



Q2 2016 Results

- **Solid execution in challenging market environment while SFR continues to accelerate network investments**
- **Continued fast FTTH/FTTB (8.5 million homes passed) and 4G/4G+ rollout (70% coverage)**
- **Launch of NEW SFR, a converged fiber and mobile access-content operator**
- **Launch of breakthrough, market-disruptive offerings**
- **Increase in FTTH/FTTB customer base to 1.925 million customers; ARPU increasing with successful content bundling**
- **Reduced mobile postpaid churn YoY with ARPU stabilization from content bundling**
- **B2B mobile revenues stabilized compared to previous quarter following significant network quality of service improvements**

Pro forma¹ financial and operating review

SFR Group's focus is on improving network quality, customer experience, retention processes and content enriched service bundles, which combined with improving market dynamics is expected to drive a significant improvement in revenue trend:

- The revenue trend for the full year in 2016 is still expected to be better than FY 2015 (-3.5% YoY);
- Expect significant improvement in revenue trend from Q1 2016 (-6.1% YoY²) and Q2 2016 (-4.6% YoY²). Revenue declined 4.3% YoY in Q2 2016 to €2,781 million pro forma for recent acquisitions of media assets, including double digit growth (+12.6% YoY) at NextRadioTV, rebranded SFR RadioTV. This revenue decline was mostly due to YoY subscriber losses across the B2C, B2B and Wholesale divisions.

Operational momentum increases confidence in our expectation for a continued improvement in revenue trends throughout 2016:

- Continued fiber customer net additions (+44k), albeit slower than recent quarters;
- SFR has reduced B2C mobile postpaid churn YoY (net losses of -199k in Q2 2016 vs. -314k in Q2 2015);
- Seeing early benefits of network upgrades, content initiatives, and focus on improving customer service as SFR is the clear fiber leader and number 2 mobile operator now in terms of voice quality³.

For the second quarter in B2C, revenue was down 5.2% compared to Q2 2015:

- B2C fixed revenue was down 2.0% YoY as a result of the decline in the DSL customer base. Content bundling and recent price initiatives are supporting improvements in fixed ARPU, both QoQ and YoY (blended fiber/DSL ARPU increased to €35.6 in Q2 2016 from €33.9 in Q1 2016 and €35.3 in Q2 2015). Total fiber and DSL customer losses improved slightly (-58k vs. -61k) as the DSL box shortage was resolved in April with normal service resumed from May. SFR is improving sales, installation and IT processes to accelerate DSL to fiber migrations and will be launching enhanced "back school" offers for Q3.

¹ Financials shown in these bullet points, unless otherwise stated, are pro forma defined here as results of SFR Group as if all acquisitions had occurred on 1/1/15, including the NextRadioTV stake and Altice Media Group France media assets.

² Excluding recently acquired media assets for comparability (i.e. NextRadioTV and Altice Media Group France).

³ Arcep 2016 mobile service quality audit data.

- B2C mobile revenue was down 7.1% as a result of the decline in the mobile customer base and to a lesser extent lower ARPU YoY. Content bundling and recent pricing initiatives have resulted in a stabilization of mobile ARPU, as well (e.g. B2C postpaid ARPU €25.0 in Q2 2016 vs. €24.6 in Q1 2016).

In B2B, revenue was down 4.5% YoY in Q2 but B2B mobile revenue was flat compared to the previous quarter with network quality and service improvements reducing churn:

- We are currently undergoing a transformation of SFR's B2B business but the B2B market in France is in decline;
- Network quality of service improvements is reducing churn, including in mobile (e.g. B2B postpaid losses improved from 59k in Q2 2015 to 46k in Q2 2016). However, there is a delivery backlog in the B2B fixed business;
- The focus for this business segment is to reduce complexity and harmonize the sales approach, especially given multiple legacy B2B acquisitions which have yet to be fully integrated. SFR also has a new product pipeline in the B2B ICT segment which should be a positive offset in the near term.

Wholesale revenue declined 1.2% YoY with the migration of Bouygues DSL customers away from SFR's network now largely complete. Other revenue increased 3.0% YoY, including double-digit growth (+12.6%) at NextRadioTV.

Adjusted EBITDA was also impacted by subscriber losses and promotional activity, declining 6.8% YoY to €999 million⁴ including recently acquired media assets with margins contracting by 1.0 pp YoY to 35.9%. With our fiber-led convergence strategy and further planned cost transformation we remain confident in achieving our medium term target of 45% Adjusted EBITDA margin.

Pro forma key financial indicators for SFR are presented in the table below, assuming contributions from the recently acquired media assets for the entire reporting periods:

Key pro forma financial indicators Q2 2016 and Q2 2015 (restated)⁵
Unaudited

€ million	Q2 2016 proforma	Q2 2015 proforma	<i>change</i>
Revenue	2 781	2 904	-4,3%
- B2C	1 813	1 912	-5,2%
- B2B	509	533	-4,5%
- Wholesale	333	336	-1,2%
- Other	126	123	2,9%
Adjusted EBITDA	999	1 072	-6,8%

The Group considers it relevant to present pro forma information to analyze the Q2 financial performance. See the reconciliation table with the GAAP figures in Annex 1.

⁴ Excluding media assets, EBITDA declined 7.6% YoY.

⁵ 2015 EBITDA restated for Q2, increased by €5 million to reflect purchase price allocations of SFR and Virgin Mobile.

Sustained pace of FTTH/FTTB and 4G/4G+ deployment

SFR kept up the intensive rollout of next-generation networks in the second quarter. Its fiber optic network already passes more than 8.5 million eligible connections* (including 419,000 connections opened in Q2 and 1.5 million over the past year) in more than 1,200 French municipalities. SFR therefore continues to operate France's most extensive FTTH/FTTB infrastructure.

In mobile, SFR continued to extend its networks rapidly in the second quarter and remained the operator that lit up the most amount of new 4G/4G+ sites (1,256 new sites opened in Q2 - *source ANFR*) – on track with its plan to reach network parity with the market leader by 2017. This all-time production record enabled SFR to introduce 4G to more than 1,022 new municipalities and to cover 70% of the population (up 12 percentage points in one year) with an unchanged target to reach 90% coverage by 2017. SFR also inaugurated the ultra-fast 4G in Brest, Clermont-Ferrand and in ten stadiums for the Euro 2016.

In addition, as shown in regulator ARCEP's annual survey on the quality of mobile services, published on July 12, SFR considerably improved its mobile network's quality of service over the past year, with 4% gained in voice and 8% in web browsing in densely populated areas.

**by the number of connections eligible for fiber with coaxial or optical terminations.*

The new SFR, France's leader of telecom-content convergence

On April 27, SFR inaugurated the most accomplished form of telecom-content convergence in France by combining all of Altice's assets: SFR for telecoms, Altice Media Group France for print media and the stake in NextRadioTV for TV and radio. SFR now includes a Media department that will leverage the enlarged business's distribution capability and benefit from its financial and bargaining power for purchasing rights. This consolidation also enables the company to invent new business models for the print media, thanks in particular to SFR Presse, a new app already installed on more than 3 million smartphones, with more than 2 million periodicals downloaded within weeks of its launch.

New, disruptive fixed and mobile offerings

SFR completely reformulated its ranges of offerings in early June, to provide content-rich services divided into three categories. SFR Sport offers five new sports channels, including SFR Sport 1 with the English Premier League starting August 13. SFR News, a bundle of news channels, includes BFM Sport, inaugurated for the Euro 2016. And SFR Play offers a wide range of entertainment and cinema content with Zive, France's number one SVOD player.

In addition, SFR launched the very first service that makes it possible to manage, from a single app, all of a home's lines and to share data between them: SFR Family was a huge hit from day 1 with already more than 150,000 groups of users.

SFR agreement with trade unions

On August 4, 2016, an agreement was signed between the management and trade unions representing SFR Group's Telecom division, to enable the company to adapt more quickly to the requirements of the French telecoms market by establishing a more competitive and efficient organization. This agreement reiterates the job retention commitments taken until 1 July 2017 and defines internal accompanying guarantees and the process of voluntary retirement.

Key financial indicators for Q2 2016 and Q2 2015 (restated)⁵

€ million	Q2 2016	Q2 2015	change	Q1 2016
Revenue	2 723	2 781	-2,1%	2 573
- B2C	1 813	1 912	-5,2%	1 763
- B2B	509	533	-4,5%	515
- Wholesale	333	336	-1,2%	295
- Other	68		NA	
Adjusted EBITDA	993	1 061	-6,4%	851
CAPEX	572	417	37,0%	430
EBITDA-CAPEX	421	643	-34,5%	421
Net results	(43)	85		(41)
Net Debt/EBITDA Ratio	4.0x	3.0x		3.8x

Incorporation of media assets into SFR's financial statements

On 25 May 2016, SFR announced the completion of the acquisition of Altice Media Group France (AMG). The minority voting stake in NextRadioTV (rebranded SFR RadioTV) was transferred from Altice to SFR as of 12 May 2016. Thus results for NextRadioTV are incorporated into SFR's H1 and Q2 financial statements for two months as of 1 May 2016 and results for AMG are incorporated for 1 month from 1 June 2016. The key financial indicators (restated) table shown above reflects the consolidation of both media assets on this basis.

CAPEX

Total CAPEX spent by SFR Group in Q2 amounted to €572 million, an increase of €155 million compared to Q2 2015 reflecting accelerated investments in expanding SFR's 4G/4G+ mobile and fiber networks. The company's aggressive CAPEX plan will enable the company to remain the clear fiber leader in France and to continue to promote customer migrations from DSL to fiber.

Net results

The net loss of €43 million for Q2 2016 reflects an increase of €258 million euros of net financial expense compared to Q2 2015, essentially due to the exceptional cost of the major refinancing in April 2016 (€221 million). Excluding the impact of such refinancing, net income would have been positive at €178 million. SFR priced \$5.19 billion of 10-year Senior Secured Notes (Non-Call 5) and issued new \$1,425m and €850 million term loans on 6 April, 2016; The Euro equivalent coupon for 7.375% in USD is 6.2%, which represents a marginal increase in the average cost of debt from 4.7% to 5.2%.

Net debt

SFR Group Net Debt amounted to €15.121 billion at the end of Q2 2016, an increase of €673 million from Q1 2016 reflecting the acquisition of the NextRadioTV stake and Altice Media Group France, as well the exceptional costs of the refinancing in April. The Group's Net Debt to Adjusted EBITDA⁶ ratio was 4.0x as of the end of June 2016.

⁶ Calculated as Net Debt / EBITDA (Last Twelve Months).

Key performance indicators S1 2016 and S2 2015 (restated)

€ million	S1 2016	S1 2015	change
Revenue	5 296	5 522	-4,1%
- B2C	3 576	3 766	-5,1%
- B2B	1 024	1 091	-6,1%
- Wholesale	628	665	-5,5%
- Other	68		NA
Adjusted EBITDA	1 844	1 995	-7,6%
CAPEX	1 001	817	22,5%
EBITDA-CAPEX	842	1 178	-28,5%
Net result	(84)	828	NA
Net Debt /EBITDA Ratio	4.0x	3.0x	

Key performance indicators Q2 2016 and Q2 2015

Customers in thousands		Q2 2015	Q1 2016	Q2 2016
ARPU in €				
Mobile	Number of customers excl. M2M	17 503	16 976	16 642
	of which Mobile B2C	15 241	14 865	14 577
	ARPU	22,7	21,8	22,3
	of which Mobile B2B	2 262	2 111	2 065
Fixed B2C	Number of customers	6 401	6 292	6 234
	ARPU	35,3	33,9	35,6
	of which Fiber	1 665	1 881	1 925
	ARPU	40,3	38,7	40,8

Annex 1

Reconciliation pro forma financial indicators Q2 2016 and Q2 2015 (restated)⁵

€ million	Q2 2016	Restatement of 1 month of NextRadio and 2 months of AMG	Q2 2016 proforma	Q2 2015	Restatement Q2 2015 NextRadio and AMG	Q2 2015 proforma
Revenue	2 723		2 781	2 781		2 904
- B2C	1 813		1 813	1 912		1 912
- B2B	509		509	533		533
- Wholesale	333		333	336		336
- Other	68	58	126		123	123
Adjusted EBITDA	993	6	999	1 061	11	1 072

About SFR Group - www.sfr.com

With regard to the telecom market, SFR is the second largest operator in France with a turnover of 11 billion euros in 2015 and prime positions in all market segments, from consumer, to B2B, local authorities, and wholesale. Featuring the first fiber optic network (FTTB/FTTH) with 8.5 million eligible connections, SFR intends to stay ahead with its rollout plan to reach 22 million by 2022. Its leading mobile network covers 99.3% of the population in 3G and 70% in 4G. Thanks to its massive investments, SFR aims to create the nation's new leader in the combined broadband and mobile markets. SFR offers a comprehensive range of Internet-access, fixed-line, mobile and audiovisual services. SFR is also a solutions expert in the fields of unified communications, Internet of Things and Cloud Computing for businesses. With regard to the Consumer segment, the Group operates under the SFR and RED by SFR brands. In the B2B segment, it operates under the SFR Business brand. With regard to the media market, its new SFR Media entity consists of SFR Press, which gathers all the group's media activities in France (Groupe L'Express, Liberation, Newsco.), SFR RadioTV, which holds 49% of NextRadioTV and includes the group's audiovisual activities in France (BFM TV, BFM Business BFM Paris, RMC, RMC Découverte), and SFR Sport, which encompasses all sport-related activities: BFM Sport, RMC Sport, SFR Sport 1, SFR Sport 2, SFR Sport 3, SFR Sport 4, and SFR Sport 5. SFR applies its well-recognised know-how to provide Premium content on non-linear platforms and produce its own innovative and original content. SFR Media also positions itself as the second largest operator in the French digital press sector. All of which shows that SFR is adopting a new and increasingly integrated model around access and content convergences.

Listed on Euronext Paris, SFR Group (SFR) is owned by Altice group (78%).

Follow the Group's latest news on Twitter: [@SFR_Groupe](https://twitter.com/SFR_Groupe).

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