Digital innovations in networks and services

November 2011
1. Fast growth of usage and services in our networks

2. We build powerful and efficient networks

3. We develop innovative services and products to monetize our networks
TOWARDS A WORLD OF CONNECTED DEVICES

From the connection of the HOUSEHOLD...

...to the connection of INDIVIDUALS...

...and OBJECTS:

300 million connected devices in France in 2020 compared to 65 million in 2010
INTERNET AVAILABLE ANYWHERE, ANYTIME, THANKS TO SMARTPHONES

**Success of smartphones**

~70% of SFR’s mobile postpaid gross adds

6.5m smartphones in SFR customer base

**Growth in mobile Internet usage**

*Monthly consumption per customer per device*

- **250MB**: iOS, Android, BlackBerry
- **500MB**: iOS, Android, BlackBerry
- **750MB**: iOS, Android, BlackBerry

Success of smartphones drives the sales of data plans ("Formules Carrées") and SFR’s data revenues growth (+23% YoY in 9m 2011)

Source: SFR, as of end September 2011
GROWING USAGE OF VIDEO ON ALL SCREENS

- High penetration of IPTV in France over ADSL: 11.3m IPTV users (source: Arcep, June 2011)

- Growth of Internet video streaming services, now a ~1/3rd share of total Internet traffic

- Video usage also growing on smartphones: close to 50% smartphone user traffic comes from video

Video share of Internet traffic growing to 90% by 2015 (source: Cisco)

Split of total fixed Internet traffic by service

- Video & audio streaming: 35%
- Browsing: 28%
- Other:
FAST GROWING VOLUME OF DATA TRAFFIC IN SFR’S NETWORKS

2010-2011 Fixed network traffic (ADSL or Fiber access)
+50%

2010-2011 Mobile network traffic (2G or 3G access)
+100%

We invest ~€1.6 bn/year (~€1.3bn/year excluding variable capex) in our networks and IT, efficiently managing coverage and traffic growth while maintaining our financial discipline.

Source: SFR
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SFR’S TOP 4 PRIORITIES ON NETWORKS

1. IMPROVE CUSTOMER EXPERIENCE
2. DEPLOY FIBER
3. PAVE THE WAY FOR 4G
4. CONTROL NETWORK COSTS
IMPROVING CUSTOMER EXPERIENCE EVERYWHERE

3G +
Large coverage
98% population by end 2011

Femtocell
Indoor quality of service at home or at the office
Available for free to all mobile customers

WiFi
Quality of service in public hotspots and traffic offload
4m hotspots in France
EXTENDING 3G+ COVERAGE

End 2010
92% population covered

End 2011
Objective 98% population covered

End 2013
Objective 99.3% population covered
OFFERING NEW SFR FEMTOCELL PRODUCT

PERFECT QUALITY OF 3G+ NETWORK AT HOME OR AT THE OFFICE

- Launch of 2\textsuperscript{nd} generation femtocell in August 2011
- Available for free for all SFR mobile customers, with possibility to register 5 SFR lines
- Compatible with any ISP (SFR or not) and perfectly integrated for SFR ADSL customers

\textbf{Femto module + SFR neufbox Evolution:}
4M HOTSPOTS AVAILABLE IMPROVING CUSTOMER EXPERIENCE IN PUBLIC PLACES

- Community network based on 4m « open » neufbox and public hotspots (stations, ...)
- Unlimited access included in all data plans (mobile, ADSL, dongles, tablets)
- Reduce network costs by off-loading traffic from the 3G network
- SFR WiFi application for smartphones and tablets for easy access and authentification, and pilot testing of WiFi Autoconnect (EAP-SIM technology)
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**2011 SFR’s ADSL Network Infrastructure**

- 80% household coverage with ~4,500 unbundled local exchanges
- 5m neufbox customers, of which 3m IPTV
- Up to 25 Mbps broadband Internet access

**Key FTTH Benefits**

1. High-speed broadband Internet
2. Better quality, high-definition TV
3. Opportunity to gain market shares on both residential and Enterprises markets
4. Opex savings on ADSL line rental (~11€/month on average)
5. 3G/4G radio sites backhauling in areas with high traffic density

*Source: SFR, as of end September 2011*
SFR’S FTTH NETWORK DEPLOYMENT AREAS

31m lines in France in total  (source: DATAR)

- Very dense areas: 6.2m lines
- Less dense areas: 11.2m lines
- Small towns and rural areas: 13.6m lines

Infrastructure-based competition | Mutualized deployment | Subsidized deployment

~60% of households eligible to fiber by 2020
INFRASTRUCTURE-BASED COMPETITION

- **6.2m homes** in the very dense areas

- By end 2011, horizontal deployment achieved for more than **3m homes (Home Street Passed)** and vertical deployment for **~600k homes (Home Passed)**

- **Commercial services open in 9 large cities**, including Paris, Lyon, Marseille

- **Agreement with Bouygues Telecom** to co-invest in a shared fiber infrastructure in very dense areas
Agreement SFR / France Telecom for FTTH roll-out in 9.8m homes by 2020:

- 2.3m built by SFR
- 7.5m built by France Telecom

Average €130m/year investment (net from resales) in FTTH network roll-out in less dense areas for the next 10 years (2012-2021)

Deployment of own fiber infrastructure provides SFR with the opportunity to:

- Gain market shares as network operator
- Directly access to Enterprise customers (SMEs) in these areas
- Connect 3G/4G radio sites for mobile traffic backhauling
SFR will invest €200m/year on average (net from resales) for FTTH deployment in very dense and less dense areas for the next 10 years.
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2011 SFR’S 2G/3G+ NETWORK INFRASTRUCTURE

- 18,000 radio sites, including ~14,000 equipped with 3G
- 98% population covered in 3G by end 2011 (and 99.3% by end 2013)
  - 20 MHz 3G spectrum in 2.1 GHz band
  - Refarming of 5 MHz in 900 MHz band for 3G
- 99% population covered in 2G

KEY 4G BENEFITS

1. High-speed mobile Internet and lower latency
2. Increased capacity in areas with high traffic density
3. Reduced average transmission mobile data costs per GB
Increasing 3G+ performance without waiting for LTE
- 21 Mbps HSPA+ deployed on 43% of the network

Increasing transmission capacity on the radio access network
- Roll-out of fiber backhauling and packet microwave
- ~600 radio sites and close to 100% of the main concentration points connected with fiber by end 2011

LTE frequency allocation process
- 2.6 GHz: 2x15 MHz awarded to SFR in September 2011 for €150m
- 800 MHz: application by December 15, 2011
SFR’S TOP 4 PRIORITIES ON NETWORKS

1. IMPROVE CUSTOMER EXPERIENCE

2. DEPLOY FIBER

3. PAVE THE WAY FOR 4G

4. CONTROL NETWORK COSTS
**Launch of new postpaid plans (« Formules Carrées ») in June 2011:**
- ~1.7m customers as of end September 2011
- Plans with monthly data usage allowance of 50 MB to 3 GB

**Increased segmentation of mobile offers by data usage**

**Offload traffic from 3G macro network**
- SFR WiFi: access to 4m hotspots included in all mobile data plans
- SFR Femto: new product launched in August 2011, available for free to all mobile customers

**Invest in own solutions to cut network opex**
- Reduction of 3G backhauling costs: roll-out of packet microwave and fiber solutions
- FTTH roll-out, enabling to remove ADSL lines rental costs

**CONTROL NETWORK COSTS**
Plutôt que...
SFR, le réseau le plus complet.

3G+  FEMTO  WiFi
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DEVELOPING SERVICES AND PRODUCTS AROUND 4 DIRECTIONS

1. MOBILE INTERNET APPS
2. CONNECTED TV
3. MULTI-SCREEN
4. NEW BUSINESSES
A ONE-CLICK ACCESS TO KEY SFR SERVICES AND PAY-CONTENTS

- Applications by SFR for iPhone and Android smartphones and tablets: 12m downloads
- SFR Mon Compte
- SFR Répondeur +
- SFR WiFi
- Neufbox TV
- SFR Conso Data
- SFR Mail
- SFR Jeux
- SFR TV
- SFR GPS
- SFR HomeScope
- SFR Sécurité Mobile
- SFR Live Concerts

A growing audience, complementary to the web

Monthly connections:
- Oct. 2010: 15m
- Oct. 2011: 34m

Monthly active users:
- Oct. 2010: 1m
- Oct. 2011: 2m

Pilot testing of EAP-SIM technology

Seamless automatic authentication and switches to SFR WiFi

Offering our smartphone customers useful apps to make the most of mobile Internet usage
3m households with access to SFR’s IPTV services through the neufbox, including 460k neufbox Evolution

As of end September 2011
CONNECTED TV SERVICES

LINEAR TV
- 370 TV channels (170 included in triple play offers and 200 optionnal)
- Pay-TV packages by SFR and by CANAL+
- Additional channels from January 2nd 2012, including Eurosport, LCI, Breizh TV ...

~800k pay-TV users

ON DEMAND TV / VIDEO
- 15k films and TV shows in Video on Demand
- 13 catch-up TV channels
- 5 Subscription-VoD offers

~9m videos viewed/month (incl. VoD, S-VoD and catch up)

CONSUMER CLOUD SERVICES
- Gaming on Demand
- Radios
- Applications on Demand
- Advertising
- Education

~200k app users

A TRANSVERSE SEARCH ENGINE

Offering an increasing range of « cloud » services on TV

Source: SFR, as of end September 2011
THE LARGEST SELECTION OF FILMS AND TV SHOWS IN UNLIMITED ACCESS

- New service launched in November 2011
- More than 2,000 films, 700 TV shows and 50 new films every month
- Multi-screen experience
- Available on SFR TV for €9.99/month without commitment
Making SFR contents and services available all the time and everywhere, on all the screens, offering a seamless integrated customer experience with high quality of service

**SFR neufbox TV application:** the 1st convergent application for TV / PVR / S-VoD / catch-up

Making the best use of the screens’ assets and complementarity

- iPad/iPhone research
- Pilot iPhone remote control

Leveraging our position of integrated fixed/mobile operator to deliver convergent services
INNOVATING IN NEW BUSINESSES

OFFERING NEW SERVICES FOR CONSUMERS AND ENTERPRISE CUSTOMERS
- Secured transactions, e-payment & NFC
- Assistance and proximity services
- Connected home

LEVERAGING OUR ASSETS WITH PARTNERS FROM OTHER INDUSTRIES
- Network capabilities, incl. billing, content delivery network
- Customer access and knowledge
- Intelligent networks enabling sector-specific applications (e.g. transport, health, energy, commerce)

Ambition to leverage our assets to grow beyond the core business
SFR’S OPEN INNOVATION

- Supporting and improving innovation with start-ups
- 20 start-ups

- Pilot testing platform
- 45,000 community members
- 65 beta tests in 2011

- Corporate venture investing in active start-ups related to telephony, Internet, communication, distribution, health, TV, home automation,…
- 22 investments until now, 17 start-ups in portfolio
Appendices
FINANCIAL DISCIPLINE: FOCUS ON GROWTH CAPEX

CAPEX EVOLUTION 2009-2010

- **Fixed & broadband CAPEX**
  - Non variable Capex: ~€830m (52%)
  - Variable Capex: ~€770m (48%)

- **Mobile CAPEX**
  - Non variable Capex: ~€720m (45%)
  - Variable Capex: ~€880m (55%)

2011 TRENDS

Stable CAPEX year-on-year efficiently managing coverage and traffic growth

- **Fixed and broadband Capex:**
  - Variable Capex linked to the commercial success of neufbox Evolution
  - Pursuit of FTTH roll-out in very dense areas
  - Agreement with Bouygues Telecom to co-invest in a shared fiber infrastructure in very dense areas

- **Stable mobile Capex despite strong mobile data traffic growth (+100% YoY):**
  - Investments in 3G coverage extension to 98% of pop. by end 2011
  - Addition of extra capacity on existing 3G radio sites

- **4G frequency allocation process**
  - SFR awarded 15 MHz in the 2.6 GHz band for €150m in September 2011
  - Application for 800 MHz by Dec. 15, 2011
For all financial or business information, please refer to our Investor Relations website at: http://www.vivendi.com
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