Introduction to SFR
March, 2008
Agenda

1. SFR position and strategy in the French Telecom market
2. Strategy at work
3. Key financials and guidance
SFR position and strategy in the French Telecom market
SFR, a strong number 2 operator in the French mobile market

18.8M customers / 34% market share / 4.1M 3G/3G+ customers

**SFR: leader in metropolitan net adds**
- SFR leader in metropolitan net adds in 2007 and 2005

**SFR: leader in margins**

<p>| 2007 Mobile EBITDA margin         |</p>
<table>
<thead>
<tr>
<th>SFR</th>
<th>Orange</th>
<th>Bouygues</th>
</tr>
</thead>
<tbody>
<tr>
<td>39.6%</td>
<td>38.6%</td>
<td>27.8%</td>
</tr>
</tbody>
</table>

(1) : 40.9% on a comparable basis with Orange

**SFR: leader in value generation**

<p>| 2007 Mobile EBITDA share - 3 operators          |</p>
<table>
<thead>
<tr>
<th>SFR</th>
<th>Orange</th>
<th>Bouygues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer</td>
<td>35.9%</td>
<td>46.4%</td>
</tr>
<tr>
<td>Revenues</td>
<td>37.3%</td>
<td>42.4%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>40.1%</td>
<td>44.5%</td>
</tr>
</tbody>
</table>

**SFR: leader in value per customer**

<table>
<thead>
<tr>
<th>2007 Mobile EBITDA per client</th>
</tr>
</thead>
<tbody>
<tr>
<td>€/year</td>
</tr>
</tbody>
</table>

Source: operator publications
French Telecom Market still growing

SFR is well positioned in the two telecom growing segments both on the mass market and the enterprise segment.

- Potential growth in new businesses (insurance, m-payment / ticketing, health, domotic..)
- SFR + 9C will address new frontiers

87% of SFR+9C revenues on Mobile + Internet & data services

(1) Fixed/Mobile substitution
(2) Fixed/VoIP substitution

Source: Idate (January 2008)
Creation of the leading alternative operator in Europe

Source: Exane BNP Paribas, SFR estimates (1 GBP = 1.4 €)
SFR + 9C: a real contender to FT - Orange in France

Fixed/mobile convergence

Importance of Enterprise segment

Source: operator publications
SFR + 9C: highly complementary platforms

**First alternative broadband networks**
- **SFR:** Largest 3G+ network in France
- **9C:** Premier alternative IP network in France; the most extensive network with >70% home passed

**Leadership in mass market services**
- **SFR:** market shaper of mobile internet
  - 18.8 M customers
- **9C:** track record of innovation in ADSL
  - 3.2 M customers

**Dynamism in enterprise segment**
- **SFR:** strong growth of enterprise lines and revenues (~10% annual growth)
- **9C:** strong penetration in the enterprise segment (> 15% Enterprise market share)

**Complementary know-how in customer service**
- **SFR:** large retail commercial network
- **9C:** strong in Internet and direct sales channels

“Natural” development of already strong existing commercial partnership
SFR + 9C: the right time to move

An opportunity at the right time....

...in line with SFR active strategy in fixed-ADSL since deregulation (1997)...

...with good transaction terms

- The right time...
  - Mobile Internet taking off
  - Customer's changing needs for convergence (especially for enterprise)
  - Increasing need for capacity because of new usage
  - FTTH technology breakthrough
- ...and Group Louis Dreyfus (GLD) is willing to sell

- Cegetel + Neuf Telecom merger in August 2005
- Increase of SFR’s stake from 28% to 40% before the IPO of Neuf Cegetel in October 2006

- Signed agreement for the acquisition(1) of GLD stake in Neuf Cegetel at €34.5/share (2007 dividend attached)...
- …followed by a Public Offer for remaining shares at €36.5/share (2007 dividend attached)
- Expected closing in Q2-Q3 2008
- Transaction value of €4.5bn

(1) Subject to the approval by French anti-trust authorities
Strengthen the SFR "customer centric" strategy

**Mass Market**
- SFR existing mobile offer
  - 18.8m customers
  - 34% market share

**Internet**
- Mobile Internet
  - 4.1m 3G cust.
  - >50% market share

**Enterprise**
- Mobile voice + data centric
  - €1bn revenues
  - >36% market share

**Wholesale**
- MVNO business
  - Co-leadership with 1.2m customers

**SFR strategic moves**
- Fixed / mobile substitution at home
- Internet at home
- Extended communication offer (fixed + mobile)
- Fixed wholesale activity

**9-C contribution to such strategy**

- 3.2m ADSL customers
  - 21% broadband market share

- 173k data links
  - €1bn Revenues
  - 15% Market Share

- 443k data links
  - ~€0.55bn Revenues

**For memo:**
- complementary networks

**Networks**
- HSDPA / HSUPA
- Femtocell
- Wifi
- WIMAX
- ADSL
- Full IP BBone
- FTTH
SFR + 9C: leading alternative multi-access full-IP network

**SFR: leading mobile broadband network in France**

- The leading mobile broadband network in France with 70% population coverage with 3G/3G+

**2007 Population coverage**
- GSM/GPRS: 98%
- 3G/HSDPA: 70%
- 3G+(HSDPA)+Edge: >92%

**9C: leading ADSL ULL platform in France**

- ~50% of French ULL lines
- 2,000 COs by end 2008

- Creation of the first alternative full-IP convergent network in Europe
- Evolve towards the more efficient broadband access network
  - Radio WAN access: HSPA ➔ LTE
  - Macro cells ➔ Femtocells
  - Fiber as close as possible to the end user
- FTTH: €450m investment over 3 years with >1m home passed by end 2009

(*) Public service contract
Strengthen the SFR “customer centric” offer portfolio

- Simplicity
- Personal services
- Interactivity

Mass market
Internet
Enterprise

Mobile

Continuity of usage

Fixed

Unlimited Happy Zone

SFR Music

Live Concerts

SFR WIFI Cité

SFR One Solution

SFR Passport

SFR Internet TV

SFR NGSF

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2 Strategy at work
Strategy at work

Profitable growth

1. Operational excellence
   - Brand
   - Customer touch-points
   - Network / IT
   - Opex & Capex control

2. Product superiority
   - Fixed / Mobile Substitution
   - Mobile Internet & Data
   - Enterprise

3. New frontier
   - Music & Games
   - M-Payment
   - …
SFR : a strong brand and a close relationship with 18.8m customers

SFR image re-boosted

• **Success of SFR new brand signature** and new advertising campaign in 2007
• **Take off of new media**: success of web marketing campaigns “cavaouatcher.fr” in September 2007 (~25k visits per day end of October)

Aligned customer touch points: distribution, call centers, Web

• **Retail**: a deep commercial network with close to 800 “Espace SFR” stores
• **Web**: new sfr.fr website with a revamped on-line shop
• **Call centers**:  
  • focus on quality retention and sales strategy  
  • execution transferred to specialists (Teleperformance, Arvato, ...)
• **Connect Assistance**: Nationwide network of PC/web specialists to assist SFR customers at their home

(*) Interactive vocal response
## Network quality and innovation

### #1 3G+ operator in France
- 4.1 million 3G customers at end of December 2007, >50% 3G/3G+ market share

### #1 in network quality for the fourth consecutive year
- #1 or #1 equal on 30 criteria out of 32 in 2007 ARCEP survey

### Largest HSDPA network in France
- With 70% HSDPA coverage end of 2007 (up to 3.6Mbit/s download)
- First French operator to announce experimentation of HSUPA at Nantes

### FTTH
- €450m investment over 3 years, to be shared with Neuf Cegetel, >1m homes passed targeted end of 2009

### Wimax licenses on the 2 largest French regions
- Ile-de-France, PACA

### Strong momentum in urban wifi
- SFR already operates in Paris (~400 hotspots), Nantes (30 hotspots end of 2007, 100 hotspots in 2008), Levallois, Metz, …
1. Strong focus on opex and capex control

**Network**
- Coverage:
  - already 70% population covered with 3G+
  - 900MHz 3G re-farming authorized by Arcep
- Passive and active site sharing (“Dead zone” agreement, …)

**Outsourcing**
- Transfer of 3 call centers in August 2007
- Rationalization of IT suppliers

**Alternative technologies**
- Use of 9C infrastructure backhaul
- Multi-layer strategy: trialing Femtocells to reduce cost of coverage

**Take advantage of IP technology**
- Transition to an “all-IP” network core infrastructure

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**Mobile opex & customer base evolution 2002 – 2007**

- Base 100 in 2002
- Customer base
- Mobile OPEX before SARC and non recurring items (% service revenue)

**Mobile Capex / Mobile revenues**

- 2004: 11%
- 2005: 12%
- 2006: 12%
- 2007: 11%
- 2008: 9%
- 2008E: 8-9%

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Mass Market: innovate to develop personal communication

**Mobile is the preferred “connected” device…**

- 94% of SFR customers take their mobile phone everywhere
- 59% of SFR customers record their contacts in their mobile phone directory
- 81% of SFR customers consider their mobile phone as their main handset

**…with fast development of complementary personal / nomadic connected devices**

- Fast development of personal/nomadic connected devices
- Always on / Always connected and reached everywhere
- Personalized services and customer relationship
- Geo-localized services

**Fixed to mobile substitution**

- 400k Happy Zone customers at end of 2007
- **Launch of Unlimited Happy Zone** (24h/24) in March 2008

**New personal communication initiatives**

- **Launch of Asus Eee-PC** in exclusivity in Jan 08
- **SFR + TOM TOM** agreement
Mass Market: SFR, the “Market Shaper” of Mobile Internet

Mobile Internet is taking off in France

- SFR consumers are ready
- Technology (3G+) and handsets are ready
- Services are ready

Success of SFR new offers launched in H2 2007

- 250,000 Illimythics customers in two months with unlimited access to:
  - TV
  - Music
  - Web surfing
  - SMS
- 40,000 USB modem 3G+ devices

Data revenue takes off

SFR data revenue growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Messaging</th>
<th>Non-messaging</th>
<th>% Data Growth</th>
<th>% Non-Messaging Data Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>681</td>
<td>284</td>
<td>+10%</td>
<td>+23%</td>
</tr>
<tr>
<td>2006</td>
<td>715</td>
<td>348</td>
<td>+8%</td>
<td>+21%</td>
</tr>
<tr>
<td>2007</td>
<td>730</td>
<td>421</td>
<td>&gt;10%</td>
<td></td>
</tr>
<tr>
<td>2008E</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reminder: SMS termination rates cut by -30% in Sept-06
Enterprises: strong momentum for SFR Enterprise activity

From mobile voice and data centric to extended communication offer

- One stop shopping offer for SFR SME customers
- Mobiles enhanced with fixed capabilities (call transfer, conference call, ...)
- Unlimited calls 24/7 within the fixed and mobile line of the enterprise

Strong development of Data and Machine to Machine

- Data lines represent ~60% of SFR Enterprises net adds in 2007
- Growth of Machine to Machine: x2 in 2007 to 200k lines

SFR Enterprises market share

SFR Enterprises recurring revenues (excl. SIM boxes)
3 New usages

Digital Music

- **5,6 million titles downloaded** in 2007 (+37 % vs. 2006)
- Launch of « LiveConcerts by SFR »: 1st online platform for live concert and multiple views broadcast
- **SFR, Leader in single legal download in Q4-2007 with 29% market share**

Games

- **5,1 million games downloaded in 2007** (+14 % vs. 2006)
- 600 games available, including 10 online multi-players games

TV & Video

- **Over 350k** subscribers at the end of December 2007 (x5 vs. 2006)
- 92 channels available
Innovation

SFR partnership strategy to boost customer innovation

- **M-payment / ticketing**
  - Partnership with Crédit Mutuel – CIC for experimentation of contactless payment in Strasbourg
  - Partnership with Digitick for mobile tickets for concerts (Stade de France, …)

- **Geolocalization:** partnership with Tom-Tom

- **Insurance business**

- **Accessories**

- **Health / security services / domotic**

SFR Development to invest in mobile “ecosystem”

- Investment in 12 start-up
3 Key financials and guidance
€9,018m revenues FY 2007 (+3.9% vs. LY)

Mobile service revenues at €8,382m

- +0.9% vs. LY
- Excluding the impact of the regulated tariff cuts, the YoY growth of mobile service revenues would have been +4.4%
**SFR 2007 Performance (1/2)**

EBITDA at €3,431m in 2007 (-0.5%)

**€3,431m EBITDA in 2007 (–0.5% vs. LY) reflecting**

- The launch of SFR ADSL and the integration of TELE2 operations
- SFR’s mobile EBITDA increasing by €14m to €3,476 million due to
  - a +0.9% increase in mobile service revenues
  - a 2.1 percentage point increase in customer acquisition and retention costs to 12.8% of mobile service revenues
  - a strict control of other costs
## SFR 2007 Performance (2/2)

### Simplified P&L statement

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>07 vs 06</th>
<th>2008 Guidances</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>8,678</td>
<td>9,018</td>
<td>+3.9%</td>
<td>Slight growth</td>
</tr>
<tr>
<td>o.w. mobile revenues</td>
<td>8,644</td>
<td>8,785</td>
<td>+1.6%</td>
<td></td>
</tr>
<tr>
<td><strong>Reported EBITDA</strong></td>
<td>3,449</td>
<td>3,431</td>
<td>-0.5%</td>
<td>Slight growth</td>
</tr>
<tr>
<td>o.w. Mobile EBITDA</td>
<td>3,462</td>
<td>3,476</td>
<td>+0.4%</td>
<td></td>
</tr>
<tr>
<td>Mobile EBITDA margin</td>
<td>40.0%</td>
<td>39.6%</td>
<td>-0.4 pt</td>
<td></td>
</tr>
<tr>
<td><strong>Reported EBITA</strong></td>
<td>2,583</td>
<td>2,517</td>
<td>-2.6%</td>
<td>Nearly flat despite increased depreciation charges</td>
</tr>
<tr>
<td>o.w. Mobile EBITA</td>
<td>2,597</td>
<td>2,581</td>
<td>-0.6%</td>
<td></td>
</tr>
<tr>
<td>Mobile EBITA margin</td>
<td>30.0%</td>
<td>29.4%</td>
<td>-0.6 pt</td>
<td></td>
</tr>
</tbody>
</table>

### Simplified Cash-Flow statement

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008 Guidances</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>3,449</td>
<td>3,431</td>
<td>-0.5%</td>
</tr>
<tr>
<td>CAPEX Net</td>
<td>1,133</td>
<td>1,020</td>
<td>-10.0%</td>
</tr>
<tr>
<td>o.w. Mobile Capex</td>
<td>1,119</td>
<td>949</td>
<td>-15.2%</td>
</tr>
<tr>
<td>Mobile Capex as % of mobile revenue:</td>
<td>12.9%</td>
<td>10.8%</td>
<td>-2.1 pts</td>
</tr>
<tr>
<td>CFFO</td>
<td>2,430</td>
<td>2,551</td>
<td>+5.0%</td>
</tr>
<tr>
<td>o.w. mobile CFFO</td>
<td>2,462</td>
<td>2,606</td>
<td>+5.8%</td>
</tr>
<tr>
<td>Net debt</td>
<td>2,256</td>
<td>2,844</td>
<td>n.a.</td>
</tr>
</tbody>
</table>
Neuf Cegetel 2007 key figures

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>07 vs 06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>2,897</td>
<td>3,348</td>
<td>+16%</td>
</tr>
<tr>
<td>COGC</td>
<td>(1,737)</td>
<td>(1,967)</td>
<td>+13%</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>1,160</td>
<td>1,381</td>
<td>+19%</td>
</tr>
<tr>
<td>Selling costs</td>
<td>(440)</td>
<td>(503)</td>
<td>+14%</td>
</tr>
<tr>
<td>Commercial margin</td>
<td>720</td>
<td>878</td>
<td>+22%</td>
</tr>
<tr>
<td>G&amp;A</td>
<td>(176)</td>
<td>(150)</td>
<td>-15%</td>
</tr>
<tr>
<td>Adjusted EBITDA **</td>
<td>544</td>
<td>728</td>
<td>+34%</td>
</tr>
<tr>
<td>Capex</td>
<td>(331)</td>
<td>(414)</td>
<td>+25%</td>
</tr>
<tr>
<td>Adjusted EBITDA - Capex</td>
<td>212</td>
<td>314</td>
<td>+48%</td>
</tr>
<tr>
<td>Net debt</td>
<td>542</td>
<td>937</td>
<td>+73%</td>
</tr>
<tr>
<td>Cash generated by operations ***</td>
<td></td>
<td>213</td>
<td></td>
</tr>
</tbody>
</table>

(*) Excluding acquisition of AOL customer base in November 2006 (505k)
(**) Excluding restructuring costs
(***) Variation in net debt, excluding acquisition of Club Internet, dividend paid and net increase in capital

Source: Neuf Cegetel

Key challenges

- Change in paradigm from external to organic growth:
  - Q4 ADSL market share at 14%
  - Decrease in net adds
- Switched voice still represents 37% of total revenues
- Increase Mass Market QoS
Conclusion

- The “new SFR” (*) is the leading alternative mobile + ADSL operator in Europe…
  - 18.8M mobile customers
  - 3.6M ADSL customers including 9Cegetel
  - ~€12bn revenues

- … and has key assets to take advantage of the growth of broadband mobile and Internet and the move towards digital personal communication
  - Strong SFR brand
  - Large customer bases for FTTH deployment
  - Full-IP multi-access convergent network
  - Strong retail and on-line distribution networks
  - Culture of client-oriented innovation

(*) Including Neuf Cegetel, subject to approval of French competition authorities
Appendices
SFR: a responsible behaviour

Sustainable environment

- Landscape respect
- Use of old GSM/GPRS site to install new Nod B
- Respect of OMS electromagnetic rules
- « Trophée SFR » Creation
- >120,000 phones recycled per year

Fondation

- 75 projects of an association helped to support social and cultural mobility
  - creation of a « mobility lab »
  - creation of a fund to support citizen actions

“Entreprise citoyenne”

- Numerous sponsors (10 firms)
- Partnership with both the education ministry and ministry in charge of « logement et de la ville »
- 20 engineering schools, 9 business schools
- 334 employees involved with a student

Mobility for everyone

- Visio and 3G offers dedicated to the deaf
- Free software solutions dedicated to the blind
- Secured access for the youngest
## FY-07 Performance

### Key metrics

<table>
<thead>
<tr>
<th></th>
<th>FY-2007</th>
<th>FY-2006</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers (in '000) *</td>
<td>18,766</td>
<td>17,883</td>
<td>+ 4.9%</td>
</tr>
<tr>
<td>Proportion of postpaid customers *</td>
<td>65.5%</td>
<td>65.0%</td>
<td>+ 0.5 pt</td>
</tr>
<tr>
<td>3G customers (in '000) *</td>
<td>4,082</td>
<td>2,686</td>
<td>+ 52.0%</td>
</tr>
<tr>
<td>EoP estimated market share *</td>
<td>33.5%</td>
<td>34.6%</td>
<td>– 0.7 pt</td>
</tr>
<tr>
<td>Network market share *</td>
<td>36.1%</td>
<td>35.8%</td>
<td>+ 0.3 pt</td>
</tr>
<tr>
<td>12-month rolling blended ARPU (€/year)</td>
<td>440</td>
<td>455</td>
<td>– 3.3%</td>
</tr>
<tr>
<td>12-month rolling postpaid ARPU (€/year)</td>
<td>570</td>
<td>596</td>
<td>– 4.4%</td>
</tr>
<tr>
<td>12-month rolling prepaid ARPU (€/year)</td>
<td>191</td>
<td>202</td>
<td>– 5.4%</td>
</tr>
<tr>
<td>Net data revenues as a % of service revenues (%)</td>
<td>13.7%</td>
<td>12.8%</td>
<td>+ 0.9 pt</td>
</tr>
<tr>
<td>Prepaid acquisition cost (€/gross add)</td>
<td>25</td>
<td>23</td>
<td>+ 4.9%</td>
</tr>
<tr>
<td>Postpaid acquisition cost (€/gross add)</td>
<td>214</td>
<td>193</td>
<td>+ 10.9%</td>
</tr>
<tr>
<td>Acquisition costs as a % of service revenues (%)</td>
<td>7.5%</td>
<td>6.0%</td>
<td>+ 1.5 pt</td>
</tr>
<tr>
<td>Retention costs as a % of service revenues (%)</td>
<td>5.3%</td>
<td>4.7%</td>
<td>+ 0.6 pt</td>
</tr>
</tbody>
</table>

* Metrics including SRR
* Excluding wholesale customers (MVNO), estimated at 1,208k customers at end of 2007, compared to 602k at end of 2006
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