



SFR Group – Q1 2017 Results

- **Stable revenues again in Q1 2017 +0.6% YoY (+0.8% YoY excluding regulatory impacts¹) – all guidance reiterated**
- **Fastest 4G/4G+ rollout in the market with SFR overtaking Orange in terms of number of 4G sites, and continuing to be the market leader in terms of number of 4G antennas**
- **Accelerated B2C postpaid mobile customer base growth (+68k in Q1), supported by network investments and success of convergent SFR FAMILy! offers**
- **Continued rapid fiber FTTH/FTTB rollout (9.6 million homes passed Q1 2017)**
- **50% increase in SVOD viewership and SFR Presse downloads doubled in last 6 months**
- **Expect fixed trends to improve further in 2017 following investments in network and content, the completion of the restructuring of SFR's distribution business and other customer service improvements**

Q1 2017 Highlights

During the first quarter of 2017, SFR continued with its company transformation, its large-scale network deployments and the expansion of its fiber convergence strategy.

With 4,201 new municipalities getting 4G or 4G+ during the last quarter, SFR's 4G service now covers 88% of the population. For the 6th consecutive quarter, SFR remains the leader in terms of new 4G network deployments and had a total of 11,122 base stations in service as at 31 March 2017 (source ANFR)². In February, SFR reached second place in terms of the number of 4G sites activated and is still the leading operator with regard to the number of 4G antennas deployed (19,478). This investment has translated into a significant increase in the quality of SFR's mobile network services as shown by the latest *nPerf* barometer³ which ranks SFR second for all technologies combined (2G, 3G, 4G) and best operator for 4G+ coverage.

With regard to SFR's fiber-optic network (FTTH/FTTB), 318,000 new fiber connections were built during the first quarter, enabling SFR to remain the leading FTTB/FTTH provider with more than 9.6 million connections.

SFR continued its policy of selectively acquiring content and enhancing its offers, including adding Discovery channels on an exclusive basis and NBCU channels (13th Street, SyFy and E! Entertainment Television) in Q1. SFR also aired the preview of "The Same Sky" and "Taken" has been distributed on an exclusive basis on SFR Play, its VOD and SVOD platform. Separately, the SFR Presse application saw the arrival of new flagship titles such as L'Équipe, Le Figaro, Elle, Paris Match, Télé 7 Jours and even La Voix du Nord, contributing to a total of over 80 magazines and newspapers.

In addition, SFR has continued to expand its OTT ("over-the-top") strategy to enable the largest number of

¹ Excluding retail roaming EU tariffs impacts in May 2016.

² 2G/3G/4G monitoring carried out by the National Agency of Frequencies: <http://www.anfr.fr/gestion-des-frequences-sites/observatoire-2g-3g-4g/actualites/actualite/actualites/observatoire-anfr-3/#menu2>.

³ The barometer of mobile internet connections in mainland France in Q1 2017 carried out by nPerf: https://media.nperf.com/files/publications/FR/2017-04-11_Barometre-connexions-mobiles-metropole-nPerf-2017-T1.pdf.

people to access its content with the launch of SFR Play at €9.99 (incl. tax)/month as well as launching a package combining the best in sport including SFR Sport and beIN Sports for €19.99 (incl. tax)/month. SFR also launched the first "unlimited" mobile package with unlimited 3G and 4G mobile internet and 100GB to share among SFR FAMILy! members. The Red by SFR product range has been significantly enhanced as well with packages at €20 including 100GB of data and €15 including roaming in Europe and North America.

For B2B, SFR Business launched the High-Definition voice service on 4G (VoLTE or Voice HD 4G) for all its customers. This technological development has significantly improved the quality of voice services.

Finally, as part of its transformation, on 31 March SFR Group concluded the restructuring of its distribution business and as of 1 July will start the restructuring of its telecom business.

Proforma⁴ financial and operating review

SFR continues to invest in improving network quality, customer experience, retention processes and content bundles to reduce the churn of its customer base. As a result, the B2C and B2B mobile businesses (together representing c.46% of total revenues) have shown significant improvements in financial and operational trends. SFR is focused on stabilizing the fixed customer base in a similar way, working through every issue which has been identified as well as enhancing the value of its bundles to improve customer service and brand perceptions as soon as possible. At the same time, management is executing on the company transformation, completing the restructuring of the distribution business by the end of Q1 and planning the next phase of the voluntary plan which will commence in earnest from July 2017. Management remains confident in executing on its strategy despite the continued very competitive environment:

- Total SFR Group revenue grew +0.6% YoY in Q1 2017 pro forma for the acquisitions of media assets to a total of €2,705m (+0.8% YoY excluding regulatory impacts⁵). Guidance for revenue stabilization in FY 2017 on an organic basis reiterated;
- Mobile B2C postpaid customer base growth accelerated in Q1 with churn reducing again YoY, supported by network investments and success of convergent SFR FAMILy! offers;
 - The B2C postpaid customer base increased by 68k net additions in Q1 (vs. 33k net adds in Q4 2016 and -28k net losses in Q1 2016);
 - B2C mobile postpaid ARPU of €25.5 in Q1 also grew +3.6% YoY (vs. €24.6 in Q1 2016);
 - Mobile B2C service revenues grew in Q1 (+1.5% YoY), while the total mobile B2C revenue trend improved again declining -0.8% YoY (vs. -7.1%, -4.2% and -1.5% YoY in Q2, Q3 and Q4 2016 respectively);
- Fixed B2C revenue growth reached +2.4% YoY in Q1, mainly driven by fixed ARPU growth of +6.0% YoY, again benefitting from the content and bundling initiatives implemented in May 2016 (blended fiber/DSL ARPU increased to €35.9 in Q1 2017 compared to €33.9 in Q1 2016);
 - Total fixed B2C customer base trends improving with -35k net losses in Q1 (vs. -58k, -75k, and -61k net losses in Q2, Q3 and Q4 2016 respectively). Expect fixed trends to improve further in 2017;
 - DSL net losses reduced to -79k in Q1 as SFR increased the competitiveness of its DSL offers; fiber net adds of +45k were in line with recent quarters but should now improve following investments in network and content, the completion of the restructuring of SFR's distribution business and other customer service improvements;
- B2B revenue was down -4.1% YoY with the significant improvements in SFR's mobile network quality and service continuing to support a better mobile revenue trend (particularly in the SMB segment), offset by

⁴ 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 1/1/16, including NextRadioTV and Altice Media Group France media assets.

⁵ Excluding retail roaming EU tariffs impacts in May 2016.

further price competition in the fixed enterprise segment and a reduced number of new larger corporate contracts being signed in Q1 (expecting a stronger pipeline from Q2);

- Mobile B2B base (ex-M2M) remained relatively stable in Q1 with net losses of -22k (vs. -51k in Q1 2016), supporting a further improvement in the revenue trend declining -2.4% YoY (vs. -8.4%, -6.6% and -5.6% in Q2, Q3 and Q4 2016 respectively);
 - Continuous improvement in delivery processes and the order backlog;
- Wholesale revenue increased +7.7% YoY in Q1, including better international trends (e.g. transit);
 - Other revenue grew +5.6% YoY in Q1 with continued strong growth at NextRadioTV partly offset by the external legacy print revenue decline at Altice Media Group France. Revenue growth has been supported by strong and improving TV and radio audiences boosting advertising revenues. SFR completed the sale of NewsCo and l'Etudiant within the AMG France business (retaining an ownership stake of 25%) on 28 April 2017.

SFR's Adjusted EBITDA declined by -5.1% in Q1 2017 YoY to €820 million with margins contracting by 1.8% pts YoY to 30.3% reflecting recently acquired content rights and with savings from the voluntary leavers yet to be fully realized.

Key Financial Indicators

Pro forma information for Q1 financial performance, including reconciliation with reported figures, is provided in Annex 1.

Key financial indicators for Q1 2017 and Q1 2016

€ million	Q1 2017 (not audited)	Q1 2016 (not audited)	change	Q4 2016
Revenue	2 705	2 573	+5.1 %	2 892
- B2C	1 770	1 762	+0.4 %	1 898
- B2B	494	515	-4.1 %	492
- Wholesale	318	295	+7.7 %	371
- Media	123		NA	131
Adjusted EBITDA	820	851	-3.6 %	954
CAPEX	486	430	+13.1 %	775
EBITDA-CAPEX	334	421	-18.3 %	179
Net Debt / Adjusted EBITDA Ratio ⁶	4,0x	3,8x		3,8x

⁶ Calculated as Net Debt / Adjusted EBITDA (Last Twelve Months). Definitions of Adjusted EBITDA and Net Debt are specified in note 2.4 and 24.3 of the Annex to 2016 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 Q1 2017 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 Q1 amounted to €486 million, an increase of €45 million pro forma compared to Q1 2016 reflecting accelerated investments in expanding SFR's 4G/4G+ mobile and fiber networks. As a result of its successful investment strategy, SFR is now the number 2 operator in terms of 4G sites, and remains the market leader in terms of its total number of 4G antennas.

Net debt

SFR Group Net Debt amounted to €15,343 million at the end of Q1 2017, an increase of €547 million from Q4 2016. The group's Net Debt to Adjusted EBITDA ⁶ ratio was 4.0x as of the end of March 2017.

Key performance indicators Q1 2017 and Q1 2016

Customers in thousands ARPU in €		Q1 2016	Q4 2016	Q1 2017
Mobile B2C	Number of customers	14 865	14 625	14 514
	ARPU	21.8	23.0	22.6
Fixed B2C	Number of customers	6 292	6 113	6 079
	ARPU	33.9	36.9	35.9

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 Q1 financial performance

Reconciliation pro forma financial indicators Q1 2017 and Q1 2016

€ million	Q1 2017 (not audited)	Q1 2016 (not audited)	Restatement	Q1 2016 pro forma (not audited)	change
Revenue	2 705	2 573	116	2 690	+0.6 %
- B2C	1 770	1 762		1 762	+0.4 %
- B2B	494	515		515	-4.1 %
- Wholesale	318	295		295	+7.7 %
- Media	123		116	116	+5.6 %
Adjusted EBITDA	820	851	13	864	-5.1 %

About SFR Group - 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 9.6 million eligible connections, SFR also provides 3G coverage for more than 99% of the population and 4G/4G+ coverage for 88%. 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 (90%).

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