SFR

Investor presentation
October 2010
AGENDA

1. Integrated fixed/mobile operator with strong assets

2. H1 2010 performance overview
AGENDA

1. Integrated fixed/mobile operator with strong assets

2. H1 2010 performance overview
SFR is well positioned to create value

We have the right size...

- Integrated fixed/mobile operator
- €12.4bn turnover (2009)
- 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
**SFR, 1st alternative operator on all telecoms market segments**

- **SFR covers all segments of the French telecoms market**
- **Addressing more than 25m customers**
- **SFR, a well-established and powerful brand**

### Consumer
- 20.6m mobile customers, with 75% postpaid
- 4.7m broadband Internet customers

### Enterprise
- 140k enterprise customers

### Wholesale
- 200 operators and 10 MVNOs

At the end of June 2010

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

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**Chart:**
- 54% of spontaneous awareness of the SFR brand as an ISP
- Sept. 2008: 9%
- June 2010: 54%
Strong distribution and customer care channels

### Controlled physical distribution
820 « espace SFR »
5,000 sales people

### SFR web site
~15% of total sales made online
~50% of total customer care acts done via online selfcare

### Call Centers
11,000 advisors
120,000 contacts per day

### SFR assistance
1,200 technicians
20,000 acts per month
Leading alternative broadband infrastructure in France

Leading Mobile Broadband network

- 18,000 radio sites
- 99% 2G coverage*
- >84% 3G coverage* as of mid-2010
- 98% 3G coverage* targeted by end 2011

The 1st alternative Fixed Broadband infrastructure

- 73% unbundled ADSL coverage*
- 57,000 km fiber backbone
- 3m WiFi hotspots

* % population covered
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 3m WiFi hotspots for 3G dongles and webphones
- **Femtocell**

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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2. H1 2010 performance overview
Mobile commercial performance

Postpaid net adds: SFR #1 in postpaid customer recruitment in H1 2010

- 2008: 29%
- 2009: 36%
- H1 2010: 37%

- +540k postpaid customers in H1 2010
- Share of postpaid customers growing at 75% of total base (+5 pts YoY)

Source: Arcep and SFR
Fixed Broadband Internet commercial performance

- **+528k broadband Internet net adds in H1 2010, #1 in recruitments over the period**
- **12-month ADSL churn decreased by -2 pts YoY**

**Broadband Internet net adds: ~30% net adds market share maintained since end 2008**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<tbody>
<tr>
<td>Q1 08</td>
<td>0%</td>
<td>14%</td>
<td>14%</td>
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<tr>
<td>Q2 08</td>
<td>9%</td>
<td>31%</td>
<td>31%</td>
</tr>
<tr>
<td>Q3 08</td>
<td>4%</td>
<td>31%</td>
<td>31%</td>
</tr>
<tr>
<td>Q4 08</td>
<td>4%</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>Q1 09</td>
<td>31%</td>
<td>27%</td>
<td>43%</td>
</tr>
<tr>
<td>Q2 09</td>
<td>31%</td>
<td>33%</td>
<td>34%</td>
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<tr>
<td>Q3 09</td>
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<tr>
<td>Q4 09</td>
<td>33%</td>
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<tr>
<td>Q1 10</td>
<td>43%</td>
<td>33%</td>
<td>34%</td>
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<tr>
<td>Q2 10</td>
<td>34%</td>
<td>33%</td>
<td>34%</td>
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</table>

*Source: Arcep and SFR*

**Acquisition of Neuf-Cegetel and launch of the « neuflbox by SFR » (Oct. 08)**
**Operational highlights**

**LA POSTE MOBILE**

- SFR in exclusive negotiations with La Poste for a partnership to launch a mobile offer (MVNO)
- A growth opportunity based on one of the largest French distribution networks (17,000 points of contact)

**DIFFERENTIATED TARIFFS**

- June 2010: 1st « SIM only » offer available with all postpaid plans for customers not wishing a new handset
- August 2010: 1st family pack offer providing benefits to customers with 2 or more lines

**VALUE MOVING INTO DATA**

- May 2010: launch of new « Illimythics 5 » mobile tariffs for postpaid customers
- Rebalancing of value between voice and data:

  - «Voice-centric» plans
    (Essentiel 3h. XXL: 51.90€)
  - «Light data» plans
    (Connect 3h. XXL: 62.90€)
  - «Intensive data» plans
    (Webphone 3h. XXL: 73.90€)

  +11€/month (on average)

**SERVICES ON WEBPHONES**

- Mon Compte
  (My account)
- Sauvegarde
  (Directory back-up)
- Répondeur +
  (Voice mail +)
- Homescope
  (Video monitoring)

10 SFR apps providing enhanced customer experience of SFR services on webphones (~3.5m downloads to date)

Source: SFR’s « Illimythics 5 » tariffs as of Oct 5th, 2010
## Zoom #1: Growth in broadband access

<table>
<thead>
<tr>
<th></th>
<th>Mobile Broadband</th>
<th></th>
<th>Fixed Broadband</th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Webphones</strong></td>
<td><strong>0.3m</strong></td>
<td><strong>x6</strong></td>
<td><strong>2.0m</strong></td>
<td></td>
</tr>
<tr>
<td><strong>PC</strong></td>
<td><strong>441k</strong></td>
<td><strong>+77%</strong></td>
<td><strong>781k</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Consumers</strong></td>
<td><strong>4.2m</strong></td>
<td><strong>+13%</strong></td>
<td><strong>4.7m</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Enterprises</strong></td>
<td><strong>169k</strong></td>
<td><strong>+7%</strong></td>
<td><strong>181k</strong></td>
<td></td>
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</tbody>
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### Client Bases
- **June 2009**
- **June 2010**

### Data Revenue Growth (H1 2010 vs H1 2009)
- **+18%** mobile data revenues growth
- **+10%** fixed data revenues growth
IPTV subscribers

2.0m
1.3m
Dec. 08 Dec. 09

Zoom #2: Growth in IPTV services

- 2.4m IPTV users i.e. 52% of the ADSL customer base (+11 pts YoY)
- IPTV services penetration driven by the commercial success of the neufbox triple-play offer and continuation of unbundling

TV

- More than 150 channels included and more than 170 optional channels
- ~600k subscribers to pay-TV bouquets and channels at mid-2010 (vs. ~500k at end 2009)
- 8 High Definition TV channels offered

Video and TV on Demand

- More than 7,000 films in the VoD catalogue
- Success of catch-up TV services launched in partnership with M6 and Canal+
- 26m videos viewed in H1 2010 vs. 17m for FY 2009 (incl. VoD, S-VoD and catch-up TV)
Zoom #3: Growth in Enterprise

Common fixed / mobile Enterprise customers

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<tr>
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<tbody>
<tr>
<td>0%</td>
<td>22%</td>
<td>28%</td>
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<td>10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30%</td>
<td></td>
<td></td>
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</tbody>
</table>

- **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)

Innovative packaged solutions introduced since early 2010 for SMEs and large corporates

- **SFR Business Serenity** (security solution)
- **Video conferencing**
- **Pack Business** (integrated solution for SMEs)
- **Infrastructure as a Service**
H1 2010 SFR Financials

- **Solid organic revenue growth in H1 2010**
  - Mobile services revenues: +5.3% excl. regulatory impact*
  - Broadband & Fixed revenues: +5.9%

- **Mobile EBITDA: €1,706m, +1.7%**
  - Continuing commercial investments and strict fixed cost control
  - Mobile/SMS termination rate cut impact*

- **Broadband & Fixed EBITDA: €408m, +20% excluding non-recurring items**
  - Growth driven by broadband
  - Non-recurring positive items for €42m in 2010 (non-cash)

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* Mobile termination rates down 31% since July 2009 and SMS termination rates down 33% since February 2010
Revenue growth trends

SFR revenue growth vs. France GDP growth, per quarter

- SFR revenue growth trends improving despite impacts from regulation
- Resilience of SFR revenue growth to France GDP growth slowdown

* Mobile termination rates cuts, SMS termination rates cuts and fixed termination rates cuts
Impacts from regulation

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

Mobile Termination Rates evolutions

Termination rates cuts over 2009-2010

- **Mobile Termination Rates**
  - Orange/SFR: 6.5 to 4.5 cts€/min
  - Bouygues: 8.5 to 6 cts€/min

- **Fixed Termination Rates**
  - Incumbent: 0.45 to 0.425 ct€/min
  - Altnets: 0.9 to 0.7 ct€/min

- **SMS Termination Rates**
  - Orange/SFR: 3 to 2 cts/SMS
  - Bouygues: 3.5 to 2.17 cts/min

- **Mobile Termination Rates**
  - Orange/SFR: 4.5 to 3 cts€/min
  - Bouygues: 6 to 3.4 cts€/min

- **Fixed Termination Rates**
  - Incumbent: 0.425 to 0.4 ct€/min
  - Altnets: 0.7 to 0.5 ct€/min

*Euro tariffs (roaming)*

50€ cut-off for data roaming
Control of OPEX

OPEX evolution (2008-2009)

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>FY 2008 %</th>
<th>FY 2009 %</th>
<th>YoY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial costs</td>
<td>30%</td>
<td>28%</td>
<td>+6%</td>
</tr>
<tr>
<td>Revenue-related costs</td>
<td>40%</td>
<td>42%</td>
<td>+7%</td>
</tr>
<tr>
<td>Other Opex</td>
<td>30%</td>
<td>30%</td>
<td>-7%</td>
</tr>
</tbody>
</table>

FY 2010 OPEX trends

- Slight increase of acquisition and retention costs in order to support commercial momentum in 2010 (incl. +440k iPhone in H1)
- Slight decrease of revenue-related costs in 2010 vs. 2009, related to termination rate cuts
- Continuing reduction trend of other Opex in 2010 due to strict control of non-variable costs, while the number of customers and network traffic significantly increase
  - Optimization of network and IT costs (e.g. maintenance, fixed/mobile network synergies)
  - 150-200 m€ SFR/Neuf Cegetel merger synergies target for 2010
Control of CAPEX

CAPEX evolution (2008-2009)

Fixed & broadband CAPEX
- 2008: 1,441 m€ (574 m€ (40%) + 867 m€ (60%))
- 2009: 1,593 m€ (574 m€ (40%) + 1,019 m€ (60%))

Mobile CAPEX
- 2008: 867 m€ (60%)
- 2009: 765 m€ (48%)

Variable Capex (23%)
- Fixed Capex (29%)

FY 2010 CAPEX trends

Stable CAPEX trend year-on-year, with rebalancing of investments between Fixed and Mobile in 2010 vs. 2009:

- Decrease of Fixed & Broadband CAPEX reflecting:
  - Investments made in 2009 in ADSL network quality
  - Continued investments in 2010 in ADSL and fiber networks deployment

- Increase of Mobile CAPEX reflecting rise in 3G network investments for coverage and capacity to support mobile broadband growth

- In addition, 300 m€ investment in 3G spectrum (5 MHz) in May 2010
SFR FY 2010 Guidance

- Initial FY 2010 Guidance (announced March 1st, 2010):
  - Mobile: slight decrease in EBITDA
  - Broadband & Fixed: slight increase in EBITDA

- Revised FY 2010 Guidance (announced September 1st, 2010):
  - Mobile: slight decrease in EBITDA / Confirmed
  - Broadband & Fixed: double-digit increase in EBITDA, incl. non recurring items for +€50m / Slightly upgraded