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Applications filed to Transfer Control of Cablevision Systems Corporation to Altice N.V., WC Docket No. 15-257

Applications filed to Transfer Control of Authorizations from Cequel Corporation to Altice N.V., WC Docket No. 15-135

Comments of MFRConsulting

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Altice's Business Model Is Incompatible With The Public Interest

1. Summary

The conclusion of the multi-country research and analysis presented in this report is that Altice is not fit for purpose to operate and control broadband infrastructure and assets in the US. Its proposed acquisitions of Cablevision and Suddenlink should be rejected.

The six major evidence-based findings of this report, derived from a wide range of market, competitive, technological and financial information include:

- The business model and business practices pursued by Altice are antithetical to the public interest and to the legitimate expectations and aspirations of its customers, employees, and contractors and suppliers. They are also hostile to the goals of public authorities who award cable and other network operators franchises for the delivery of indispensable broadband services that necessarily make use of scarce public resources. These franchises substantially protect the operators from competition;
- The claims and assertions presented by Altice of transaction-specific financial synergies and other benefits in support of its proposed acquisition(s) in the US range from the fantastical to the dubious and unproven;
- Altice's depictions of the improvements it has introduced into the properties it currently operates outside the US are misleading and/or exaggerated. They fail to consider the potentially harmful medium- and long-term consequences of the short-term and possibly unsustainable cost cutting measures Altice has taken. Furthermore they seem to employ creative accounting techniques. These techniques obscure the reality of the changes that have been made. In addition some benefits touted as accomplishments in other countries are irrelevant in the very different circumstances of the US broadband market;
- The financial situation of a post-acquisition debt-laden Cablevision would introduce an unnecessary risk of default and even of bankruptcy depending on the evolution of the overall financial and economic climate. As a minimum it would intensify the pressure and motivation for Altice to insist on the same (and perhaps even more severe) cost cutting measures (described as "brutal" by third parties) that it has imposed elsewhere, with comparable harmful consequences. Competition between the two major broadband providers in Cablevision's franchise areas (the other one being Verizon) would be weakened if Cablevision's ability to upgrade or even maintain the quality of its services were impaired by future financial stresses;
- The autocratic one-person governance (or more accurately lack of governance) structure of the now Netherlands-domiciled Altice[1] exacerbates the dangers and risks and lack of accountability and responsiveness to the

[1] In August 2015 Altice moved its corporate domicile from Luxembourg to the Netherlands after its agreement to acquire Suddenlink was announced, but prior to the announcement of its agreement to acquire Cablevision.

needs and circumstances in its franchise areas that would be intrinsic to an Altice-controlled Cablevision;

- An independent less debt-burdened Cablevision will be more capable of investing in and implementing improvements in its network and services than an Altice-controlled operator.

2. Overview

The case against approval of Altice's proposed acquisitions of cable operators in the US, of which the larger is Cablevision, rests on its business model. This analysis presents evidence of the destructive nature and harmful consequences of this model[2]. It describes and illustrates the harm wreaked by Altice as a result of its commercial tactics and financial practices following its acquisitions of cable and wireless properties in Europe and elsewhere. Altice's actions have injured customers, contractors, and employees as well as government authorities that believed the promises Altice made to them about the deployment of new fiber-based networks.

The benefits claimed by Altice for its acquisition of Cablevision are neither applicable nor transaction-dependent, since:

(i) Cablevision is operating in very different network, regulatory, competitive and market circumstances than Altice's overseas properties, and

(ii) The higher debt of Cablevision if acquired as envisaged by Altice will make it less, not more capable of investing in improvements in its network and operations than if it remains independent. Altice's assertions also reflect as demonstrated below false and deceptively positive representations of the performance of its properties in France and elsewhere as a result of its taking control of these businesses.

Since their acquisitions Altice's major foreign properties have increased their operating cash flows despite decreasing revenues and losses of customers. These results have for the most part been achieved thanks to substantial reductions in costs achieved at the expense of employees, contractors and suppliers, investments, and customers. These cost reductions involve the use of tactics properly characterized as "brutal," with harmful and damaging consequences, some in the short term (e.g. loss of customers) while others or their full effects will only become apparent but are nevertheless foreseeable in the medium and long term.

The reality of the actions taken by and the performance of Altice's current properties bely the rosy picture of the benefits and improvements Altice has been depicting in its Joint Application (with Cablevision)[3] to the Federal Communications Commission (FCC) as having resulted from its initiatives since it took over these

[2] Documents in both English and French are cited. The English translations of extracts of evidence found in French articles and documents are unofficial and the responsibility of this author.

[3] Joint Application, http://apps.fcc.gov/ecfs/document/view?id=60001329304

operators, most notably Numéricable and SFR in France. There is also evidence that Altice has exaggerated the improvements in the operating metrics it reports by creative accounting tactics that for example move costs from profit and loss statements to the balance sheets of the operators it controls.

Moreover conditions in the US broadband market are substantially different from those in Altice's existing markets. Depictions of post-Altice advances in the infrastructure deployed by foreign operators and the benefits Altice has allegedly provided thanks to the operating efficiencies it has introduced and the investments it has made are in important cases irrelevant to the US situation.

Most critically the forecasts by Altice of the huge cost savings it will be able to achieve in the US - $900 million in annual operating costs in the case of Cablevision – are either unrealistic fantasies, or can only be achieved by brute force measures that would adversely and severely affect its US employees and suppliers. Altice will be under pressure to employ cost cutting measures that go well beyond responsible and reasonable steps to improve operational efficiencies and cost effectiveness in order to service the high debt load of Cablevision post-acquisition. This debt load will necessitate strenuous measures to increase cash flow (as reflected in the $900 million figure cited above) that will also likely have to include revenue-enhancing steps and price increases as well, beyond those that can be justified in terms of more and/or improved services delivered to customers.

The forecast reductions in operating costs would cut deep into the capabilities of Cablevision to provide high quality services and satisfactory customer care. Their credibility or feasibility depends on a suspension of disbelief. They imply that current US cable operators are running operations that are very inefficient, high cost and substantially bloated. Altice states it will be able to do better thanks to the economies of scale it will bring to Cablevision, even though there are US cable operators with substantially greater economies of scale they can exploit in the US market.

In an alternative scenario in which Cablevision remains independent this operator will be in a better position for and more capable of sustaining and enhancing the performance levels, as a less heavily indebted business, that Altice refers to in its non-US properties. Cablevision introduced DOCSIS 3.0 (Data Over Cable Service Interface Specifications standard for cable modems) speeds several years ago and is capable of upgrading its networks on its own[4].

In short the progress and benefits Altice presents as transaction-specific to its acquisition of Altice are well within the reach of Cablevision as an independent entity without incurring the financial risk or having to implement the damaging cost reduction measures that Altice foresees. Altice is misleadingly depicting these

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[4] http://www.dslreports.com/shownews/Cablevision-Quietly-Tinkers-With-Gigabit-Speeds-in-New-Jersey-135607

benefits as transaction-dependent, primarily on the grounds of economies of scale that are either inapplicable or can be achieved along other less financially stressful paths.

It is even more disturbing in contemplating the prospect of an Altice-controlled Cablevision to recognize that the governance structure of Altice is subject to the decisions of only one person with no effective potential countervailing influences. No alternative points of view have a say. Patrick Drahi, Altice's controlling shareholder, has been quoted as saying in effect that he brooks no opposition to his decisions – **"La gouvernance, c'est un mot que je n'aime pas trop. Dans les entreprises, il y a des patrons. Et le patron c'est moi**," or ***"*Governance is a word I don't really like. In companies there are bosses, and the boss is me.*"***[5] He can act at his sole discretion in determining what Altice does, a position that has been reinforced or confirmed by the re-domiciling of Altice to the Netherlands and its very flexible corporate code in August 2015[6,7].

Mr. Drahi has announced his ambition to derive as much as one half[8] of Altice's revenues from the US. His focus on broadband – both fixed and wireless – covers an infrastructure that supports services that are indispensable for all residents in their personal, social, and economic lives as well for private and public sector organizations in every sector of the US economy and society. They all depend on affordable and quality broadband to achieve their various goals, fulfill their diverse aspirations, and exercise their respective responsibilities. Moreover the right to deploy and operate this infrastructure in an area is awarded to and can be exercised by only a very small number of operators in franchises won from federal, state and local authorities that substantially protect them from competition. These franchises give privileged access to and authorize the use of scarce public resources by operators that should and must be exploited in the public interest.

Significant fixed broadband assets capable of delivering speeds that are increasingly in demand (20-25 Mbps (megabits per second and above)) are operated in many locations by a duopoly or even a monopoly. They are an indispensable component of and enabling contributor to the economy and health of the US. They should not be allowed to fall under the control of a company that is under the thumb of one

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[5] http://www.proxinvest.fr/?p=2559&lang=en - The principle behind governance is the operation of a number of countervailing powers and monitoring and verification of decisions to avoid autocracies and dictatorships. Mr. Drahi rejects this philosophy and *modus operandi*. The original quote by Mr. Drahi in French can be found at http://www.lesechos.fr/09/02/2015/lesechos.fr/0204146079961_patrick-drahi--une-main-de-fer-chez-sfr.htm?texte=Drahi%20gouvernance#4zscMrfxgJVtuWu4.99 (Drahi's Iron Fist)

[6] The objection to Altice is not its nationality but its business model. Mr. Drahi has acknowledged that he learned much of his playbook from John Malone to whom he sold a company and then worked with before founding Altice - http://www.bloomberg.com/news/articles/2015-09-17/patrick-drahi-vs-john-malone-a-student-takes-on-his-teacher

[7] http://www.advfn.com/news_Patrick-Drahi-to-Move-Altice-to-the-Netherlands_68070309.html

[8] http://www.ft.com/intl/cms/s/0/86918a04-046e-11e5-95ad-00144feabdc0.html#axzz3tOJv09ib

individual to take decisions about its directions and actions, especially one with the evidence-based record of single- and narrow-minded corporate and personal culture and behavior exhibited by Altice and demonstrated in this report.

Altice's presentations to investors referred to in this report reveal how eagerly it is looking forward to being able to exploit what it perceives as the relative lack of competition in the US broadband market compared to other countries where it currently operates. This attitude combined with the evidence of the predatory business model described in this report disqualifies Altice as an organization that is fit to be awarded control of US broadband assets.

It is certain that Altice will act if allowed to proceed with its proposed US acquisitions in ways that are injurious to the public interest. It will find ingenious ways and legal loopholes to flout or circumvent the intentions behind any promises or commitments it may make to win their approval if, and almost assuredly when, it finds it inconvenient or, more seriously, financially undesirable or even impossible to honor them. Altice's control of Cablevision would adversely affect consumers, employees and third parties, and derail progress toward meeting the goals of public authorities that recognize the importance of making affordable broadband accessible for all the residents, businesses and institutions within the areas of their jurisdiction. They – the customers - are all inescapably dependent with no or very limited alternatives on the infrastructure and conditions and outcomes of their relationships and interactions with a broadband operator such as Cablevision.

In light of its business model the risks inherent in placing the future of Cablevision in the hands of Altice are too great to be acceptable.

This report presents substantial specific (but doubtless far from exhaustive) evidence to justify the findings outlined in this Overview. This evidence has been collected and analyzed from US and foreign sources. It also includes evidence from Altice itself in its statements and documents that contradict the contents of its filings with the Federal Communications Commission (FCC) and the New York Public Service Commission (NYPSC). As noted Altice's own documents reveal that it is counting on the weakness of competition in the US cable market - as a broadband monopoly or member of a duopoly in many locations - to be able to implement its characteristic tactics and business practices to the detriment of customers as well as employees and other constituencies without risking a loss of customers or revenues.

3. Analysis and Rebuttal of the Benefits Claimed by Altice

The Joint Applications by Altice and Cablevision claim[9] that Altice's acquisition of Cablevision will generate several transaction-specific benefits and will not have any harmful consequences for competition. They state that:

- *There is no anticompetitive effect from the Transaction. Cablevision operates a regional cable system serving approximately 3.1 million customers in the most competitive market in the country. Altice's acquisition of Cablevision improves the competitive prospects for Cablevision in this market and poses no anticompetitive issues of vertical or horizontal consolidation in the domestic cable or broadband market.*

  Rebuttal: As demonstrated in sections 5 and 7 below, Altice's acquisition of Cablevision will weaken its competitiveness by obliging it to focus on financial measures to boost its cash flow at the expense and at its discretion of investments in network infrastructure and customer care and service. In short, the transaction will weaken competition within Cablevision's franchise areas.

- *Cablevision's customers will benefit from Altice's global expertise. Altice operates cable and wireless systems worldwide, and is a leader in technical innovation, network systems, IT, and management. Cablevision will benefit from the application of Altice's global experience, which will benefit customers in the form of continued improvement in service, quality and value.*

  Rebuttal: There is no evidence that Altice's global expertise is superior to that which Cablevision has been and is able to exploit in the US for example from its equipment and device suppliers and world leading US-based Internet or Web companies, as well as through its membership of CableLabs that pioneered the DOCSIS cable modem standard which continues to be upgraded (the latest version is DOCSIS 3.1). The DOCSIS standard was modified for European cable networks (EuroDOCSIS – used notably by Altice's Numéricable among others) by EuroCableLabs that CableLabs took over in 2013.[10] Altice and Altice's customers, not Cablevision's, would likely benefit more from access to the expertise available through Cablevision than vice versa.

- *The Transaction will magnify Cablevision's capacity to compete. Altice is a substantially larger company than Cablevision, and as such has extensive access to capital and the ability to pursue innovation on a significantly larger scale, distributing the benefits over a much larger global customer base. The scale advantages of Altice will benefit Cablevision customers with innovation that would be less accessible without the transaction. These benefits will be available without the deleterious effect of substantial increased domestic consolidation in cable or broadband.*

  Rebuttal: This claim is boilerplate language with the names of the companies filled in (with a global flavor), which assumes that inevitably "bigger is better" and any merger that creates a larger company will

[10] http://www.digitaltveurope.net/88672/eurocablelabs-merges-with-cablelabs/

generate synergies thanks to economies of scale. Yet many mergers are dysfunctional and produce "diseconomies of scale" as investigations into mergers over many years in many industry sectors have shown. There are many examples of smaller companies that have been more adept, creative and commercially successful at innovation than their larger competitors.[11] The claim that being part of Altice would give Cablevision "extensive access to capital" – by implication greater access – is unfounded. It is contradicted by the concerns already expressed in the financial world about the level of debt Altice has been acquiring (see section 7 and Appendix 2). An independent Cablevision carrying a smaller debt load could well be better able to raise capital if and when needed than a Cablevision operating as an Altice company. Moreover attempts to generate synergies across multiple businesses operating on different continents are especially problematic and risky, a concern that is intensified by Altice's one-person command and control structure described in section 6 below. If translated to Cablevision this structure would leave little room for sensible deviations from Altice's global practices or the pursuit of local initiatives that take account of the specific market conditions and environments of Cablevision's franchise areas in the New York Metro area. Also as noted the anti-competitive effect of the transaction, i.e. the transaction-specific weakening of competition, will be felt within Cablevision's franchise areas, not on a national or broader regional level, so the fact that the transaction does not lead to "substantial increased domestic consolidation" is irrelevant.

- T*he Transaction will reduce vertical integration. Altice's acquisition of Cablevision excludes any interest in MSG Networks and AMC Networks, Inc., and thus reduces vertical integration in the cable television market by eliminating common control over these companies*.

  Comment: This statement is valid and this consequence of the transaction is welcome to the extent it does reduce the risk of anti-competitive behavior associated with vertical integration. However this risk (due to the position of the Dolan family as the majority shareholders of both AMC Networks and Cablevision) has never been substantial given the sizes of the parties, hence eliminating it falls far short of providing a reasonable justification for the transaction. This benefit is in any case heavily outweighed by the harm identified in sections 4 through 7 of this report. It is worth noting that Altice and its controlling shareholder Mr. Drahi do view vertical integration as an important strategic goal. He recently competed for and acquired rights to the football broadcasts of the English Premier League in France and

[11] http://www.entrepreneur.com/article/239936; http://www.forbes.com/sites/osmancanozcanli/2011/01/08/innovation--in-large-companies/

Altice has become the majority shareholder of the French media group NextRadioTV.[12] Hence significant vertical integration may be part of Altice's long-term strategy for the US operators it acquires.

It has recently been reported that Altice with Cablevision is attempting to curry favor and hence win approval of this transaction by "sweetening the pot" in terms of fiber deployments.[13] According to the report in the New York Post dated November 15, 2015, "European cable operator Altice, which expects to close on its $17.7 billion takeover of Cablevision next year, is discussing expanding Cablevision's fiber-optic footprint to its 3.1 million customers in the New York City area."

This ploy is straight out of the playbook of Verizon and AT&T who have over the years repeatedly made promises of expansions of fiber access networks in many areas of the country as part of their campaigns to win approval of major transactions or other proposals, that they have then failed to honor. A highly relevant example of this practice and behavior is cited in the New York Post report, namely Verizon's failure to live up to its 2008 franchise agreement in New York City regarding the coverage of its FiOS network.

Several questions for Altice arise in the context of discussions about fiber deployments in New York, whose details are not known to this author:

1. Does this expansion involve and require investments over and above what Cablevision is capable of as an independent company?
2. If the answer to the preceding question is positive where is this investment going to come from or how can it be reconciled with the huge savings being forecast at Cablevision that are needed to boost cash flow to deleverage the increased debt it will be carrying post-transaction?
3. How credible are Altice's promises given its dubious record of meeting commitments for fiber expansion in France (as illustrated in section 4.1 below)?

4. Assessment of the Performance of Altice's Current Properties

The story of properties under the control of Altice, most notably so far in France, is simple and straightforward. It is a pattern of losses in revenues and a declining base of customers accompanied by increases in operating cash flows thanks to deep cuts in costs that have been characterized as brutal and rough. In addition the companies have failed to honor commitments and promises they have made to public authorities.

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[12] http://www.bloomberg.com/news/articles/2015-11-27/drahi-s-altice-buys-; -soccer-broadcast-rights-for-france; http://www.digitaltveurope.net/469972/altice-and-alain-weill-take-majority-control-of-nextradiotv/

[13] http://nypost.com/2015/11/15/altice-wants-to-expand-cablevisions-internet-into-nyc/

This pattern is no accident or one-off occurrence but a template Altice will follow with Cablevision. However there is one disturbing difference between Cablevision and Altice's other properties. In Altice's perspective it may run a smaller risk of declines in Cablevision's customer base because the US broadband market is less competitive than the markets in other countries where it operates. Hence dissatisfied US customers have fewer or no alternative broadband providers to which they can transfer their custom even if they suffer painful or unpleasant effects from Altice's actions and commercial policies post-acquisition

In its major current market - France - the Altice company Numéricable-SFR faces stronger competition for customers than do Cablevision and Suddenlink in the US for two reasons:

> (a) In the US cable operators are either monopolies or members of a duopoly in most locations in the provision of broadband speeds above basic DSL levels, and
>
> (b) Facilities operators in France are subject to wholesale obligations that are not in force in the US.

In the fixed broadband market Numéricable confronts two other facilities-based competitors in France as well as providers who rely entirely on unbundled wholesale services. It is noteworthy that the customer base of Numéricable-SFR has declined (while its EBITDA (earnings before interest, tax, depreciation and amortization) has grown thanks to drastic cost reduction measures) since Altice took it over because customers have been able to switch to another provider when dissatisfied.

But in a less competitive market in the US an Altice-owned Cablevision and Suddenlink will be freer to act in ways that customers do not like in the knowledge that these customers will not be able to find a better alternative and then switch or churn away. Since broadband is an essential service the risk that Altice-owned US cable operators will lose customers and experience declining revenues is low or even non-existent, in contrast to the experience of Numéricable (see section 4.1 below). In addition to cost cutting measures with a negative impact on customers' experiences there are also several ways in which Altice can increase the prices it charges or the revenues it generates from customers without having to make any additional investments or offer more value. Examples of such steps are outlined later in this report.

4.1 Numéricable-SFR

Altice was the largest shareholder in Numéricable[14] – the leading provider of high-speed broadband access in France - and took control in January 2014 after acquiring the shares of two private equity groups. Then in November 2014 Altice completed the acquisition of France's second mobile operator SFR through Numéricable and formed the Numéricable-SFR Group. The brand Numéricable is to be phased out in favor of SFR, entailing the closure of the former's retail outlets. Some jobs will be at risk but, according to a French source, salaried staff at the Numéricable shops will be transferred if they wish to SFR outlets, although the fates of contract labor and subcontractors is unclear[15]. The latest results (Q3 2015)[16] of this group show the decline in customers and revenues since Altice's acquisition accompanied by increased margins as a result of cost reductions. Altice states that it is now slowing the loss in customers through intensified (or arguably reignited) sales and marketing efforts. Reductions in expenditures on sales and marketing have been among the most significant contributors, along with network operation and maintenance, to the overall cost cutting campaign.

Altice presents quantifications of the cost savings it has achieved and is targeting in its various operational activities. However it is unclear and unproven, absent an independent objective due diligence of the impact of the actions it has taken, whether or not the medium- and long-term effects of these cuts will harm the performance, capabilities and competitiveness of SFR to an extent that outweighs any obvious apparent short term benefits for its margins. Because of hysteresis (time lags in customers' and others' reaction times to changes) the short-term benefits from cost cutting will usually appear more rapidly than the full potential damage to revenues. Damage to revenues may be caused by declines in the quality of the services offered and deteriorating customer experiences if they are affected negatively by cuts that are poorly executed and/or are so deep that they erode the strengths of a company and do not only improve inefficient or bloated operations. It is unclear or unproven whether the decline in numbers of customers experienced so far can be reversed without having to increase investments and operational costs.

[14] Mr. Drahi was a founder of Numéricable.

[15] http://www.leparisien.fr/espace-premium/actu/la-marque-éé-c-est-fini-06-11-2015-5254739.php (in French) and http://www.digitaltveurope.net/456942/job-losses-expected-as-sfr-moves-to-drop-numericable-brand/. See also Appendix 1 for Altice's commitment to no layoffs for a period of 3 years.

[16] http://numericable-sfr.com/sites/default/files/Communiques/20151028_num-sfr-pr_q3_2015_results.pdf It is not clear, given some of the practices engaged in by Altice such as withholding payments from suppliers (discussed in the section 5.3 on Suppliers and Contractors below), how much of the cost savings reported to date result from sustainable cost reductions and how much may be the consequence of deferred payments that will have to be accounted for in future reporting periods. The total number of the Group's mobile subscribers was some 1.1 million lower at end Q3 2015 than at end-2014, while the number of fixed line customers fell during this period by almost 180,000. According to the French regulator, Autorité de Régulation des Communications Électroniques et des Postes (Arcep) in the first 9 months of 2015 the total number of mobile subscriptions in France grew very slightly (by fewer than 100,000).

Recently Altice has decided to employ a stratagem of collecting dividends from Numéricable, paid for at least in part by additional debt the latter will acquire (in this case €1.6 billion), in order then to apply these dividends for a purpose that does nothing to benefit the performance or customers of Numéricable itself[17]. This action demonstrates that any claim that a company acquired by Altice (Cablevision) would be financially "ring fenced" from its other properties rings hollow.

Altice will be able to transfer financial resources from one company to another or from one purpose to another according to their respective needs and perceived priorities over time. Perhaps use of such a tactic might benefit Cablevision at some point if its proposed parent Altice decides to inject more funds into it from another source. But it might just as well be used to transfer financial resources from Cablevision to another entity or for an unrelated purpose if the latter is judged by Altice to be more important or to represent a more urgent need than Cablevision for one reason or another that has nothing to do with the New York Metro area.

Numéricable-SFR has also reneged on agreements to deploy fiber networks.[18] The article cited in this footnote includes statements from the President of the European metropolis of Lille (in Northern France) that, "SFR n'aurait respecté '*aucun de ses engagements*'" ("SFR has not respected any of its commitments"), and *"La confiance est brisée. On ne peut plus accorder le moindre crédit à cet opérateur"* ("Trust is broken. One can no longer have the least faith in this operator"). The commitments referred to were made in 2013 to deploy high-speed broadband infrastructure in 70 communities.

4.2 Other Altice Properties

There is evidence of a similar pattern of behavior and actions by Altice in Israel as in France.[19] As with Numéricable-SFR the cable operator HOT in Israel has been losing subscribers while reporting increasing margins as a result of cost cutting. The presentation by Sohn cited in this footnote also questions whether Altice is overstating the improvement in HOT's margins and engaging in creative accounting practices such as growing capitalized content costs while reducing expensed content costs. Sohn raises the question of a similar practice at Numéricable, namely whether it has been shifting content costs from its profit and loss statement to its balance sheet, thereby also inflating its reported margins.

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[17] http://www.wsj.com/articles/numericable-sfr-to-move-money-to-parent-altice-via-2-5-billion-dividend-1444854588

[18] "Fibre optique : la Métropole européenne de Lille rompt violemment avec SFR," (Optical fiber: the European metropolis of Lille breaks uo violently with SFR) http://www.lavoixdunord.fr/region/fibre-optique-la-metropole-europeenne-de-lille-rompt-ia19b0n3108065

[19] This evidence (Altice – Short, Sohn Conference, Tel Aviv October 2015) can be downloaded at http://www.marketfolly.com/2015/10/short-altice-presentation-from-sohn.html (accessed November 30, 2015)

5. Consequences of Altice's Cost Reduction Measures

5.1 Employees

In 2014 under pressure from unions as the takeover of SFR by Numéricable was being pursued Patrick Drahi and the CEO of Altice signed a letter promising that this acquisition would not lead to any staff reductions or layoffs (see Appendix 1) for a period of three years. However this letter contained an escape clause about external events or developments which if included, appropriately modified, in any equivalent commitment that might be made with respect to Cablevision (or Suddenlink) would provide any competent US lawyer with ample scope to find one or more reasons to justify layoffs without violating the letter of the commitment: "*"The commitment to maintain employment will not be applicable if during its period of applicability an unforeseeable economic reversal, that is to say external to the industrial project announced by the leaders of the Numéricable Group, were to affect the economic situation of the new Group, in the sense of the provisions of article L1233-3 of the labor code and the resulting case law."*

More recently in October 2015 one union (CFE-CGC) which represents mainly managerial and professional staff) published an open letter to the Board (Conseil d'Administration) of Numéricable-SFR.[20] Major points in this letter are presented in Appendix 2. In referring to the strong commitment of no layoffs (Appendix 1) signed by Mr. Drahi this letter states that Altice's policy is manifestly aimed at disgusting salaried staff to the point where they flee the company - … "*votre politique vise manifestement à dégoûter les salariés jusqu' à les faire fuir de l'Enterprise".*

It is not necessary to agree with all the points and suggestions made in this letter to recognize the legitimacy and seriousness of the concerns expressed in it, e.g. the impact of high debt, and the consequences of additional borrowing to pay dividends. The letter provides disturbing relevant insights into Altice's business practices and the consequences of their application to the circumstances and proposed acquisition of Cablevision. Yet without applying these practices Altice's forecast of the cost savings it is asserting it will be able to implement in Cablevision is not believable.

5.2 Customers

Customers have voted with their feet or rather through their decisions to abandon Numéricable and SFR since Altice assumed control of these two operators. Customers in Israel have had the same negative reaction to developments in Altice's property HOT in their country as French customers have had in reaction to the impact of Altice's decisions on Numéricable and SFR.

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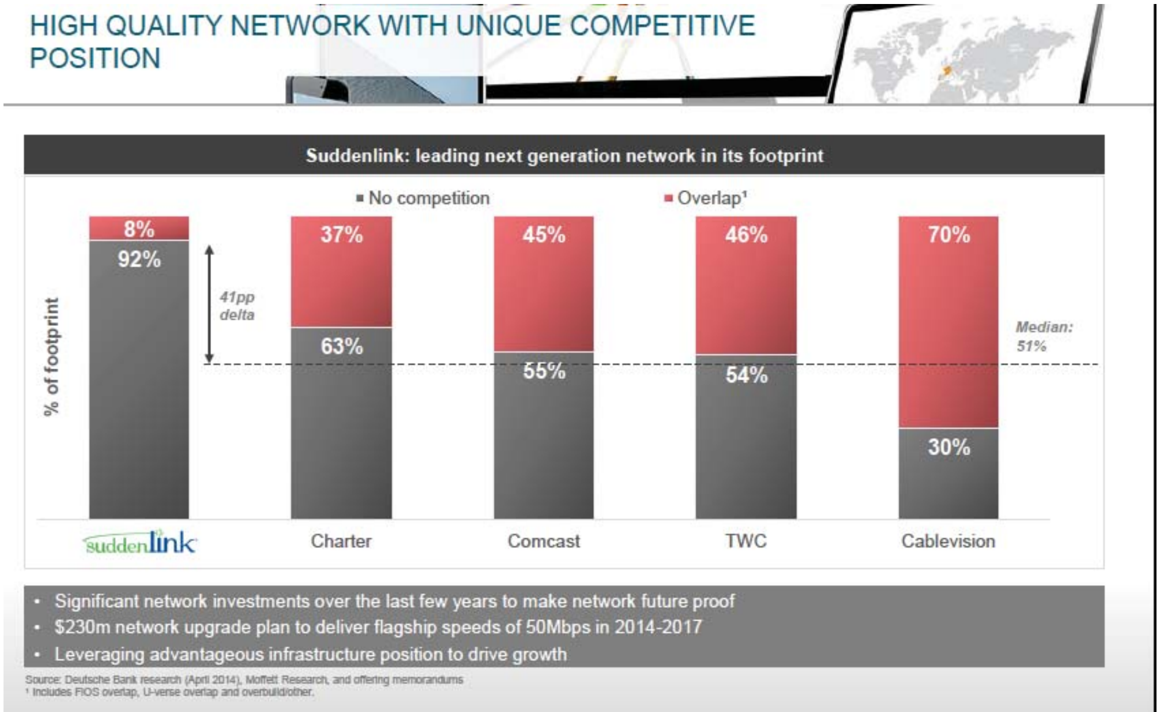
[20] http://www.cfe-cgc-numericable-sfr.org/sites/default/files/Lettre%20Ouverte%20de%20la%20CFE-CGC%20au%20CA%20Numericable-SFR.pdf (in French)

A significant consideration in assessing how Altice may be able to apply (and adapt) the business practices it has pursued in other countries and what the consequences may be for US customers is that contrary to the opinions propagated by major US broadband operators Altice's current major broadband market - France – is more competitive than the broadband market in the US. As noted earlier the Altice company Numéricable-SFR faces stronger competition for customers than do Cablevision and Suddenlink in the US because of the absence of wholesale obligations on US broadband access operators and the commonly encountered monopoly or duopoly supply environment in the geographic markets they serve.

In contrast in France on the fixed broadband side Numéricable confronts two other facilities-based competitors as well as providers who rely entirely on unbundled wholesale services. It is noteworthy that the revenues (and customer base) of Numéricable have declined significantly (as its EBITDA has grown thanks to drastic cost reduction measures) since Altice took it over, because customers have been able to switch to another provider when dissatisfied. But in the less competitive market in the US an Altice-owned Cablevision and Suddenlink will be freer to act in ways that customers do not like in the knowledge that these customers will not be able to find a better alternative and then switch or churn away. Since broadband is an essential service the risk that Altice-owned US cable operators will lose customers and experience declining revenues is low or even in some locations non-existent, in contrast to Numéricable's market environment.

In a presentation aimed at the investment or financial community about its proposed acquisition of the cable operator Suddenlink Altice itself has emphasized the relative lack of competition in the US broadband market as a positive factor for its prospects in this market. Altice's perspective in this regard stands in stark contrast to that of the major US broadband operators that regularly and repeatedly refer to the allegedly intense competition they face. They argue on this basis that "market forces" alone with no or only general-purpose antitrust rules limiting their behavior will ensure they do not act anti-competitively or in ways that are objectionable or unfair to customers. In its view of the state of competition in the US fixed broadband market Altice is being more honest and realistic than in the claims it is making to the FCC and other US regulators in support of its proposed US acquisitions.

The following chart from the Suddenlink presentation demonstrates Altice's perspective on the weak state of competition in the US broadband market. Altice believes that this circumstance will shield it from losing customers, giving it ample scope for increasing the revenues it will be able to generate from them however it chooses to do so.



Source: Altice presentation "Altice enters US Market with acquisition of Suddenlink," page 7, http://altice.net/wp-content/uploads/2015/05/2015-05-20-Suddenlink-IR-presentation-FV.pdf

The point of this chart is to show the extent to which there are locations in the US where the telephone company is not offering broadband services that can compete in performance with those available from cable operators[21]. In these locations, absent an entrant such as Google Fiber or a municipal network, the cable operator has no competition for the provision of services that offer higher than DSL speeds of a few megabits per second. Elsewhere, again absent an entrant, customers have a choice between only two broadband operators offering high speed (20-25 Mbps+) services.

There are several ways in which a broadband operator with effectively captive customers can increase the prices it charges or the revenues it generates from them without having to make any additional investments or offer more value. Two examples are: (i) Incremental increases in so-called "administrative charges" that are neither designated as price increases nor involve passing through government-mandated fees and (ii) Increments to equipment rental charges that continue to be collected well after their costs have been recovered with a healthy margin[22].

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[21] Telephone companies are not covering all locations within their franchises with fiber but leaving some proportion reliant on copper for fixed service - http://gizmodo.com/after-billions-in-subsidies-the-final-verizon-fios-map-1682854728?sidebar_promotions_icons=testingoff&utm_expid=66866090-67.e9PWeE2DSnKObFD7vNEoqg.1&utm_referrer=https%3A%2F%2Fwww.google.com.

[22] http://www.fool.com/investing/general/2015/01/05/how-to-avoid-comcasts-newest-fee.aspx; http://www.cnet.com/news/is-at-ts-admin-fee-just-a-sneaky-way-of-raising-rates/

5.3 Contractors and Suppliers

Altice has pursued what has been described as "brutal" or "rough" tactics in the relationships between its acquired properties and their contractors and suppliers. Altice has been demanding reductions of 30 % or more in the prices it pays these contractors and suppliers and withholding payments due in order to put pressure on them to accede to its demands. Small businesses in particular for whom Altice is a major customer are vulnerable to this pressure[23].

Altice's business practices towards its suppliers and contractors and their impact have been described and illustrated in the French business paper *Les Echos*[24]. This article refers to a number of experiences such as:

- In January 2015 an SFR retail outlet had no products for customers to try out because the supplier of these products had not been paid;
- Cleaning companies, network equipment manufacturers, call centers, smartphone manufacturers, television channels, software companies etc. have all been subjected to the same regime to oblige them to reduce their prices. To bend some suppliers to his will Drahi does not hesitate to stop paying them for several months;
- Small as well as large suppliers have been affected, and reportedly existing contracts have been broken;
- All suppliers are uneasy including those who not necessarily have the desire or the means to pursue legal remedies for resolving disputes
- Price reductions in the range of 20-40% are demanded, and one example (of 80% for electricity supply) is also cited;
- The budget for information systems has been cut by a factor greater than two, affecting software product and services suppliers

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Les Echos also notes that Drahi had offshored Numéricable's call centers to Tunisia and Morocco.

Another description of how Altice's French properties squeeze their suppliers states[25]: "Pour obtenir des ristournes de ses fournisseurs, l'opérateur cesse dans bien des cas d'honorer ses factures. Une méthode pratiquée de longue date par Numéricable, qui a été condamné 12 fois pour impayés depuis 2008." ("To obtain discounts from its suppliers the operator (*note: SFR*) in many cases stops paying invoices. A method practiced for a long time by Numéricable which has been

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[23] "Dépenses bloquées, prestataires essorés, départs en série : dans l'enfer de SFR," (Expenses blocked, service providers wrung dry,serial departures: in the hell of SFR," http://www.lejdd.fr/Economie/Depenses-bloquees-prestataires-essores-departs-en-serie-dans-l-enfer-de-SFR-725174 (in French)

[24] Drahi's Iron Fist, ibid.

[25] http://bfmbusiness.bfmtv.com/entreprise/comment-sfr-applique-les-methodes-de-numericable-pour-pressurer-ses-fournisseurs-863130.html (in French)

convicted 12 times for non-payments since 2008.") In nine other cases Numéricable[26] only escaped judgment by the Commerce Tribunal in Paris by making payments just before a verdict was to be announced. This article also reports that Numéricable used the tactic of non-payment over several consecutive years with the same supplier even after it had been convicted once. Moreover this tactic was not only used with respect to invoices of several millions of euros but also even for invoices that involved only some tens of thousands of euros.

Numéricable loses almost all the cases of non-payment brought against it, and in the end pays what is due, plus interest and costs of the legal action. In these instances its method ends up being more expensive than if the invoices had been paid when due. However the point is that apparently few suppliers go so far as to challenge Numéricable in court. The 21 cases referred to involve a total of about 15 million euros of unpaid invoices. The great majority of suppliers prefer to reach an agreement (perhaps many are too small to take on the risk and burden of legal action and/or cannot tolerate the impact on their cash flow of unpaid invoices) that includes a price discount.

Since Numéricable has been employing the tactic of non-payment of suppliers' invoices since 2008 it is possible that this tactic did not originate with Altice or Mr. Drahi. It cannot be shown conclusively from information available to this author that it did. Although Altice has been an important shareholder in Numéricable since before that time it did not acquire control until January 2014. Nevertheless evidently Altice approves of this tactic and is extending its use to its newly acquired properties,

The article in *Les Echos* acknowledges that under its previous owner (Vivendi) some budgets and expenses at SFR had gotten out of hand. However the universal comprehensive assault on the costs of all functions within this operator that is the hall mark of the Drahi methods, (characterized in the article as "rugueuses" or rough) is not the sign of a well thought out and sensible approach to cost management or minimization. Instead it reflects a brute force methodology that focuses on inputs without considering their link with outputs, and hence fails to take into account the potential medium- and long-term consequences for the business of cutting costs across the board. Some of the company's cost centers may indeed be bloated, but others may make vital fully cost-justified contributions to ensuring that customers have excellent experiences and the company delivers a high quality of service. Cuts in these cost centers may be harmful – maybe their budgets should even be increased.

Oscar Wilde wrote in *The Picture of Dorian Gray,* "Nowadays people know the price of everything and the value of nothing." The same observation is applicable to the Drahi methods. If these methods were applied to Cablevision, as is manifestly Altice's intent given the magnitude of the cost savings that it is forecasting and the

[26] This article was published subsequently to the takeover of SFR by Numéricable in November 2014

references to the success of cost reductions in its existing properties, the consequences will be as damaging as they have been to the employees, suppliers and contractors and customers of these properties in other countries.

5.4 Public Interest

The risks associated with leveraged buyouts of firms that provide essential services in intrinsically weak or uncompetitive environments have been outlined in a paper presented to the National Regulatory Research Institute – "Private Equity Buyouts of Public Utilities: Preparation for Regulators."[27] These risks even though Altice is not itself a private equity firm[28] overlap substantially although not completely with those that will be intensified or created in the proposed acquisition of Cablevision by Altice that entails a substantial increase in the acquired company's debt. The risks and concerns applied to Cablevision include:

- Sensitivity to post-acquisition changes in interest rates;
- The possibility of default as result of the increase in the acquired company's financial risk in the event of a financial or operating disruption;
- Pressure to take steps to increase cash flow to service the higher debt such as reductions in investment and operating costs (layoffs, reduced staff compensation, cut backs in customer care and maintenance), as well as measures to generate more revenue from customers such as price increases for existing services. These measures will harm the company's performance, are hostile to the public interest, and could lead to a downward spiral, in the worst case ending in the company's bankruptcy.

Altice forecasts and claims to be able to achieve cost savings and hence significantly higher margins than prevail in the US cable sector today without materially harming the ability of the US operators it proposes to acquire to serve, satisfy, retain and attract customers by offering affordable, high quality services and continuing innovations. If Altice is correct in its ambitious claims then the US cable sector must currently be populated with inefficient and incompetent companies with bloated high cost operations. They would deserve to be exposed by a newcomer capable of perceiving and seizing opportunities of which they are unaware and/or that they are unwilling or unable to exploit. Is this a characterization that current US cable operators such as Comcast, Time Warner Cable, Cox, Charter and Cablevision itself would agree is justified?

An issue at the heart of the credibility of Altice's claims of transaction-specific benefits is whether an acquired Cablevision will generate cash flow sufficient to service the debt it will carry post-acquisition. The consequences if it is unable to do so will be damaging to the public interest and major constituencies such as customers, employees, and Cablevision's contractors and suppliers. Altice asserts

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[27] http://www.naruc.org/Publications/NRRI%2007-11%20private%20equity%20buyouts.pdf
[28] UK and US private equity firms were significant investors in Altice for several years until 2014.

and is assuring regulators that Cablevision under its control will be able to increase its cash flow thanks largely to the potential for large cost savings that it has identified, confirmed by its depiction of the performance of operators it has acquired in other countries, without any ensuing harm. It will also be able to implement steps to make itself attractive to customers so as to enhance the revenues (ARPU – average revenue per user) it generates from them. This scenario painted by Altice sounds too good to be true and raises (but fails to address) more questions than it answers about its feasibility.

6. Implications of Altice's Autocratic Governance

The governance structure and reality of Altice ensure that it is and will remain a one- person show in which only one individual's opinion and desires counts. The Board is a rubberstamp for whatever he – Patrick Drahi – wants and decides to do. Altice's dual class of shares assures that he will retain control.

A report in the Wall Street Journal notes[29]: *"Some investors in the Netherlands are particularly concerned about the influx of foreign companies seeking to take advantage of the country's corporate-governance rules, where companies aren't legally required to comply but must explain to shareholders why they are deviating from the country's corporate-governance code. The system, known as "comply or explain," is popular in several European countries, including the U.K.*

For example, of its eight board members, only two will be independent. The rest will be Altice executives, including Mr. Drahi, who will serve as president. The Dutch corporate-governance code requires a majority of board members to be independent. The chairman of Altice's board, Jurgen van Breukelen, will also chair its audit committee, another deviation from the code.

Mr. Drahi also has an agreement with each of the shareholding board members, and some other shareholders, that they must vote in favor of all his proposals for a period of 30 years. He is also entitled to what is known as "negative control" over the board, which means that he is allowed to cast a number of votes equal to all other board members."

In effect Altice operates like a sole proprietorship in terms of the way in which it takes decisions and implements them.

7. Implications of Altice's Financial Engineering and Debt

According to Altice: *"The financing of the Cablevision acquisition has an average cost of 7.6% and the average tenor is 7.9 years. When combined with the retained debt at*

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[29] http://www.wsj.com/articles/patrick-drahi-to-move-altice-to-the-netherlands-1438881298 (subscription required); this article is reproduced at http://www.advfn.com/news_Patrick-Drahi-to-Move-Altice-to-the-Netherlands_68070309.html

Cablevision ($5.9 billion), the total Cablevision debt financing is equal to $14.5 billion, with an average tenor of 6.7 years and average cost of 7.5%. In addition, Cablevision has secured a 5 year $2 billion revolving facility, ensuring ample room to meet Cablevision's liquidity needs."[30]

The annual expense of Cablevision's post acquisition debt will therefore amount to $1,090 million. For comparison, Cablevision's free cash flows in recent years have been:

2015: $206 million (6 months)
2014: $487 million
2013: $183 million
2012: $76 million.

Cablevision will foreseeably only be able to service its increased debt if Altice is able to increase its cash flow substantially through measures comparable to those it has been employing with Numéricable-SFR in France. However the target of an annual reduction of $900 million in operating costs proclaimed by Altice translates to a reduction of some $24 per customer per month **or just over 40% of non-content operating costs of $59**[31]. Content costs for cable operators (and over-the-top players) are rising[32] and Altice even with Cablevision plus Suddenlink will be hard pressed to avoid increases in this element of their overall operating expenses that may be greater than those of the largest US cable and satellite pay TV operators. The non-content savings forecast by Altice are larger than the $800 million being presented as an alleged benefit thanks to economies of scale from the much larger merger between Charter, Time Warner Cable and Bright House Networks that is also currently under review[33].

Altice's target for EBITDA is 43% compared to Cablevision's of 32% and the US cable sector average of 35%[34]. In other words Altice is claiming and counting on being able to achieve margins that exceed those of US operators with substantially greater economies of scale (e.g. Comcast, Time Warner Cable) for managing and minimizing costs such as content acquisition, equipment and device procurement, interconnections, and per subscriber common costs.

[30] http://www.reuters.com/article/2015/10/01/idUSnHUG3LJYy+ee+ONE20151001#R12qmcUL9IHt2rz2.97
[31] Presentation "Acquisition of Cablevision," http://altice.net/wp-content/uploads/2015/09/20150917-Cablevision-IR-Presentation.pdf
[32] http://www.ooyala.com/videomind/blog/content-costs-ott-authentication-head-list-challenges-cable-industry; http://www.lightreading.com/video/multi-screen-video/small-cablecos-reject-high-cost-content/d/d-id/711256
[33] http://s1.q4cdn.com/730563363/files/doc_presentations/2015/Charter-BHN-and-TWC-Public-Presentation-FINAL_v001_j73c9t.PDF
[34] Altice-Short – Sohn Conference, ibid. and Presentation "Acquisition of Cablevision", ibid.

Mathematically Altice's forecast reduction in operating costs is theoretically achievable through a combination of steps such as layoffs, reductions in compensation, and longer working hours for employees, lower payments to providers of services and equipment, reduced expenditures on network maintenance, customer care and sales and marketing activities and facilities etc. But this depth of cost reduction and the increased pressure and stress on employees will result in declines in network quality and customer experiences that will lead to losses in customers and in top line revenue where customers have an alternative choice of provider, as has been the case with Numéricable-SFR and other Altice properties discussed above. Altice will come under pressure to increase the prices paid by Cablevision's customers by any means at hand in order to try to mitigate losses in revenue that may be the result of its cost cutting actions[35].

In the scenario of drastic cost cutting measures foreseen and planned by Altice for Cablevision customers, employees and contractors and suppliers will be adversely affected if Altice succeeds in imposing them. Consequently the public interest in fostering high quality, widely and ideally universally available and affordable broadband service will be damaged.

As noted above in section 4.1 in France Altice is using the stratagem of having Numéricable-SFR pay an exceptional dividend to its shareholders (i.e. 90% to Altice itself) for its (the parent's) own purposes not those of the operating company (Numéricable) that is in effect being used as a bank. Debt of €1.6 billion is to be added to Numéricable's debt of some €12.4 billion to pay for almost two thirds of this exceptional dividend. This initiative and its consequences for Numéricable was one of the concerns raised by the union CFE-CGC in its letter to the Board (see Appendix 2). Reportedly the money received by Altice thanks to this dividend will contribute to paying for its purchase of the remaining shares of Vivendi in SFR.

It is not possible to foresee or anticipate all the financial maneuvers (perhaps with global components since Altice has emphasized its multinational presence and expertise) in which Cablevision might become involved as an Altice company. Nor is it possible to foresee whether this maneuvering would be to Cablevision's benefit and the detriment of other Altice properties, or vice versa.

8. Conclusions

The evidence presented in this report demonstrates that Altice's corporate culture, in effect the culture and behavior of the individual who is the controlling shareholder, falls well short of the bar of acceptable conduct expected and indeed required of a broadband operator. Moreover Altice's claims of the transaction-specific benefits that would flow from its control of Cablevision are in key respects

[35] One additional possibility for increasing revenues lies in consumption-based billing or the application of data caps (https://www.yahoo.com/tv/s/altice-raise-rates-gut-services-154716625.html?nf=1)

false and in others unfounded. The only significant credible transaction-specific consequences of this acquisition are the introduction of substantial new or enhanced risks of harm. Therefore the acquisition of broadband assets in the US by Altice such as Cablevision operates, should be rejected.

Broadband is essential infrastructure in and for a 21st. century economy and society. Yet there are inherent limitations on the number of operators able to serve any location and offer access to high quality, affordable broadband services that are vital for economic and social development. The businesses of these selected and privileged operators are dependent on access to scarce public resources. They rely on franchises awarded to them by public authorities that substantially protect them from competition. These observations and facts of life apply in the areas where Cablevision holds operating franchises formulated so as to balance the interests of and benefits generated for their residents, workers, businesses and institutions as well as its shareholders. Hence Cablevision like all major broadband operators is subject to obligations and is required to adhere to a code of conduct that meets higher bars for the priority and attention given to the public and diverse interests than companies not dependent on special privileges open to only a handful or fewer providing products and services where there are multiple, easily accessible alternative sources of supply for customers.

The evidence presented in this report destroys the credibility of the case put forward by Altice in support of the transaction-specific benefits it will supposedly be able to generate after acquiring Cablevision. Altice's claims on the cost side are fantastical. Moreover Altice's depiction in its Applications to the FCC and the NYPSC of the improvements it has achieved and the benefits it has delivered in the cable and wireless properties it has been operating overseas is misleading and at best exaggerated, and in some instances irrelevant to the US market. In the portrayals of its companies outside the US Altice is ignoring the accompanying damage of its actions to their businesses whose medium- and long-term consequences have yet to become fully apparent, although they have been identified and are foreseeable.

Altice's business model is toxic to the public interest and the goals of public authorities, customers and employees as well as suppliers and contractors. It is based on highly leveraged buyouts followed by drastic and destructive cost cutting measures to boost cash flow. If or more likely when these measures fall short of delivering the cash needed then Altice will be motivated to exploit its ability in a weakly competitive market to increase the prices customers have to pay without a corresponding increase in the value they receive.

The unacceptable risk and foreseeable harmful consequences of approving Altice's acquisition of Cablevision are exacerbated by the fact that Altice operates for all intents and purposes as a sole proprietorship. The decision making power to which Cablevision would be subject as an Altice company rests in the hands of one person. In addition to the substantial new debt-driven risks arising in this transaction such an extreme concentration of power over indispensable infrastructure that is dependent on the use of scarce public resources would create a situation fraught with other dangers and unjustifiable risks. It would offer no comfort or reasonable expectation that the public interest and the rights of customers, employees and others would receive the attention they need and deserve as embodied in the precepts and provisions of the US Communications Act and the franchise agreements under which cable companies operate in the US.

Appendix 1: Altice and Numéricable's Commitment to No Layoffs

Key statements in this letter translated into English are:

1. The Commitment: *" As soon as it would become the dominant company of the new Group (in the sense of labor law) Numéricable Group (or any other company of the group) commits to maintain employment in the new group thereby constituted."*

2. The Escape Clause: *"The commitment to maintain employment will not be applicable if during its period of applicability an unforeseeable economic reversal, that is to say external to the industrial project announced by the leaders of the Numéricable Group, were to affect the economic situation of the new Group, in the sense of the provisions of article L1233-3 of the labor code and the resulting case law."*

The full text of the letter in French is reproduced below:

Monsieur Jean-François DUBOS
Président du Directoire de Vivendi

Monsieur Jean-Yves CHARLIER
Président Directeur Général de SFR

Le 25 mars 2014

Messieurs les Présidents,

Le conseil de surveillance de Vivendi a décidé le 14 mars 2014 d'entrer en négociations exclusives avec Altice et Numericable Group pour une période de trois semaines, compte tenu des engagements pris par Altice dans la proposition d'acquisition de SFR remise à Vivendi le 12 mars. Parmi les engagements pris par celle-ci dans ce texte, figure celui de ne procéder à aucune suppression d'emploi au sein de SFR.

Aussi, la formalisation de cet engagement étant un enjeu social majeur du projet, je souhaite définir ici plus précisément l'engagement sur l'emploi que Altice et Numericable Group prennent par la présente à l'égard de SFR, de la collectivité de travail de SFR et de ses instances, en cas d'acquisition de SFR par celles-ci.

Dès lors qu'elle serait devenue la société dominante (au sens du droit social) du nouveau Groupe, Numericable Group (ou toute autre société du groupe) s'engage à maintenir l'emploi dans le nouvel ensemble ainsi constitué.

A ce titre, elle ne procéderait à aucun licenciement collectif économique du fait de la rationalisation de structure des entreprises concernées par la cession. Cet engagement s'appuie sur un projet industriel fort longuement réfléchi et créateur de valeur pour l'ensemble : le rapprochement du premier réseau Très Haut Débit en fibre optique de France et d'un réseau mobile de dernière génération. SFR et Numericable Group sont deux entreprises parfaitement complémentaires : ADSL et téléphonie mobile d'un côté, fibre optique et Télévision Haute Définition de l'autre. Tant sur le plan technologique que sur le plan commercial, il n'existe aucun doublon entre les activités poursuivies par chacune des entités qui constitueront le nouvel ensemble. Ainsi, compte tenu du projet de Numericable Group, il y aura maintien de l'emploi dans le cadre du rapprochement de SFR et Numericable Group et aucune remise en cause du statut collectif SFR. Cet engagement est pris pour une durée de 36 mois à compter de la fin de la période d'exclusivité susvisée. Ainsi, les sociétés couvertes par le présent engagement, c'est-à-dire les sociétés de l'UES SFR et les sociétés de Numericable Group, qui devraient conduire des aménagements de leur organisation s'inscrivant dans le projet industriel que le nouveau groupe soumettra, le cas échéant et en temps utiles, à la consultation des instances concernées, en gèreraient les conséquences sociales notamment par la mobilité interne et la Gestion Prévisionnelle des Emplois et des Compétences.

Cet engagement de maintien d'emploi ne trouvera pas à s'appliquer si, au cours de sa période d'application, un revirement économique imprévisible, c'est-à-dire extérieur au projet industriel annoncé par les dirigeants de Numericable Group, venait à affecter la situation économique du nouveau Groupe, au sens des dispositions de l'article L1233-3 du code du travail et de la jurisprudence qui en résulte. Dans ce cas, les mesures sociales d'accompagnement seraient celles du dernier PMP mis en place au sein de SFR, dont nous avons noté que vous allez engager des discussions pour en prolonger la durée d'application.

Le présent engagement sera réitéré dans un accord collectif de droit du travail qui sera conclu avec les organisations syndicales représentatives dans les sociétés couvertes par le présent engagement et qui en tout état de cause emploieront le personnel actuellement salariés de l'UES SFR. Aussi, nous nous engageons en nos qualités respectives à faire respecter le présent engagement par le Groupe Numericable.

Nous vous remercions d'en transmettre un exemplaire auprès des instances compétentes de l'UES SFR (CCE et DSC). S'il n'était pas respecté vous pourriez, de même que celles-ci, vous en prévaloir contre les sociétés dont nous sommes les représentants dûment habilités ou qui sont contrôlées par Numericable Group.

Pour Altice
Patrick Drahi
En sa qualité de Chairman

Dexter Goei
En sa qualité de CEO

Pour Numericable Group et ses filiales
Eric Denoyer
En sa qualité de Président Directeur Général, dûment habilité pour chacune de celles-ci

Appendix 2: Selected Extracts from the October, 2015 Open Letter from the Union CFE-CGC to the Board of Numéricable-SFR

Dear Board Members of Numéricable-SFR, place your bets!
The salaried staff of Numéricable-SFR are watching dumbfounded the poker games of Mr. Drahi that are far removed from the daily difficulties they have been confronting for many long months.

Almost 50 billions of debt have been incurred up to now[36]. A frenzy of acquisitions has been made possible with no problem for Altice since the banks have gone along with their eyes closed. Nevertheless a major event occurred at the end of September.

The worrying situation of the global economic situation and an analysis from Goldman Sachs on Altice's indebtedness frightened hitherto enthusiastic financiers. *Altice had to propose as a matter of urgency the incredible rate of 11% per year to lenders so that they would agree to follow it in its latest acquisition in the US. At the time of the purchase of SFR the rate was 4.5%.* The shares of Altice and Numéricable have fallen heavily, leading to a mass of articles expressing doubt about the future of the debt-based growth model, so-called LBO.

Moreover it is the very competence of the management of Altice to digest so many acquisitions in such a short period of time that is in question from now on.
Altice that until now only spoke of acquisitions has hurried opportunistically to reassure its financiers that there would be no new acquisitions for two years. From now on Altice will concentrate on executing well on the promised industrial and financial synergies.

***SO NOTHING IS WORKING ANY MORE*?**

The impact on Numéricable-SFR has been immediate. On October 5 the rating agency Moody's lowered the debt of Numéricable-SFR to the category of "highly speculative" and urged Altice to accelerate its debt deleveraging by additional cost reductions. One thing is certain. Altice needs cash and SFR will be put upon to make a strong contribution.

This Wednesday October 15 you announce moreover a dividend payment of 2.5 billion to the shareholders of Numéricable-SFR i.e. 90% to Altice, paid for with 1.6 billion of debt!

The remaining 900 million will be taken from the Group's treasury. The justification presented for this extraordinary dividend is the exceptional speed of the growth of

[36] The unit is euros, i.e. the debt amounts to about $54 billion using the euro-US dollar exchange rate as of the beginning of December 2015

our results that does not justify waiting until the money is in the bank before paying it to you!

Faced with the 2.5 billion dividend paid to the shareholders, what have you foreseen for the salaried staff who have largely contributed to these exceptional results?

The CFE-CGC suggests strongly an exceptional payment of 10,000 euros for the 15,800 salaried staff of the Numéricable-SFR Group, i.e. a package of 158 million.
You see, Daddy's daughter knows how to stay reasonable.

Borrowing to pay dividends, it is true that that is healthy management! Borrowing for Numéricable-SFR when its credit rating is considered to be very speculative will not allow us to obtain favorable rates as you indicate. To the contrary, we will have to pay exorbitant rates of interest worthy of revolving credit and you know this perfectly well.

Reborrowing when our debt is already considerable is dangerous for our future.

3. Problems with our customers, our Suppliers, the Government Authorities

- Consumers have said stop to price increases and the refusal to subsidize mobile handsets. Almost 1.7 million have left since the beginning of the year and the image of SFR has degraded substantially: **LOST**
- Some suppliers demand payment in advance from now on for every service and delivery to SFR: **LOST**
- The term "fiber" as used by Numéricable-SFR seems to be called into question by ARCEP[37]: **LOST**
- Local communities denounce the non-respect by Numéricable-SFR of their fiber deployment: **LOST**

The exceptional financial performance of the first months risks being a delusion. Part of the 1.1 billion of synergies has been made through slowing down sales, purchases, terminal subsidies, and network deployment. These are not durable economies but a loss that will have to be accounted for later.

The full French text of "Open Letter to the Board of Numéricable -SFR" is reproduced below:

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[37] The question revolves around the use of the term "fiber" to characterize a connection that is fiber to the building but coaxial cable inside, in contrast to fiber to and within the building all the way to customer connections. Arcep prefers the former description for a true fiber connection, as do competitors Orange and Bouygues, while Numéricable uses the latter less stringent definition (see (in French) https://lafibre.info/arcep/le-regulateur-distingue-la-vraie-fibre-du-cable/)

Cher(e)s Membres du Conseil d'Administration de NUMERICABLE SFR, faites vos jeux !

Les salariés de NUMERICABLE-SFR assistent médusés aux parties de poker de Monsieur DRAHI, bien loin des difficultés quotidiennes auxquelles ils font face depuis de longs mois.

Près de 50 milliards de dettes ont désormais été contractées. Cette frénésie d'achats a été rendue possible sans aucun problème pour ALTICE puisque les banques ont suivi les yeux fermés.

Néanmoins, un événement majeur s'est produit fin septembre.

Le marché inquiet de la situation économique mondiale et une note d'analyse de GOLDMAN SACHS sur l'endettement d'ALTICE ont fait peur aux financiers jusqu'alors enthousiastes. *ALTICE a dû proposer dans l'urgence le taux de rémunération incroyable de 11%* par an auprès de prêteurs pour que ces derniers acceptent de le suivre dans son dernier achat aux Etats-Unis. *A l'époque du rachat de SFR le taux était de 4,5%.* Les actions d'ALTICE et de NUMERICABLE ont chuté lourdement, entrainant une flopée d'articles mettant en doute le devenir du modèle de croissance par endettement, dit LBO.

Mieux encore, c'est la compétence même du management d'ALTICE à digérer en si peu de temps, autant de rachats, qui est désormais en question !

ALTICE, qui jusqu'alors ne parlait que d'achats, s'est opportunément empressé de rassurer ses financiers en jurant qu'il n'y aurait plus de nouvelles acquisitions avant deux ans. ALTICE va désormais se concentrer sur la bonne exécution des synergies industrielles et financières promises.

ALORS, RIEN NE VA PLUS ?

L'impact sur NUMERICABLE-SFR a été immédiat. L'agence de notation MOODY'S a réduit le lundi 5 octobre à la catégorie «très spéculative» l'endettement de NUMERICABLE-SFR et presse ALTICE d'accélérer son désendettement par des réductions supplémentaires de coûts. Une chose est certaine, ALTICE a besoin de Cash et SFR sera mis fortement à contribution.

> *Ce mercredi 15 octobre, vous annonciez d'ailleurs un versement d'un dividende de 2,5 milliards aux actionnaires de NUMERICABLE-SFR soit 90% pour ALTICE, payé à hauteur de 1,6 Milliards par endettement !*

Les 900 millions restants seront pris sur la trésorerie du Groupe. La justification avancée à ce dividende extraordinaire est l'exceptionnelle rapidité de la croissance de nos résultats qui ne justifie pas que l'on attende que l'argent soit bien rentré en caisse pour vous le verser !

> *Face aux 2,5 Milliards de dividendes versés aux actionnaires, qu'avez-vous prévu pour les salariés qui ont largement contribué à ces résultats exceptionnels ?*
>
> *La CFE-CGC vous suggère fortement un versement exceptionnel de 10.000€ pour les 15.800 salariés du Groupe NUMERICABLE-SFR, soit une enveloppe de 158 Millions.*
> *Vous voyez, la fille à Papa sait rester raisonnable...*

Emprunter pour payer des dividendes, c'est vrai que c'est de la saine gestion ! Emprunter pour NUMERICABLE-SFR au moment où sa notation crédit est considérée comme très spéculative ne nous permettra pas d'accéder à des taux favorables comme vous l'indiquez. Au contraire, nous devrons payer des taux d'intérêts exorbitants, digne du crédit revolving et vous le savez parfaitement.

Réemprunter alors que notre dette est déjà considérable, est dangereux pour notre avenir.
SFR doit payer au prix fort les emplettes internationales d'ALTICE : qui est la fille et qui est le papa, M. DRAHI ?

Où en est votre engagement d'avril 2014 de ne pas demander de dividendes afin de permettre à SFR de maintenir ses investissements et de rembourser la dette déjà contractée ?

RIEN NE VA PLUS !

Tous ces éléments sont inquiétants pour NUMERICABLE-SFR.

Contrairement à ce qui a été dit, les premiers mois d'expérience chez NUMERICABLE-SFR ne donnent pas vraiment confiance en la réussite de la méthode DRAHI vendue au marché.

Réduire encore de manière massive les coûts chez SFR nous parait dangereux pour l'avenir même de l'Entreprise tant elle casse l'outil de production.

Imposer de manière autiste une « méthode » sans écouter l'expérience des salariés pour la faire évoluer et l'adapter à notre réalité est un exercice voué à l'échec.

A l'heure actuelle, les fameuses « synergies » détruisent de la valeur en interne et ce dans toutes les Directions. Elles touchent tous les salariés mais aussi tous nos clients :

1- Problèmes de management et de budget

- Les budgets réduits au minimum commencent à remettre en cause le service rendu de plusieurs directions opérationnelles. Dans tous les cas nous sommes à des années lumières des moyens nécessaires pour réussir les ambitions affichées : **PERDU**
- La latitude décisionnelle des salariés et des managers est réduite de jour en jour, «c'est comme ça et pas autrement» : **PERDU**
- Les achats d'ALTICE ont le dernier mot, et les décisions prises en comité d'investissement peuvent être remises en cause du jour au lendemain : **PERDU**
- De telles décisions, comme d'arrêter des projets, le manque de perspectives, des objectifs individuels et collectifs inatteignables et la pression constante, engendrent une grave dégradation des conditions de travail et une multiplication des démissions. Combien de départ ? Combien d'arrêt de travail ? : **PERDU**

2- Problèmes d'outils

- Certains outils de Reporting hors service empêchent des remontées sur l'état réel des déploiements et des ventes. Le maintien de plusieurs sociétés au sein de NUMERICABLE-SFR, nécessite le maintien de multiples outils informatiques et la mise en place de flux considérables entre les différentes sociétés qui alourdissent le travail opérationnel de beaucoup de salariés : **PERDU**

3- Problèmes avec nos clients, nos fournisseurs, les autorités gouvernementales

- Les clients Grand Public ont dit stop aux hausses de prix et au refus de subventionner les mobiles. Près de 1,7 millions d'entre eux nous ont quittés depuis le début d'année et l'image de SFR s'est encore fortement dégradée : **PERDU**
- Certains fournisseurs demandent désormais des paiements en avance pour toute prestation et livraison à SFR : **PERDU**
- Le terme « fibre » utilisé par NUMERICABLE-SFR semble remis en cause par l'ARCEP : **PERDU**
- Les collectivités locales dénoncent le non-respect du déploiement de leur Fibre par NUMERICABLE-SFR : **PERDU**

La performance financière exceptionnelle des premiers mois risque d'être le miroir aux alouettes. Sur 1,1 Milliards de synergies, une partie est faite en ralentissant les ventes, les achats, les subventions de terminaux et le déploiement du réseau. Ce ne sont pas des économies pérennes mais bien une perte qu'il faudra comptabiliser plus tard.

Quand les autres opérateurs retrouvent la croissance de leur EBITDA en gagnant des clients, NUMERICABLE-SFR le fait en en perdant.

> *Au final, que de promesses non tenues auprès des salariés, des clients, des instances et des autorités! C'est le jeu me direz-vous ?*

Le jeu de refuser la réalité, de ne pas prendre en compte l'intérêt social, de dénigrer ses forces vives. La CFE-CGC a souhaité être constructive et a porté une confiance toute relative au projet industriel ambitieux de la construction d'un opérateur convergent haut débit tel que vous nous l'aviez présenté.

La CFE-CGC a un syndicalisme pragmatique, cohérent face aux réalités du marché.

Les salariés nous alertent sur vos méthodes pour cacher la vérité, à nous tous, salariés du Groupe. Oui, nous, les salariés, toujours trop nombreux et toujours trop payés aux yeux de M. DRAHI, comme il se plaît à le répéter à l'envie.

La CFE-CGC comptait sur votre droiture.

Jusqu'à présent vous n'avez pas vraiment joué le jeu, si ce n'est celui de flamber auprès des banques et des marchés financiers. Bien, et maintenant ?

Les salariés sont épuisés et démotivés.

Toutes les directions et le management subissent une pression terrible, sans moyen, et font face jour après jour à de nouvelles difficultés sans voir le bout du tunnel.

> *Vos engagements auprès des salariés n'ont pas été tenus, vos engagements auprès des autorités réglementaires et du gouvernement risquent de ne plus l'être.*

Pour rappel vos 4 engagements forts :

I. Engagement sur le maintien de l'emploi : votre politique vise manifestement à dégoûter les salariés jusqu'à les faire fuir de l'Entreprise.
II. Présidence du Conseil d'Administration par M. DRAHI lui-même : il a déjà été remplacé par Michel COMBES, arrivé dans les conditions qu'on connaît.
III. Taux d'endettement inférieur à 3,5 fois EBITDA: nous risquons d'approcher les 5 si vous continuez à faire de SFR votre nouvelle Banque interne.
IV. Cotation du Groupe NUMERICABLE-SFR à Paris : Pour combien de temps encore, quand on voit le déménagement d'urgence opéré pour ALTICE vers les Pays Bas ?

EST-CE LA CHRONIQUE D'UNE PERTE ANNONCE ?

Vouloir gagner des fortunes en construisant un grand Empire est sans doute un jeu excitant mais il vous donne aussi des responsabilités sociales.