



## SFR Group – Full Year and Q4 2016 Results

- Return to revenue growth in Q4 2016 +0.6% YoY (+0.8% YoY excluding regulatory impacts<sup>1</sup>) after 24 quarters of decline, of which only 7 after Altice control; all business segments showing significantly improved performance
- 2016 guidance achieved; revenue trend improved and EBITDA growth YoY excluding media and content investments<sup>2</sup>
- SFR Group revenue expected to stabilize in 2017
- Fastest 4G/4G+ rollout in the market (81% population coverage, more than doubling the total number of 4G sites over the past year) and delivering the fastest 4G+ speeds up to 300Mbps across 18 cities<sup>3</sup>
- B2C mobile customer base returned to growth and B2B mobile base stabilized in Q4 following significant improvements in network quality and services
- Continued rapid fiber FTTH/FTTB rollout (9.3 million homes passed end-2016) with the fiber customer base growing to over 2 million customers
- Delivering the fastest fiber (up to 1 Gbps) and DSL speeds with the most reliable connections according to ARCEP<sup>4</sup>
- Significant expansion in content offering adding major sports rights, securing exclusive deals with NBCU and Discovery channels and adding 15 titles for SFR Presse application

### 2016 Full Year Results / Highlights

In 2016, SFR continued to successfully execute on its three strategic priorities to regain its position as a leading operator while ensuring that it can adapt to the new realities of the industry supported by its integration within Altice.

#### Priority 1: Accelerated investment in SFR's networks.

The complete overhaul of SFR's entire "production plant" initiated when Altice took over and starting to produce results from the third quarter of 2015, has allowed SFR to expand its 4G coverage to 81% of the population by the end of 2016. This 17 percentage point year-on-year increase returned SFR to a leadership position among French 4G operators. It was an historic rollout in terms of volume with SFR building out the most number of new 4G sites throughout the year (+5,248 YoY). SFR is the leader in 4G+ coverage offering a

<sup>1</sup> Excluding retail roaming EU tariffs impacts in May 2016.

<sup>2</sup> In FY 2016, SFR Group revenue excluding acquired media assets (i.e. NextRadioTV and Altice Media Group France) declined 3.2% YoY vs. a decline of 3.5% YoY in FY 2015 on a comparable basis. SFR generated EBITDA of €3,861m in FY 2016 excluding the contribution from NextRadioTV and Altice Media Group France (€59.6m over 12 months) and excluding content expense for the use of major sports rights (English Premier League Football, French Basketball League and English Premiership Rugby) and production of SFR Sports channels, for a total of €63.4m since August 2016, vs. €3,860m in FY 2015 on a comparable basis.

<sup>3</sup> SFR is delivering the fastest mobile data download speeds in cities such as Nantes where it has rolled out the latest 4G+ up to 300Mbps mobile base station equipment (as per Speedtest 4G data as of December 2016).

<sup>4</sup> Fastest fiber speeds delivered on average according to ISP Speed Index as of December 2016. Fastest DSL speeds according to data from nPerf as of Q4 2016. Most reliable connections for fiber and DSL according to ARCEP Quality of access to fixed services as of November 2016.

throughput of up to 300Mbps across 18 cities and will achieve, as targeted, 90% 4G coverage in 2017 and 99% in 2018.

At the same time, SFR retained its number 1 position in fiber with 9.3 million homes passed as of December 31, 2016, in more than 1,300 municipalities (i.e. an additional 1.6 million homes passed across an additional 270 municipalities).

SFR continues to upgrade its fiber HFC (FTTB) cable network as well as expanding its fiber-to-the-home (FTTH) coverage with similarly very high speed throughputs (up to 1Gbps download and 100-200Mbps upload speeds). SFR is now able to rollout nearly 2 million new additional fiber homes passed each year. SFR also continues to build partnerships with local authorities to bring very high speed broadband services to the largest number of people, as demonstrated by its contract win in 2016 with the Public Initiative Network (PIN) in Isère, one of the largest in France in terms of volume. Finally, SFR is fully committed to the success of France's Very High Speed plan and is lobbying for a more balanced distribution of rollouts in Less Dense Areas.

This accelerated investment in improving and expanding SFR's mobile and fiber networks was supported by €2.3 billion in capex in 2016.

**Priority 2: Creating a convergent telecoms and media operator, providing the best quality network access and content services.**

SFR's pioneering convergent strategy was implemented in record time with the launch of innovative offers that included the best content bundles in June 2016, after the purchase of Altice Media Group France and NextRadioTV.

In just a few months, SFR launched its digital newsstand application, SFR Presse, currently with 65 titles and more than 10 million downloads to date (1.5 million downloads in January 2017 alone). The Group also launched five sports TV channels (SFR Sport 1, 2, 3, 4K and 5), supported by exclusive agreements for broadcasting prestigious sports such as with the English Premier League, French Basketball League, English Premiership Rugby, World Series of Boxing and the French Athletics Federation. In addition, SFR and NextRadioTV launched two news channels, BFM Sport and BFM Paris. Finally SFR, in partnership with Altice, launched its first original and outstanding creative production "Les Médecins, Maîtres de Florence" (broadcast exclusively on SFR Play), as well as signed strategic agreements with Discovery Communications and NBC Universal.

In 2016, the SVOD platform (SFR Play) has come into its own as a unique film library, currently offering approximately 1,000 feature-length films, 30% of which are French. With 1.2 million subscribers, SFR Play is the leading SVOD service in France and is adding to its exclusive and brand new content offerings on a regular basis.

At the same time, and in accordance with its non-exclusivity commitments, SFR has made all of its new services available Over-The-Top (OTT) to allow everyone to benefit. This means that anyone can subscribe to SFR Sport, SFR Presse and SFR Play simply by connecting to the Internet regardless of their operator.

Finally, for business customers, a range of innovative services have been launched to provide even better solutions to their needs, including an IoT partnership with SIGFOX announced in March; offering fiber to micro-businesses via its "Connect Entrepreneurs" service; and a mobile network performance assessment via its "Engagement Business Libéré" initiative.

**Priority 3: In-depth digital transformation of the company.**

In the summer of 2016, SFR signed an historic labor agreement "New Deal" with representatives of the Unions to accomplish the corporate transformation needed to transcend its history. The objective of this transformation is to durably simplify the corporate structures inherited from multiple acquisitions, to improve the quality of the customer experience and services, and to make SFR more digital, in sync with the

environment in which we are evolving.

The plan was announced in the summer 2016 and the first round of voluntary departures began in the distribution business in December. The second round, still being negotiated, will be implemented from July 2017.

## 2017 guidance

For 2017, SFR Group revenues are expected to stabilize compared to FY 2016 on a pro forma and organic basis<sup>5</sup> benefitting from additional investments in upgrading and expanding its leading fiber and mobile 4G/4G+ network coverage, as well as incremental content investments including major sports rights, NBCU/Discovery channels, original programming and additional video-on-demand titles (totaling c.€350-400m on an annualized basis). SFR will also continue with the next phase of the “New Deal” transformation plan, following an agreement with representatives of the unions for voluntary departures last summer.

## Proforma<sup>6</sup> financial and operating review

The focus for SFR on improving network quality, customer experience, retention processes and content enriched service bundles (the “Altice Way”) is delivering a significant improvement in subscriber, revenue and EBITDA trends:

- Total revenue grew +0.8% YoY in Q4 2016 pro forma for recent acquisitions of media assets excluding regulatory impacts<sup>7</sup>, or +0.6% YoY growth including these impacts to a total of €2,892m. For FY 2016, pro forma revenue declined 2.9% YoY to a total of €11,170m;
  - FY 2016 revenue ex-media assets<sup>8</sup> declined 3.2% YoY, an improvement as expected compared to FY 2015 (-3.5% YoY), with a return to revenue growth in Q4 2016 of +0.6% YoY (vs. -6.1%, -4.6% and -2.6% YoY in Q1, Q2 and Q3 2016 on a like for like basis respectively);
- Mobile B2C customer base returned to growth in Q4 with total mobile churn reducing again YoY;
  - The total B2C customer base increased by 136k net additions in Q4 with postpaid net additions of 33k and prepaid net additions of 103k (vs. total net losses of 88k, postpaid net losses of 73k and prepaid net losses of 16k in Q3 2016);
  - B2C mobile postpaid ARPU of €25.8 in Q4 also grew +2.2% YoY (vs. €25.3 in Q4 2015);
  - Mobile B2C revenue trend improved again in Q4 declining 1.5% YoY (vs. -4.8%, -7.1% and -4.2% YoY in Q1, Q2 and Q3 2016 respectively);
- Fixed B2C revenue growth was sustained in Q4 (+1.3% YoY), driven by fixed ARPU growth of +5.7% YoY, benefitting again from the content and bundling initiatives implemented from May 2016 (blended fiber/DSL ARPU increased to €36.9 in Q4 2016 compared to €34.9 in Q4 2015), as well as a favourable mix effect from DSL to fiber migrations;
  - Fiber customer net additions accelerated in Q4 to 54k<sup>9</sup> but the aim is to accelerate this growth much further. SFR is improving its execution on DSL to fiber migrations supported by completing

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<sup>5</sup> Pro forma revenue growth including media assets acquired during 2016 (i.e. NextRadioTV and Altice Media Group France) as if all acquisitions had occurred on 1/1/16, excluding NewsCo and l'Etudiant (disposals announced in November 2016).

<sup>6</sup> 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 NextRadioTV and Altice Media Group France media assets.

<sup>7</sup> Excluding retail roaming EU tariffs impacts in May 2016.

<sup>8</sup> Excluding acquired media assets for comparability (i.e. NextRadioTV and Altice Media Group France).

<sup>9</sup> Includes 4k fiber net additions from new La Poste TV revenue sharing contract (total of 19k La Poste TV customers included within the B2C fixed based from Q4 2016).

- the insourcing of its main technical and customer services providers, as well as rolling out new customer premise equipment;
  - Customer experience is being enhanced to reduce churn and new content is being added to differentiate SFR's convergent offers;
  - Total fiber and DSL customer losses improved slightly in Q4 on a sequential basis (-61k vs. -75k in Q3 2016) as SFR increased the competitiveness of its DSL offers in response to intense competition;
- B2B revenue trend improved again in Q4 declining 3.3% YoY (vs. -7.6%, -4.5% and -3.8% YoY in Q1, Q2 and Q3 2016 respectively) as the B2B mobile customer base has stabilized following the significant improvements in network quality and service;
  - Mobile B2B base (ex-M2M) stabilized in Q4 (-1k) with ARPU growth of +2.9% YoY;
  - Delivery process improving, noticeably reducing delivery times and billing activation;
  - Fixed Voice is still a drag but the unified communications business is picking up with an expansion of new ICT services products;
- Wholesale revenue increased +12.8% YoY in Q4, partly supported by the resolution of a dispute with a MVNO customer;
- Other revenue was flat in Q4 (+0.1% YoY) as the strong growth at NextRadioTV was offset by the external legacy print revenue declines at Altice Media Group France. On 28 November 2016, SFR announced it had entered into exclusive negotiations to sell NewsCo and l'Etudiant within the AMG France business (retaining an ownership stake of 25%).

SFR's Adjusted EBITDA grew by +12.1% in Q4 2016 YoY to €954 million<sup>10</sup> including recently acquired media and content investments, with margins expanding by 3.4% pts YoY to 33.0% due to ongoing efficiency programs. For FY 2016, SFR's Adjusted EBITDA reached €3,857 million including media and content investments<sup>11</sup>, or €3,861m excluding media and content investments (vs. €3,860m on a comparable basis reported for FY 2015).

### Key Financial Indicators

*Pro forma information for Q4 and 2016 financial performance, including reconciliation with reported figures, is provided in Annex 1.*

#### Key financial indicators for Q4 2016 and Q4 2015

€ million	Q4 2016 (not audited)	Q4 2015 (not audited)	change	Q3 2016
<b>Revenue</b>	<b>2 892</b>	2 744	5,4 %	2 803
- B2C	<b>1 898</b>	1 907	-0,5 %	1 880
- B2B	<b>492</b>	509	-3,3 %	497
- Wholesale	<b>371</b>	329	12,8 %	324
- Media	<b>131</b>		NA	101
<b>Adjusted EBITDA</b>	<b>954</b>	827	15,4 %	1 041
<b>CAPEX<sup>12</sup></b>	<b>775</b>	633	22,4 %	536
<b>EBITDA-CAPEX</b>	<b>179</b>	194	-7,5 %	504
<b>Net results</b>	<b>17</b>	-209		-72
<b>Net Debt / Adjusted EBITDA Ratio<sup>13</sup></b>	<b>3,8x</b>	3,7x		4,0x

<sup>10</sup> Excluding media and content investments, EBITDA increased 19.2% YoY.

<sup>11</sup> EBITDA contribution from NextRadioTV and Altice Media Group France of €59.6m for FY 2016 (€31.5m in Q4); content expense for the use of major sports rights (English Premier League Football, French Basketball League and English Premiership Rugby) and production of SFR Sports channels, for a total of €63.4m since August 2016.

<sup>12</sup> Excluding €477m of spectrum capex in Q4 15.

<sup>13</sup> Calculated as Net Debt / Adjusted EBITDA (Last Twelve Months). Definitions of Adjusted ABITDA and Net Debt are specified in note 2.4 and 24.3 of the Annex to consolidated accounts.

## 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 was transferred from Altice to SFR as of 12 May 2016. The results for NextRadioTV and AMG are incorporated into SFR's FY 2016 financial statements. The key financial indicators table shown above reflects the consolidation of both media assets on this basis.

### CAPEX

Total CAPEX spent by SFR Group in Q4 amounted to €775 million, an increase of €142 million compared to Q4 2015 reflecting accelerated investments in expanding SFR's 4G/4G+ mobile and fiber networks. The company's aggressive CAPEX plan supported SFR in overtaking the market leader in terms of its total number of 4G antennas, and to remain the clear fiber leader by rapidly expanding its fiber network in France to pass 9.3 million homes by the end of 2016.

### Net debt

SFR Group Net Debt amounted to €14,796 million at the end of Q4 2016, a decrease of €212 million from Q3 2016. The group's Net Debt to Adjusted EBITDA <sup>13</sup> ratio was 3.8x as of the end of December 2016.

### Key performance indicators Q4 2016 and Q4 2015

Customers in thousands ARPU in €		Q4 2015	Q3 2016	Q4 2016
<b>Mobile B2C</b>	Number of customers	15 137	14 489	<b>14 625</b>
	ARPU	22.2	23.4	<b>23.0</b>
<b>Fixed B2C</b>	Number of customers	6 353	6 159	<b>6 113<sup>9</sup></b>
	ARPU	34.9	37.3	<b>36.9</b>

### Key pro forma financial indicators FY 2016 and FY 2015

€ million	FY 2016	FY 2015	change
<b>Revenue</b>	<b>10 991</b>	11 039	-0,4 %
- B2C	<b>7 354</b>	7 595	-3,2 %
- B2B	<b>2 013</b>	2 116	-4,9 %
- Wholesale	<b>1 323</b>	1 328	-0,4 %
- Media	<b>301</b>		NA
<b>Adjusted EBITDA</b>	<b>3 838</b>	3 860	-0,6 %
<b>CAPEX<sup>14</sup></b>	<b>2 312</b>	1 857	24,5 %
<b>EBITDA-CAPEX</b>	<b>1 526</b>	2 003	-23,8 %
<b>Net result</b>	<b>-138</b>	682	
<b>Net Debt</b>	<b>14 796</b>	14 401	
<b>Net Debt /Adjusted EBITDA Ratio <sup>13</sup></b>	<b>3,8x</b>	3,7x	

<sup>14</sup> Excluding €477m of 700 MHz spectrum capex in Q4 15.

## Annex 1

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.

The Group considers it relevant to present pro forma information to analyze the Q4 financial performance

### Reconciliation pro forma financial indicators Q4 2016 and Q4 2015

€ million	Q4 2016 (not audited)	Q4 2015 (not audited)	Restatement	Q4 2015 pro forma (not audited)	change
<b>Revenue</b>	<b>2 892</b>	2 744	131	<b>2 875</b>	0,6 %
- B2C	1 898	1 907		1 907	-0,5 %
- B2B	492	509		509	-3,3 %
- Wholesale	371	329		329	12,8 %
- Media	131		131	131	0,1 %
<b>Adjusted EBITDA</b>	<b>954</b>	827	24	<b>851</b>	12,1 %

### Reconciliation pro forma financial indicators FY 2016 and FY 2015

€ million	2016	Retraitements	2016 pro forma (not audited)
<b>Revenue</b>	<b>10 991</b>	180	<b>11 170</b>
- B2C	7 354		7 354
- B2B	2 013		2 013
- Wholesale	1 323		1 323
- Media	301	180	481
<b>Adjusted EBITDA</b>	<b>3 838</b>	19	<b>3 857</b>

€ million	FY 2016 pro forma (not audited)	FY 2015	Restatement	FY 2015 pro forma (not audited)	change
<b>Revenue</b>	<b>11 170</b>	11 039	464	<b>11 503</b>	-2,9 %
- B2C	7 354	7 595		7 595	-3,2 %
- B2B	2 013	2 116		2 116	-4,9 %
- Wholesale	1 323	1 328		1 328	-0,4 %
- Media	481	0	464	464	3,6 %
<b>Adjusted EBITDA</b>	<b>3 857</b>	3 860	35	<b>3 895</b>	-1,0 %

**About SFR Group - [www.sfr.com](http://www.sfr.com)**

*SFR Group is the second largest telecoms operator in France with a turnover of 11 billion euros in 2016 and prime positions in all market segments, from consumer, to Business to Business (B2B), local authorities, and wholesale. Equipped with the leading fibre optic network (FTTB/FTTH) with more than 9.3 million eligible connections, SFR also provides 3G coverage for more than 99% of the population and 4G/4G+ coverage for 81%. 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.*

*SFR Group is also adopting a new and increasingly integrated model around access and content convergence. Its new SFR Media entity consists of SFR Presse, which gathers all the group's media activities in France (Groupe L'Express, Libération, etc.), and NextRadioTV including the group's audiovisual activities in France (BFM TV, BFM Business, BFM Paris, RMC, RMC Découverte).*

*Listed on Euronext Paris, SFR Group (SFR) is owned by Altice group (84%).*

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