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numericable<sup>THD</sup>



# Full Year 2014 Results

March 5, 2015

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# Speakers

Altice / Numericable-SFR



Dexter Goei,  
CEO Altice



Dennis Okhuijsen,  
CFO Altice



Eric Denoyer,  
CEO Numericable-SFR



Thierry Lemaitre,  
CFO Numericable-SFR



# Altice SA

## FY & Q4 2014 Results - Highlights

### Pro forma Financials<sup>1</sup>

- Revenue down 4.6% to €13,464m primarily due to repricing of French mobile customers base
- EBITDA down 6.3% to €4,009m
  - International EBITDA up 17%
  - International EBITDA margin expanded by 7.4 pts to 46.2%
- OpFCF<sup>2</sup> down 7.2% to €1,804m
  - International OpFCF up 28%

### Recent Strategic Initiatives

- Closing of acquisition of SFR
- Closing of acquisition of Virgin mobile
- Signing of definitive agreement with Oi to acquire Portugal Telecom (PT) expected to receive Anti Trust approval in Q2 15
- Altice Executives acquired 4.4m shares in Altice from Carlyle on February 2<sup>nd</sup>
- Numericable-SFR and Altice to acquire Vivendi's 20% stake in Numericable-SFR for a total cash consideration of approximately €3.9bn

### Liquidity & Capital

- Altice SA and Altice International €5.7bn debt issue completed to finance acquisition of PT deal
- Consolidated proforma net debt: €24.0bn
- Consolidated proforma cash €1.6bn and undrawn RCF €1.6bn
- Average proforma debt maturity : 7.1 years
- Consolidated proforma net leverage including synergies<sup>3</sup> : 4.4x
- Average proforma cost of debt : 5.9%

<sup>1</sup> Pro forma defined here & throughout presentation as pro forma results of the Altice S.A. group as if all acquisitions occurred on 1/1/13, unless otherwise stated.

<sup>2</sup> Defined here and throughout presentation as EBITDA – Capex

<sup>3</sup> See appendix for reconciliation

# Altice SA

## Key Operational Highlights

### Altice International

#### Israel

- Strong triple-play and hi-speed broadband growth
- Growing UMTS mobile service revenue
- Intense price competition continues in Mobile market
- Cable customers affected by poor customer service but first signs of improvement in quality of service

#### Caribbean / Indian Ocean

##### Dom Rep

- 13% post paid subscriber growth in mobile
- 13% cable customer growth with continued strong growth in 3P
- EBITDA margin expanded 10%pts to 47%

##### French Overseas

- Strong shift from prepaid to post paid mobile
- Strong triple play growth with 3P penetration up 22pts to 65%
- Cable ARPU up 8% to €57 in Q4 15

#### Portugal

- Intense competition, adverse macro economic conditions leading to cable customer losses and B2B declines
- Despite this, EBITDA margin increases 3.7pts to 32%

#### Benelux

- Market leading EBITDA margins at record 68%

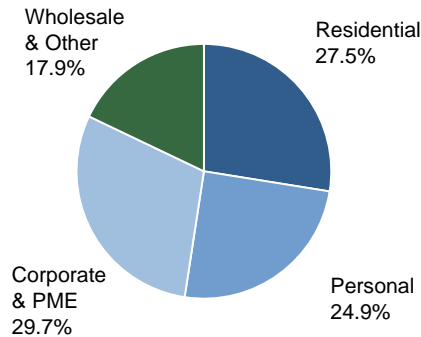
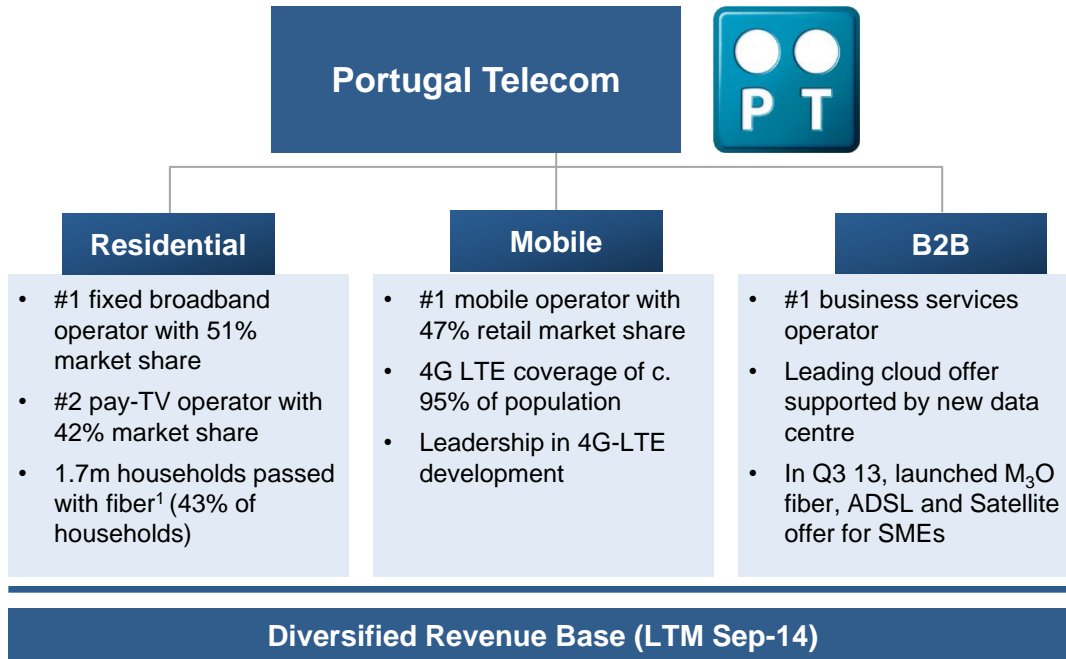
### Altice France / Numericable-SFR

#### France

- Synergies are already being implemented through 15 dedicated projects
- Ambitious fiber & 4G roll-out plan
- Strong momentum in fiber since launch of Wholesale offer at SFR in November 2014
- Stable Fixed business
- Mobile business declined in 2014 but at a lower pace
- 2014 Adjusted EBITDA of €3.1bn ahead of expectations
- Cash on balance sheet at year end 2014 : €546m

# Strategic Initiatives

## Acquisition of Portugal Telecom – a Leading Integrated Service Provider



### Acquisition Price / Funding

- Enterprise value of €7.4bn on cash and debt-free basis with €500m earnout and €1.3bn purchase price adjustment
- €5.6bn cash consideration financed by €3.7bn new debt at Altice International and €2.0bn at Altice SA

### Key Financials (LTM Sep-14)

- Revenue : €2,565m
- EBITDA : €997m
- EBITDA margin : 38.9%
- Capex : €448m (17.5% of sales)

Source: Company information, Anacom

Note:

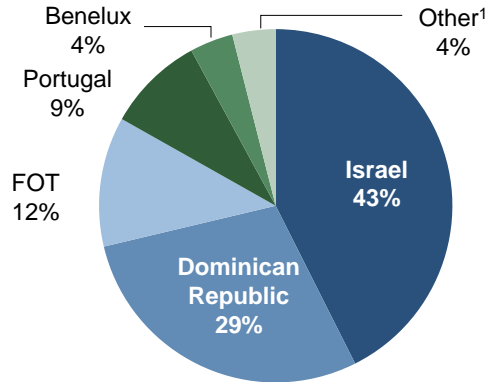
<sup>1</sup> In July 2014 Portugal Telecom and Vodafone Portugal signed an agreement to deploy and share fiber networks reaching 900,000 homes in Portugal. The agreement, which commences in December 2014 will enable each company to offer high-speed data services to an additional 450,000 homes and businesses in Portugal.

# Enhancement of Altice's Geographic Mix

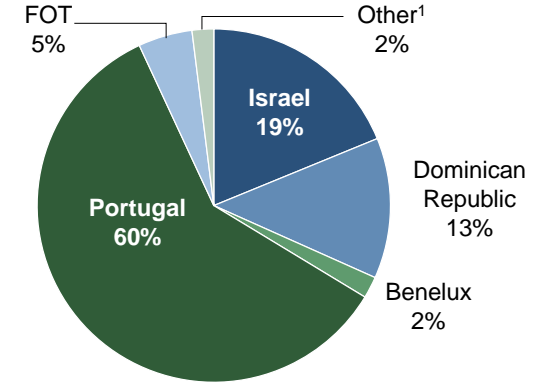
The acquisition of PT Portugal enhances Altice's business profile through increased scale, higher exposure to Western Europe and the addition of high quality network infrastructure with cable-like characteristics

Altice International

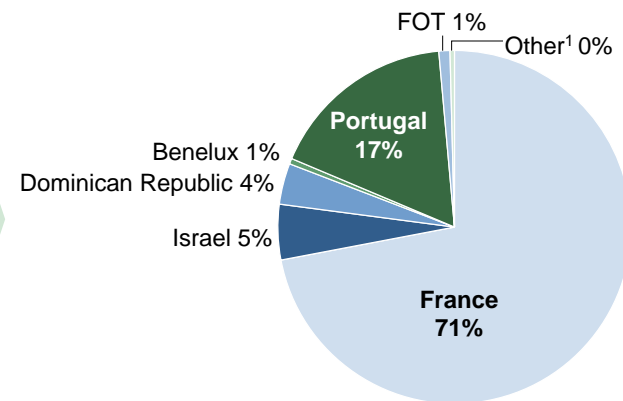
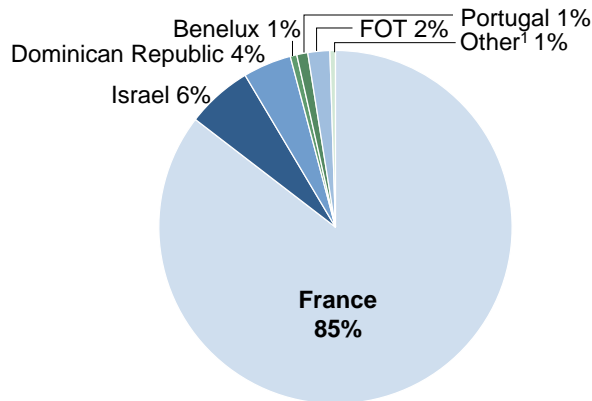
2014 Revenue Pre PT Portugal



2014 Revenue PF PT Portugal



Altice S.A.



Source: Company Reports

Note: PT Portugal is based on LTM as at Sep-14

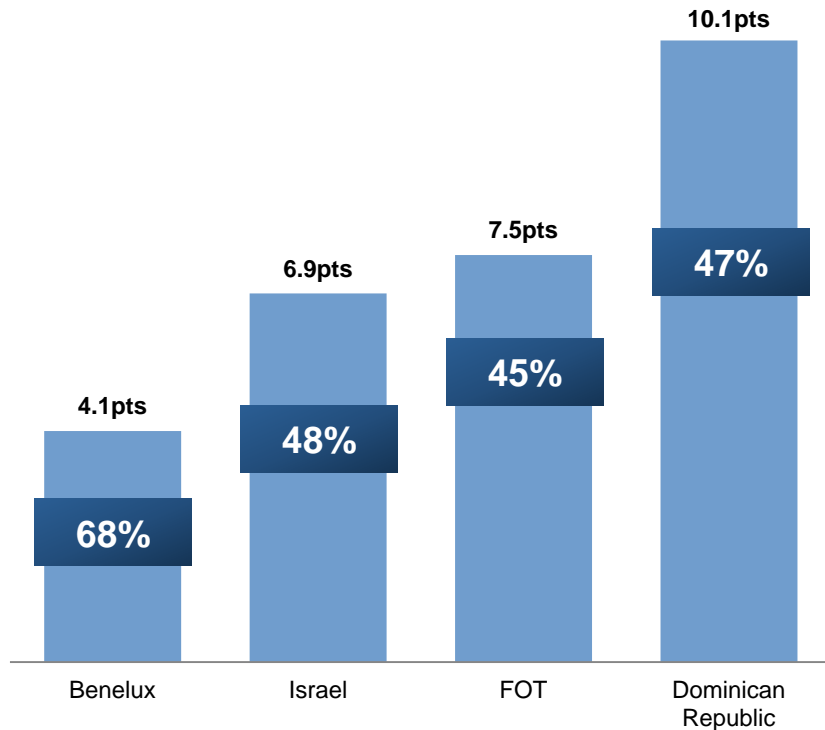
<sup>1</sup> Includes Green.ch

# Further Opportunity to Increase Margins

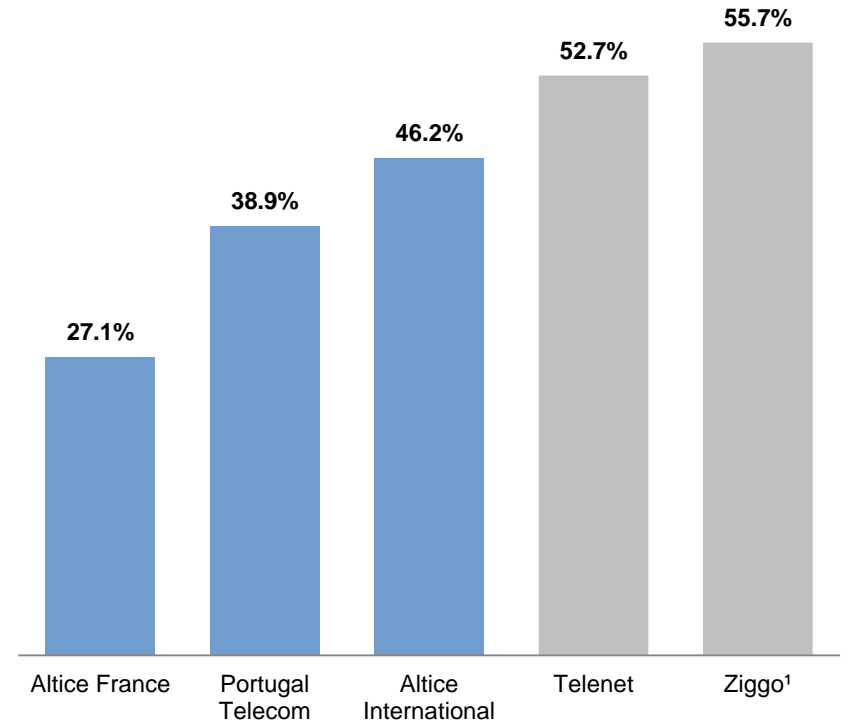
- Proven ability
  - Identify attractive targets
  - Track record of successful turnarounds

- Further upside potential from operational efficiencies

Margin Expansion 2014 vs. 2013 (EBITDA Margin % pts)



2014 Altice France EBITDA Margin is much Lower than Peers



Source: Company filings  
Margin in %

<sup>1</sup> Ziggo is based on LTM (Sep-14).



# Strategic Initiatives

## Acquisition of 20% stake in Numericable-SFR from Vivendi

### Transaction Rationale

- Transaction accretive for Numericable-SFR and Altice shareholders as purchase at €40 per share is made at significant discount to the market price
- Removal of €750 million earn out also creates value
- SPA purchase price adjustment settled at €116 million
- Transaction requires an EGM at Numericable-SFR which will take place no later than April 30<sup>th</sup> 2015
- Expected closing shortly after Numericable-SFR EGM
- Post-closing shareholder structure: Altice 78% and Free float 22%

### Funding VIVENDI 20% STAKE



#### Numericable-SFR 10%

Cash / RCF	1.95 Bn
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#### Altice 10%

<u>Deferred Consideration 365 Days</u>	1.95 Bn
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- Equity backstop secured
- Funding to be reviewed in 365 days depending on cash available and leverage

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# Operational Review

# France

## FY & Q4 2014 Highlights



- Synergies implementation plan on track through 15 dedicated projects
- Ambitious Fiber & 4G roll-out plan
- Strong momentum in Fiber since launch of Wholesale offer at SFR in November 2014
- Mobile & Fixed Business update

# France

## Delivering the synergies through 15 dedicated projects



Synergies	Comments	LAUNCHED	FIRST RESULTS	COMPLETED
B2C	<ul style="list-style-type: none"> <li>○ Simplify range of offers and brand strategy</li> <li>○ Increase usage of fiber network</li> <li>○ Optimise client relationship management</li> <li>○ Improve reach of distribution network nationally</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> <li>□</li> <li>□</li> </ul>	<ul style="list-style-type: none"> <li>□</li> <li>□</li> <li>□</li> <li>□</li> </ul>
B2B	<ul style="list-style-type: none"> <li>○ Reorganize B2B business</li> <li>○ Mutualise B2B client operations</li> <li>○ Increase profitability at Telindus</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> <li>✓</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> <li>✓</li> </ul>	<ul style="list-style-type: none"> <li>□</li> <li>□</li> <li>□</li> </ul>
Network	<ul style="list-style-type: none"> <li>○ Unify &amp; Interconnect our networks</li> <li>○ Sale of Completel's DSL network</li> <li>○ Optimise our IT systems</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> <li>✓</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>□</li> <li>✓</li> </ul>	<ul style="list-style-type: none"> <li>□</li> <li>□</li> <li>□</li> </ul>
Other	<ul style="list-style-type: none"> <li>○ Extract more value from media content</li> <li>○ Rationalise real estate portfolio</li> <li>○ Review handset purchasing and subsidisation strategy</li> <li>○ Implement new business model with technical suppliers</li> <li>○ Reduce our G&amp;A expenditure</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> </ul>	<ul style="list-style-type: none"> <li>□</li> <li>□</li> <li>□</li> <li>□</li> <li>□</li> <li>□</li> </ul>

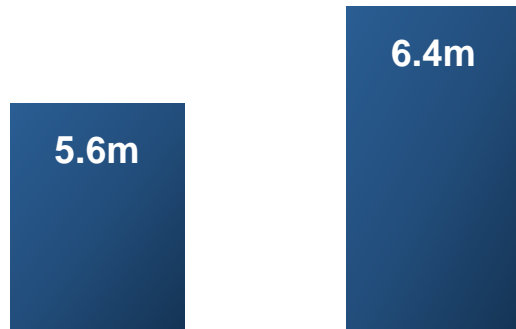
# France

## Fiber & 4G Roll-out Momentum



### FIBRE

N°1

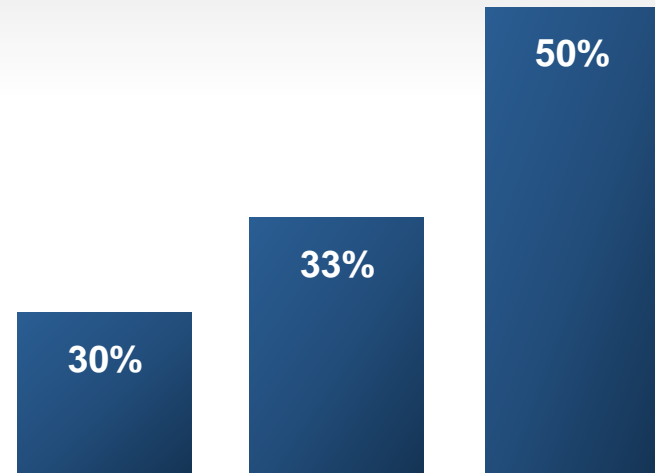


Q4-13

Q4-14

15% growth in Fiber Homes Passed in 2014

### 4G



Q2-14

Q3-14

Q4-14

20% pts increase in 4G coverage in H2 2014

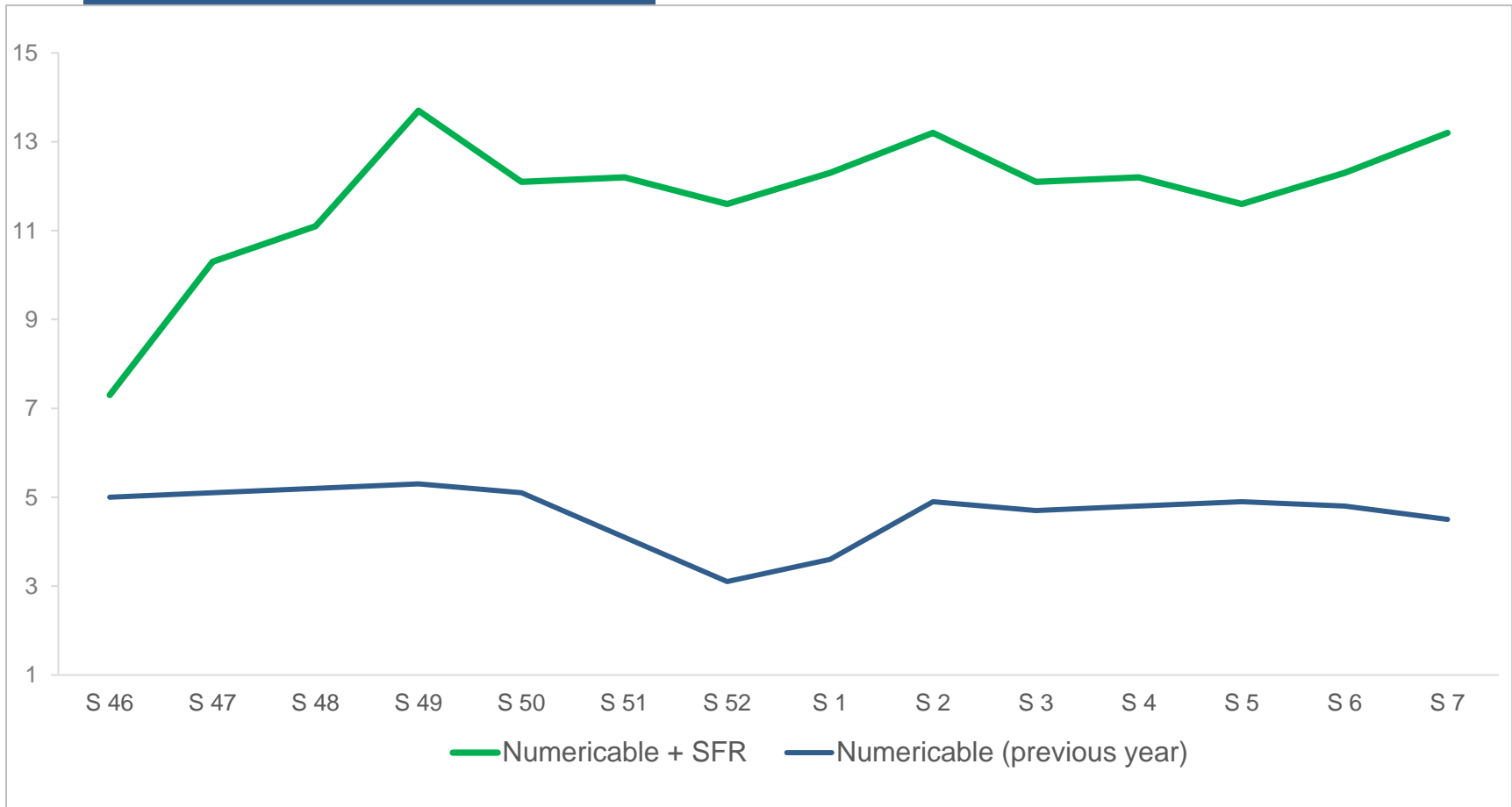
Clear leader in Fiber with 12m homes passed target by end 2017 and 15m by end 2020

# France

## Strong Growth Momentum in Fiber since November 2014



Weekly Client Gross Adds ('000)



**Numericable-SFR fiber Gross Adds are 2.5x higher than Numericable stand alone**

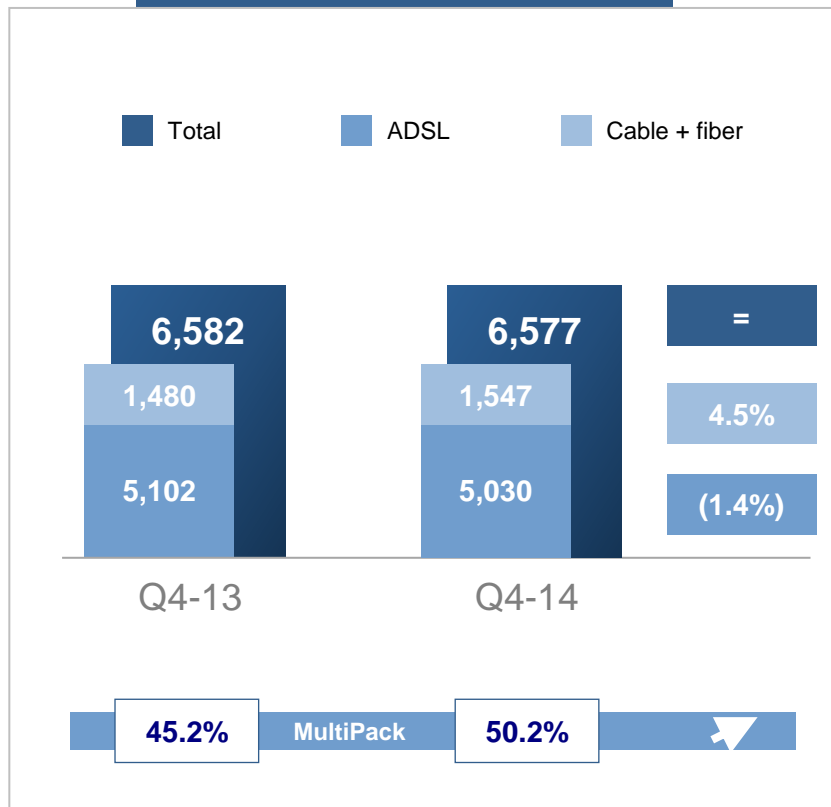
# France

## B2C Fixed



### Fixed Customers in 000's

### ARPU in €



Stable customer base and ARPU with growing cable/fiber compensating for decline in ADSL

# France

## B2C Mobile

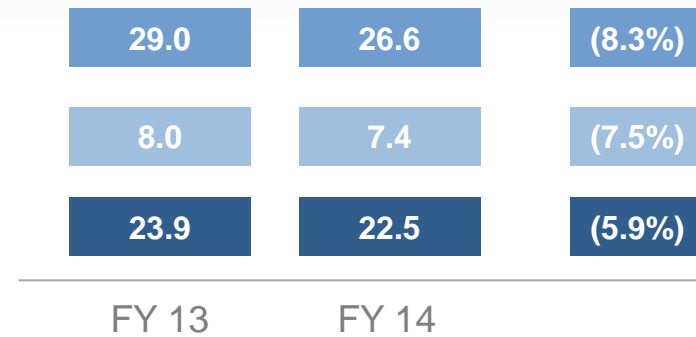
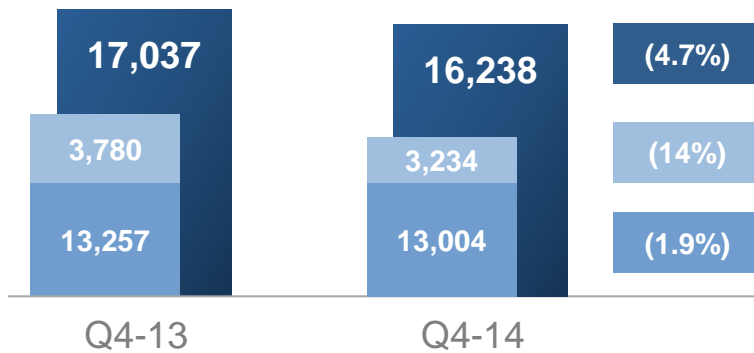


### Mobile Customers in 000's

### ARPU in €

■ Total Base   ■ Postpaid   ■ Prepaid

■ Blended   ■ Postpaid   ■ Prepaid



**B2C Mobile business declined in 2014 but at a lower pace**



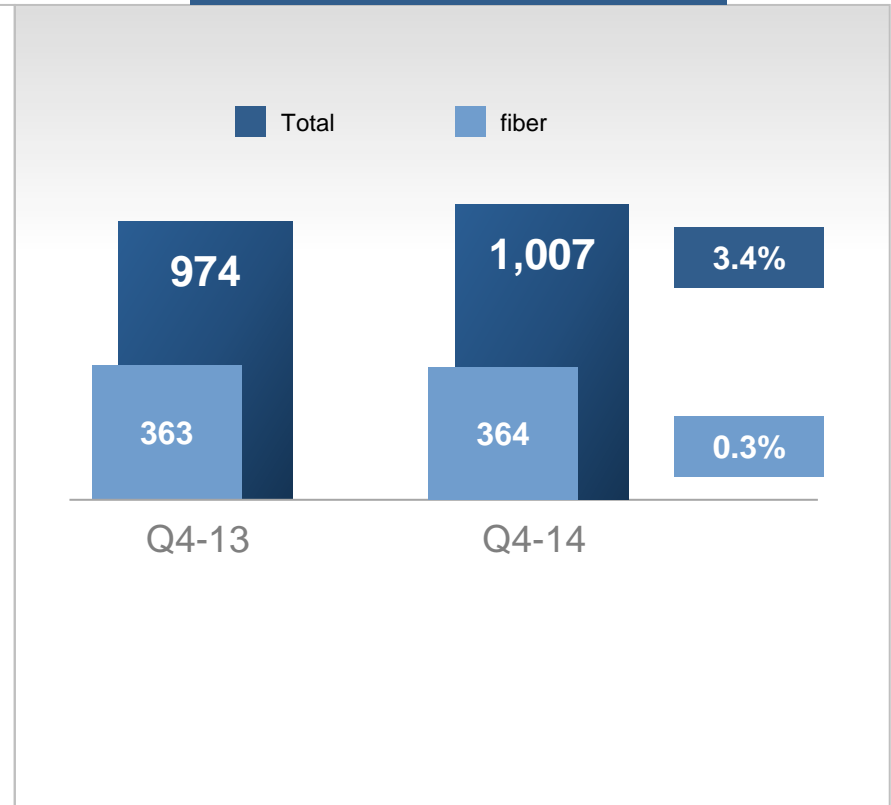
# France

## B2B Mobile & Wholesale



### B2B Mobile subscribers in 000's

### White Label customers in 000's



Growth in B2B Mobile thanks to strong M2M Sales and positive growth in White Label

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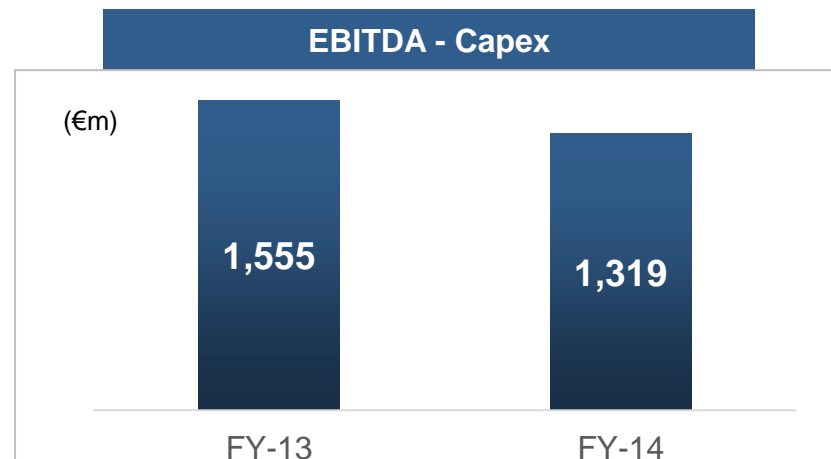
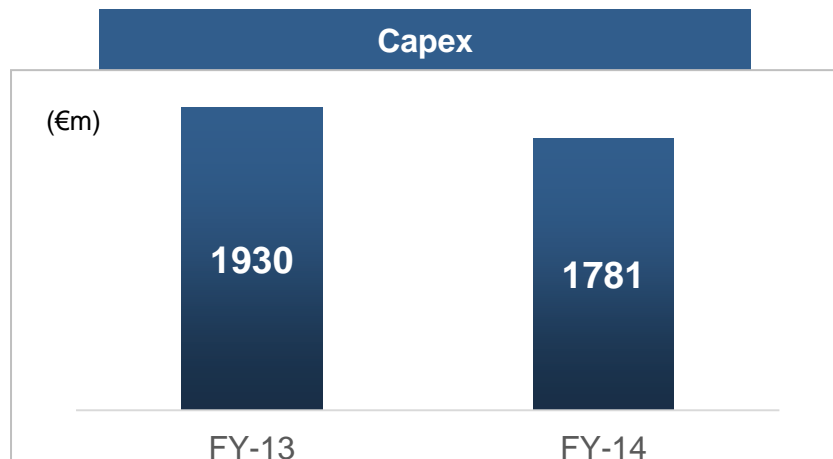
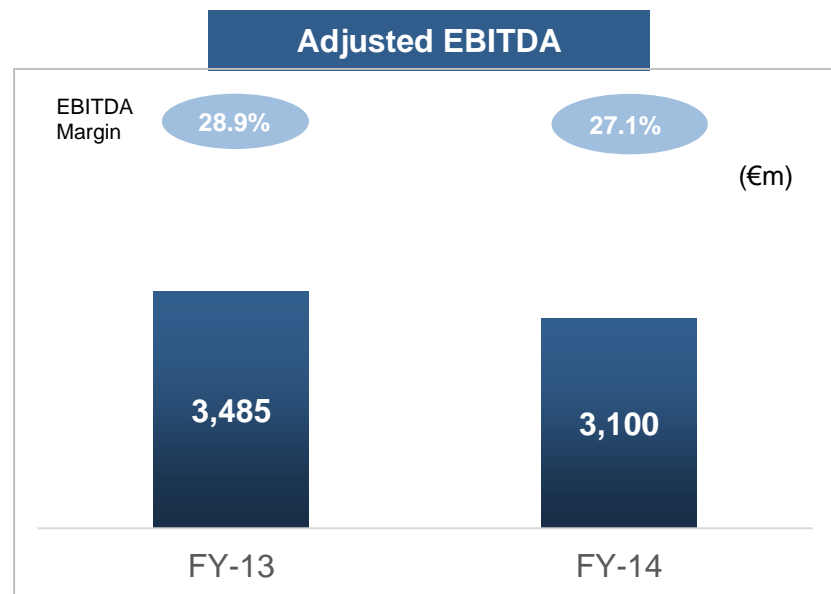
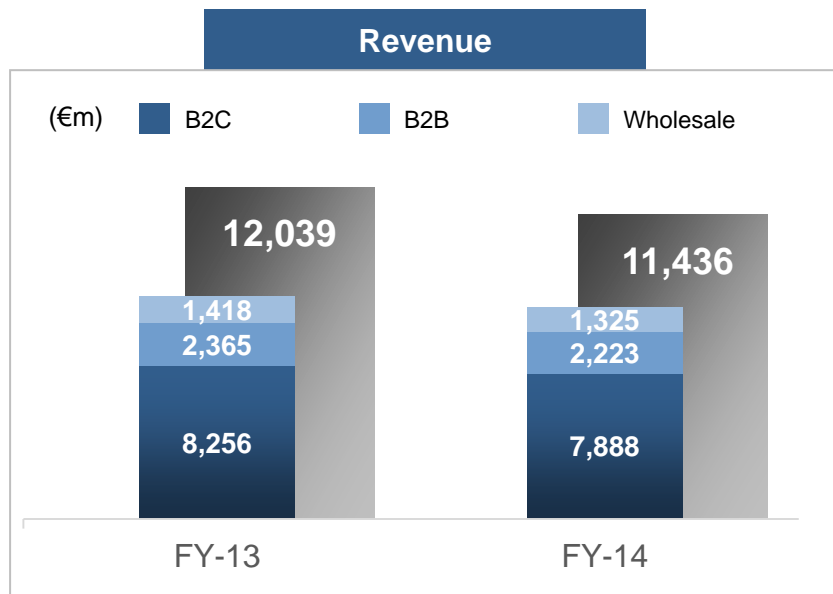
**SFR**



# Financial Review

# France

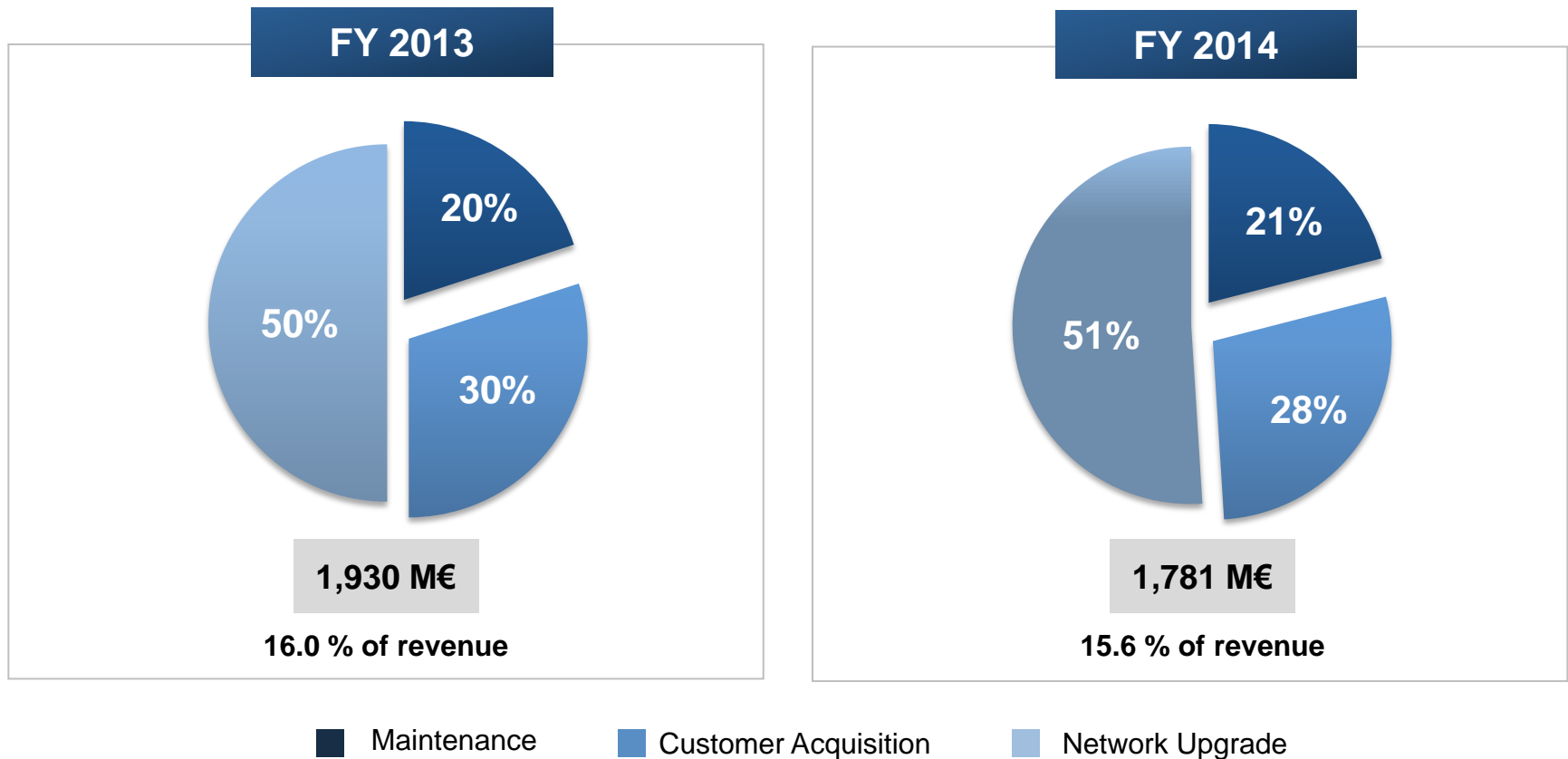
## Key Financials



<sup>1</sup> Proforma 2013 numbers previously released did not include the contributions from Virgin Mobile and Telindus, respectively 568m of revenue and 26m of EBITDA

# France

## Financials – Proforma CAPEX



Numericable-SFR spent half of its capex on network renovation and upgrade in 2013 & 2014

# France

## Financials – Consolidated Debt



### Debt and leverage

€ Million	Instrument Ccy Yield	Euros Yield (inc. Hedging)	Outstand. (Inst. Ccy)	Outstand. (Closing €)
<b>Cash</b>			546	546
<b>Debt</b>				
USD Notes	5.7%	4.9%	7 775	5 623
EUR Notes	5.5%	5.5%	2 250	2 250
USD Term Loans	L3M+3.75% (1)	E3M+4.21%	2 600	1 880
EUR Term Loans	E3M+3.75% (1)	E3M+3.75%	1 900	1 900
Other debt				144
<b>FX Effect (2)</b>				1
<b>Total debt</b>				11 798
<b>Net debt</b>				11 252
<b>Undrawn Facilities</b>				
Revolving Credit Facility				750
				2014
<b>Net leverage (PF LTM EBITDA)</b>				3.6x
<b>Net leverage (PF LTM EBITDA) including €350m of synergies</b>				3.25x

(1) With a 0.75% floor on both EURIBOR and LIBOR

(2) Gross debt revaluation compensated by the MtoM of the FX elements of the current derivatives



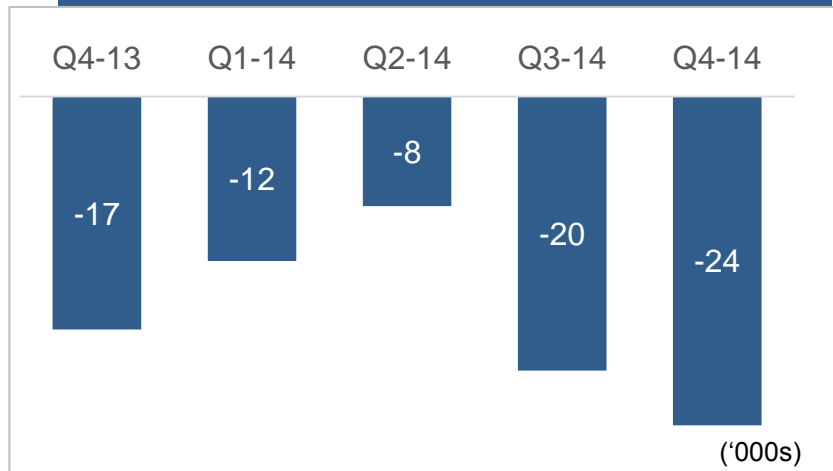
# Altice International Operational Review



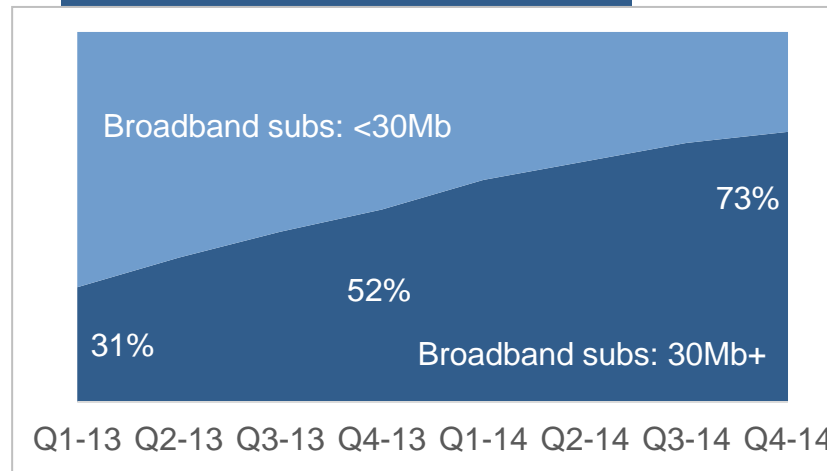
# Israel – Cable

Improving mix but customer growth affected by customer service

## Customer losses affected by customer service



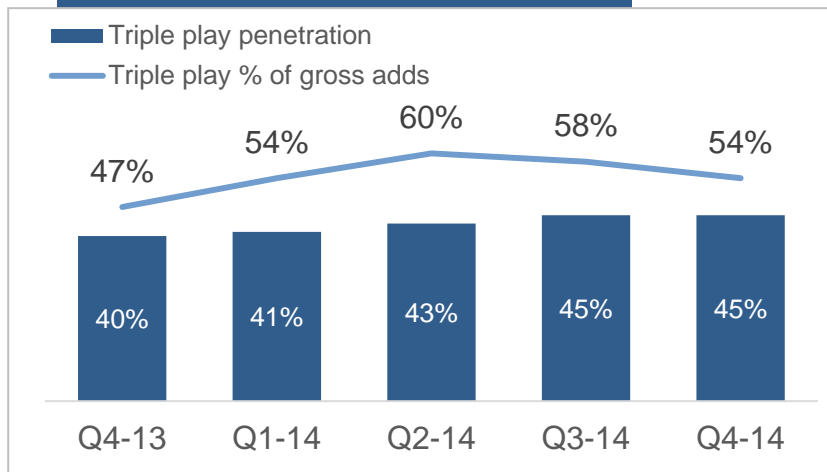
## Improving broadband mix



## Improving mix but issues in customer service

- Strong growth in triple play and high-speed broadband despite customer service issues
- Implemented changes to improve service with outsourcing partner :
  - Dedicated team for new subscribers
  - Opening 2 new call centers
  - Recruitment of 500 new customer service staff and training
- Positive signs of improving quality of service in December 2014

## Growing triple-play

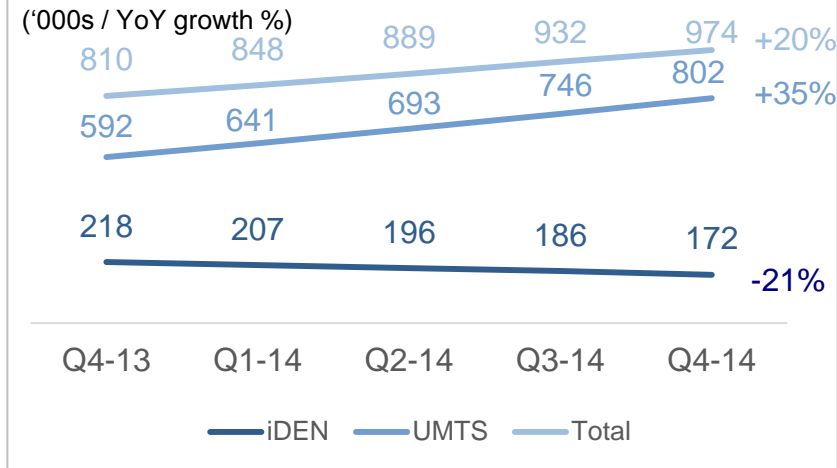


# Israel – Mobile

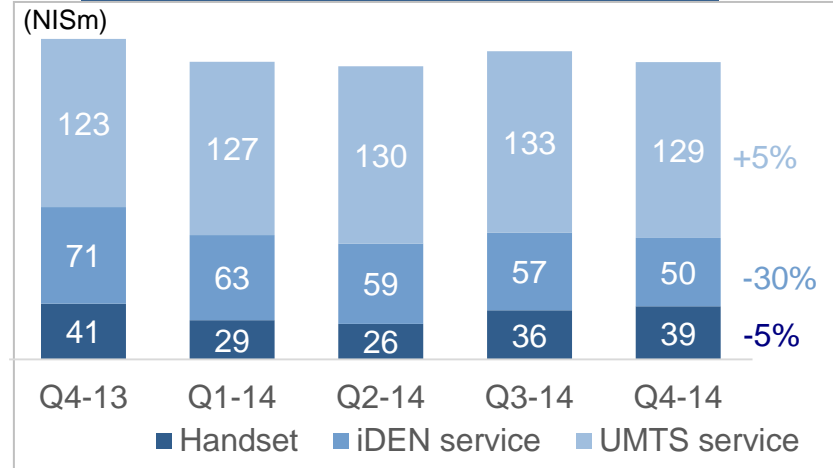
## UMTS service revenue up 5%



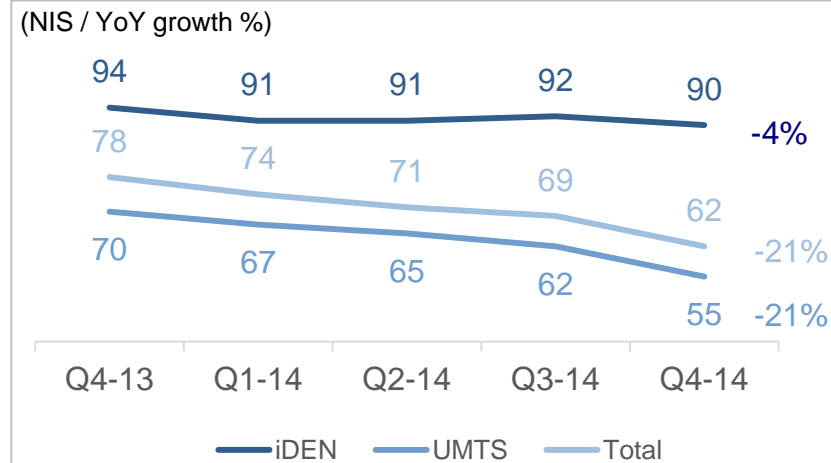
### UMTS sub growth continues



### UMTS Service revenue growth



### UMTS ARPU under pressure



### Competitive pressure in mobile market

- UMTS service revenue grew 5% but price competition remains intense
- Handset revenue growth continues to be strong (in H2 2014) with little gross margin contribution
- iDEN service revenue declined as expected
- Finalisation of the 4G auction in January 2015 (Hot won one pricing band)

Note: iDEN ARPU restated to exclude other intercompany service revenues

Note: Revenue chart above does not include intercompany eliminations

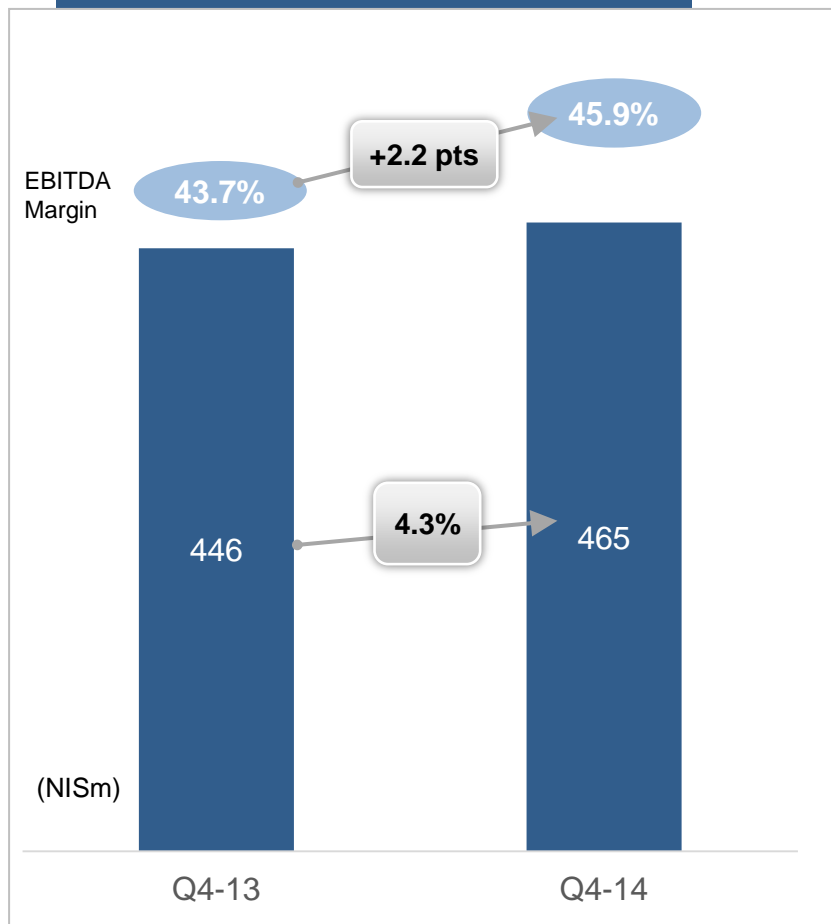


# Israel – Financials

## EBITDA growth continues despite revenue pressure



### EBITDA growth



### Improving Cost Base

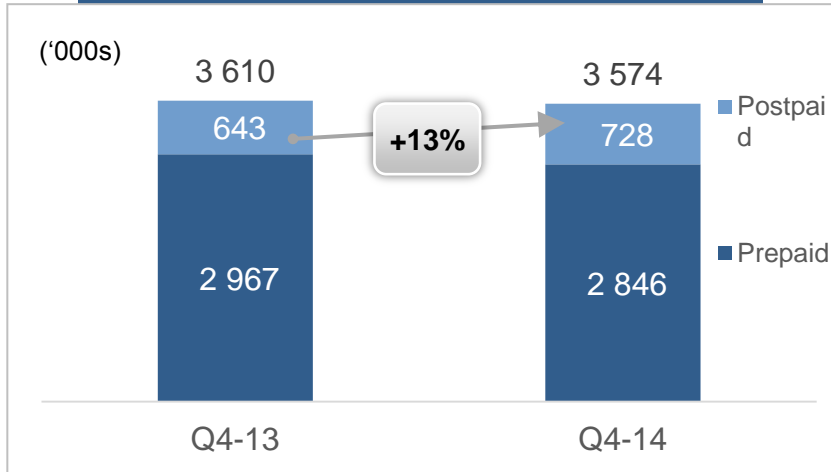
- EBITDA growth impacted by :
- Decreasing costs mainly in headcount (reduced to 2,318 in Q4) and significant savings from new mobile roaming agreement
- Increasing costs in customer service and marketing

# Dominican Republic – Operations

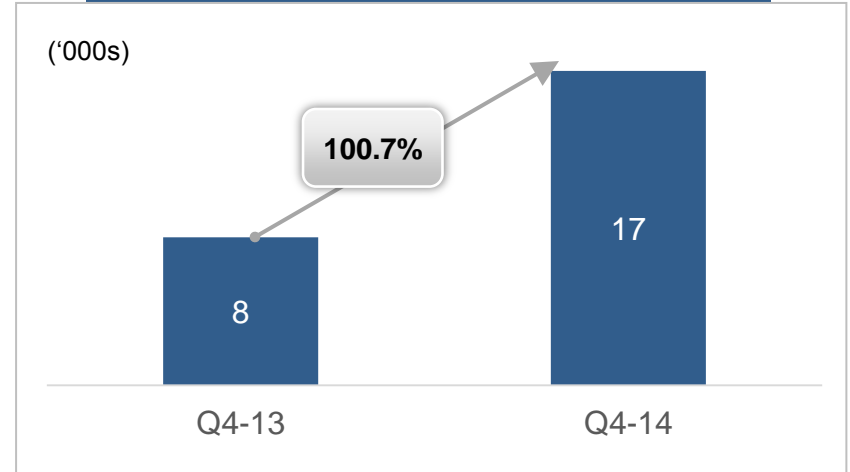
## Strong postpaid and cable subscribers growth



### Strong Mobile postpaid sub growth



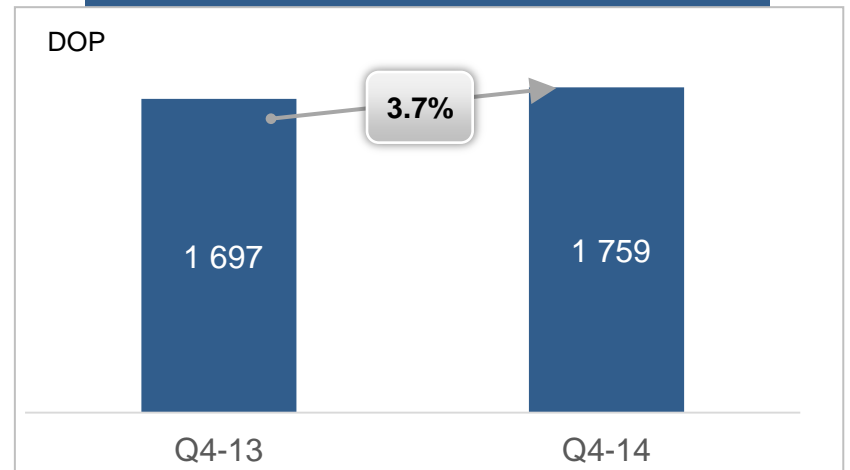
### Strong 3P sub growth



### Continued growth

- Continued prepaid to post paid conversion and 13% growth of post paid subscribers
- Triple play services introduced, gaining momentum
- Cable ARPU has increased by 3.7% in Q4 15

### Cable ARPU growth

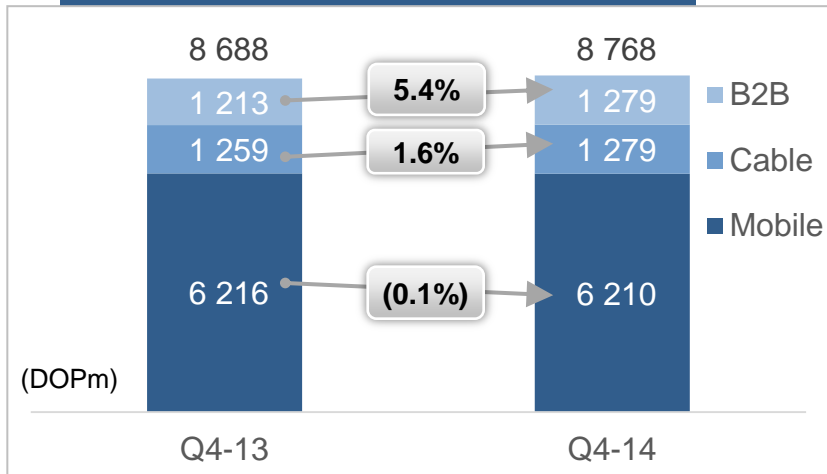


# Dominican Republic – Financials

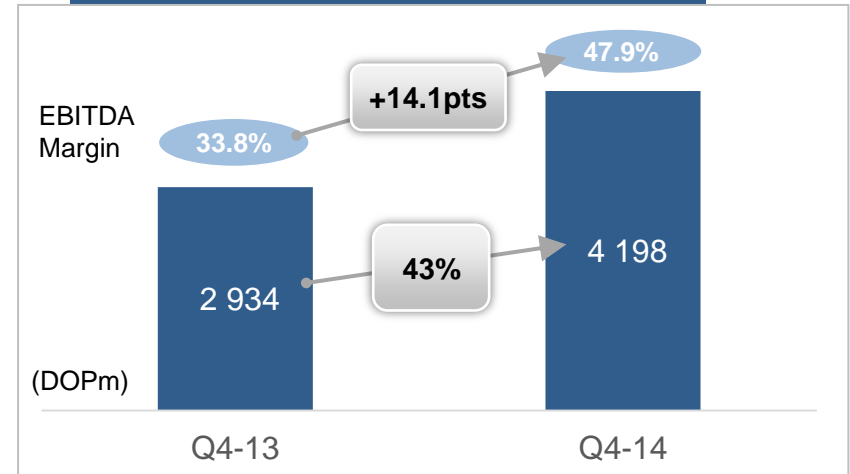
Strong EBITDA growth through cost restructuring and synergies



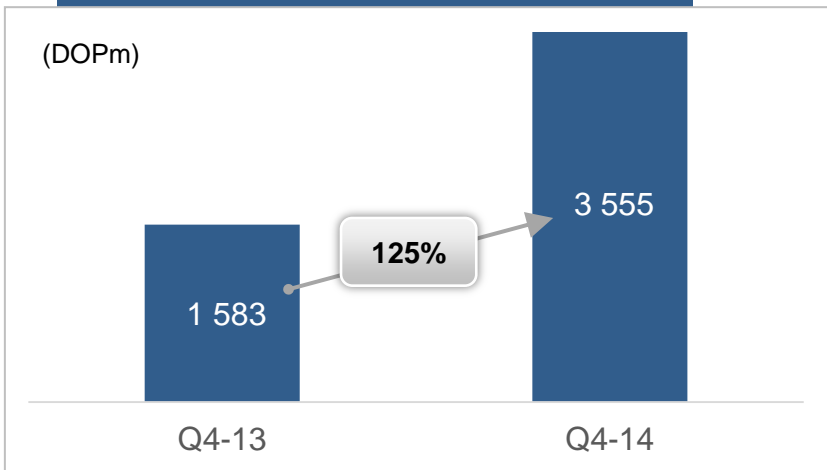
## Revenue growth



## Strong EBITDA and margin growth



## Strong OpFCF growth



## Strong Cost restructuring

- Ebitda margin increased from 33.8% to 47.9%
- Contract negotiations with existing suppliers
- Headcount reductions realised with externalization (network maintenance, call center)
- Reduced communication spending (synergies / renegotiation)
- IFRS Harmonization



# Altice SA Financial Review

# Altice SA

## Pro Forma Consolidated Financials

€m		FY-13	FY-14	Reported Growth	Constant Currency Growth
Revenue	International	2 070	2 028	(2.1%)	(1.8%)
	France	12 039	11 436	(5.0%)	-
	<b>Total</b>	<b>14 109</b>	<b>13 464</b>	<b>(4.6%)</b>	<b>(4.5%)</b>
EBITDA	International	803	936	17%	17%
	<i>Margin (%)</i>	38.8%	46.2%	+7.4pp	-
	France	3 485	3 098	(11%)	-
	<i>Margin (%)</i>	28.9%	27.1%	-1.8pp	-
	Corporate Costs	(10)	(25)	-	-
	<b>Total</b>	<b>4 279</b>	<b>4 009</b>	<b>(6.3%)</b>	<b>(5.9%)</b>
	<i>Margin (%)</i>	30.3%	29.8%	-0.5pp	
OpFCF	International	399	513	28%	29%
	France	1 555	1 317	(15%)	-
	Corporate Costs	(10)	(25)	-	-
	<b>Total</b>	<b>1 945</b>	<b>1 804</b>	<b>(7.2%)</b>	<b>(6.3%)</b>

# Altice SA

## Pro Forma Consolidated Revenue

€m	FY-13	FY-14	Reported Growth	Constant Currency Growth
France	12 039	11 436	(5.0%)	-
Israel	882	857	(2.8%)	(3.8%)
Dominican Republic	609	607	(0.4%)	2.2%
French Overseas Territories	224	234	4.5%	-
Portugal	210	183	(13%)	-
Benelux	71	76	7.1%	-
Other	75	71	(5.6%)	(6.3%)
<b>Total</b>	<b>14 109</b>	<b>13 464</b>	<b>(4.6%)</b>	<b>(4.5%)</b>

- France down due to repricing mobile backlog at SFR
- Israel down due to iDEN decline and cable customer losses due to customer service
- Dom Rep up due to mobile postpaid, cable customer base and cable ARPU growth
- Continued strong revenue growth in FOT

# Altice SA

## Pro Forma Consolidated EBITDA

€m	FY-13	FY-14	Reported Growth	Constant Currency Growth
France	3 485	3 098	(11%)	-
Israel	363	412	13%	12%
Dominican Republic	223	283	27%	30%
French Overseas Territories	85	106	25%	-
Portugal	58	58	(1.0%)	-
Benelux	45	51	14%	-
Other	29	26	(11%)	-
<b>Sub-Total</b>	<b>4 289</b>	<b>4 034</b>	<b>(5.9%)</b>	<b>(5.5%)</b>
Corporate Costs	(10)	(25)	-	-
<b>Total</b>	<b>4 279</b>	<b>4 009</b>	<b>(6.3%)</b>	<b>(5.9%)</b>

- France down due to SFR
- Israel growth due to cost restructuring and new mobile roaming agreement
- Dom Rep growth due to cost restructuring / synergies
- FOT growth due to synergies/cost optimisation and increased fixed/mobile product offerings

# Altice SA

## Pro Forma Consolidated Capex

€m	FY-13	FY-14	Reported Growth	Constant Currency Growth
France	1 930	1 781	(7.7%)	-
Israel	209	225	7.6%	6.5%
Dominican Republic	90	69	(23%)	(21%)
French Overseas Territories	36	49	36%	-
Portugal	24	24	1.5%	-
Benelux	23	19	(16%)	-
Other	22	37	67%	66%
<b>Total</b>	<b>2 334</b>	<b>2 205</b>	<b>(5.5%)</b>	<b>(5.5%)</b>

- France capex down due to slowdown in Q4 at SFR
- Israel up due to network upgrades and launch of new fiber Box
- Dom Rep capex excluding licences is down due to efficiencies and no material network extensions in 2014
- FOT capex up due to network upgrade
- Other capex up due to new data centre in Switzerland



# Group Net Debt

## Q4-14 Actual

### Altice SA Consolidated

Gross Debt:	€19.8bn
Total Cash	€1.6bn
Total Net Debt:	€18.2bn
Undrawn RCF	€1.4bn

### Altice SA

Gross Debt:	€4.2bn
Cash <sup>2</sup> :	€829m
<b>Net Debt:</b>	<b>€3.3bn</b>
<b>Un. RCF :</b>	<b>€200m</b>

60.3%

100%

### France

Gross Debt <sup>1</sup> :	€11.8bn
Cash:	€546m
<b>Net Debt:</b>	<b>€11.3bn</b>
<b>Un. RCF:</b>	<b>€750m</b>

### International

Gross Debt:	€3.8bn
Cash:	€188m
<b>Net Debt:</b>	<b>€3.6bn</b>
<b>Un. RCF:</b>	<b>€470m</b>

## Pro Forma for PT

### Altice SA Consolidated

Gross Debt:	€25.5bn
Total Cash	€1.6bn
Total Net Debt:	€24.0bn
Undrawn RCF	€1.6bn

### Altice SA

Gross Debt:	€6.2bn
Cash <sup>2</sup> :	€829m
<b>Net Debt:</b>	<b>€5.4bn</b>
<b>Un. RCF :</b>	<b>€200m</b>

60.3%

100%

### France

Gross Debt:	€11.8bn
Cash:	€546m
<b>Net Debt:</b>	<b>€11.3bn</b>
<b>Un. RCF:</b>	<b>€750m</b>

### International

Gross Debt:	€7.5bn
Cash:	€188m
<b>Net Debt:</b>	<b>€7.3bn</b>
<b>Un. RCF:</b>	<b>€671m</b>

<sup>1</sup> Includes other debt (mainly leases)

<sup>2</sup> Excludes €529m payment to Cinven and Carlyle

## Guidance & Outlook

- 2015 Guidance will be disclosed at Q1 Results for both Altice and Numericable-SFR
- Q1 Results will be released on May 12th 2015
- FY Accounts and notes will be available in next two weeks

# Q&A





# Appendix

# Altice SA Proforma Net Leverage Reconciliation

	PF
(EURm)	PT Transaction Debt
Net Debt ASA Consolidated	23 975
LTM EBITDA ASA Consolidated	4 009
LTM Q3-14 EBITDA PT	997
Synergies AI	8
Synergies PT	100
Synergies SFR	350
LTM EBITDA inc. Synergies	5 463
Net Leverage (LTM inc. Syn.)	4,4x