

SFR

SFR Presentation

March 2011

AGENDA

- 1** | **Introducing SFR, an integrated operator with strong assets**
- 2** | **2010 performance review**
- 3** | **Capturing future opportunities**

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SFR, 1st alternative operator on all telecoms market segments

SFR covers all segments of the French telecoms market

Consumer

Enterprise

Wholesale

Addressing 1 French out of 2

❑ 21.3m mobile customers, with 76% postpaid

❑ 150k enterprise customers

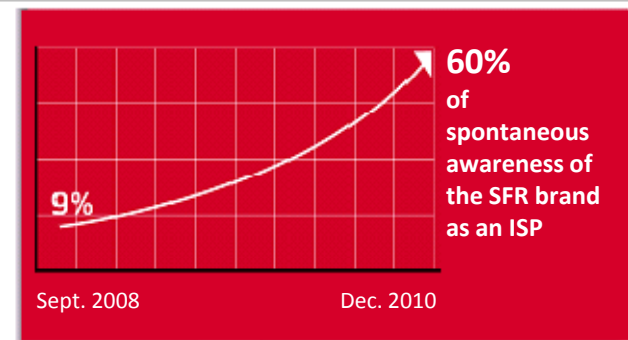
❑ 4.9m broadband Internet customers

❑ 200 operators and 10 MVNOs

As of end 2010

SFR, a well-established and powerful brand

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



SFR is well positioned to create value

We have the right size...

- ❑ Integrated fixed/mobile operator
- ❑ €12.6bn turnover (2010)
- ❑ N°1 alternative operator in France on
 - ✓ Fixed and Mobile
 - ✓ Consumer, Enterprise, Wholesale

... and key assets to leverage

- ❑ Large customer bases and strong brand
- ❑ Strong distribution and customer care channels
- ❑ Converged IP broadband network infrastructure

A unique position

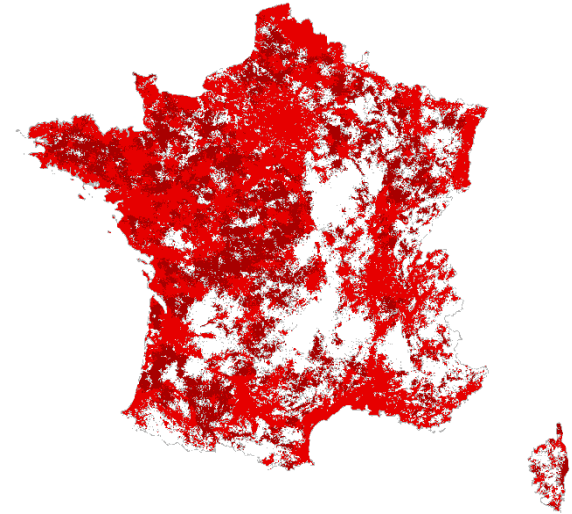
- ❑ Largest alternative operator in Europe by revenues ➔ **A global player scale**
- ❑ Strong market positions and assets ➔ **Local strength**

Leading alternative broadband infrastructure in France

Leading Mobile Broadband network

- ❑ **18,000** radio sites
- ❑ **99%** 2G coverage*
- ❑ **92%** 3G coverage*

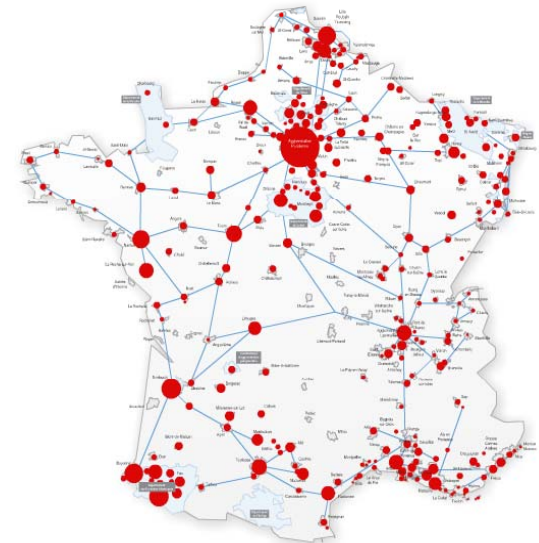
3G network coverage as of end 2010



The 1st alternative Fixed Broadband infrastructure

- ❑ **76%** unbundled ADSL coverage*
- ❑ **57,000 km** fiber backbone
- ❑ **3m** WiFi hotspots

Fixed network infrastructure



* % population covered

Strong distribution and customer care channels



Controlled physical distribution



820 « espace SFR »
5,000 sales people



SFR web site

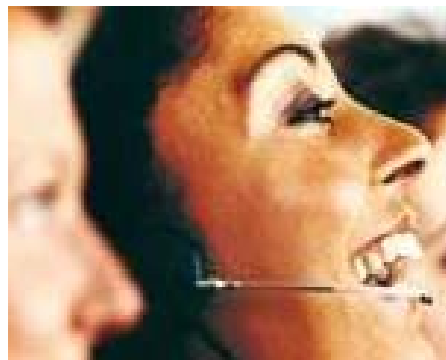
sfr.fr



~15% of total sales made online
~50% of total customer care acts done via online selfcare



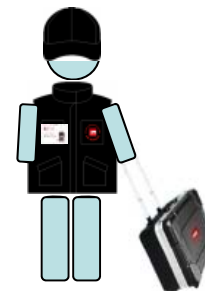
SFR Service Client Call Centers



12,000 advisors
160,000 contacts per day



SFR assistance



1,200 technicians
30,000 acts per month

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Key operational achievements in 2010

1

Commercial momentum maintained throughout the year 2010 both in broadband Internet and mobile postpaid

2

Strong growth of smartphones user base and mobile data revenues for both Consumers and Enterprises

3

Successful launches of “Multi-Packs”, a discount program for multi-equipped customers, and **“Neufbox Evolution”**, SFR’s new ADSL / fiber box

4

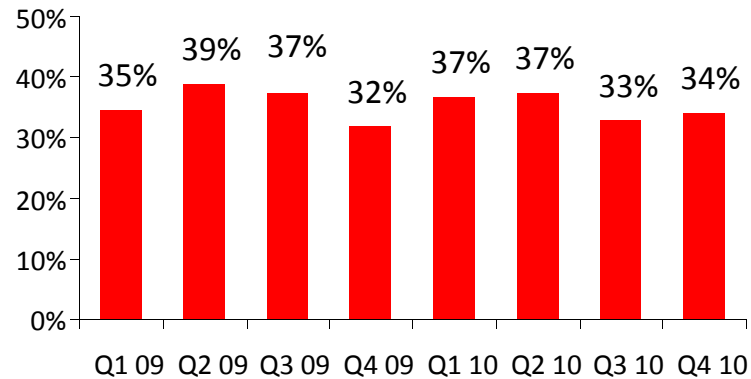
Key partnerships signed with La Poste (MVNO) and with Bouygues Telecom (fiber co-investment)

5

Strengthened network assets with the acquisition of 5MHz 3G spectrum (300m€) and extension of 3G network coverage to ~92% of the population

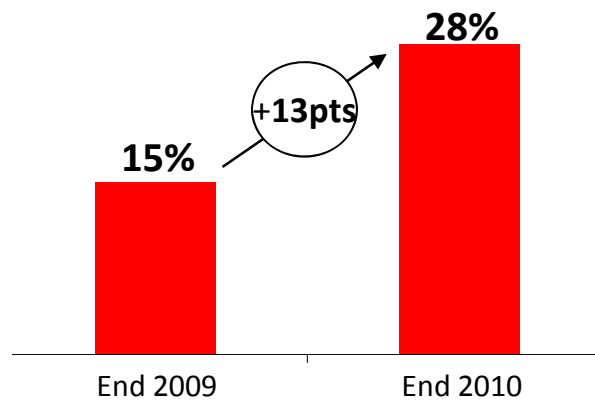
Mobile commercial performance

MOBILE POSTPAID NET ADDS MARKET SHARE (%)



Source: Arcep and SFR

SMARTPHONES PENETRATION (%)



Penetration in Mainland France excl. M2M and dongles

#1 in postpaid acquisitions with 35% market share in 2010

- +1.3m postpaid customers
- 21.3m mobile customers with improved postpaid/prepaid mix to 76% (+3 pts)

Strong development of mobile data usage penetration

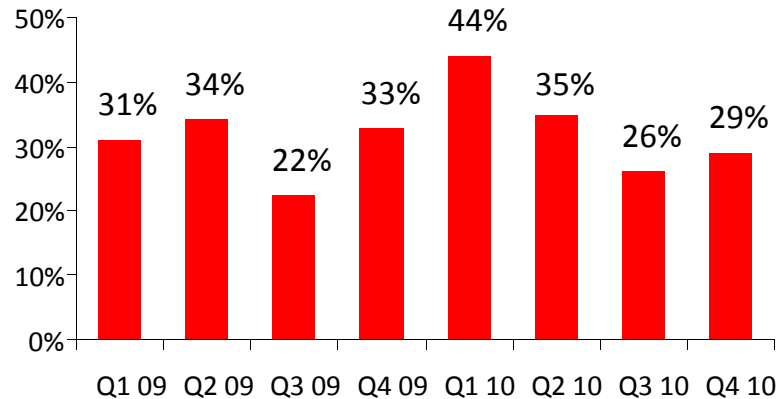
- +2.3m smartphone customers at 5m
- 28% of mobile customers (excl. M2M and dongles) equipped with smartphones (+13 pts)

16% data revenues growth YoY

- €2.3bn mobile data revenues in 2010
- Data now represents 26% of total mobile revenues (+4 pts)

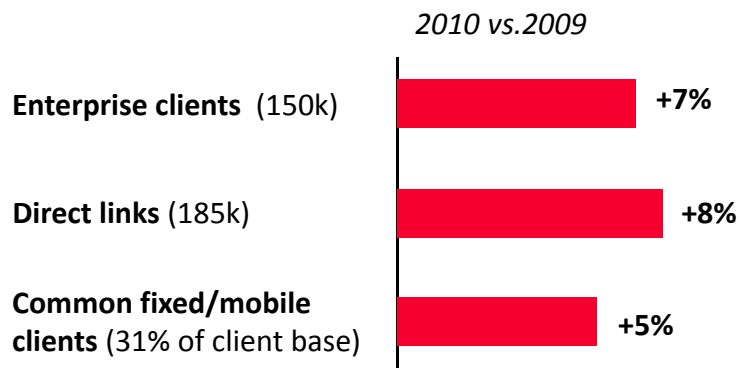
Broadband Internet & Fixed commercial performance

ADSL NET ADDS MARKET SHARE (%)



Source: Arcep and SFR

GROWTH ON ENTERPRISES



~30% ADSL net adds market share maintained for 9 consecutive quarters

- 33% ADSL net adds market share in 2010
- +443k broadband Internet net adds in 2010, to 4.9m customers

Successful launch of the SFR Neufbox Evolution

- More than 200k customers as of end February 2011

+12% growth of broadband Internet mass market revenues

Strong momentum of SFR Business Team

- 5% increase in fixed Enterprise revenues

SFR Neufbox Evolution



SFR Neufbox Evolution

- Enhanced customer experience with new fluid 3D user interface and multi-screen
- Eco-conceived box with significantly reduced electric consumption
- Evolutive box with upcoming femtocell support and "content in the cloud"

New SFR broadband Internet offer range

Neufbox

€31.90
per month

€26.90
per month with

Les
Multi-
Packs
de SFR



@ Broadband Internet

☎ Unlimited calls (to fixed only)

📺 HD TV

Neufbox Evolution

€37.90
per month

€32.90
per month with

Les
Multi-
Packs
de SFR



@ Broadband Internet and 3G back-up dongle

☎ Unlimited calls (to fixed and mobile)

📺 3D navigation interface, HD TV, digital recording, mediacenter

Full year 2010 SFR financial results

Solid organic revenue growth in 2010

- ❑ Mobile service revenues: +4.8% excl. regulatory impacts*
- ❑ Broadband Internet & Fixed revenues: +4.5%

Mobile EBITDA: €3,197m, -3.3%

- ❑ Growth in customer base and data revenues and strict cost control
- ❑ Impact of tariff cuts imposed by regulators* and increasing commercial investments in a tougher competitive environment

Broadband Internet & Fixed EBITDA: €776m, +8.6% excl. non-recurring items

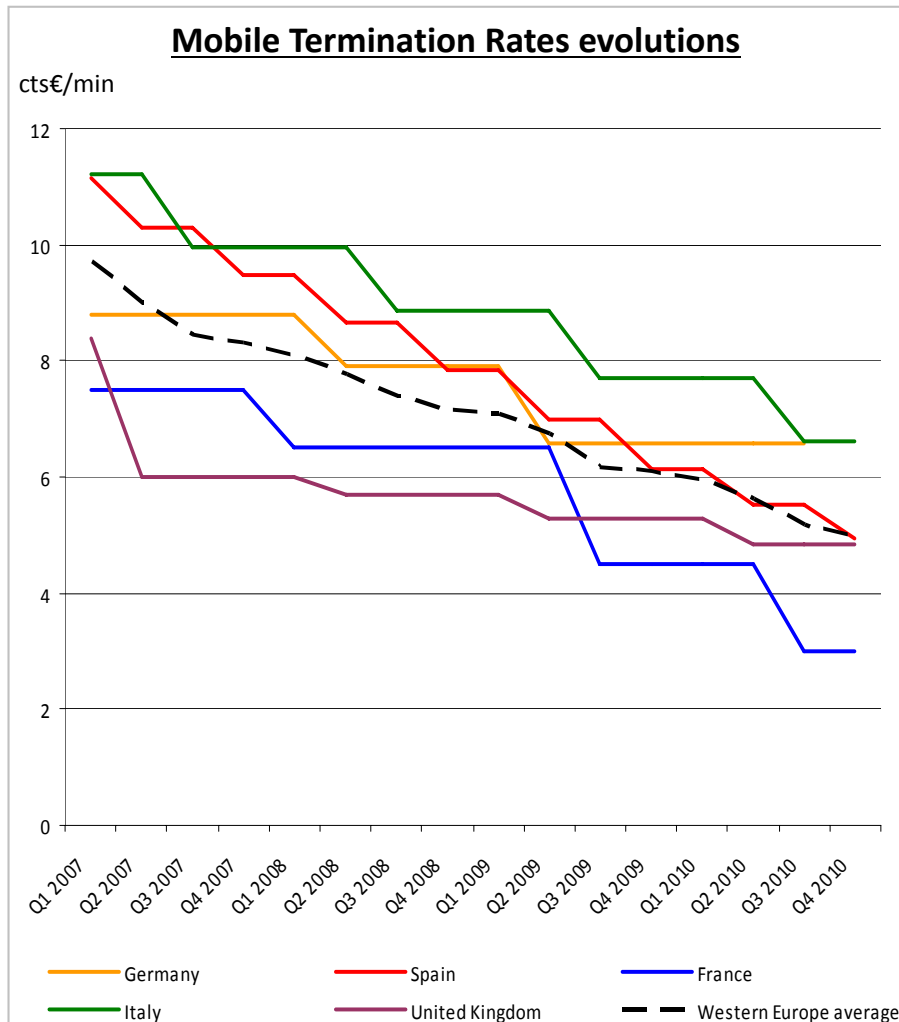
- ❑ Growth driven by broadband Internet
- ❑ Non-recurring positive items of €58m in 2010 (non-cash)

M€	2010	2009	2010 vs. 2009
Revenues	12,577	12,425	+ 1.2%
<i>Mobile</i>	<i>8,930</i>	<i>8,983</i>	<i>-0.6%</i>
<i>Broadband Internet & Fixed</i>	<i>3,944</i>	<i>3,775</i>	<i>+ 4.5%</i>
<i>Elimination of intersegment transactions</i>	<i>-297</i>	<i>-333</i>	
EBITDA	3,973	3,967	+0.2%
<i>Mobile</i>	<i>3,197</i>	<i>3,306</i>	<i>- 3.3%</i>
<i>Broadband Internet & Fixed</i>	<i>776</i>	<i>661</i>	<i>+ 17.4%</i>
EBITA	2,472	2,530	-2.3%

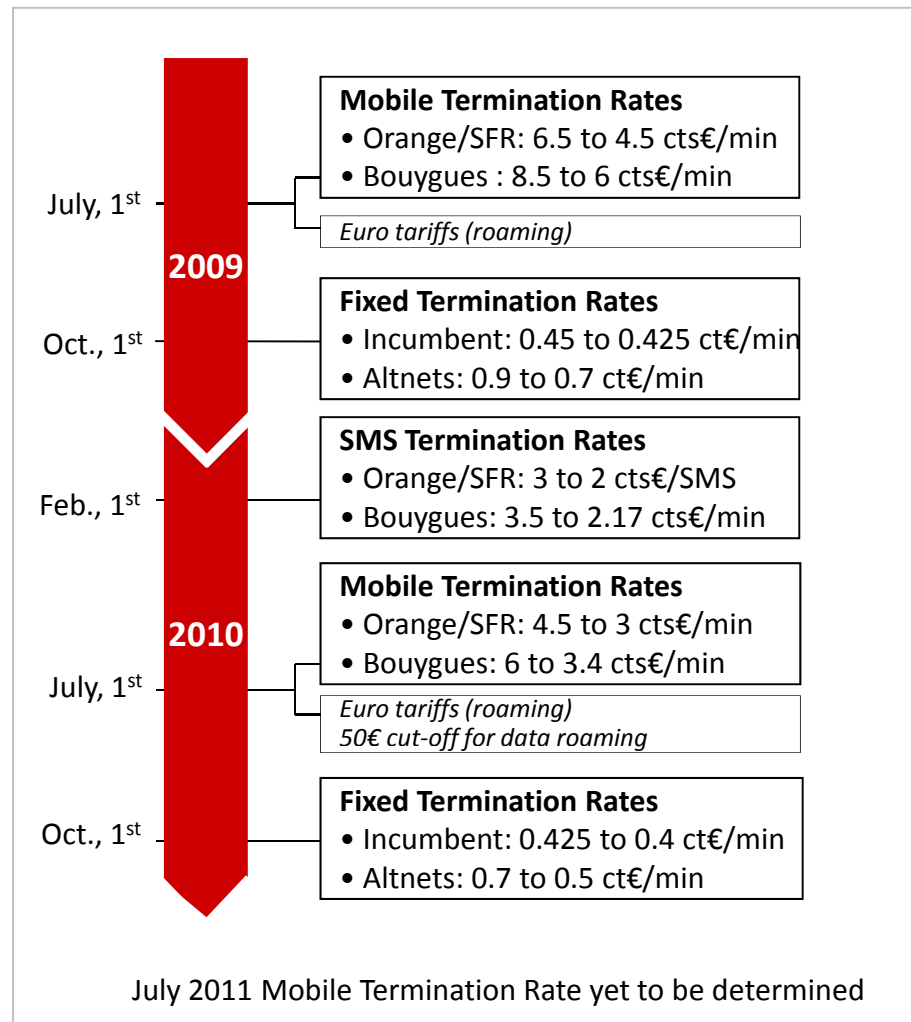
* Mobile termination rates (MTR) down 31% as of July 1st, 2009 and down 33% as of July 1st, 2010, and SMS termination rates down 33% since February 2010, and decrease in roaming prices

Impacts from regulation

France has been front-runner in Europe in Mobile Termination Rates cuts

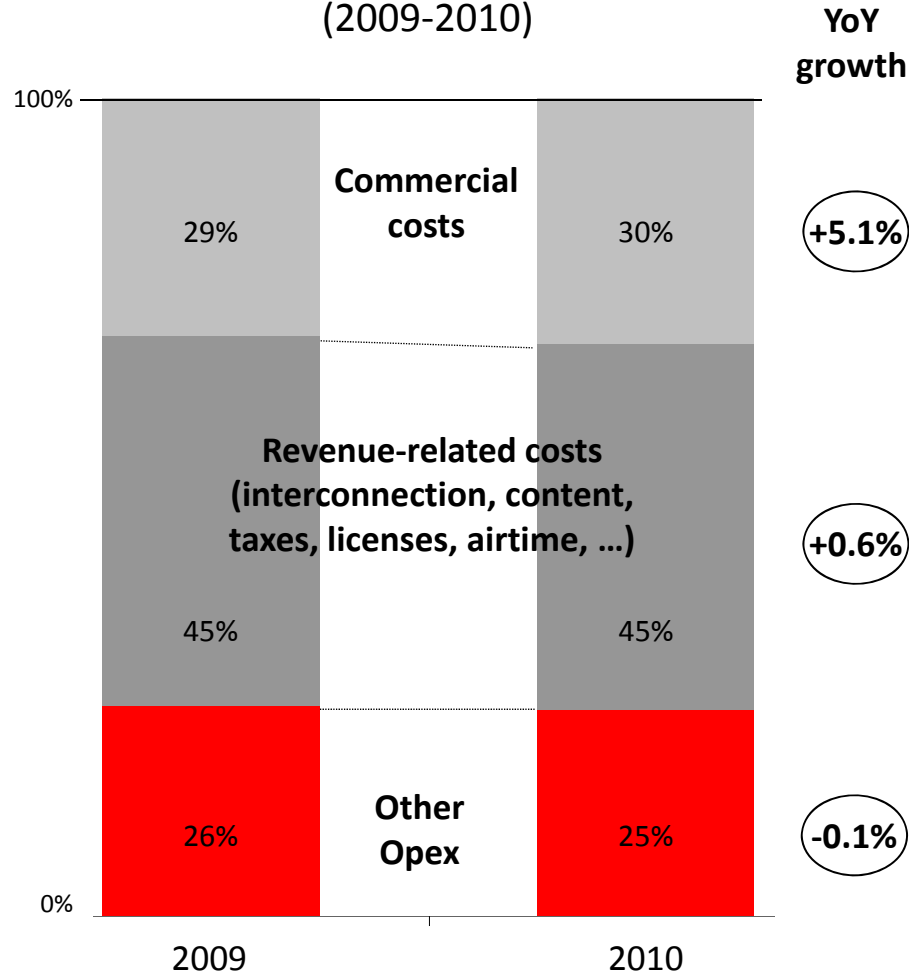


Termination rates cuts over 2009-2010



Control of OPEX

OPEX EVOLUTION (2009-2010)



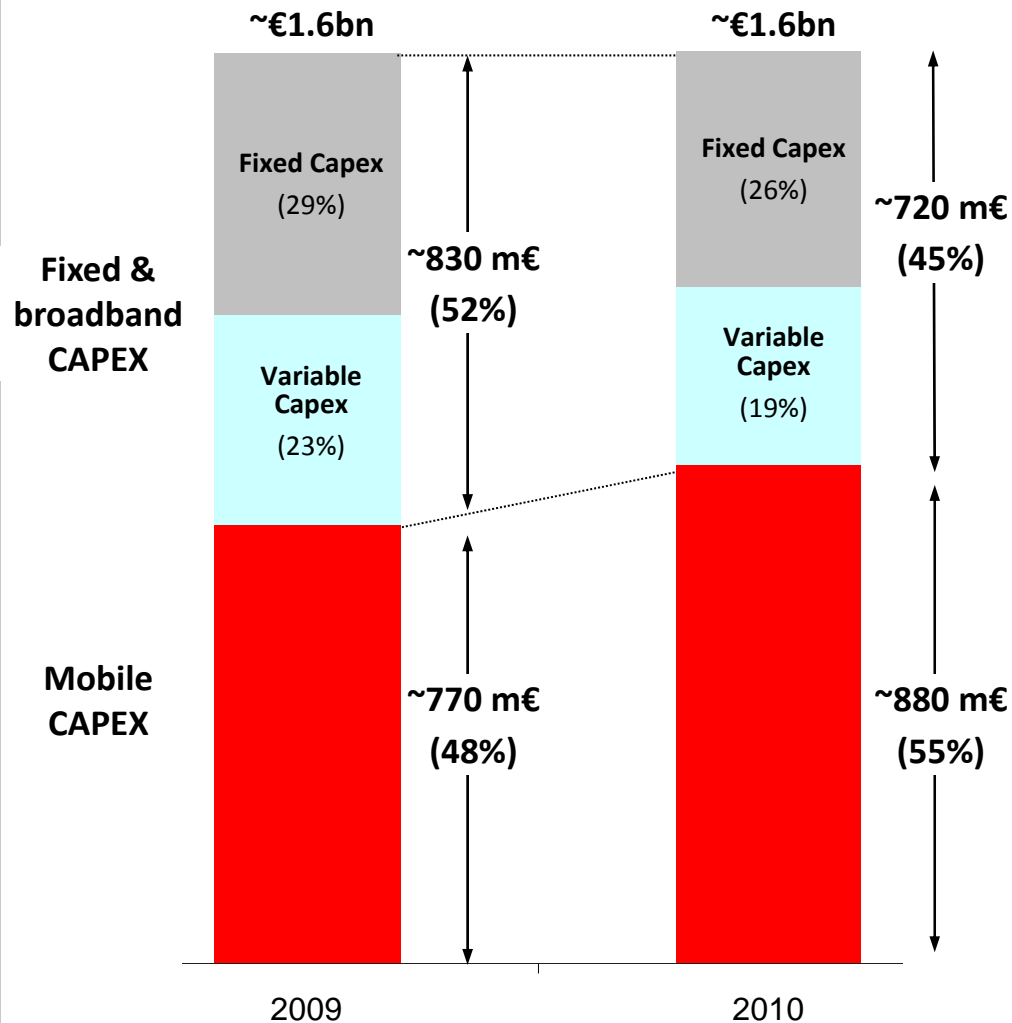
□ Slight increase of acquisition and retention costs in order to support commercial momentum in a tougher competitive environment

□ Stability of revenue-related costs and also of other Opex due to strict control of non-variable costs while the number of customers and network traffic significantly increased

- ✓ Optimization of network and IT costs (e.g. maintenance, fixed/mobile network synergies)
- ✓ €200m merger synergies achieved in 2010

Control of CAPEX

CAPEX EVOLUTION (2009-2010)



Stable CAPEX year-on-year (excluding frequencies acquisition) at 12.7% of total revenues, with rebalancing of investments between Fixed and Mobile :

☐ -13% YoY decrease of Fixed & broadband CAPEX

- ✓ Continued investments in ADSL unbundling and fiber deployment in very dense areas
- ✓ Decrease of variable Capex (modem, set-top box, cost-to-connect) in a mature broadband Internet market

☐ +14% YoY increase of Mobile CAPEX

- ✓ Investments in the 3G network for coverage extension (98% by end 2011) and capacity to support mobile broadband growth
- ✓ Mobile Capex < 10% of mobile revenues

☐ In addition, **300 m€ investment in 3G spectrum** (5 MHz) in May 2010

SFR 2011 Guidance

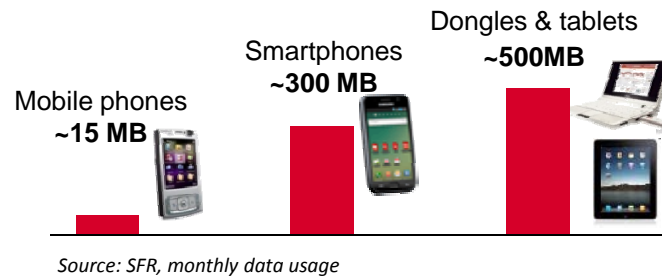
- ❑ Mobile: Decrease in EBITDA in a tough competitive, tax and regulatory environment
- ❑ Broadband & Fixed: Increase in EBITDA, excl. 2010 favorable non-recurring items

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Digitization of French economy and exchanges drives future growth for telecoms operators

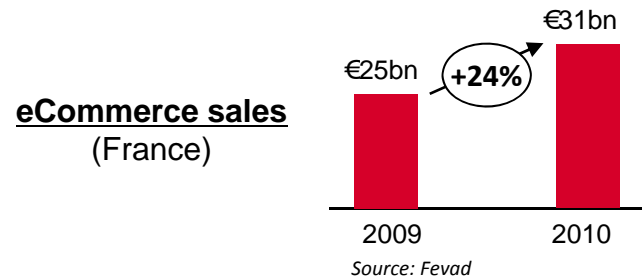
Explosion of digital content and services usage



10m IPTV users
5m iPhones sold

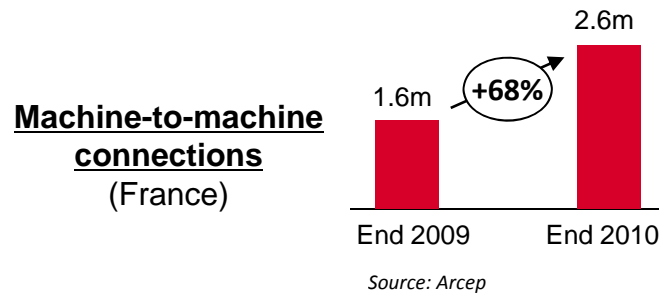
French market estimates

Growth of exchanges via networks and Internet



54% of French firms have a Web site, up from 26% in 2003

Towards a world of connected objects



3 priorities for SFR to capture future opportunities

1

Build next-generation broadband network and services infrastructure

2

Leverage opportunities in the core telecom business

3

Innovate to grow on adjacent businesses

Build next-generation broadband infrastructure: Mobile broadband access



Network quality and speed

- ❑ 3G+ network progressively upgraded with HSDPA 7.2, 14.4 and 21 Mbps (from rural to dense areas)
- ❑ New femtocell product to be launched in Q2
- ❑ Preparation for LTE: 800 MHz and 2.6 GHz frequencies to be auctioned in 2011

New femtocell module
(adaptable to the SFR Neufbox Evolution)

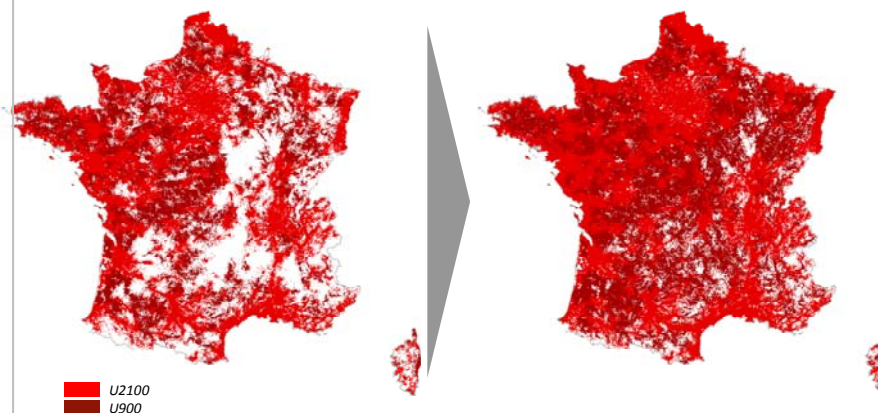


3G coverage extension

- ❑ UMTS 900 roll-out in low-density areas
- ❑ 98% pop. coverage target by end 2011, up from ~92% achieved at end 2010
- ❑ >99% pop. coverage target by end 2013, thanks to network sharing

2010 : 92 % pop.

2011 : 98 % pop.



Build next-generation broadband infrastructure: Fixed broadband access



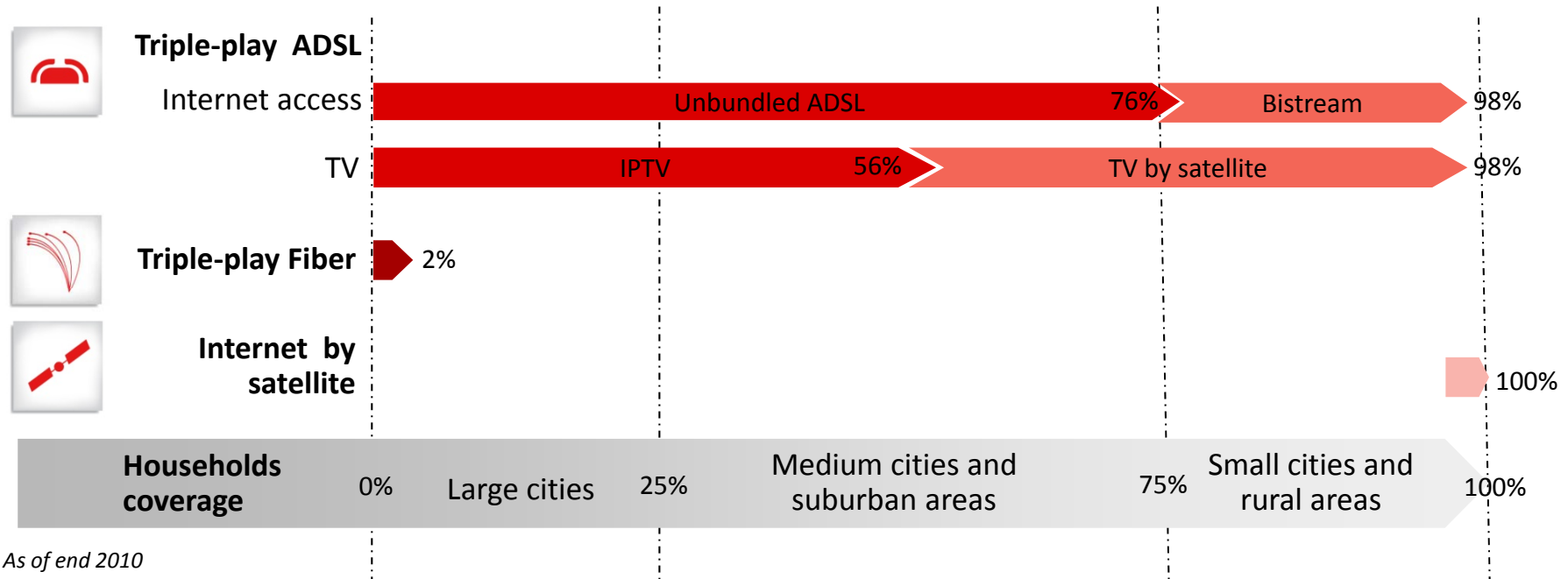
Broadband solutions for all areas

- ❑ Launch of new satellite TV product enabling to offer triple-play to 98% of households
- ❑ Pursuit of unbundling, now reaching 76% of households (+600 unbundled local exchanges in 2010)
- ❑ Internet by satellite solution available for remote areas

FTTH roll-out

- ❑ Fiber footprint now reaching significant level with ~500k Home Passed
- ❑ Commercial services being rolled out in Paris, Lyon and Marseille
- ❑ Agreement with Bouygues Telecom to co-invest in a shared fiber infrastructure in very dense areas

Fixed broadband coverage



Build next-generation broadband infrastructure: Network as an enabling platform



Multi-screen customer experience

- ❑ Continuity of services availability and experience across all screens
- ❑ Illustration with Neufbox Evolution TV services



TV

Smartphones and tablets
(« SFR neufbox TV » application)

“Always best connected”

- ❑ Seamless roaming between 3G and SFR’s WiFi hotspots, for smartphones, dongles and tablets



« SFR WiFi » application

Opportunities going forward to leverage SFR network capabilities as an enabling platform for the delivery of value-added services

Leverage opportunities in the core telecom business



Monetising mobile data

SFR high-value postpaid offers

Included

Tariffs (per month)

-without handset

-with handset

Illimythics 5 Essentiel

Voice

€ 21.90 - 47.90

€ 25.90 - 51.90

Illimythics 5+ Connect

Voice + SMS
+ Internet 500 MB cap
+ emails + WiFi

€ 23.90 - 60.80

€ 29.90 - 66.80

Illimythics 5+ Webphone

Voice + SMS/MMS
+ Internet 1 GB
+ x2 data speed
+ emails + WiFi

€ 34.30 - 70.50

€ 42.30 - 78.50

Illimythics Absolu

Voice 24/24
+ SMS/MMS
+ Internet 3 GB
+ x2 data speed
+ emails + WiFi

€ 96

€ 106

SFR's public tariffs as of March 2011 for 24 months commitment

Gaining market shares in Enterprise

- ❑ SFR Business Team, a dedicated entity for the Enterprise market
- ❑ Growth opportunity, particularly on SMEs, based on complementary customer bases (~35% market share in mobile vs. ~13% in fixed)

“Pack Business Entreprises” – launched Feb. 2011

- A new unified communication solution
- Simple and efficient for both fixed and mobile
- Partnership with Microsoft

Growing in Wholesale

- ❑ Joint-venture with La Poste to launch an MVNO
- ❑ Launch of commercial services in post offices mid-2011
- ❑ Opportunity to leverage one of France's largest distribution networks (17k post offices)



LA POSTE
Mobile

Innovate to grow on adjacent businesses

OFFERING NEW SERVICES FOR CONSUMERS AND ENTERPRISE CUSTOMERS

- On-demand content and services (“Cloud”)
- Secured transactions
- Assistance and proximity services
- Connected home

LEVERAGING OUR ASSETS WITH PARTNERS FROM OTHER INDUSTRIES

- Network capabilities, incl. billing
- Customer access and knowledge
- Intelligent networks enabling sector-specific applications (e.g. transport, health, energy, commerce)

Illustration 1: new connected devices



Innovative communicating devices embedding SFR's M2M solutions:

- FnacBook: 3G e-reader distributed by La Fnac
- In-car devices with TomTom (devices using SFR's network data for real-time traffic measurement) and Coyote

SFR #1 in M2M connections market share (end 2010)

Illustration 2: monetising audience



SFR Régie

SFR Régie, advertising sales house, monetising SFR inventory (portals, apps, ...)

Stretch expertise to monetise audience for external editors on smartphones (apps, mobile Web sites):

- E.g. deals with Allociné and L'Express



SFR #1 in mobile marketing revenues market share (2010)

Appendices

SFR KPIs

	2010	2009	Change
MOBILE			
Customers (in '000)*	21,303	20,395	+ 4.5%
Proportion of postpaid clients*	75.6%	72.6%	+ 3.0 pts
3G customers (in '000)*	9,663	8,386	+ 15.2%
Market share on customer base (%)*	33.1%	33,1%	-
Network market share (%)	35.0%	34,8%	+ 0.2 pt
12-month rolling blended ARPU (€/year)**	410	418	- 1.9%
12-month rolling postpaid ARPU (€/year)**	506	532	- 4.9%
12-month rolling prepaid ARPU (€/year)**	155	164	- 5.5%
Acquisition costs as a % of service revenues	7.0%	7.4%	- 0.4 pt
Retention costs as a % of services revenues	8.7%	7.6%	+ 1.1 pt
BROADBAND INTERNET AND FIXED			
Broadband Internet customers (in '000)	4,887	4,444	+ 10.0%
Market share on ADSL customer base (%)	24.3%	23.6%	+ 0.7 pt

* Not including MVNO clients which are estimated at approximately 1,256K at end of December 2010 vs. 1,039K at end of December 2009

** Including mobile terminations

ARPU (Average Revenue Per User) is defined as revenues net of promotions and net of third-party content provider revenues excluding roaming in revenues and equipment sales divided by the average ARCEP total customer base for the last 12 months. ARPU excludes M2M (Machine to Machine) revenues.

SFR detailed revenues

IFRS - in euro millions

	2010	2009	Change
Service revenues	8,420	8,510	- 1.1%
<i>of which data revenues from mobile services</i>	2,335	2,021	+ 15.5%
Equipment sales, net	510	473	+ 7.8%
Mobile revenues	8,930	8,983	- 0.6%
Broadband Internet and fixed revenues	3,944	3,775	+ 4.5%
Elimination of intersegment transactions	(297)	(333)	
Total revenues	12,577	12,425	+ 1.2%

