



Q3 2016 Results

- Another material revenue improvement in Q3, declining 2.0% YoY excluding regulatory impact (-2.4% YoY including media assets on a pro forma basis)
- Return to EBITDA growth
- Continued fast FTTH / FTTB (8.9 million homes passed) and 4G/4G+ rollout (73% coverage)
- Increase in FTTH / FTTB customer base to 1.97 million customers; ARPU increasing with successful content bundling
- B2C mobile base and ARPU stabilizing from content bundling – now launched 7 new channels (including SFR Sport and BFM Paris) and adding new content in other areas
- Improving B2B trends

Q3 2016 highlights

In the third quarter of 2016, SFR continued to pursue its strategy of investing in network and content.

Massive network investments

The massive boost in investment that began just over a year ago has delivered. For four quarters running, SFR has been the operator activating the most 4G sites, carrying out the largest deployment ever by a telco in France: 4,549 new 4G sites in twelve months. SFR now covers 73% of the French population with 4G/4G+ (up 13 percentage points in one year).

The FTTB/FTTH rollout continues at an accelerated pace as well, with SFR now totaling 8.936 million connections (delivering speeds between 100 Mbps and 1 Gbps).

Revamped service offerings including the best content

SFR finalized in the third quarter all of its new “content blocks” - SFR Presse, SFR News, SFR Sport, and SFR Play - which has extended our new service offering.

In particular, with the launch of our premium channel SFR Sport 1 in August (including the Premier League), the exclusive TV series “Medici, Masters of Florence” in late October (on SFR Play) and the local channel BFM Paris in early November (SFR News), SFR now offers an outstanding full range of innovative content, which will spearhead our sales push in the Christmas shopping season.

SFR also introduced a disruptive offering in mid-September: a smartphone rental scheme that enables customers to upgrade their devices every year.

Corporate transformation plan already underway

SFR also initiated its “New Deal” transformation plan, following an agreement with the Unions in the summer. This plan will enable the company to carry out a deep transformation to adapt to the realities of the French market and - above all – to simplify its organization and processes for a more effective customer service. The plan involves only voluntary departures.

In addition, Altice’s ongoing vertical integrations (announced on September 5) of customer care specialists, Intelcia, and network technical services provider, Parilis, will enhance this simplification. Indeed, the integration of these activities will provide better control over the full customer journey, as well as increase the security of future infrastructure deployments at a time when their pace is increasing.

Proforma¹ financial and operating review

The focus for SFR Group is on improving network quality, customer experience, retention processes and content enriched service bundles (the “Altice Way”), which combined with improving market dynamics is expected to drive further significant improvements in revenue and EBITDA trends:

- Revenue declined 2.0% YoY in Q3 2016 pro forma for recent acquisitions of media assets excluding regulatory impacts², or 2.4% decline including these impacts. FY 2016 revenue trend still expected to be better than FY 2015 (-3.5% YoY), with another material improvement in Q3 2016 as revenue ex-media assets³ declined 2.6% YoY (vs. -6.1% and -4.6% in Q1 and Q2 2016 respectively);
- Return to fixed B2C revenue growth in Q3 2016 (+1.3% YoY), driven by fixed ARPU growth of 4.2% YoY with a full quarter of benefit from the content and bundling initiatives implemented in May 2016 (blended fiber/DSL ARPU increased to €37.3 in Q3 2016 compared to €35.8 in Q3 2015). Continued fiber customer net additions (+44k) in Q3 2016, in line with prior quarter but significant improvement in September with launch of new SFR Sport channels (including Premier League content) and enhanced “back to school” offers. Improving execution on fiber migrations supported by insourcing SFR’s main technical services provider, and rolling out new customer premise equipment. We are improving customer experience to reduce churn and adding new content to convergent offers (full benefit expected from 2017). Total fiber and DSL customer losses worsened slightly (-75k vs. -58k in Q2 2016 and -42k in Q3 2015) as competition in the DSL market remains intense. SFR is increasing the competitiveness of its DSL offers to reduce line losses.
- B2C mobile customer base stabilizing. Reduced mobile postpaid churn again YoY (B2C net losses of -73k in Q3 2016 vs. -82k in Q3 2015) with ARPU of €26.1 in Q3 up again sequentially (vs. €24.6 and €25.0 in Q1 and Q2 2016 respectively) and stabilizing YoY (-1.4%);
- Continue to see benefits of accelerated network upgrades and content initiatives, as SFR is the clear fiber leader with rapidly improving mobile network service.
- B2B revenue was down 4.0% YoY in Q3 but B2B mobile customer losses continue to improve as network quality and service improvements are reducing churn:
 - Mobile B2B postpaid losses improved again in Q3 2016 to -21k from -41k in Q3 2015 and -46k in Q2 2016), although ARPU declined 4.6% YoY. There remains delivery backlog in the B2B fixed business and the decline of the legacy fixed voice business is still a drag;
 - The focus for this business segment is still 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 remain a positive offset in the near term.
- Wholesale revenue declined 3.1% YoY. Other revenue increased 4.8% YoY, driven by continued strong growth at SFR RadioTV.

SFR’s Adjusted EBITDA returned to growth in Q3 2016, +0.6% YoY to €1,041 million⁴ including recently acquired media assets, with margins expanding by 1.1% pts YoY to 37.1% due to ongoing efficiency programs. 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.

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 Next RadioTV and Altice Media Group France media assets.

² Excluding retail roaming EU tariffs impacts in May 2016.

³ Excluding acquired content and media assets for comparability (i.e. NextRadioTV and Altice Media Group France).

⁴ Excluding media assets, EBITDA increased 0.7% YoY.

Key pro forma financial indicators Q3 2016 and Q3 2015 (restated)⁵

Unaudited

€ million	Q3 2016	Q3 2015 proforma	Change
Revenue	2 802	2 870	-2.4%
- B2C	1 880	1 922	-2.2%
- B2B	495	516	-4.0%
- Wholesale	324	335	-3.1%
- Other	102	97	4.8%
Adjusted EBITDA	1 041	1 034	0.6%

The Group considers it relevant to present pro forma information to analyze the Q3 financial performance. See the reconciliation table with the GAAP figures in Annex 1.

Key financial indicators for Q3 2016 and Q3 2015 (restated)⁵

€ million	Q3 2016	Q3 2015	Change	Q2 2016
Revenue	2 802	2 773	1.1%	2 723
- B2C	1 880	1 922	-2.2%	1 813
- B2B	495	516	-4.0%	509
- Wholesale	324	335	-3.1%	333
- Other	102		NA	68
Adjusted EBITDA	1 041	1 038	0.2%	993
CAPEX	536	421	27%	572
EBITDA-CAPEX	504	617	-18%	421
Net Debt	15 008	12 474		15 121
Net Debt / EBITDA Ratio	4.0x	2.9x		4.0x

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 Next RadioTV (rebranded SFR RadioTV) was transferred from Altice to SFR as of 12 May 2016. The results for Next RadioTV and AMG are incorporated into SFR's Q3 financial statements. 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 Q3 amounted to €536 million, an increase of €115 million compared to Q3 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 debt

SFR Group Net Debt amounted to €15.008 billion at the end of Q3 2016, a decrease of €113 million from Q2 2016. The group's Net Debt to Adjusted EBITDA⁶ ratio was 4.0x as of the end of September 2016.

On 17 October 2016, Altice N.V. announced it had successfully priced for its SFR Group SA credit pool €2.3bn equivalent of term loans with institutional investors split between: (i) a \$1,790 million Term Loan,

⁵ 2015 EBITDA restated for Q3, increased by €5 million to reflect purchase price allocations of SFR and Virgin Mobile.

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

and; (ii) a €700 million Term Loan. The proceeds will be used to repay the entire amount of the: (i) \$550 million term loan due June 2022; (ii) the \$1,340 million and €500 million term loans due January 2023, and; (iii) €100 million of the aggregate principal amount outstanding under the RCF. The transaction improves SFR's debt maturity profile (from 7.3 to 7.6 years, pro forma as of September 2016) and reduces the weighted average cost of debt (from 5.3% to 5.2%).

Key performance indicators Q3 2016 and Q3 2015

<i>Customers in thousands</i>		<i>Q3 2015</i>	<i>Q2 2016</i>	<i>Q3 2016</i>
<i>ARPU in €</i>				
Mobile B2C	<i>Number of customers</i>	15 083	14 577	14 489
	<i>ARPU</i>	23.2	22.3	23.4
Fixed B2C	<i>Number of customers</i>	6 359	6 234	6 159
	<i>ARPU</i>	35.8	35.6	37.3

Key financial indicators 9 months 2016 and 9 months 2015 (restated)⁵

<i>€ million</i>	<i>9 months 2016</i>	<i>9 months 2015</i>	<i>Change</i>
Revenue	8 099	8 295	-2.4%
- B2C	5 456	5 689	-4.1%
- B2B	1 521	1 607	-5.4%
- Wholesale	952	999	-4.7%
- Other	170		na
Adjusted EBITDA	2 884	3 034	-4.9%
CAPEX	1 537	1 238	24.2%
EBITDA-CAPEX	1 347	1 795	-25.0%
Net Debt	15 008	12 313	
Net Debt / Adjusted EBITDA Ratio	4.0x	2.9x	

Annex 1

Reconciliation pro forma financial indicators Q3 2016 and Q3 2015 (restated)⁵

	Q3 2016	Q3 2015	Restatement Q3 2015 Next RadioTV and AMG	Q3 2015 proforma	Change
€ million					
Revenue	2 802	2 773		2 870	-2.4%
- B2C	1 880	1 922		1 922	-2.2%
- B2B	495	516		516	-4.0%
- Wholesale	324	335		335	-3.1%
- Other	102		97	97	4.8%
Adjusted EBITDA	1 041	1 038	-4	1 034	0.6%

About SFR Group - www.sfr.com

SFR Group is the second largest telecoms operator in France with a turnover of 11 billion euros in 2015 and prime positions in all market segments, from consumer, to Business to Business (B2B), local authorities, and wholesale. Featuring the first fiber optic network (FTTB/FTTH) with 8.9 million eligible connections, SFR Group intends to stay ahead with its rollout plan to reach 22 million homes by 2022. Its leading mobile network covers more than 99% of the population with 3G and 73% with 4G/4G+. 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.), SFR RadioTV including the group's audiovisual activities in France (BFM TV, BFM Business, BFM Paris, RMC, RMC Découverte), and SFR Sport.

Listed on NYSE Euronext Paris, SFR Group (SFR) is owned by Altice group (83%).

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