



Et le monde est à vous.

# SFR

## Investors' presentation

June 2010

# AGENDA

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**1** | **Integrated fixed/mobile operator with strong assets**

**2** | **Growth opportunities**

**3** | **2009 performance overview**

**4** | **2010 Q1 results & FY guidance**

# AGENDA

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**1** | **Integrated fixed/mobile operator with strong assets**

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# SFR is an integrated fixed/mobile operator with strong assets and opportunities of value creation

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- 1 Generating scale effects due to the increased **size** of the SFR group
- 2 Promoting a single **brand**, for all offers and customers
- 3 Capitalizing on large **customer bases** both on mobile and fixed
- 4 Leveraging multiple channels for **distribution** and **customer care**
- 5 Optimising **network** synergies

# SFR, global operator with strong positions on all segments

**SFR covers all segments of the French telecoms market**

**Consumer**

**Enterprise**

**Wholesale**

**Addressing 25m customers**

❑ 20.4m mobile customers, with 74% postpaid

❑ 4.6m broadband Internet customers

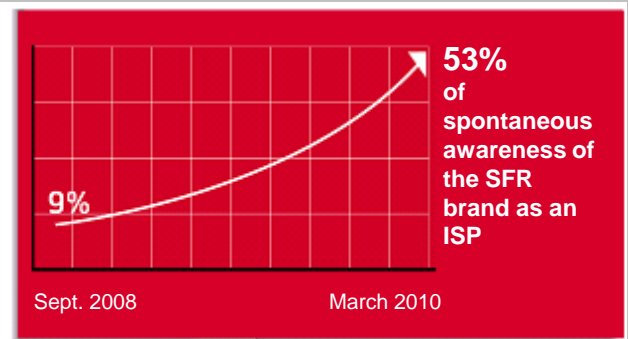
❑ 140k enterprise customers

❑ 200 operators and 8 MVNOs

*At the end of March 2010*

**SFR, a well-established and powerful brand**

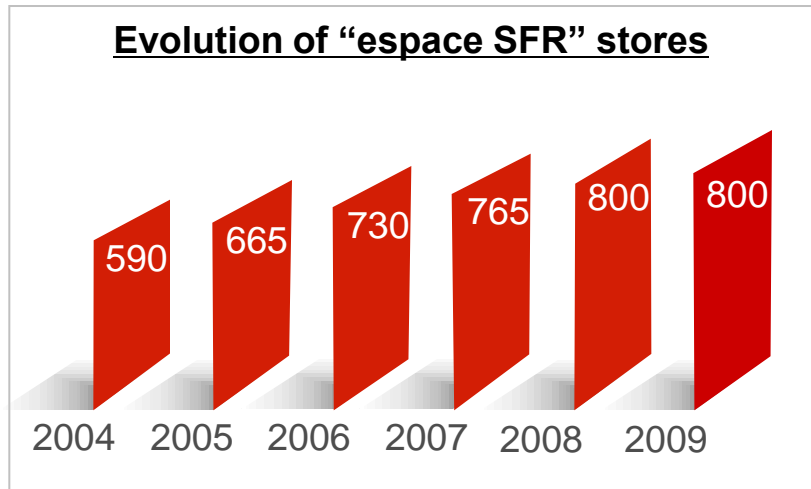
❑ From a mobile-specialist brand to a global operator brand



# A strong multi-channel distribution and customer support

## □ A strong distribution network providing enhanced proximity and quality of service for our customers

- ✓ 800 “espace SFR” distributing both mobile and fixed offers



## □ Assistance at the heart of the customer proposition

- ✓ 3G back-up key provided in case of ADSL outage
- ✓ After-sales support corner in shops
- ✓ « Personalised follow-up » at customer care, with dedicated experts



# Online at the core of customer relationships

## ❑ All customer relationship activities go online

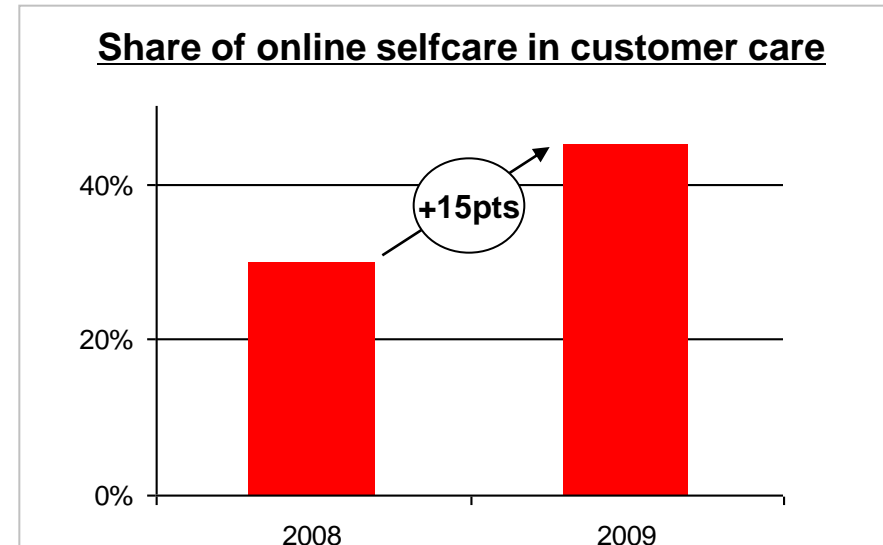
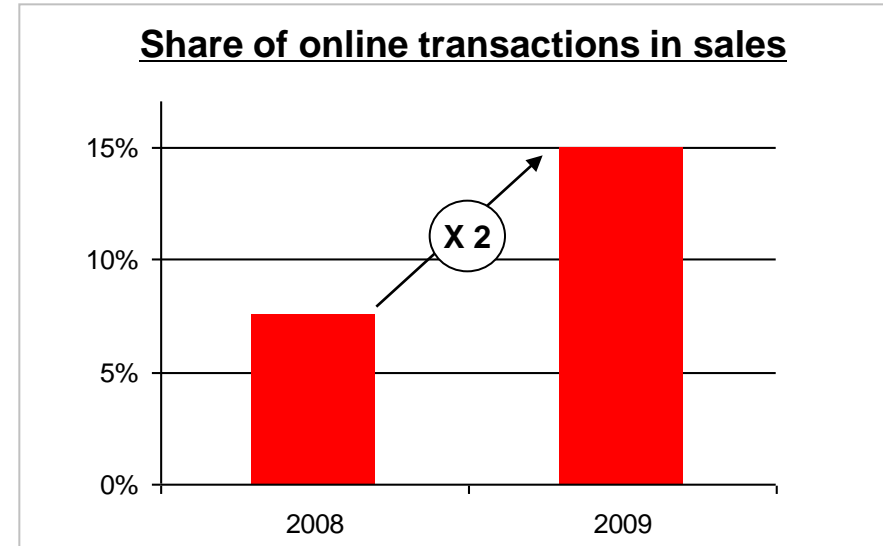
- ✓ Sales, selfcare, e-billing, online assistance

## ❑ Enhanced customer experience

- ✓ Increased flexibility
- ✓ Multi-channel shopping combining online and physical shops

## ❑ Increased efficiency of contacts

- ✓ Optimisation of commercial costs online vs. physical distribution
- ✓ Reduction of calls volume to customer care



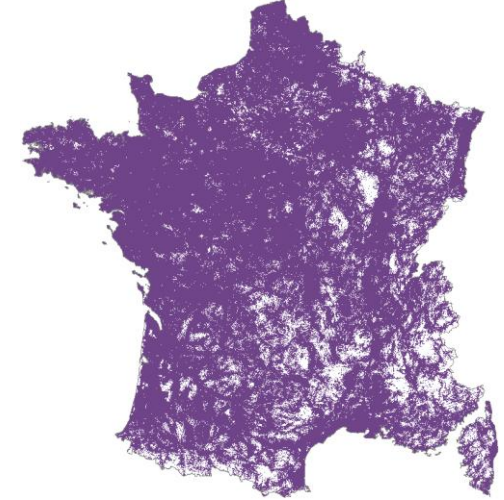
# 1<sup>st</sup> alternative broadband infrastructure in France

## 3G/3G+ network coverage at end 2011

(98% pop. coverage target)

### ❑ Leading mobile broadband network

- ✓ 87% population coverage in 3G/3G+ as of mid-2010, extending to 98% by end 2011
- ✓ 7.2 Mbps HSDPA deployed over 100% of 3G network
- ✓ 2m WiFi hotspots



### ❑ The 1<sup>st</sup> alternative fixed broadband infrastructure

- ✓ 70% unbundled ADSL lines
- ✓ 2,900 unbundled local exchanges (+600 vs. 2008)
- ✓ FTTH deployments: 1.8m home street passed at end 2009
- ✓ 57,000 km fiber backbone

## Fixed network infrastructure

(71% pop. coverage of unbundled ADSL at end 09)



### ❑ Optimising networks with the migration to “all-IP”

- ✓ Evolution towards IP-based infrastructure for all access networks (fixed & mobile) and services (voice & data)



# Leveraging synergies between fixed and mobile networks

## Objectives:

- ❑ Increase network capacity to manage mobile data traffic growth
- ❑ Enhance mobile broadband access performance to improve user experience
- ❑ Build an efficient “pipe” which reduces data transmission costs

## ❑ Off-loading traffic to the fixed network

✓ **WiFi:** “Always best connected” application facilitating seamless roaming on SFR’s 2m WiFi hotspots for 3G dongles and webphones



✓ **Femtocell:** product launched end 2009



## ❑ Connecting cellular radio sites to the transport network using own fixed transmission solution

✓ **ADSL:** 80-90% OPEX reduction

✓ **Fiber:** considerable capacity increase and no more OPEX to 3rd party

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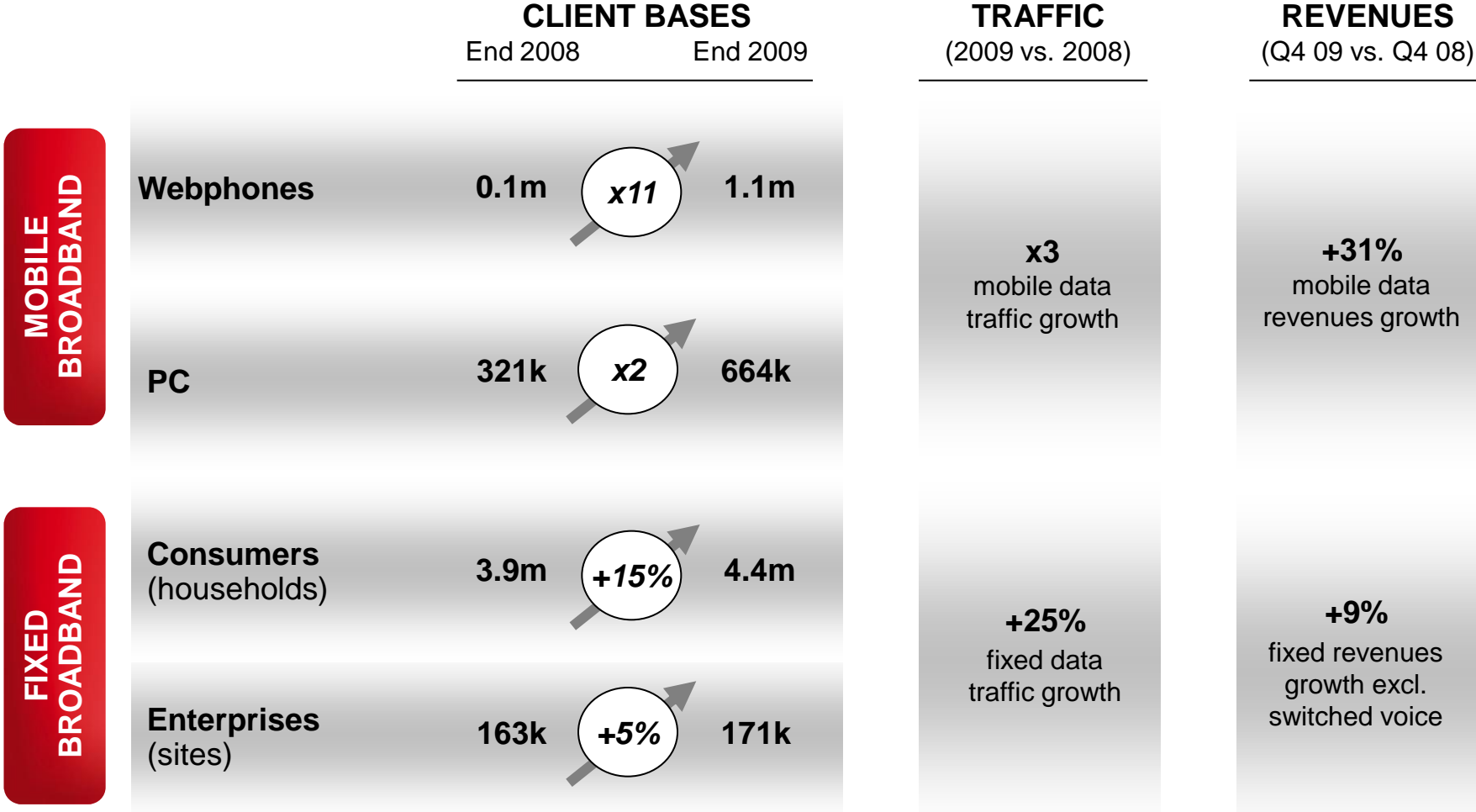
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# Growth in broadband



# Focus on mobile data services

## Fast adoption of webphones: 1.1m user base as of end 2009

- ~15/20% of gross adds
- 8% penetration in postpaid base
- Applications by SFR

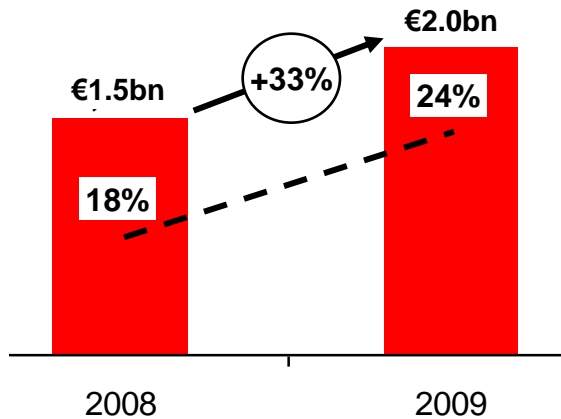


### Growing choice of devices offered to customers

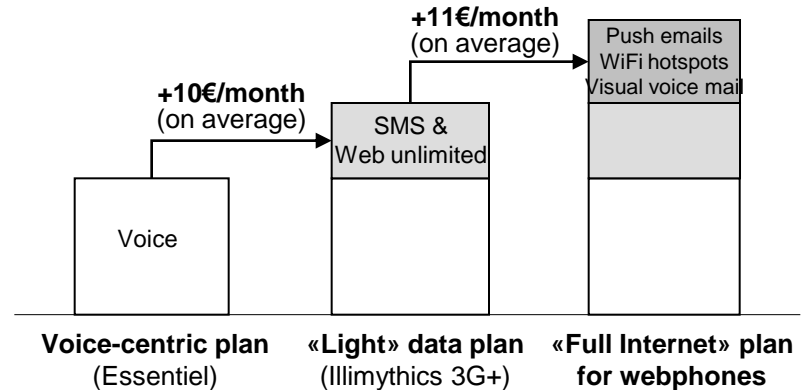


## Value moving into data: 24% of mobile service revenues come from data (+6 pts YoY)

### Mobile data revenues



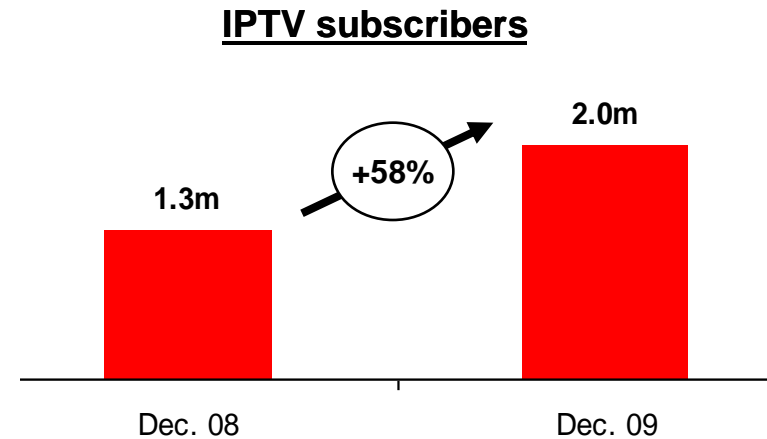
### Voice / data rebalancing in postpaid offers



Based on SFR's commercial offers as of March 1<sup>st</sup>, 2010

# Focus on IPTV services

- ❑ 2m IPTV users or 45% of the ADSL customer base
- ❑ IPTV services penetration driven by the commercial success of the neufbox triple-play offer and pursuit of unbundling



## TV

- ✓ More than 140 channels included and more than 150 optional channels
- ✓ ~500k subscribers to pay-TV bouquets and channels (+88% YoY)
- ✓ 7 High Definition TV channels offered



## Video and TV on Demand

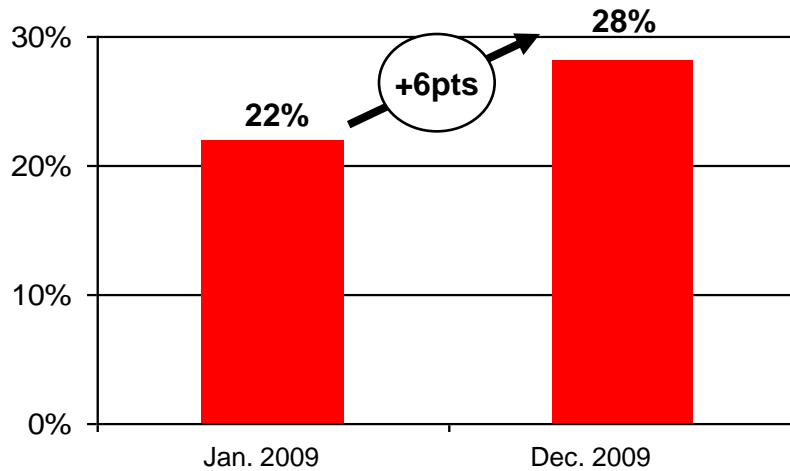
- ✓ More than 7,000 films in the VoD catalogue
- ✓ Catch-up TV: fast adoption of services launched in H2 2009
- ✓ 17m videos consumed in 2009 (incl. VoD, S-VoD and catch-up TV)



# Growth in Enterprise driven by converged fixed/mobile propositions

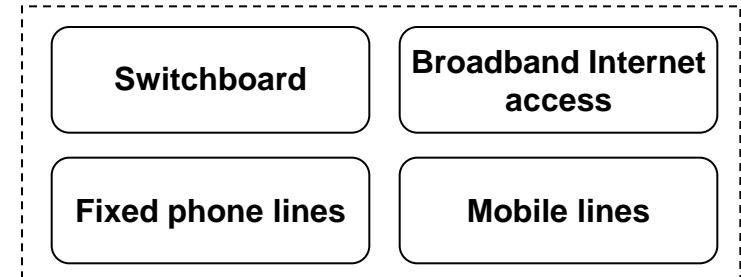
## Common fixed / mobile Enterprise customers

% total Enterprise customer base



## Integrated solution for SMEs: "Pack Business"

### Packaged quadruple-play offering



- ✓ Simple and flexible for small enterprises
- ✓ Control of telecoms budget
- ✓ Launched in January 2010



- ❑ SFR Business Team, a dedicated entity for the Enterprise market
- ❑ 140k customers, large presence on all market segments (incl. 90% of CAC 40 firms)
- ❑ Growth opportunities in Fixed services based on complementary customer bases (~35% market share in Mobile vs. ~12% in Fixed)

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# FY 2009 SFR Financials

## ❑ Mobile revenues: stable

- ✓ #1 in postpaid net adds in 2009 with 36% market share
- ✓ Growth in customer base, data revenues (+33%) and handset revenues offset the regulatory impact\* and adverse economic conditions

## ❑ Mobile EBITDA: €3,306m

- ✓ Investment in acquisition / retention costs (670k iPhones) and strict control of non-variable opex
- ✓ Additional taxes subsidizing state-owned TV and regulatory impact\*

## ❑ Broadband & Fixed revenues: up 2.5% on a comparable basis excl. switched voice

- ✓ #1 in broadband net adds in Q4 with 33% market share
- ✓ Strong decrease in ADSL churn

## ❑ Broadband & Fixed EBITDA: €661m, up 1,2% on a comparable basis

- ✓ Strong growth of broadband customer base more than offsets increase in customer costs and decline in switched voice

<i>in euro millions - IFRS</i>	2009	2008	Change
<b>Revenues</b>	<b>12,425</b>	<b>11,553</b>	<b>+7,6%</b>
<i>Mobile</i>	8,983	8,990	-0,1%
<i>Broadband Internet &amp; Fixed</i>	3,775	2,882	+31,0%
<i>Intercos</i>	-333	-319	
<b>EBITDA</b>	<b>3,967</b>	<b>3,958</b>	<b>+0,2%</b>
<i>Mobile</i>	3,306	3,501	-5,6%
<i>Broadband Internet &amp; Fixed</i>	661	457	+44,6%
<b>EBITA</b>	<b>2,530</b>	<b>2,542</b>	<b>-0,5%</b>
<i>o/w restructuring costs</i>	-20	-123	

### Strict control in non-variable Opex

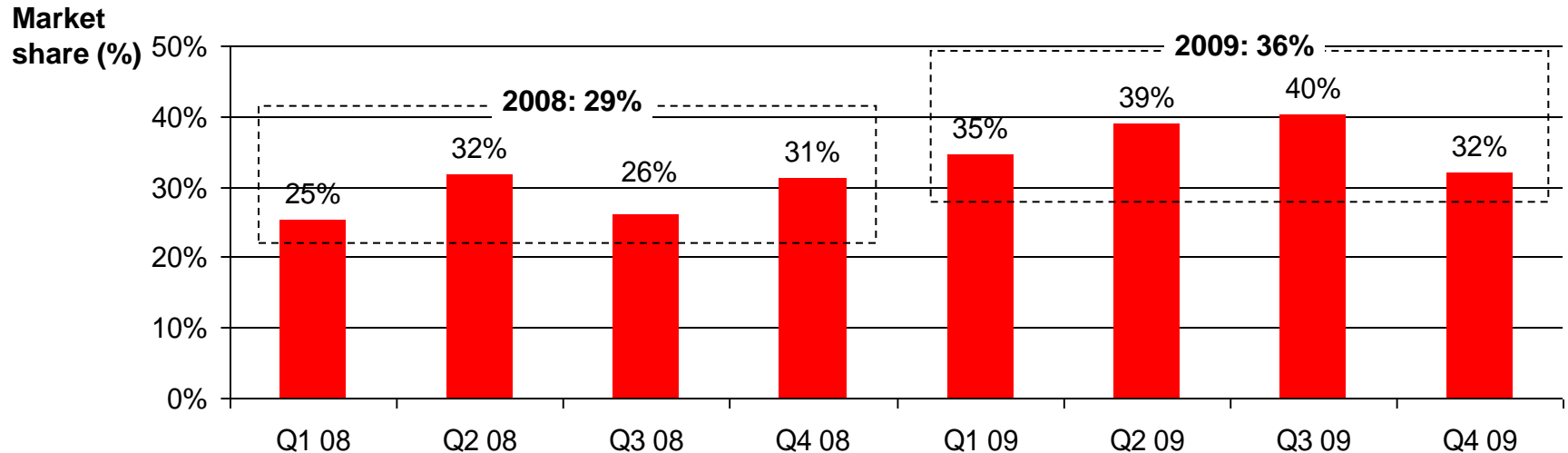
- Almost €100m synergies achieved in 2009, in line with initial target
- Opex excluding variable fees, interconnections and commercial costs down 7% yoy

\*Among which mobile termination rates (MTR) down 31% since July 2009



# Strong commercial performance for SFR in 2009 in Mobile...

## Postpaid net adds : SFR # 1 in postpaid customer recruitment in 2009

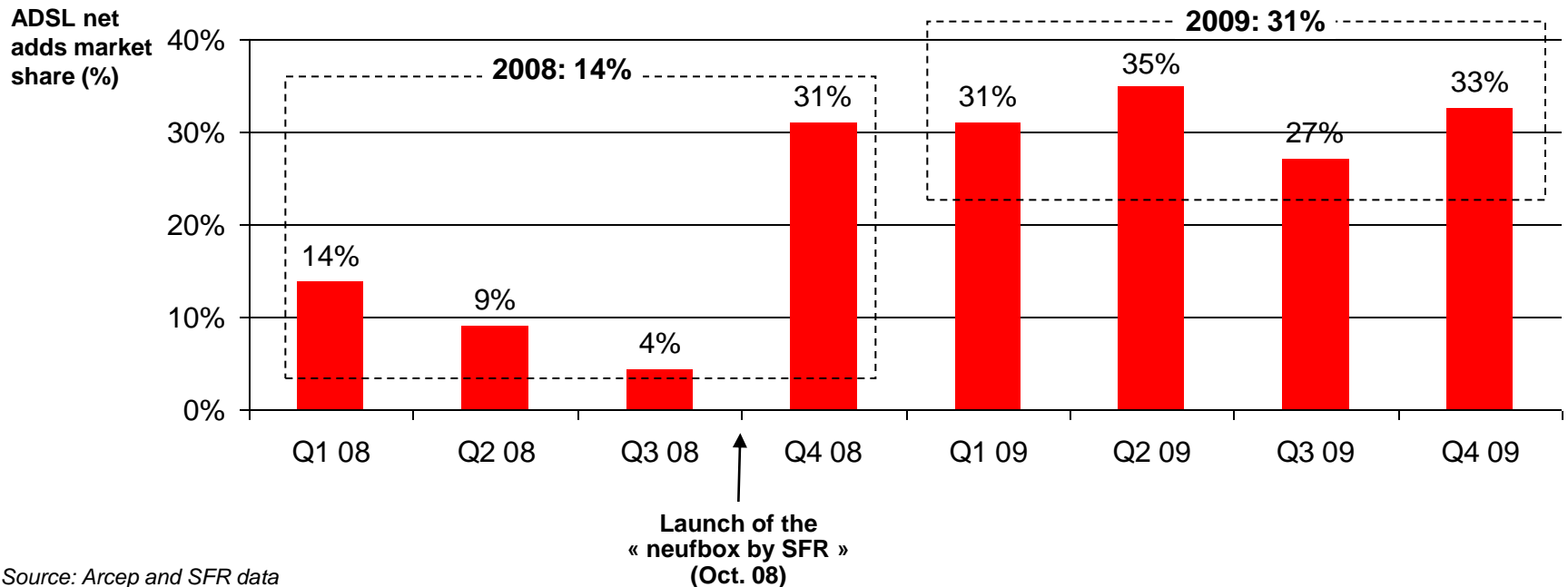


Source: Arcep and SFR data

- ❑ 36% postpaid net adds market share in 2009 vs. 29% in 2008
- ❑ +1,225k postpaid customers in 2009 vs. +851k in 2008
- ❑ Success of iPhone: 670k sold since launch in April 2009 (as of end December 2009)
- ❑ Share of postpaid customers growing at 73% of total base (+4 pts YoY)

## ... as well as in Fixed Broadband Internet

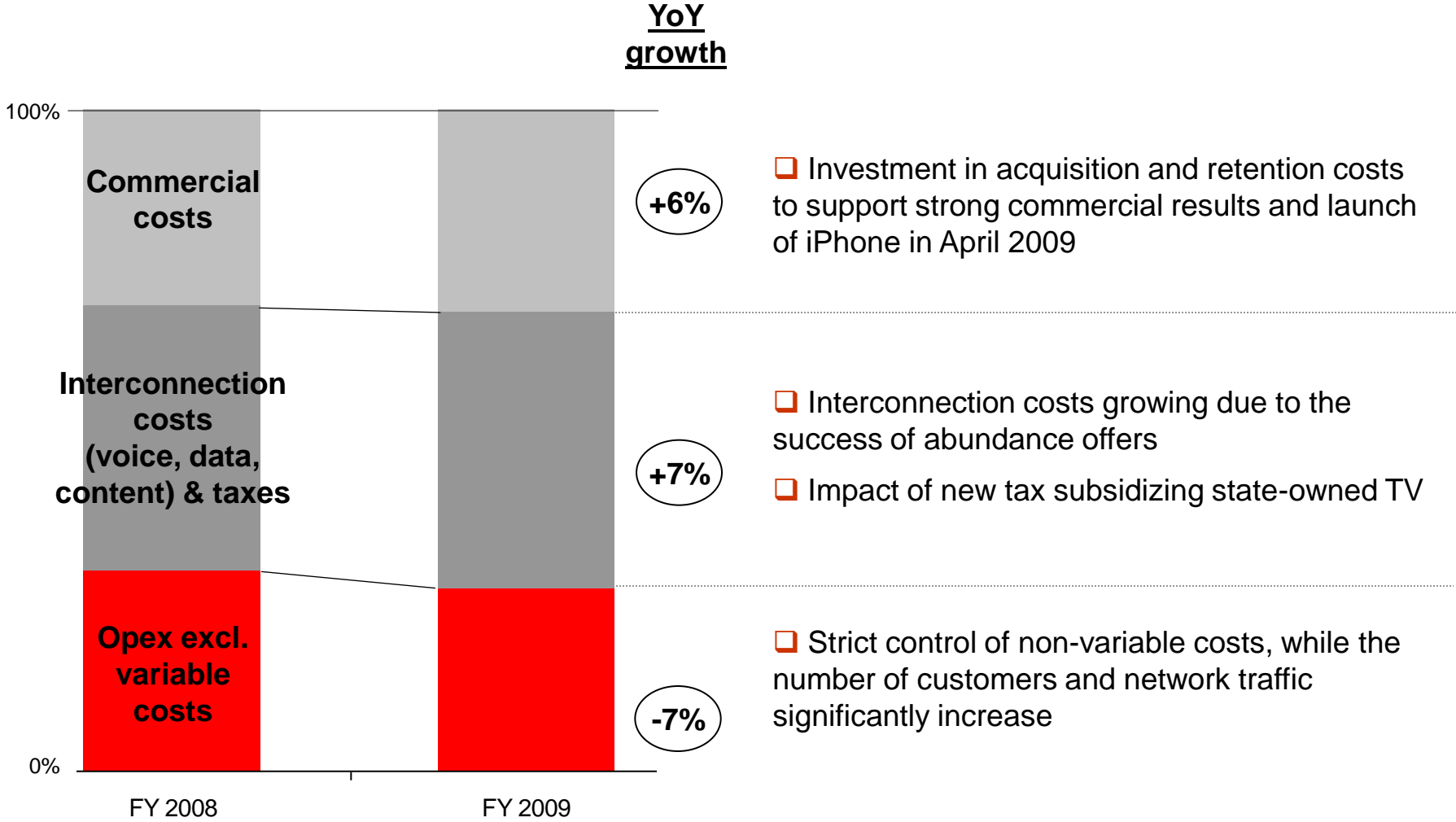
**Broadband Internet net adds : ~30% net adds market share maintained for 5 consecutive quarters**



- ❑ 31% market share in ADSL net adds growth in 2009 up from 14% in 2008
- ❑ +565k broadband Internet net adds in 2009, #1 in recruitments in Q4
- ❑ 35% of sales in the “espace SFR” (controlled physical distribution)
- ❑ 12-month ADSL churn decreased by -5.6 pts to 14.7% at end 2009 due to quality of service improvement and the completion of the ADSL migration plan (total of 1m customers migrated)

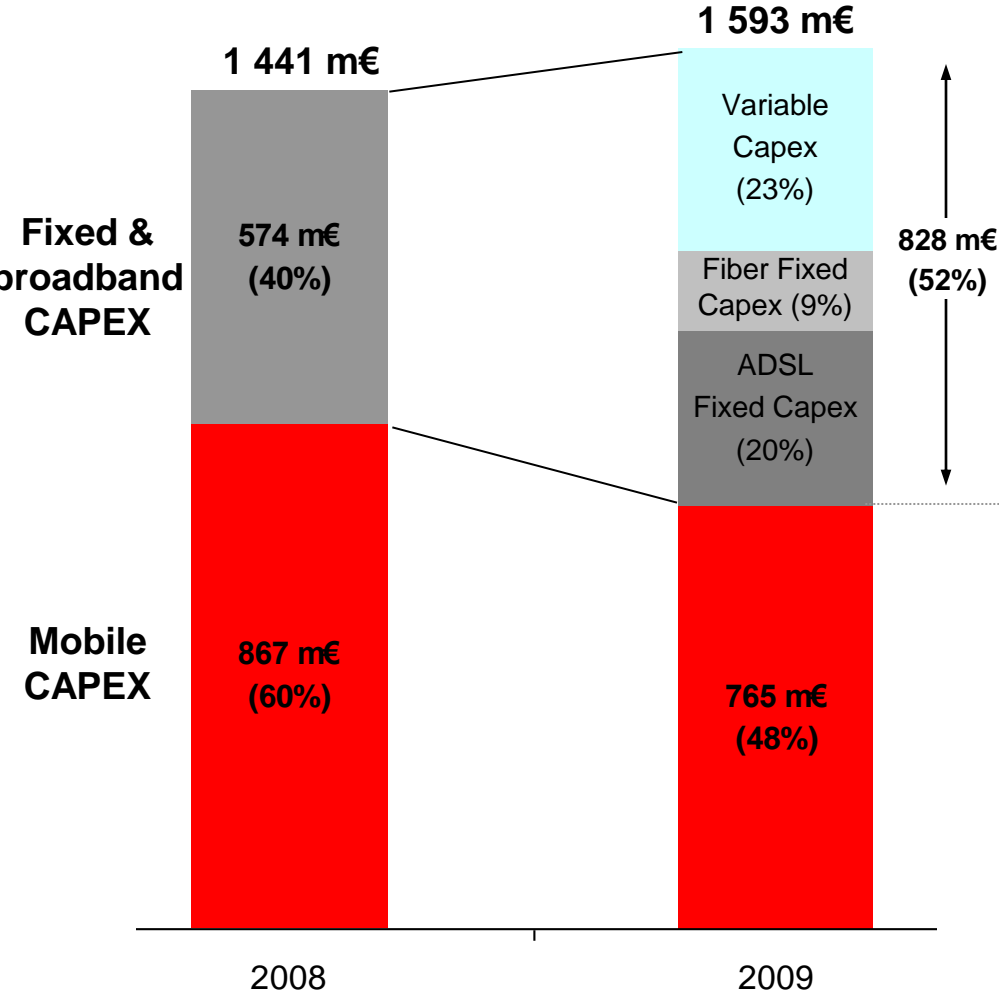
# Control of Opex

## OPEX trends



# Control of CAPEX

## CAPEX trends



Increase in fixed CAPEX in 2009 driven by  
 (i) strong growth in ADSL sales, which translate into 370 m€ variable CAPEX  
 (ii) and close to 150 m€ investment in fiber focused on “horizontal” FTTH deployment in Paris, Lyon and Marseille

Mobile CAPEX kept under strict control in 2009 at 8.5% of mobile revenues, while focus on 3G network investments (coverage and capacity) has been maintained to support mobile broadband growth

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# Q1 2010 SFR Financials

## ☐ Mobile services revenues: +4.3% excl. regulatory impacts \*

- ✓ Continued growth in customer base: #1 in postpaid net adds in Q1 with 225k new mobile subscribers
- ✓ Data revenues (+19.5%) representing 26.5% (+4.6pts) of service revenues

## ☐ Mobile EBITDA: €834m, +0.8%

- ✓ Continuing commercial investments (227k iPhones) and strict control of non-variable opex
- ✓ Mobile/SMS termination rate impact\* of -€37m

## ☐ Broadband & Fixed revenues: +5.0%

**SFR recovered #2 position on French broadband market with 4.6m customers, due to strong organic growth**

- ✓ #1 in broadband net adds in Q1 with 148k new subscribers
- ✓ Broadband revenues up 14.6% to €471m

## ☐ Broadband & Fixed EBITDA: €151m, +13.5%

- ✓ Growth driven by broadband

<i>in euro millions - IFRS</i>	Q1 2010	Q1 2009	Change
<b>Revenues</b>	<b>3,085</b>	<b>3,028</b>	<b>+ 1.9%</b>
<i>Mobile</i>	2,185	2,181	+ 0.2%
<i>Broadband Internet &amp; Fixed</i>	981	934	+ 5.0%
<i>Intercos</i>	-81	-87	
<b>EBITDA</b>	<b>985</b>	<b>960</b>	<b>+ 2.6%</b>
<i>Mobile</i>	834	827	+ 0.8%
<i>Broadband Internet &amp; Fixed</i>	151	133	+ 13.5%
<b>EBITA</b>	<b>634</b>	<b>610</b>	<b>+ 3.9%</b>

## Objectives for 2010

Maintain commercial dynamism despite a more challenging competitive environment

## **FY SFR 2010 Guidance**

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### **❑ Initial FY 2010 Guidance (announced March 1st, 2010):**

- ✓ Mobile: slight decrease in EBITDA
- ✓ Broadband & Fixed: slight increase in EBITDA

### **❑ Revised FY 2010 Guidance (announced May 11th, 2010):**

- ✓ Mobile: slight decrease in EBITDA / Confirmed
- ✓ Broadband & Fixed: increase in EBITDA (vs. slight increase) / Slightly upgraded