



Press Release

5 August 2014

## Second Quarter 2014 Results

- ✓ **Announced combination with SFR proceeding per initial timeline**
- ✓ **Gross Sales up 16% and Numericable branded multiple-play customer base up 6%**
- ✓ **Revenues up 3.2% at €336.1 million and adjusted EBITDA\* up 1.8% at €156.7 million**
- ✓ **Gross Adds ARPU up 3.3% at €43.6**
- ✓ **413 000 new fibre homes passed in H1 2014 with a new total of 5.6 million fibre homes passed**

For Eric Denoyer, Chairman and Chief Executive Officer of Numericable Group:

*“By providing our customers with La Box Fibre by Numericable and an access to a whole range of innovative and content-rich services, Numericable Group continues down its growth path on the French wireline market and delivers revenue growth in a competitive market environment. The combination with SFR, subject to approval from the French Antitrust Authorities, should become reality before the end of the year, and will allow Numericable to open a new chapter in its development.”*

\*EBITDA is adjusted for several non-recurring or non-cash elements



## SIGNIFICANT EVENTS OF THE QUARTER

### ▪ GROWTH IN REVENUE AND ADJUSTED EBITDA

During the second quarter of 2014, Numericable Group generated revenues of €336.1 million up 3.2% and an adjusted EBITDA of €156.7 million up 1.8%. This Revenue growth is satisfactory as it also shows a sequential increase compared to the Group's revenue growth in Q4 2013 (+0.6%) and Q1 2014 (+1.0%). The Group's EBITDA margin reached 46.6% of revenues, down 60 basis points compared to the second quarter of 2013, as a result of the increase in subscriber acquisition costs, which helped generate a 16% growth in gross sales during the second quarter of 2014. This good performance was delivered in a highly competitive market environment.

The Revenue performance by division breaks down as follows:

- In **B2C** (Pay TV, Internet broadband access, fixed and mobile telephony through an MVNO), revenues were up by 2.5% at €220.3 million. This growth is driven by the good sales momentum of the B2C Digital (Numericable Brand) revenues. This solid performance was due to increasing market demand for very high speed broadband and the success and innovation provided by La Box Fibre by Numericable. The Soccer World Cup was a good test case for the popularity of some of our recently launched innovations such as the Restart, the Picture in Picture or the Multi Screen functionalities.

### ✓ A growing subscriber base

The total customer base hosted on Numericable's network increased by almost 4% in the quarter to reach 1.709 million (multiple play, monopoly TV only and white label). Despite the decline in monopoly TV subscribers, Numericable increased its customer base by 59,000 in the second quarter of 2014.

The Numericable multiple play customer base grew by 6 % to reach 1.062 million.

| SUBSCRIBERS                      | In 000's (Q2 13) | In 000's (Q2 14) | Change         |
|----------------------------------|------------------|------------------|----------------|
| <b>Multiple Play Numericable</b> | <b>1 002</b>     | <b>1 062</b>     | <b>+ 6.0 %</b> |
| <b>TV only (inc analogue)</b>    | 328              | 281              | - 14.9 %       |
| <b>White Label</b>               | 320              | 366              | + 14.4 %       |
| <b>Total</b>                     | <b>1 650</b>     | <b>1 709</b>     | <b>+ 3.6 %</b> |

At the end of the second quarter of 2014, the Group had close to 380,000 subscribers equipped with LaBox Fibre, representing some 35% of its Multiple Play customer base.



✓ **Gross Adds ARPU up more than 3% reaches € 43.60**

The growth of Numericable’s customer base came with a 1.2% growth of its ARPU (Average Revenue per User) which reached €41.90 at the end of the second quarter of 2014 compared to the second quarter of 2013. The Gross Adds ARPU (or ARPU of the customers acquired during the second quarter of 2014) was up 3.3% at €43.60 to, which is a new record high for the Group. This progression is due to the company’s rich value-added content product offering and constant innovation in the services it provides to its customers.

- **In B2B**, revenues were up 9.3% at €82.8 million. This performance can be explained by solid growth delivered in the data segment, which represented 60% of B2B revenues in the quarter, as well as from the benefit of the acquisition of LTI Telecom. The voice segment continued to be impacted by regulated termination rate cuts and a difficult economic environment.
- **In Wholesale**, revenues were down 5.5% at €33.0 million, due to declining business in voice and DSL, but at a slower pace than during the first quarter of 2014. Nevertheless, the division’s EBITDA margin increased and the revenue mix improved thanks to good growth in our on-net businesses of data and fibre wholesale.

▪ **CONTINUED INVESTMENT IN OPTICAL FIBER ROLL-OUT**

✓ **€88 million of Capex in Q2 2014**

In line with the company’s commitment at the time of its IPO, Numericable Group accelerated its triple play network capex plan. In the first half of 2014, the Group invested €163 million (or 24.5% of its revenues) and intensified the deployment of its optical fibre network with more than 400 000 households upgraded to fibre.

✓ **More than 200 000 additional households upgraded to fibre in the quarter**

| Households                 | In 000's (Q1 14) | In 000's (Q2 14) | Change       |
|----------------------------|------------------|------------------|--------------|
| <b>Triple Play enabled</b> | 8,561            | 8,573            | -            |
| <b>Fibre enabled</b>       | <b>5,405</b>     | <b>5,609</b>     | <b>+3.8%</b> |



Numericable Group is the major player in terms of optical fibre deployment in France. With its **5.6 million fibre equipped households** (with 100 Mbs speeds and above), the Group confirms its leadership position in very high speed broadband.

As the French Government prepares the ground for its Plan France Très Haut Débit, Numericable Group confirms its target of upgrading **700 000 to 800 000** households to fibre by the end of the year 2014.

#### ▪ **FINANCING OF THE SFR ACQUISITION AND REFINANCING OF THE GROUP'S EXISTING DEBT**

In order to finance the acquisition of SFR, Numericable Group raised in May 2014 the equivalent of €11.653 billion through both bond and loan issuances in both euros and US dollars. This record offering enabled Numericable Group to raise the equivalent of €7.873 billion in bonds and the equivalent of €3.780 billion in term loans. Thanks to the high level of demand from investors, the average cost of debt post refinancing and including the cost of hedging is approximately 4.95%. The new senior secured facilities are covenant lite with an average maturity of above seven years. Simultaneously, the Group also signed a new agreement to access a new revolving credit facility of €300 million, which will be increased to €750 million at the time of the closing of the SFR transaction.

The Group used some its new loan proceeds (the equivalent of €2.75 billion to refinance its existing debt and benefit from its new improved financial terms (with a six year maturity and no bank covenants)).

The other funds raised through these bond and loan issuances have been placed in escrow pending the closing of the SFR transaction. The US dollar portion of the debt raised has been hedged through an agreement with fifteen banking institutions. All financial flows related to the payment of both interest and principal have been hedged for a five or an eight year period depending on the maturity of the underlying debt instrument. In the same way, the US dollar amount placed in escrow has also been hedged to enable a full payment in euros of the cash component of the SFR acquisition at the time of the closing.

As of 30 June 2014, the company's gearing (ie Net Debt to Adjusted EBITDA ratio) was slightly below 4.5x.



- **ORGANIC FREE CASH FLOW GENERATION OF CLOSE TO 70 MILLION BEFORE SFR ACQUISITION FINANCING ELEMENTS**

Before incorporating items related to the financing of the SFR acquisition, Numericable Group generated in the first half of 2014 an organic free cash flow (ie EBITDA – Capex – Taxes – Financial interest - Working Capital requirements) of €67 million. The financing of the SFR acquisition also led to additional interest charges and transaction fees on the new debt and the refinancing of the existing debt amounting in total to €128 million. Hence, over the first half of 2014, the Group burned €61 million of cash.

- **NET RESULT IMPACTED BY THE NEW DEBT STRUCTURE**

Ajusted for non-recurring items related to the acquisition of SFR, Numericable Group generated a positive net result of €114.3 million in the first half of 2014.

On a reported basis, the Group generated a negative net result of € -83.4 million due to three non-recurring elements: (i) an increase in financial interest due to the new financing put in place for the acquisition of SFR (representing €64 million of additional financial interest paid), (ii) fees paid for the early redemption of the existing debt (€109 million) and (iii) the cost of hedging the US dollar portion of the Group's new debt (€25 million).

## **GUIDANCE**

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Subject to the approval of the French Antitrust Authorities for the combination between Numericable Group and SFR in the expected timeframe, the annual guidance given by Numericable Group at the time of its IPO in November 2013 for the period 2014 to 2016 would de facto become obsolete as SFR would be consolidated in the accounts of Numericable Group as of Q4 2014.

If the closing of the SFR transaction were not to happen before the year end, the guidance would remain valid.



## COMBINATION OF SFR AND NUMERICABLE GROUP

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Following the unanimous decision by Vivendi's board to select the Altice-Numericable offer for SFR on April 6<sup>th</sup>, the announced combination of SFR with Numericable has been proceeding according to the initial timetable.

On June 23<sup>rd</sup>, Vivendi, Altice and Numericable announced that they had signed the definitive agreement regarding a combination between SFR and Numericable Group following a constructive dialogue with the Employee Works Councils concerned.

At closing, Vivendi will receive €13.5 billion in cash (excluding adjustments) and will keep a 20% stake in the new combination. Vivendi will also receive an earn-out of €750 million depending on the future financial performance of the new group.

## VIRGIN MOBILE ACQUISITION

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On May 16<sup>th</sup>, Numericable Group announced it had entered into exclusive negotiations with OMEA Telecom for the purchase of Virgin Mobile.

The offer incorporates a total enterprise value of €325 million with a €200 million contribution from Vivendi.

Numericable Group announced on June 27<sup>th</sup> 2014 that, following constructive talks with employee representatives, it had signed the closing agreement to acquire 100% of the capital of Omer Telecom Limited, the holding company which operates in France under the Virgin Mobile brand.

## SFR AND VIRGIN MOBILE TRANSACTIONS ON TRACK

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Both the SFR and the Virgin Mobile transactions are dependent upon obtaining approval from the administrative authorities concerned, and we are currently hopeful that we will be able to close both deals before the end of 2014.



## KEY FINANCIAL INDICATORS

### ✓ H1 2014

| In € million           | 30 June 2014  | 30 June 2013 | Change (%) |
|------------------------|---------------|--------------|------------|
| <b>Revenues</b>        | <b>663.7</b>  | 650.0        | +2.1 %     |
| - B2C                  | 439.5         | 430.3        | +2.1 %     |
| - B2B                  | 161.5         | 152.0        | +6.2 %     |
| - Wholesale            | 62.7          | 67.6         | -7.2 %     |
| <b>Adjusted EBITDA</b> | <b>310.2</b>  | 304.7        | +1.8 %     |
| <b>EBIT</b>            | <b>142.3</b>  | 149.8        | -5.3 %     |
| <b>Net Result</b>      | <b>(83.4)</b> | 47.2         | -          |
| <b>CAPEX</b>           | <b>162.6</b>  | 139.2        | +16.8 %    |
| <b>Gearing</b>         | <b>4.47x</b>  | 4.48x        | -          |

### ✓ Q2 2014

| In € million           | 30 June 2014   | 30 June 2013 | Change (%) |
|------------------------|----------------|--------------|------------|
| <b>Revenues</b>        | <b>336.1</b>   | 325.6        | +3.2 %     |
| - B2C                  | 220.3          | 214.9        | +2.5 %     |
| - B2B                  | 82.8           | 75.8         | +9.3 %     |
| - Wholesale            | 33.0           | 34.9         | -5.5 %     |
| <b>Adjusted EBITDA</b> | <b>156.7</b>   | 153.9        | +1.8 %     |
| <b>EBIT</b>            | <b>67.7</b>    | 74.3         | -9.7 %     |
| <b>Net Result</b>      | <b>(118.4)</b> | 23.6         | -          |
| <b>CAPEX</b>           | <b>87.7</b>    | 64.1         | +38 %      |
| <b>Gearing</b>         | <b>4.47x</b>   | 4.48x        | -          |



#### **Forward-Looking Statements**

This document may contain forward-looking information and statements about Numericable Group and its subsidiaries. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. Forward-looking statements may be identified by the words "believe," "expect," "anticipate," "target" or similar expressions. Although Numericable Group's management believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of Numericable Group's securities are cautioned that forward-looking information and statements are subject to numerous risks and uncertainties, many of which are difficult to predict and generally beyond the control of Numericable Group, that could cause actual results and developments to differ materially and adversely from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the filings with the French financial markets authority (*Autorité des marchés financiers*). Numericable Group undertakes no obligation to publicly update its forward-looking statements, whether as a result of new information, future events, or otherwise.

#### **ABOUT NUMERICABLE GROUP**

Numericable Group is the sole major cable operator in France. It operates using a very high speed fiber network infrastructure, serving three segments: B2C, B2B and wholesale. The group benefits from highly advanced technology and relies on a powerful infrastructure which operates as one network serving each of its three segments. Numericable is currently the market leader of the nascent very-high-speed broadband market in France, with around 50% market share.

In its B2C segment, the group operates under the Numericable brand name and offers customers a wide range of products and services including pay TV, high-speed and very-high-speed broadband Internet access, and fixed-line and mobile telephony.

In its B2B segment, the group operates under the Completel brand name, as the first largest alternative operator in terms of FTTO (Fiber To The Office). In 2013, Numericable Group generated combined revenues of 1.3 billion euros.

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