



## **SFR Group – Q2 2017 Results**

- Significant progress in improving commercial performance following accelerated investment in enhancing SFR's network quality, customer experience and content bundles
- 4G coverage target reached 6 months in advance – SFR now covering 91% of the population
- Continued rapid fiber FTTH/FTTB rollout (10 million homes passed Q2 2017); Altice-SFR announced nationwide fiber rollout by 2025 without public subsidies
- Stable total SFR Group revenues +0.1% YoY in H1 2017; -0.4% YoY in Q2 2017 (-0.2% YoY excluding EU regulatory impacts<sup>1</sup>); successful turnaround since Altice took control of SFR
- FY 2017 guidance reiterated
- Continued B2C postpaid mobile customer base growth (+34k net additions in Q2 2017), supported by much better quality of service and success of convergent SFR FAMILy! offers
- Sustained mobile service revenue growth +1.7% YoY in Q2 2017
- B2C Fixed broadband base stabilizing (-16k net losses in Q2 2017)
- New TV channel launches, new content rights acquired and new original content produced
- SFR Media revenue up +19% YoY

### **Q2 2017 Highlights**

#### **Network investments paying off**

SFR is still seeing the benefits of its significant investment in infrastructure materialize and is now:

- #1 for active 4G antennas (source: ANFR)
- #1 for 4G coverage of France's territory (ARCEP)
- #1 for 4G coverage of the population in low-density areas (ARCEP)
- #1 for the reliability of coverage maps (ARCEP)

In its annual survey, French national telecom regulator ARCEP confirmed the huge improvement in the quality of SFR's mobile services. SFR is the leader for mobile internet speeds and uptake in rural areas and offers one of the best quality for voice and SMS services across the country. SFR has also announced the arrival of VoWiFi and VoLTE this summer; and 4G+ mobile download speeds up to 500 Mbps in 2018.

With 5,440 new municipalities receiving 4G or 4G+ coverage during the last quarter, SFR's 4G service now covers 91% of the population (already exceeding management's 90% target for 2017).

With regard to SFR's fiber-optic network (FTTB/FTTH), 330,000 new fiber connections were built during the second quarter, enabling SFR to remain the leading fiber provider in France with 10 million connections in 1,500 municipalities. SFR's fixed networks are also being recognized for record high quality of service. Indeed, in its Q2 barometer of fixed Internet connections in France, nPerf ranked SFR in first position, far ahead of its competitors, for the average download bitrates, for ADSL, FTTB and FTTH. This result, obtained from millions

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

of user tests, highlights the superior performance of SFR's fixed networks.

Thanks to its excellent results in 4G deployment and cable network upgrade, Altice-SFR announced on July 12 an ambitious program in order to accelerate the fiber coverage expansion to the entire French territory. This program, based on an entirely private investment model without public subsidies, will allow a coverage of 80% of the territory with FTTB/H by 2022 and 100% by 2025. In practice, this leads to the creation of a structure dedicated to the FTTH rollout: Altice Infrastructure, which will begin deployments in September 2017, with the first households to receive their new FTTH services in the fall. Altice-SFR will have its own infrastructure for both very high speed fixed and mobile broadband. It will reduce its dependence on third parties and strengthen its capacity to produce and master new innovative services.

### **New products & services**

In the consumer market, SFR celebrated its 30th anniversary by introducing two simple and unique subscriptions in the fixed and mobile markets, both priced at €24.99/month including VAT and both with no strings attached. The packages include all premium content (SFR Presse, SFR Sport, SFR News and SFR Play). SFR also included Netflix in its services, to provide the most comprehensive experience to its subscribers.

In the B2B market, SFR Business launched the market's first Box 4G pro, as well as a dedicated and competitive FTTx subscription accessible to most companies. SFR also announced a fiber-connected Box for the "pro" market segment to launch in September. In addition, SFR Business increased the capacity of five of its datacenters, to stay ahead of its customers' growing needs.

### **New Content**

SFR continued its ambitious content strategy announcing the exclusive distribution of the Champions League and Europa League for the 2018 to 2021 seasons, following Altice's acquisition of these rights. SFR Sport is now also available on Android TV and on connected TVs in its OTT version. SFR also announced the addition of the famous sports daily l'Equipe to the SFR Presse package; the distribution of a new exclusive series – Riviera – on SFR Play, and the launch of the new TV channels, My Cuisine and Altice Studio.

### **Corporate evolution**

SFR announced it would rebrand to Altice by Q2 2018, following the launch of the global brand in all of Altice's subsidiaries, highlighting Altice's strength as an international leader of telecoms & content.

The competition authority (ADLC) has authorized SFR's takeover of NextRadioTV. SFR also announced that it would refocus its press activities on its flagship assets, l'Express and Libération.

Lastly, the company's transformation plan entered its final phase following the agreements made with the unions and authorities regarding the voluntary program, which became effective in early July.

## **Proforma<sup>2</sup> financial and operating review**

SFR continues to make significant progress in improving commercial performance following accelerated investment in enhancing its network quality, customer experience and content bundles.

Competition in the mobile market has deteriorated recently with more aggressive promotions from competitors for longer periods. However, SFR's B2C and B2B mobile businesses continue to have better financial and operating trends than previously. ARCEP is recognising SFR now as #1 for 4G mobile coverage of France's territory, and #1 for 4G coverage of the population in low-density areas, which is helping to retain and attract more subscribers.

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<sup>2</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 1/1/16, including NextRadioTV and Altice Media Group France media assets.

As SFR has focused more on stabilising the fixed business, including by improving customer service and launching new content bundles, the subscriber trend here has also improved substantially in the past six months (so far driven mostly by better DSL performance). The acceleration of Altice-SFR's fiber deployment in France, notably expanding FTTH coverage in low-density and rural areas, should support better fiber subscriber trends as the addressable market for very high speed broadband services expands.

Simultaneously, Management continues to execute on the company transformation, commencing the next phase of the voluntary plan in July 2017, as expected. Overall, Altice's turnaround strategy for SFR is gaining significant momentum now which will culminate with the rebranding to 'Altice' in H1 2018:

- Total SFR Group revenue was flat (-0.4% YoY) in Q2 2017 pro forma for the acquisitions of media assets totaling €2,763m (-0.2% YoY excluding regulatory impacts). Guidance for revenue stabilization in FY 2017 on an organic basis reiterated;
- The mobile B2C postpaid customer base continued to grow in Q2 supported by network investments and the success of convergent SFR FAMILy! offers;
  - The B2C postpaid customer base increased by +34k net additions in Q2, a significant improvement YoY (vs. -199k net losses in Q2 2016);
  - B2C mobile postpaid ARPU of €25.2 in Q2 also grew +0.7% YoY (vs. €25.0 in Q2 2016);
  - Mobile B2C service revenues grew again in Q2 (+1.7% YoY), while the total mobile B2C revenue trend improved again declining -0.7% YoY (vs. -7.1%, -4.2%, -1.5% and -0.8% YoY in Q2 2016, Q3 2016, Q4 2016 and Q1 2017 respectively).
- Fixed B2C revenue declined -2.6% YoY in Q2, mainly driven by a decline in the fixed subscriber base YoY. ARPU also declined slightly reflecting the lapping of the content and bundling initiatives implemented in May 2016 as well as gross add ARPU dilution from the commercial traction of SFR's more compelling low-end DSL offers. Blended fiber/DSL ARPU decreased to €35.1 in Q2 2017 compared to €35.6 in Q2 2016;
  - Total fixed B2C customer base trends improved again with -16k net losses in Q2 (vs. -58k, -75k, -61k and -35k net losses in Q2 2016, Q3 2016, Q4 2016 and Q1 2017 respectively);
  - DSL net losses reduced to -51k in Q2 (the best performance since 2014), as SFR increased the competitiveness of its DSL offers; fiber net adds of +35k remain disappointing but should improve with the acceleration of Altice-SFR's fiber deployment and enhanced content bundles.
- B2B & Wholesale revenue declined -0.7% YoY in Q2 2017. The significant improvements in SFR's mobile network quality and service continue to support a better B2B mobile subscriber trend (particularly in the SMB segment). There is still significant price competition in the B2B fixed enterprise segment but the company saw a stronger pipeline of new larger corporate contracts in Q2. The Wholesale business is benefitting from higher revenues from roaming (supported by recent mobile network quality improvements) with revenue growth here partly offsetting the overall B2B revenue decline;
  - Mobile B2B base (ex-M2M) remained relatively stable in Q2 with net losses of -19k (vs. -46k in Q2 2016).
- Other (SFR Media) revenue grew +18.9% YoY in Q2 with continued strong growth at NextRadioTV partly offset by the external legacy print revenue decline at Altice Media Group France. Revenue growth continues to be supported by strong and improving TV and radio audiences boosting advertising revenues.
- SFR's Adjusted EBITDA declined by -4.6% in Q2 2017 YoY to €953m with margins contracting by -1.5% pts YoY to 34.5% reflecting recently acquired content rights and with savings from the voluntary leavers yet to be fully realized.

## Key Financial Indicators

### Key financial indicators for Q2 2017 and Q2 2016

€ million	Q2 2017 (not audited)	Q2 2016 (not audited)	change	Q1 2017
<b>Revenue</b>	<b>2,763</b>	<b>2,723</b>	<b>1.5%</b>	<b>2,705</b>
- B2C	1,786	1,813	(1.5%)	1,770
- B2B/ Wholesale	836	841	(0.7%)	812
- Media	141	68	107.6%	123
<b>Adjusted EBITDA</b>	<b>953</b>	<b>993</b>	<b>(4.0%)</b>	<b>820</b>
<b>CAPEX</b>	<b>643</b>	<b>572</b>	<b>12.5%</b>	<b>486</b>
<b>EBITDA-CAPEX</b>	<b>310</b>	<b>421</b>	<b>(26.3%)</b>	<b>334</b>
<b>Net Debt / Adjusted EBITDA Ratio <sup>3</sup></b>	<b>4.1x</b>	<b>4.0x</b>		<b>4.0x</b>

### 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 Q2 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 Q2 amounted to €643 million, an increase of €71 million pro forma compared to Q2 2016 reflecting accelerated investments in expanding SFR's 4G/4G+ mobile and fiber networks. As a result of its successful investment strategy, SFR reached its 4G target of 90% population coverage 6 months in advance and is the number 1 operator in terms of territory coverage and 4G antennas.

### Net debt

SFR Group Net Debt amounted to €15,373 million at the end of Q2 2017, an increase of €20 million from Q1 2017. The group's Net Debt to Adjusted EBITDA<sup>3</sup> ratio was 4.1x as of the end of June 2017.

### Key performance indicators Q2 2017 and Q2 2016

Customers in thousands		Q2 2016	Q1 2017	Q2 2017
ARPU in €				
<b>Mobile B2C</b>	Number of customers	14 577	14 514	<b>14 551</b>
	ARPU	22.3	22.6	<b>22.5</b>
<b>Fixed B2C</b>	Number of customers	6 234	6 079	<b>6 063</b>
	ARPU	35.6	35.9	<b>35.1</b>

<sup>3</sup> 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.

### **Key financial indicators for H1 2017 and H1 2016**

*Pro forma information for H1 financial performance, including reconciliation with reported figures, is provided in Annex 1.*

€ million	H1 2017 (not audited)	H1 2016 (not audited)	change
<b>Revenue</b>	<b>5,469</b>	<b>5,296</b>	3.3%
- B2C	3,556	3,576	(0.5%)
- B2B/Wholesale	1,648	1,652	(0.3%)
- Media	264	68	288.1%
<b>Adjusted EBITDA</b>	<b>1,773</b>	<b>1,844</b>	(3.8%)
<b>CAPEX</b>	<b>1,128</b>	<b>1,001</b>	12.7%
<b>EBITDA-CAPEX</b>	<b>644</b>	<b>842</b>	(23.5%)
<b>Net Debt / Adjusted EBITDA Ratio <sup>4</sup></b>	<b>4.1x</b>	<b>4.0x</b>	

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<sup>4</sup> 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.

## 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 Q2 financial performance

### Reconciliation pro forma financial indicators Q2 2017 and Q2 2016

€ million	Q2 2017 (not audited)	Q2 2016 (not audited)	Restatement	Q2 2016 pro forma (not audited)	change
<b>Revenue</b>	<b>2,763</b>	<b>2,723</b>	<b>51</b>	<b>2,773</b>	<i>(0.4%)</i>
- B2C	1,786	1,813	-	1,813	<i>(1.5%)</i>
- B2B/Wholesale	836	841	-	841	<i>(0.7%)</i>
- Media	141	68	51	119	<i>18.9%</i>
<b>Adjusted EBITDA</b>	<b>953</b>	<b>993</b>	<b>6</b>	<b>999</b>	<i>(4.6%)</i>

### Reconciliation pro forma financial indicators H1 2017 and H1 2016

€ million	H1 2017 (not audited)	H1 2016 (not audited)	Restatement	H1 2016 pro forma (not audited)	change
<b>Revenue</b>	<b>5,469</b>	<b>5,296</b>	<b>167</b>	<b>5,463</b>	<i>0.1%</i>
- B2C	3,556	3,576	-	3,576	<i>(0.5)%</i>
- B2B/Wholesale	1,648	1,652	-	1,652	<i>(0.3)%</i>
- Media	264	68	167	235	<i>12.3%</i>
<b>Adjusted EBITDA</b>	<b>1,773</b>	<b>1,844</b>	<b>19</b>	<b>1,863</b>	<i>(4.8)%</i>

#### 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 10 million eligible connections, SFR also provides 3G coverage for more than 99% of the population and 4G/4G+ coverage for 91%. 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 (94%).

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