash resulting from the exercise of stock options "in the money" as of August 26, 2016 was taken into account in the amount of €295m for *Altice* and €26m for *SFR Group*.

Summary

The table below summarizes the above items taken into account to move from the enterprise value to the equity value as of June 30, 2016.

Net financial debt and other adjustments (excluding non-controlling interests)

	In €m	SFR Group	Altice
	Net financial debt	15,118	49,036
+	Other financial liabilities	1,234	4,209
+	Provisions	1,542	3,024
-	Other non operating assets (liabilities)	(118)	1,258
-	Net deferred tax assets (liabilities)	543	1,999
-	Investments in associates and joint-ventures	55	67
-	Cash received on exercise of stock-options	26	295
=	**Total as of June 30, 2016**	**17,388**	**52,650**

3.3.2. Number of shares taken into account when calculating the share value using the estimated value of equity

The methods used to calculate the number of shares taken into account to estimate the unit value of shares are given in the table below. This calculation is based on the total number of shares issued minus the number of treasury shares as of June 30, 2016. We also considered the potential dilution relating to the exercise of stock options in the money.

Diluted number of shares of SFR Group and Altice

		SFR Group	Altice
	Issued shares	442,366,919	1,113,551,662
-	Treasury shares	40,381	25,426,560
=	**Outstanding shares**	**442,326,538**	**1,088,125,102**
+	In the money stock-options (*)	2,267,711	36,770,000
=	**Diluted number of shares**	**444,594,249**	**1,124,895,102**

(*) Reference share price as of August 26, 2016

3.4. DCF method

3.4.1. Free cash flows over the explicit forecast period

The explicit forecast period considered when implementing the DCF method is the one defined by the consensus of financial analysts, i.e. the period 2016-2020.

The free cash flows taken into account were calculated using the EBITDA and investment amounts of the consensus for all components of the *Altice* group, except *Cablevision*, in the high scenario, for the reasons given below in the description of how the terminal value was determined.

The other two items required to calculate free cash flow, i.e. changes in working capital and zero-debt taxes, were estimated by us. Regarding changes in working capital, we used the ratios expressed in the balance sheets as of June 30, 2016. Regarding zero-debt taxes, over an appropriate period of time, we specifically modeled the (tax-deductible) depreciation of existing assets as of June 30, 2016 and future fixed assets resulting from investment, as well as calculating the related tax savings based on current tax rates.

3.4.2. Determining a terminal value

The terminal value of each of the four components of the *Altice* group valued using the DCF method was determined at the end of the explicit forecast horizon (i.e. end 2020). The method used is the customary method, which consists of updating standard flows together with a perpetual growth rate set at 1.5% over an indefinite horizon. This rate is close to the expected inflation rate over the long term, and is consistent with the implicit components of the risk-free rate taken into account when determining the discount rate (see below, section 3.4.3).

The two key parameters used to estimate the standard cash flow of the Group's various components are EBITDA margin and level of investment. Regarding investments, we relied on the guidance of the management of both Groups. Regarding EBITDA margin, we retained the levels anticipated by the consensus at end of period (2020) for the *Altice International* and *Suddenlink* components, due to visibility deemed satisfactory on the development outlook. For the telecoms business components of *SFR Group* and *Cablevision*, we adjusted the end-of-period levels anticipated by analysts based on the following considerations:

An examination of the recent history of both Groups and interviews we conducted with their management revealed that two major uncertainties affected the profitability of the *Altice* group as a whole.

The first concerns the telecoms business of *SFR Group* and deals with the group's ability to grow its margin in a highly competitive French telecoms market. As noted previously (see above, section 3.2.3), the consensus of financial analysts expects an increase in EBITDA margin of 6.1 points over the period 2016-2020. Although, on the consensus horizon (2020), this level of margin remains slightly below management's expectations, this is still an ambitious outlook. In an optimistic scenario, we considered that *SFR Group* would be able to maintain an EBITDA margin equal to the average margin posted during the consensus period after 2020, despite the challenging competitive environment in the French telecoms market. When applying a more pessimistic hypothesis, we used a margin level 3 points lower than the previous scenario, thus slightly higher than the one expected for 2016.

The second uncertainty concerns *Cablevision* and deals with the Group's ability to fully achieve the synergies expected following the acquisition. As noted above, *Altice*'s management clearly stated its ambition to achieve $900m of synergies annually. The consensus reveals that only a fraction of these synergies (around 40%) is today taken into account by financial analysts on a 2020 horizon. In a pessimistic scenario, when calculating the standard cash flow, we used the margin level expected by financial analysts in 2020, which implies either that the plan to achieve synergies could not be brought to term, or due to competitive pressure, that a fraction of the synergies were passed on to customers in one form or another (price reduction or extension of service provided for the same price). In an optimistic scenario, we considered that two-thirds of the synergies expected by management would actually occur over the consensus period (meaning an upward revision of analysts' forecasts over this period) and maintained for an indefinite period beyond 2020.

The combination of these four scenarios gives four possible estimates of exchange ratio between shares of *Altice* and *SFR Group*. The extreme exchange ratio levels that define the

upper and lower thresholds of the range given below are obtained (i) for the lower threshold, by selecting the high scenario for *Cablevision* and the low scenario for *SFR Group*'s telecoms business, (ii) and for the upper threshold, by selecting the low scenario for *Cablevision* and the high scenario for *SFR Group*'s telecoms business.

3.4.3. Determining the discount rate

As part of a financial valuation using the DCF method, we consider that the appropriate rate used to discount the expected cash flows of a business portfolio is the opportunity cost of the capital specific to said business, that is to say a rate that exclusively integrates the non-diversifiable risk of this business, which consequently is independent of the methods chosen to finance them.

This rate is determined using the customary CAPM formula with the following components:

- Risk-free rate.

  Yields on Eurozone government bonds are impacted in a very contrasting way by the current climate of the financial markets: they fell sharply in countries considered safe in terms of credit risk (specifically France, Germany, Switzerland), while rising in countries affected by the sovereign debt crisis. This is reflected by unusual volatility in yields on government bonds, making it more difficult to determine a risk-free rate. In such a situation, the best risk-free rate reference in the Eurozone would be given by the rate paid by a European group rated AAA for a 10-year loan. In the absence of such a reference, and as part of a standardized approach, we selected a risk-free rate of 3.5%, which integrates a real interest rate (excluding inflation) of 2.0% in the long-term and an expected long-term inflation rate of 1.5%.

- Deleveraged beta coefficient.

  A business's expected beta coefficient is generally estimated using an historical analogous approach using the beta coefficients of shares in comparable companies obtained via a straight-line regression of the returns of said shares against the returns of a market benchmark. In real terms, the beta coefficients of shares in comparable companies are estimated if possible over a long period (4 and 5 years) on the basis of monthly profitability to reduce the "statistical noise" generated by a series of observations made over shorter periods. Only beta coefficients from regressions whose R^2 is higher than 15% are then selected. Next, these beta coefficients are "deleveraged" in order to eliminate the impact of financial structure and obtain a range of estimates of the beta of the underlying business.

  To estimate these historical beta coefficients, we used the same sample of comparable companies as the one used to conduct the peer comparison method (see below, section 4.4). The result of this analysis represents a deleveraged beta coefficient of between 0.4 and 0.8 for European telecoms operators and between 0.6 and 0.8 for US cable operators.

  The beta coefficient levels obtained for telecoms operators seem abnormally low, but can be explained through a qualitative analysis of systematic risk in the sector. The two determining factors of systematic risk that weigh down on business (and thus on its beta) are its sensitivity to general economic conditions and its operating leverage. Historically, the level of business of telecoms operators appeared rather insensitive to changes in economic conditions (giving an expected beta that is considerably lower than average), while capital intensity and thus operating leverage for such operators is relatively high (suggesting an above-average beta). Logically this results in an average coefficient of about 0.6, which is slightly lower than for food retailing in Europe, for instance.

  In future, given the relative maturity of the sector in Europe, and the resulting competitive pressure, we may expect an increase in the sensitivity of income from telecoms operators in terms of general economic conditions, a factor that could be strengthened across both

Groups thanks to the "convergence" strategy of media and telecoms business. In parallel, the capital intensity of the business line is expected to remain high due to the required investment.

On this basis, for the four components of the *Altice* group, valued using the DCF method, we selected a deleveraged beta coefficient at the top end of the range of observed betas, i.e. 0.8.

- Average expected risk premium on the stock market.

  We selected a premium of 4.5%, which is at the top end of the range of estimates given by the latest academic studies on the issue, due to the systemic risk that the financial crisis of fall 2008 highlighted, which limits the benefits of international diversification.

- Country risk premium.

  Regarding the *Altice International* component, we considered a country risk premium for business conducted in Israel and the Dominican Republic. For both countries, the premium was estimated on the basis of differences observed, for identical maturities and currencies, between the rates of return offered by government bonds, which are considered risk-free, and the rates offered by bonds issued by the governments of both countries.

Based on these parameters, the discount rate used to value the four components of *Altice Group* stood at 7.1% for the telecoms business of *SFR Group* as well as *Suddenlink* and *Cablevision*'s business, and 7.84% for *Altice International*'s business.

3.4.4. Results of the method

As the five components of the *Altice* group are not wholly owned by the group's shareholders, valuation of the share has to take the value of non-controlling interests into account. Most of these non-controlling interests are at the level of the companies heading *SFR Group* (78% owned by *Altice*), *Suddenlink* (70% owned) and *Cablevision* (70% owned). The value of these non-controlling interests was estimated based on the estimated values of the business portfolios of the three groups concerned in the various scenarios. The remaining non-controlling interests, which are lower down in the organization chart of the *Altice* group, were taken into account at their carrying value as of June 30, 2016.

As shown in the table below, the value of the shares of SFR Group as at June 30, 2016 is within an estimated range of €20.3 to €26.8.

SFR Group - Share price as of 06/30/2016

		SFR Group	
	In €m	Low Case	High Case
	Enterprise value [1]	**26,498**	**29,370**
-	Net financial debt Inc. adjustments	17,388	17,388
-	Non-controlling interests	77	77
=	**Equity value**	**9,033**	**11,906**
/	Diluted number of shares (million)	445	445
=	**Share price (in euros)**	**20.3**	**26.8**

(1) Includes Media assets at acquisition price

The following table shows the value of the *Altice* share in four separate scenarios, taking account of the two scenarios under consideration for the telecoms business of SFR Group and the two scenarios under consideration for the businesses of *Altice USA* (*Suddenlink* and *Cablevision*). The value of the *Altice* share thus varies within an estimated range of €11.6 to €14.7.

Altice - Share price as of 06/30/2016

	SFR Group (Low case)		SFR Group (High case)	
In €m	Altice USA High case	Altice USA Low case	Altice USA High case	Altice USA Low case
Enterprise value	**72,429**	**70,561**	**75,302**	**73,434**
- Net financial debt inc. adjustments	52,650	52,650	52,650	52,650
- Non-controlling interests	5,471	4,905	6,110	5,544
= **Equity value**	**14,308**	**13,006**	**16,542**	**15,240**
/ Diluted number of shares (million)	1,125	1,125	1,125	1,125
= **Share price (in euros)**	**12.7**	**11.6**	**14.7**	**13.5**
Exchange ratio	**1.60**	**1.76**	**1.82**	**1.98**

The breadth of this range of estimates is not surprising; it seems to us to be consistent with the Group's high level of gearing, which intensifies the impact of the uncertainty currently weighing on some components of its business portfolio (costs and results of the convergence strategy, amount of synergies generated by the cable operators in the United States, etc.)[11].

As the following table shows, **the exchange ratio resulting from the estimates obtained via the DCF method for shares of *SFR Group* and *Altice* ranges between 1.60 and 1.98**.

3.5. Peer comparison method

Selecting relevant multiples

When implementing the peer comparison method, we disregarded earnings multiples (PER) due to the bias introduced by any differences in financial structure. Similarly, revenue multiples were rejected due to the bias resulting from differences in profitability.

In view of the major differences in terms of depreciation and amortization policy between the various companies under review, we also disregarded EBIT multiples from our analyses. Leaving aside the bias resulting from capital intensity differences between the companies, the analysis could be based on EBITDA multiples. However, to take account of the differences in investment, we favored multiples based on the "EBITDA - Capex" composite aggregate.

Selecting a sample of comparable companies

As a first step, to take into account the first determinant of the multiples, i.e. systematic risk, we created a sample of listed companies engaged in similar activities for each business portfolio under consideration.

With regard to the businesses of *SFR Group* (excluding media) and *Altice International*, we created a single sample, considering that there was no major difference, in terms of economic models and non-diversifiable risks, between the various telecoms operators in the countries in question. We therefore created a sample of 11, mainly European telecoms operators that we regarded as reasonably comparable both to *SFR Group* and to the subsidiaries of *Altice International*.

[11] A similar argument can be made to explain the breadth of the range of estimates obtained for the *SFR Group* share.

When creating this first sample, we disregarded a number of telecoms operators due to their size and substantial diversification in terms of activities and geographical areas. We also rejected some regional or local operators active in specific geographical areas (operators located in Latin America, Israel and the Caribbean). From the 11 companies identified, we also rejected *Iliad SA*, whose level of maturity (and therefore investment strategy) differs very significantly from the maturity levels of *SFR Group*, *Altice International* and the other comparable companies. In total, the retained sample comprises 10 European telecoms companies (the "telecoms sample"): *KPN*, *NOS*, *Orange*, *Proximus*, *Sunrise*, *TDC Group*, *Tele Colombus*, *Telefonica Deutschland*, *Telekom Austria* and *Telia*.

With regard to the business of *Altice USA*, we rejected companies not principally engaged in cable activities (excluding satellite) and retained, in the first stage, a sample comprising three US cable operators: *Cable ONE, Charter Communications* and *Comcast Corporation*. In a second stage, we ruled out Cable ONE due to its current strategic reorientation towards broadband and B2B.

The restricted sample thus obtained (the "US cable operators sample") constitutes, in our opinion, a reasonable basis for comparison for *Altice USA*. However, two major differences should be noted: the two companies retained are much larger than *Altice USA* and are also engaged in content production.

Implementation of the method

The implementation of the method is based on the EBITDA - Capex multiples produced by the comparable companies in the two samples.

These multiples were calculated based on the following elements.

- In the numerator, to calculate enterprise values: (i) the market capitalization as of August 26, 2016, and (ii) net financial debt, non-operating assets/liabilities and non-controlling interests estimated from the most recent financial publications as of the calculation date (June 30, 2016, March 31, 2016 or December 31, 2015). As far as possible, non-operating assets and liabilities were retained at their market value. The value of the non-controlling interests and the equity-accounted companies was thus estimated using the market capitalization of the companies concerned if they are listed, or their current carrying value if the transaction is recent, or, if not, using the PBR of the parent company.
- In the denominator, to calculate EBITDA and investments: consensus data from financial analysts available as of August 26, 2016.

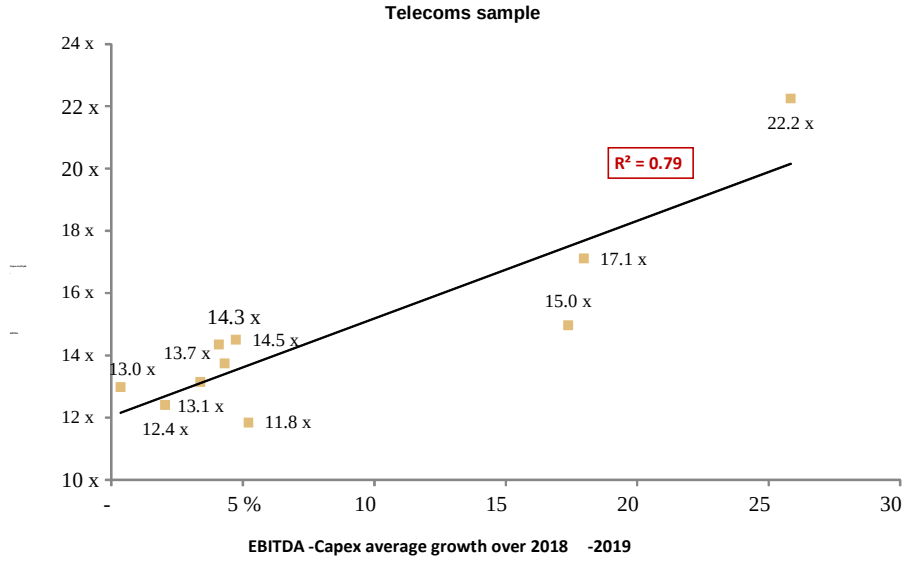
Telecoms sample

The average and mean multiples of the two companies in the European telecoms operators sample are shown in the following table.

Telecom sample

	EBITDA-Capex multiple		EBITDA-Capex growth	
	2017	**2018**	**in 2018 and 2019**	**in 2019**
KPN	14.5 x	13.7 x	4.7 %	3.7 %
NOS	15.0 x	12.2 x	17.4 %	12.2 %
Orange	11.8 x	11.3 x	5.2 %	5.4 %
Proximus	13.7 x	13.0 x	4.3 %	3.3 %
Sunrise	13.0 x	12.9 x	0.4 %	0.0 %
TDC Group	13.1 x	12.5 x	3.4 %	1.7 %
Tele Colombus	22.2 x	16.5 x	25.8 %	17.8 %
Telefonica Deutschland	17.1 x	14.1 x	18.0 %	14.9 %
Telekom Austria	12.4 x	12.2 x	2.1 %	2.7 %
Telia	14.3 x	13.7 x	4.1 %	1.9 %
Average	**14.7 x**	**13.2 x**	**8.5 %**	**6.4 %**
Media	**14.0 x**	**13.0 x**	**4.5 %**	**3.5 %**

The multiples derived from the companies in the sample (categorized in descending order in the table) show significant differences. These differences are due to differentials in forecast earnings growth (the second key determinant of the multiples), as demonstrated by the regression, shown in the following chart, between the 2017 EBITDA - Capex multiples and the forecast growth in this aggregate in the 2018-2019 period[12].



This chart also confirms the relevance of the sample used, as it shows the relative homogeneity of the comparable companies under consideration in terms of systematic risk, and thus validates the selection of a single unlevered beta coefficient for the business portfolios of *SFR Group* and *Altice International* (see section 3.4.2 above).

On the basis of the above regression, the forecast rates of growth in the EBITDA - Capex aggregate in the period 2018-2019 at *SFR Group* and *Altice International* imply EBITDA - Capex multiples of 16.9x and 13.6x.

The resulting value of the *Altice International* business portfolio is very close to the estimate obtained using the DCF method (a difference of around 10%).

On the other hand, the estimate obtained for the telecoms activities of SFR Group is much higher than the estimate obtained using the DCF method (a difference of more than 20% compared with the mid-range estimate). This difference is due to the low medium-term development potential of the telecoms activities of SFR Group, due to an unfavorable competitive environment in France, a factor that was not taken into account in the analysis, as none of the companies in the sample has a significant presence on the French market, except for Orange, whose international activities nevertheless represent more than 40% of the group's operating profit. The relevance of the estimates obtained by the peer comparison method therefore seems to us to be limited.

<u>US cable operators sample</u>

[12] The high level of the R^2 coefficient of the regression (0.81) confirms that the EBITDA - Capex multiple is more relevant than the usual EBITDA multiple. The regression between the 2017 EBITDA multiples and the forecast growth in this aggregate in the period 2018-2019 produces a much lower R^2 coefficient (0.33).

The multiples derived from the two companies in the US cable operators sample are shown in the following table.

US cable operators sample

	EBITDA-Capex multiple		EBITDA-Capex growth	
	2017	2018	in 2018 and 2019	in 2019
Charter Communications	17.1 x	13.8 x	19.4 %	15.3 %
Comcast Corporation	12.4 x	11.3 x	7.2 %	4.8 %

The limited number of companies retained in the sample makes any statistical analysis aimed at improving the quality of the survey impossible. The significant difference in the multiples recorded is undoubtedly due to both the reduced comparability of the business profiles (and therefore the risk levels) and of the forecast profit growth.

The forecast rates of growth in the EBITDA - Capex aggregate for the period 2018-2019 at *Suddenlink* and *Cablevision* from 2017 to 2019 are similar. These rates are much lower than those forecast by *Charter Communications* and slightly higher than the rates forecast by *Comcast Corporation*. The use of the multiples produced by *Charter Communications* would therefore result in an overestimation of the value of these companies in proportions that are not possible to quantify, and, conversely, the use of the multiples produced by *Comcast Corporation* would result in an underestimation. In this context, the method cannot be used to obtain reliable estimates for *Suddenlink* and *Cablevision*.

All in all, we therefore disregarded the peer comparison method in our analyses for exchange ratio estimation.

3.6. Comparable transactions method

We believe that the comparable transactions method is not relevant in estimating the value of the shares of *SFR Group* or *Altice* for the following reason. In the telecoms sector, transactions are generally motivated by synergies and significant economies of scale, which can be clearly identified by acquirers. Therefore, the multiples seen in these transactions very often include substantial control premiums, and thus show a high degree of dispersion, a sign of the great diversity of the transactions recorded in this sector.

For these reasons, we have excluded the method from our analysis.

4. Analysis of the elements of assessment of the exchange ratio provided by the Banks

As part of our mission, we examined the criteria for assessing the exchange ratio provided by *JP Morgan* and *BNP Paribas* in the draft Offer Document prepared by the Offeror. This analysis leads us to make the following comments.

4.1. Methodology used by the Banks

From a methodological point of view, the Banks adopted a multi-criteria approach in which they used the exchange ratios resulting from two valuation references for the *Altice* and *SFR Group* shares: (i) the exchange ratio that derives from the market prices over the recent period (i.e. closing prices on September 2, 2016, and the average prices weighted by the volumes over one month and three months), (ii) the exchange ratio that derives from the target prices of the financial analysts. The Banks moreover used the exchange ratios resulting from the estimates of the value of the *Altice* and *SFR Group* shares resulting from two valuation methods: (i) the DCF method, (ii) the stock market comparisons method. In this regard, the Banks state, just as we do, that the information now available concerning the compensation mechanism of the "*Altice* model" envisaged by the management of the two Groups is not sufficient to reflect its potential impact on the value of the two Groups and hence on the exchange ratio. On this basis, the valuation approach adopted by the Banks seems at first sight very similar to our own, even though there are several notable differences.

Firstly, the Banks state their preference for the exchange ratio obtained from the DCF method compared to the exchange ratios derived from the market prices. For the reasons mentioned above (cf. section 3.1.3 above), it is our view, on the contrary, that the exchange ratios based on the market prices of the recent period represent a stronger benchmark in the present case than those derived from the DCF method.

Secondly, we ruled out the exchange ratios based on the target prices of the analysts and those resulting from the estimates of the stock market comparisons method. With regard to the target prices of the financial analysts, our view is that the magnitude of the results obtained using this reference *de facto* disqualifies it (for instance, the data mentioned by the Banks shows variances of more than twice the size). As for the stock market comparisons method, for the reasons mentioned above (cf. section 3.5 above), we consider that the estimates obtained for the different components of the *Altice* group are not relevant since there is no listed company that is comparable in real terms, particularly for the business portfolio of the two American entities, *Suddenlink* and *Cablevision*.

Finally, thirdly and lastly, given the diversity of the business models and the growth prospects of the different assets of the *Altice* group, our view is that a "sum of the parts" approach is the only appropriate one to use in implementing the different valuation methods used. We do not therefore approve the choice the Banks made to implement the stock market comparisons method based on a global approach and to adopt that same approach at the same time as the "sum of the parts" approach for implementation of the DCF method.

4.2. Implementation of the DCF method

With regard to implementation of the DCF method, the criteria for assessing the exchange ratio provided by the Banks also reveal a number of significant differences compared to our own work. The most important ones can be summarized as follows:

The first difference relates to the forecast information used to estimate the *free cash flows* over the explicit forecast period. While we rely on the consensus of financial analysts that was compiled based on the communicated data that they provided to us for each of the components of the *Altice* group, the Banks adopt a different approach for the two American assets (*Suddenlink* and *Cablevision*) due to their recent inclusion in the group's scope of consolidation. Considering that the consensus of the financial analysts does not reliably reflect the development prospects of these two assets, they thus constructed an "adjusted consensus" based on three notes from financial analysts (*Kempen, RBC* and *Goldman Sachs*).

The second difference relates to the estimate of the normative cash flows upon which calculation of the terminal values of the different components of the *Altice* group is based. While the Banks systematically adopt as the normative EBITDA margin the margin expected at the end of the explicit forecast period, we considered two possible scenarios (high and low) for the two components (telecom activities of *SFR Group* and *Cablevision*) about which there are now the most uncertainties (positive or negative) concerning the level of medium-term and long-term profitability.

The third main difference relates to the perpetual growth rate applied to the normative cash flow of each component. Considering that calculation of a terminal value occurs *a priori* at a date on which the activity being valued is supposed to be completely mature (no more growth in real terms) and also preferring the internal consistency of the valuation model, we used for each of the components a perpetual growth rate of 1.5% consistent with the risk-free rate of interest taken into account in the discounting rate used and more specifically with the inflation rate implicitly integrated in the risk-free rate (cf. section 3.4.3 above). The Banks for their part adopt perpetual growth rates that are differentiated according to the components (1.25% for *SFR Group*, 2.50% for *Altice United States*, 2.00% for *Altice International* and 1.94% for the corporate costs of the *Altice* group*)*.

The fourth and last difference relates to the presentation of the results derived from the DCF method. The two parameters referred to above, EBITDA margin and perpetual growth rate, affect firstly the terminal value and, hence, the estimated value of each of the components of the group. With regard to the first parameter, as mentioned above, we consider that the uncertainty affecting the EBITDA margin justifies constructing two scenarios in order to highlight the impact of the choices made concerning the exchange ratio. With regard to the second parameter, given the very high margin yield of any additional growth point in the business lines of the *Altice* group, the choice of the perpetual growth rate has a major impact on the value of the relevant activity and consequently on the exchange ratio. As an example, considering a perpetual growth rate of 2.0% instead of the 1.5% rate (used in our work for all the components of the *Altice* group) has a positive impact of around 0.2 on the exchange ratio if this modification relates exclusively to the telecoms business of *SFR Group*. A negative impact of the same order is obtained if the change relates this time to the group's two American components. Consequently, proposing a single scenario, as the Banks do, does not reveal uncertainties that affect the results derived from the DCF method.

5. Conclusion

This expert report is part of the public exchange offer which the *Altice Group* ("the Offeror") is set to initiate on *SFR Group* shares ("the Offer") based on an exchange ratio of 1.60 (i.e. 8 *Altice* shares for 5 *SFR Group* shares). Performed at the request of the Board of Directors of *SFR Group* in accordance with stock market regulations, this report aims to provide the members of this Board with a statement on the fairness of the financial terms of the Offer *SFR Group* shareholders.

In the draft offer note, we noted the Offeror's intention to implement a "franchise agreement" between *Altice* and *SFR Group* by the end of 2016 in terms of compensation of the "*Altice*

model" from which *SFR Group* benefits. Given its potential impact on the value of the two companies in question, this contextual element of the Offer will most likely be integrated by *SFR Group*'s minority shareholder into its analysis of the Offer. For our part, in the absence of any specific information regarding the calculation methods used for the compensation potentially due by *SFR Group*, we were unable to integrate the draft franchise agreement into our work. Consequently, the following conclusions leave these out completely.

The Offer reflects *Altice*'s desire to simplify the Group's capital organization and increase the liquidity of *Altice* securities by consolidating at its level the public shareholder structure of *SFR Group*. This is a voluntary offer to which *SFR Group* shareholders are free to take up or ignore by deciding to present or retain their securities.

From a regulatory perspective, our work in connection with the Offer is driven by the prior control of the Offeror on the target company and the resulting risk of conflicts of interest. With this in mind, our mission is primarily to certify that the exchange ratio put forward by the Offeror ("the Exchange ratio") is "fair" for minority shareholders of *SFR Group* in the sense that it appears "reasonable" or "acceptable" to them, and on an ancillary basis, to inform the Directors of SFR Group about the interest in this Offer by those shareholders from a strictly financial standpoint.

Regarding the fairness of the Exchange ratio, we previously set out the condition to be met to allow this parameter to be considered as fair: insofar as the success of the Offer is not likely to generate a significant amount of synergies, it is advisable to verify that the Exchange ratio incorporates the value of the assets and development prospects of both Groups in connection with the strategy implemented by their management.

To achieve this, given that the conditions have been met to allow for satisfactory efficiency of the respective markets for *Altice* and *SFR Group* securities, we selected the exchange ratio references given by the share prices of both Groups. We thus analyzed the parities observed since the announcement April 1, 2016 of the failure of the merger between *Bouygues Télécom* and *Orange*, a major event in the recent period which significantly affected the share price of both securities. On this basis, we consider that, to be considered fair, the Exchange ratio must fall within the range 1.60 – 1.80.

This range is part of the broader range 1.60 – 1.98 resulting from the valuation work performed on both Groups using the DCF method. In the present case, however, we consider that the estimates of the value of both securities given by the DCF method and the resulting exchange ratio estimates are valuation references that are less relevant than in the usual case. The reason is that implementation of the method relied on forecast cash flows which were based on a market consensus rather than on a business plan, in very capital intensive business lines where it is difficult to forecast the pace of investment although this parameter primarily determines the value of the business.

Overall, we believe that the exchange ratio of 1.60 proposed by the Offeror is fair to the minority shareholders of *SFR Group*, as it falls within the range of parities 1.60 – 1.80, based on share prices over the recent period which we favor in connection with the Offer for the reasons described above.

Regarding the interest, from a financial point of view, which the offer presents to minority shareholders in *SFR Group*, we note firstly that the exchange ratio of 1.60 is at the bottom of our reference range 1.60 – 1.80. As we have shown, this lower range threshold corresponds to exchange ratio based on recent market prices for *Altice* and *SFR Group* securities. Such a level of exchange ratio thus assumes that excellent efficiency prevails on the markets for both securities.

In addition, we note that this exchange ratio of 1.60 is also the lowest point of the range of parities resulting from the DCF method. This low point is the logical result of the combination of a pessimistic scenario for *SFR Group* and an optimistic scenario for *Altice*. The first scenario assumes a stabilization in the operating margins of *SFR Group* by 2020, to a level below that desired by management and expected over the period by financial analysts, while the second scenario assumes a stabilization in the operating margins of *Cablevision* over the same period at a level higher than anticipated by financial analysts, thanks to synergy levels close to those desired by management.

Finally, we note that those minority shareholders of *SFR Group* who respond favorably to the Offer will benefit, on the Class A *Altice* securities received in exchange, from much greater liquidity than presently possible on *SFR Group* securities. For minority shareholders with a substantial holding, with a significant line of investment in *SFR Group and* who thus put a certain price on liquidity, this positive effect of the Offer on their position may offset the negative effect that could result from the specific characteristics of *Altice NV* compared to those of *SFR Group SA* in terms of corporate governance and shareholder rights. This is probably not the case for minority shareholders who do not set the same store by the additional liquidity provided by the Offer.

Overall, we confirm the fairness of the financial conditions of the Offer to minority shareholders of *SFR Group*.

Paris, September 4, 2016

For *Accuracy*,

Bruno Husson Henri Philippe

7. OPINION DELIVERED BY PERELLA WEINBERG PARTNERS ON THE TERMS OF THE PUBLIC OFFER

On 5 August 2016, the Company appointed Perella Weinberg Partners as financial advisor. As part of their engagement, Perella Weinberg Partners have also been instructed to render an opinion on the proposed exchange ratio.

As financial advisor of the Company, and not as independent expert, Perella Weinberg Partners has issued to the Company's Board of Directors an opinion dated 4 September 2016, that has not been issued pursuant to Article 261-1 of the General Regulations of the French Financial Markets Authority (AMF) and which, therefore, cannot be considered as an "independent expert's report", an "independent expertise", or a "fairness opinion" under French law, which is relating to the fairness, from a financial standpoint, of the Offer Consideration proposed to the Company's shareholders (other than the Offeror), subject to the limitations and assumptions set out within this financial opinion. This financial opinion has been prepared solely for the Company's Board of Directors and shall neither constitute a recommendation for the Company's shareholders whether or not to tender their shares in the Public Offer, nor an opinion – whether financial or not – for the Company's creditors or

other contracting parties. Perella Weinberg Partners shall, in any case, be held liable, either in law or in fact, with regard to the delivery of this financial opinion to the Company's Board of Directors or its content.

This opinion, dated 4 September 2016, is provided below in its entirety.

"4th September, 2016

The Board of Directors
SFR Group S.A.
12 rue Jean-Philippe Rameau
93634 La Plaine Saint Denis CEDEX
France

Dear members of the Board of Directors:

We understand that the Board of Directors of SFR Group S.A., a public company incorporated under the laws of France (the "Company"), is considering a proposed exchange offer (the "Offer") by Altice N.V. (the "Offeror"), a public company incorporated under the laws of Netherlands, for any of the outstanding ordinary shares of the Company not already owned, directly or indirectly, by the Offeror, including any shares of the Company that may be issued upon exercise of any Company stock options held by beneficiaries other than the Offeror. Pursuant to the terms and conditions of the Offer set forth in the draft Note d'Information of the Offeror dated September 4, 2016 (the "Note d'Information"), the Offeror proposes to offer 1.6 newly issued common shares A of the Offeror in exchange for each share of the Company tendered (the "Exchange Ratio").

You have requested our opinion as to the fairness, from a financial point of view, of the Exchange Ratio to the Company's shareholders other than the Offeror.

For purposes of the opinion set forth herein, we have, among other things:

1. *reviewed certain publicly available financial statements, financial forecasts and other business and financial information of or relating to the Company and the Offeror, including research analyst reports on the Company and the Offeror*

2. *reviewed the research analyst consensus forecasts for the Company and the Offeror, as supplied by the Offeror (respectively, the "Company Consensus Forecasts" and the "Offeror Consensus Forecasts" and, collectively, the "Consensus Forecasts");*

3. *discussed the past and current operations, financial condition and prospects of the Company, including the Company's long term earnings before tax, interest, depreciation and amortization ("EBITDA") margin and ratio of capital expenditures to sales ("Capex / Sales ratio"), with the management of the Company;*

4. *discussed the past and current operations, financial condition and prospects of the Offeror, including long term EBITDA margin and Capex / Sales ratio, with the management of the Offeror;*

5. *reviewed the various documents on the respective tax positions of the Company and of the Offeror, as provided respectively by the Company and the Offeror;*

6. *compared the financial performance of the Company and the Offeror with that of certain publicly-traded companies which we believe to be generally relevant;*

7. *reviewed the historical trading prices and trading activity for the Company's shares and for the Offeror's shares and compared such prices with those of securities of certain publicly-traded companies which we believe to be generally relevant;*

8. *conducted discussions with certain advisors to the Company and of the Offeror;*

9. *reviewed the draft Note d'Information, the draft Note en Réponse of the Company dated September 4, 2016 and the draft Offering Prospectus of the Offeror dated September 4, 2016 (together, the "Offer Documents"); and*

10. *conducted such other financial studies, analyses and investigations, and considered such other factors, as we have deemed appropriate.*

In arriving at our opinion, we have assumed and relied upon, without independent verification, the accuracy and completeness of all the financial, legal, regulatory, tax, accounting and other information supplied or otherwise made available to, discussed with or reviewed by, us (including information that is available from generally recognized public sources) for purposes of this opinion and have further relied upon the assurances of the management of the Company and the management of the Offeror that such information does not contain any material omissions or misstatements of material fact, without assuming any responsibility for independent verification thereof. With respect to the Consensus Forecasts, we have been advised by the management of the Company and the management of the Offeror, and have assumed, with your consent, that they have been reasonably prepared and are a reasonable basis upon which to evaluate the business and financial prospects of the Company and the Offeror, and we express no view as to the assumptions on which they are based. With respect to the respective management guidance on the long term costs savings potential at both the Company and the Offeror, we have been advised by the management of the Company and the management of the Offeror, and have assumed, with your consent, that they have been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of management of the Company and of the Offeror as to the matters covered thereby, and we express no view as to the assumptions on which they are based. In arriving at our opinion, we have not made any independent valuation or appraisal of the assets or liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of the Company or the Offeror, nor have we been furnished with any such valuations or appraisals nor have we assumed any obligation to conduct, nor have we conducted, any physical inspection of the properties or facilities of the Company or the Offeror. In addition, we have not evaluated the solvency of any party to the draft Offer Documents under any applicable laws relating to bankruptcy, insolvency or similar matters. We have assumed that the final executed Offer Documents will not differ in any material respect from the drafts reviewed by us, and that the Offer will be consummated on the terms set forth in the draft Offer Documents and that no term in any subsequent version or final version of the Offer Documents will make any modification or have any effect on our analysis, and no condition therein would have any material delay on the Offer. In addition, we have assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the Offer will be obtained, and that, in connection with the receipt of all the necessary approvals of the Offer, no delays, limitations, conditions or restrictions will be imposed that could have an adverse effect on the Company or the Offeror. We are not legal, regulatory, tax or financial reporting experts and have relied, without independent verification, with your consent, on the assessments made by the Company, the Offeror and their respective advisors with respect to such issues.

This opinion addresses only the fairness from a financial point of view, as of the date hereof, of the Exchange Ratio to the Company's shareholders other than the Offeror. We have not been asked to offer, and we do not offer, any opinion as to any other term of the Offer or the Offer Documents or any other related document or any term or aspect of any other agreement or instrument contemplated by the Offer or the Offer Documents or the form or structure of the Offer or the likely timeframe in which the Offer will be consummated, and we express no view or opinion as to any such matters. In particular, in arriving at our opinion, with your consent, we have not taken into consideration, nor do we express any opinion as to, any potential impact of the future remuneration for the services provided by the Offeror as part of the implementation of a group-wide Offeror model as described in Section 1.3.1 of the draft Note d'Information. In addition, we express no opinion as to the fairness of the amount or nature of any compensation to be received by any officers, directors or employees of any parties to the Offer, or any class of such persons, whether relative to the Exchange Ratio or otherwise. We do not express any opinion as to any tax or other consequences that may result from the Offer, nor does our opinion address any legal, tax, regulatory or accounting matters, as to which we understand the Company has received such advice as it deems necessary from qualified professionals. We express no opinion as to the fairness of the Exchange Ratio or the Offer to the creditors or other constituencies of the Company. Furthermore, we express no opinion as to the price at which shares of the common stock of the Offeror will trade at any time or as to the impact of the transaction contemplated by the Offer on the solvency or viability of the Company or the Offeror, or the ability of the Company or the Offeror to pay its respective obligations when they come due.

We, Perella Weinberg Partners UK LLP ("Perella Weinberg Partners"), have acted as financial advisor to the Company in connection with the Offer and this opinion and will receive a fee from the Company for our services in connection with the Offer and the delivery of this opinion. In addition, the Company has agreed to reimburse certain of our expenses and indemnify us for certain liabilities and other items, arising out of our engagement. In the two years prior to the date hereof, we have provided financial advisory services to the Company and the Offeror and have received fees in connection with such services. We or our affiliates may also in the future provide investment banking and other financial services to the Company or the Offeror or their respective affiliates for which we would expect to receive compensation. In the ordinary course of our business activities, we or our affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for our own account or the accounts of clients, in debt or equity or other securities (or related derivative securities) or financial instruments (including bank loans or other obligations) of the Company or the Offeror or any of their respective affiliates. The issuance of this opinion was approved by a fairness opinion committee of Perella Weinberg Partners.

It is understood that this opinion is solely for the information and assistance of the Board of Directors of the Company in connection with, and for the purposes of, its evaluation of the Offer, and it may not be used or relied upon by any other person, nor may it be reproduced, disseminated, quoted from or referred to, in whole or in part, without our prior written consent, except that a copy of this opinion may be included in its entirety in the Note en Réponse of the Company. Such opinion is not intended to be and does not constitute a recommendation as to how any stockholder of the Company should act with respect to the Offer or any other matter. Our opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion (including, without limitation, changes to the Offer Documents) and the assumptions used in preparing it, and we do not have any obligation to update, revise, or reaffirm this opinion. The preparation of this opinion was a complex process in which Perella Weinberg Partners considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis, but rather made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses.

For the avoidance of doubt, this opinion is not being delivered pursuant to Article 261-1 of the Règlement général of the French Autorité des marchés financiers and should not be considered a "rapport d'expert indépendant" nor an "expertise indépendante" or "attestation d'équité", nor shall Perella Weinberg Partners be considered an "expert indépendant", in each case within the meaning of the Règlement général of the Autorité des marchés financiers (in particular Book II, Title VI thereof).

Based upon and subject to the foregoing, including the various assumptions and limitations set forth herein, we are of the opinion that, on the date hereof, the Exchange Ratio is fair, from a financial point of view, to the Company's shareholders other than the Offeror.

Yours sincerely,

PERELLA WEINBERG PARTNERS UK LLP"

8. ADDITIONAL INFORMATION ON THE COMPANY

The document entitled Other information regarding in particular the legal, financial and accounting information relating to the Company, as required by Article 231-28 of the AMF General Regulation, will be filed by the Company with the AMF no later than the day before the opening of the Public Offer.

9. PERSONS RESPONSIBLE FOR THE RESPONSE DOCUMENT

"To my knowledge, the information in the draft Response Document is in accordance with the facts and contains no omission likely to affect its import."

SFR Group
Mr. Michel Combes
Chairman and Chief Executive Officer