

Introduction to SFR

March, 2008



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Agenda

1

SFR position and strategy in the French Telecom market

2

Strategy at work

3

Key financials and guidance





1

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

2007 Mobile EBITDA margin

SFR	Orange	Bouygues
39.6% ⁽¹⁾	38.6%	27.8%

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

SFR: leader in value generation

2007 Mobile EBITDA share - 3 operators

	SFR	Orange	Bouygues
Customer	35.9%	46.4%	17.7%
Revenues	37.3%	42.4%	20.3%
EBITDA	40.1%	44.5%	15.4%

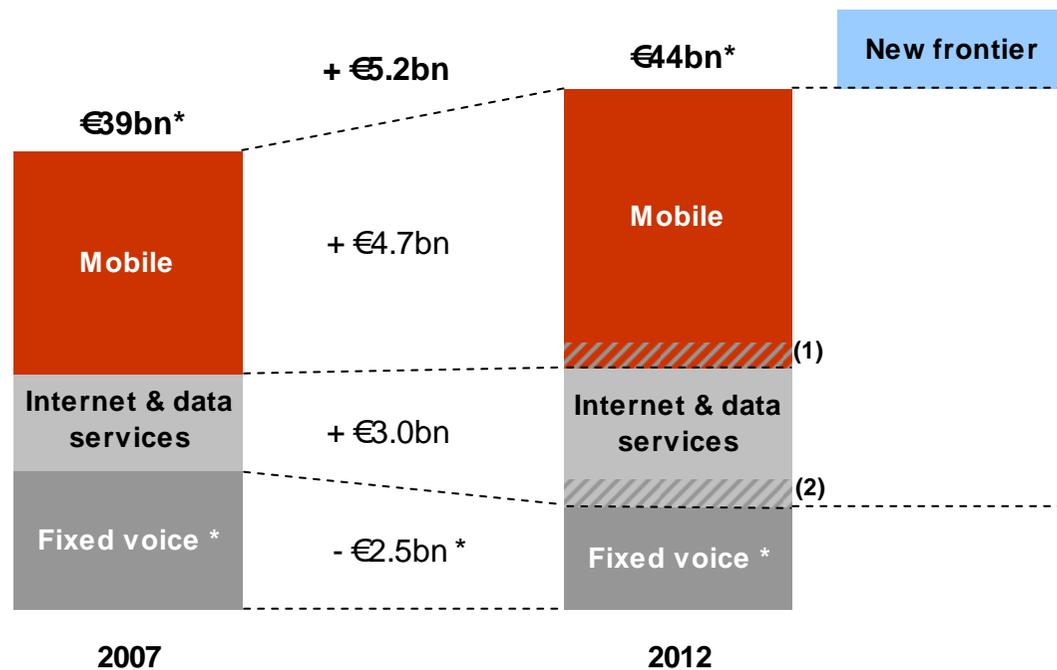
SFR: leader in value per customer

2007 Mobile EBITDA per client

€/year	185	159	144



French Telecom Market still growing



- 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

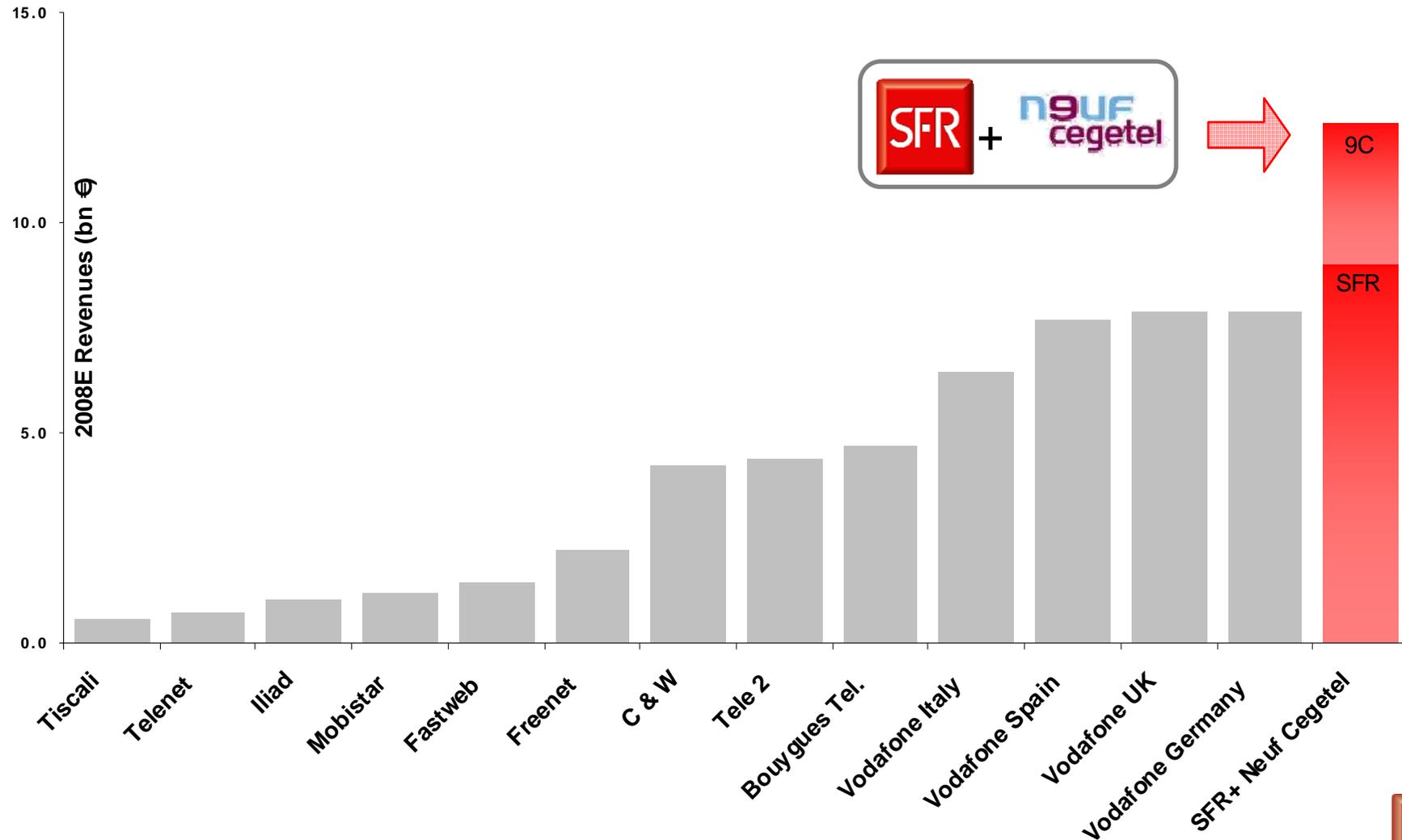


SFR is well positioned in the two telecom growing segments both on the mass market and the enterprise segment

(*) incl. subscription fees
Source: Idate (January 2008)



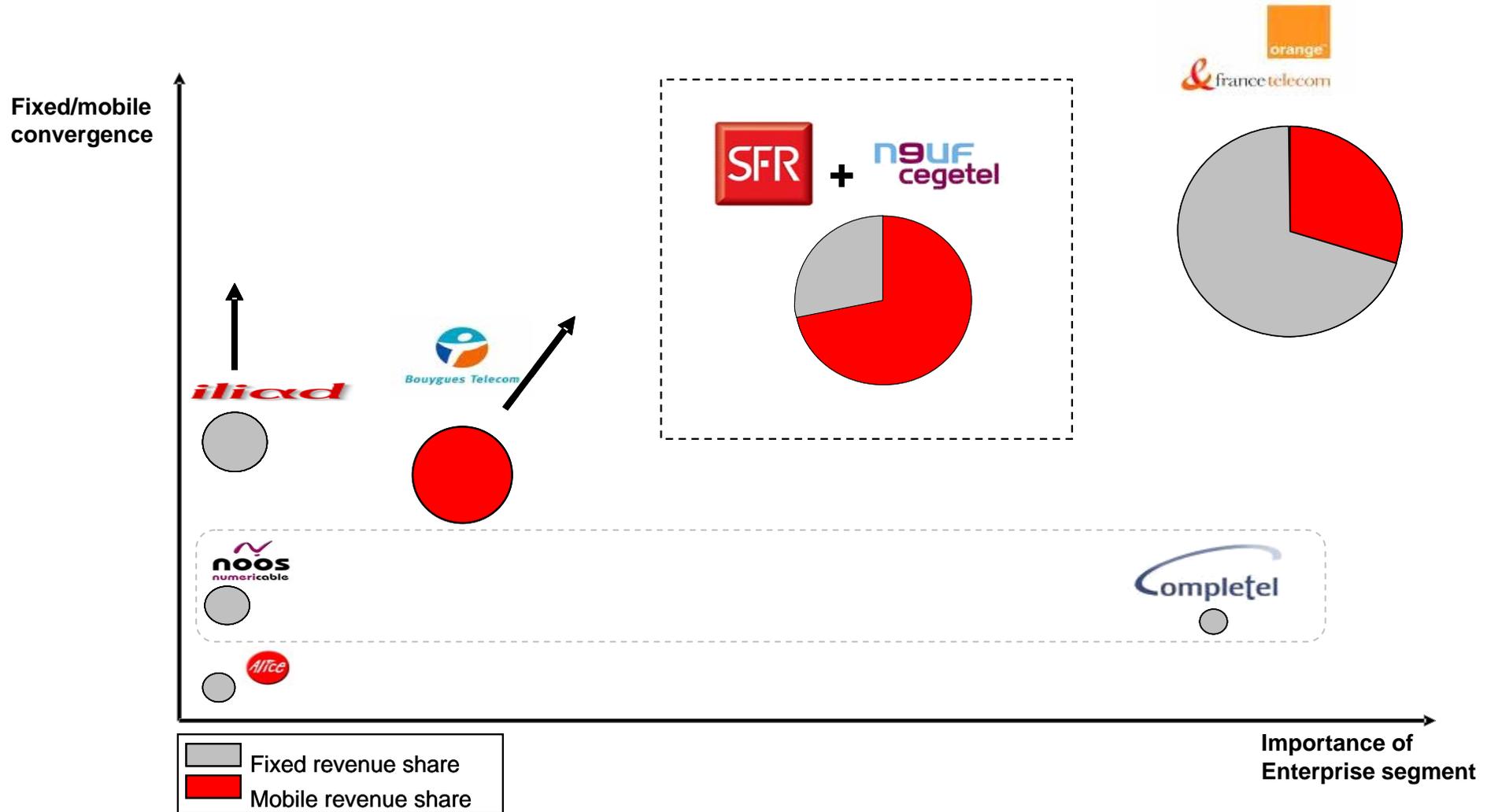
Creation of the leading alternative operator in Europe



Source: Exane BNP Paribas, SFR estimates (1 GBP = 1.4 €)



SFR + 9C: a real contender to FT - Orange in France



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....

- 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

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

- 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

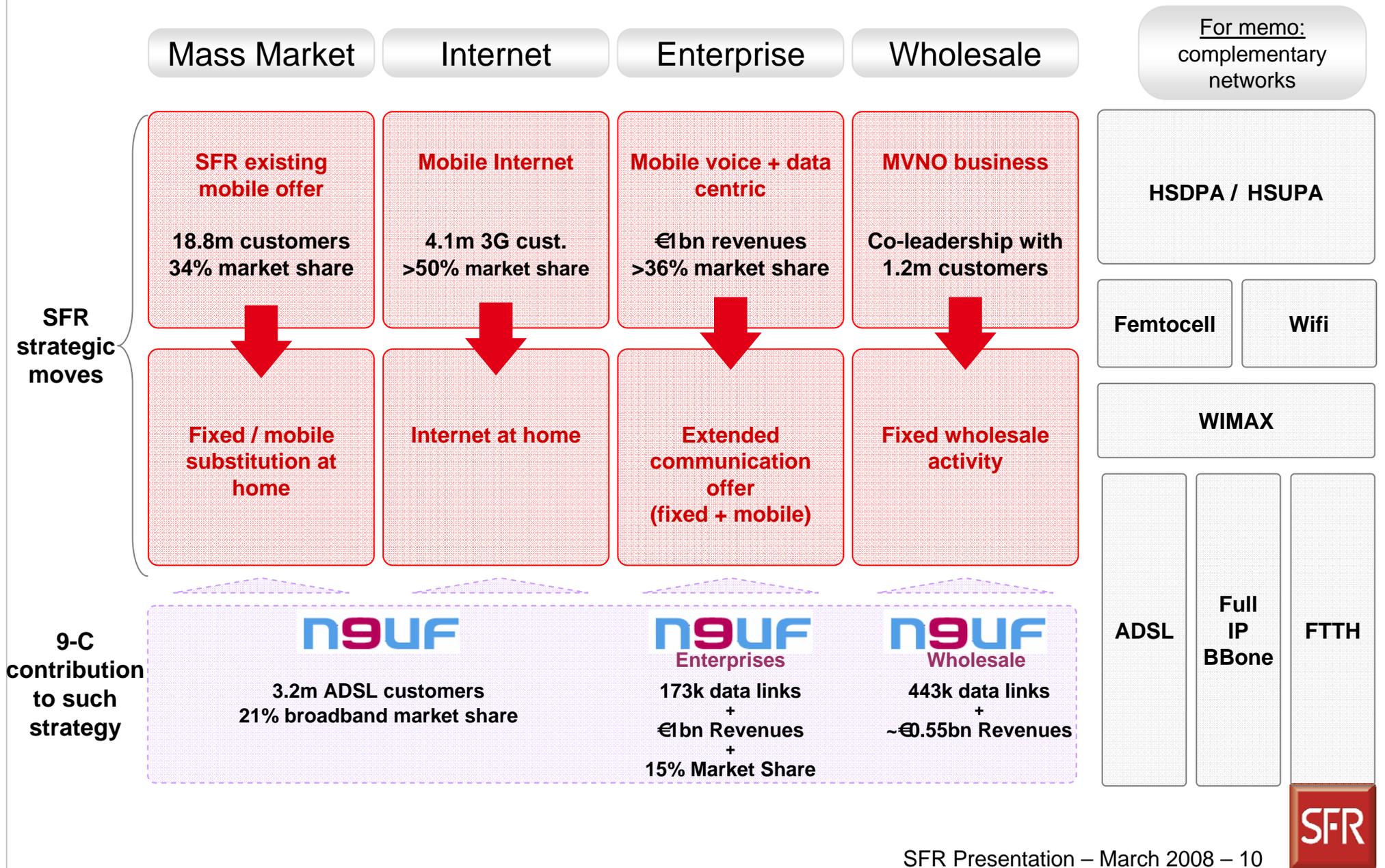
...with good transaction terms

- 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



SFR + 9C: leading alternative multi-access full-IP network

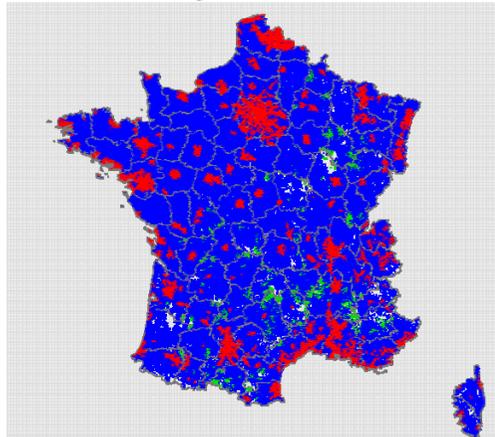
SFR: leading mobile broadband network in France

- 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%

- 3G/hsdpa
- GSM/GPRS
- White zones



9C: leading ADSL ULL platform in France

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

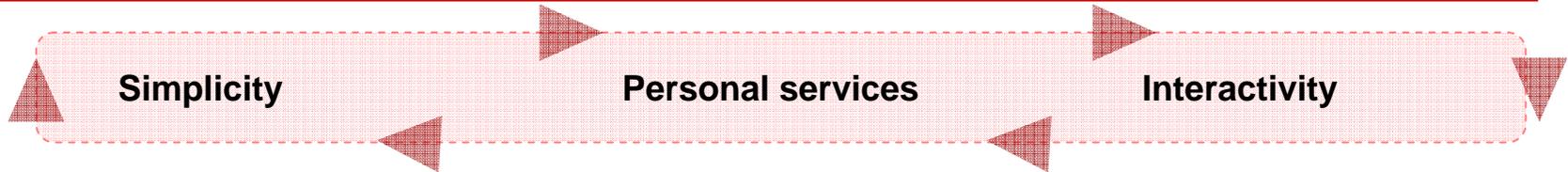
- Neuf Cegetel infrastructure
- 9C available service (option1)
- "DSP" Zone (*)
- Cities



- **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

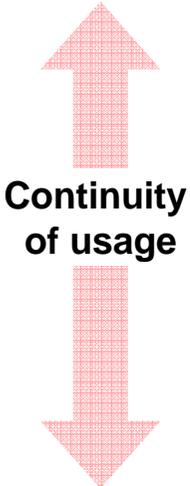


Mass market

Internet

Enterprise

Mobile



Fixed





2

Strategy at work

Strategy at work

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
- ...

Profitable growth



1 SFR : a strong brand and a close relationship with 18.8m customers

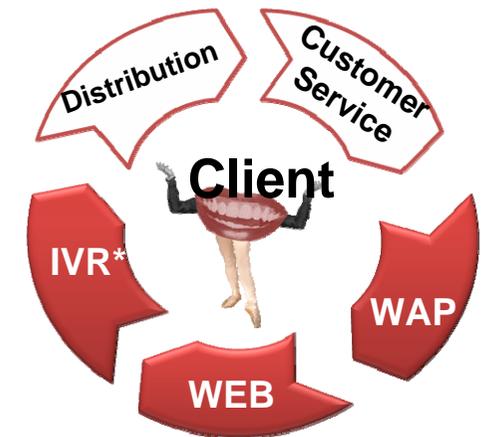
SFR image re-boosted

- **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



1 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

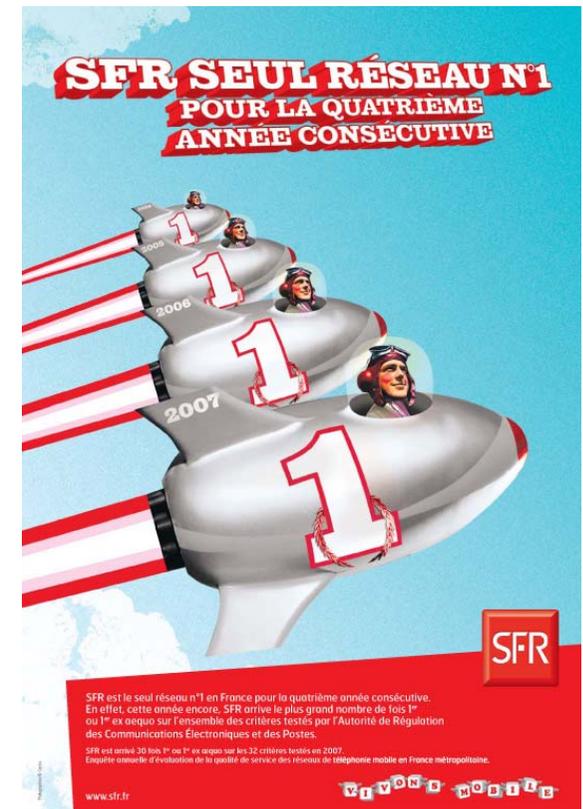
Wimax licenses on the 2 largest French regions

- 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, ...

SFR, 1st network in France
in quality and innovation





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

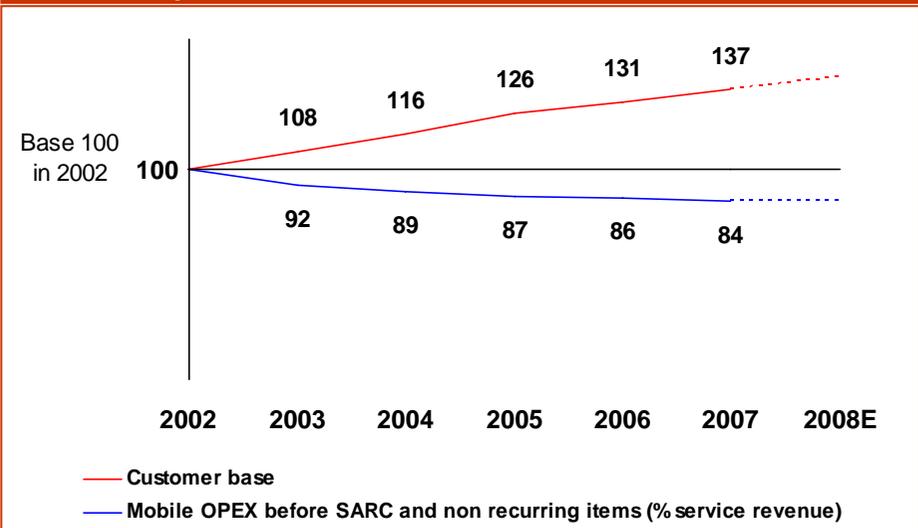
Alternative technologies

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

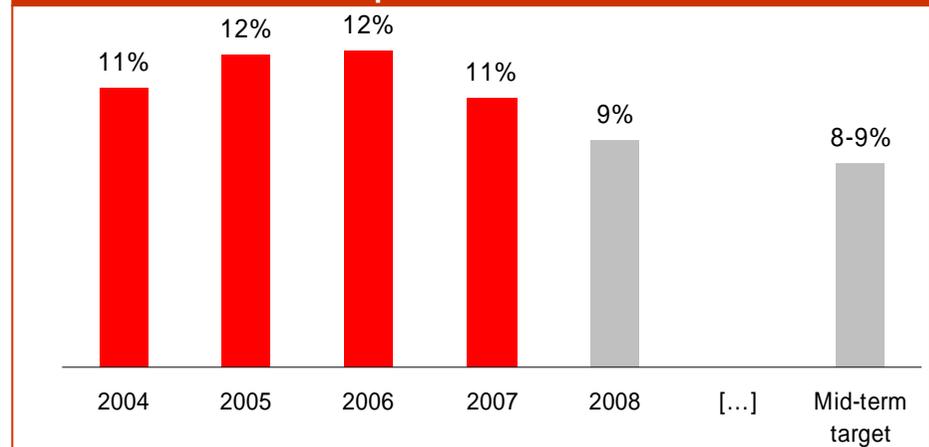
Take advantage of IP technology

- Transition to an “all-IP” network core infrastructure

Mobile opex & customer base evolution 2002 – 2007



Mobile Capex / Mobile revenues





2 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



SFR



2 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



Data revenue takes off

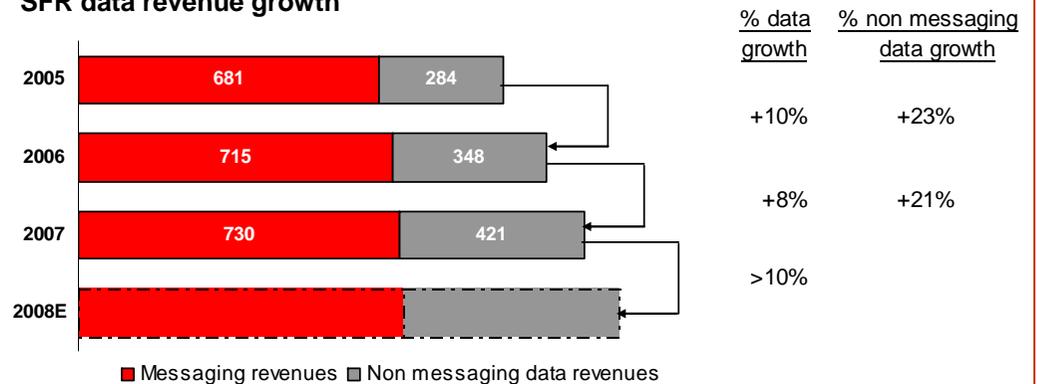


Success of SFR new offers launched in H2 2007

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



SFR data revenue growth



Reminder : SMS termination rates cut by -30% in Sept-06





2

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

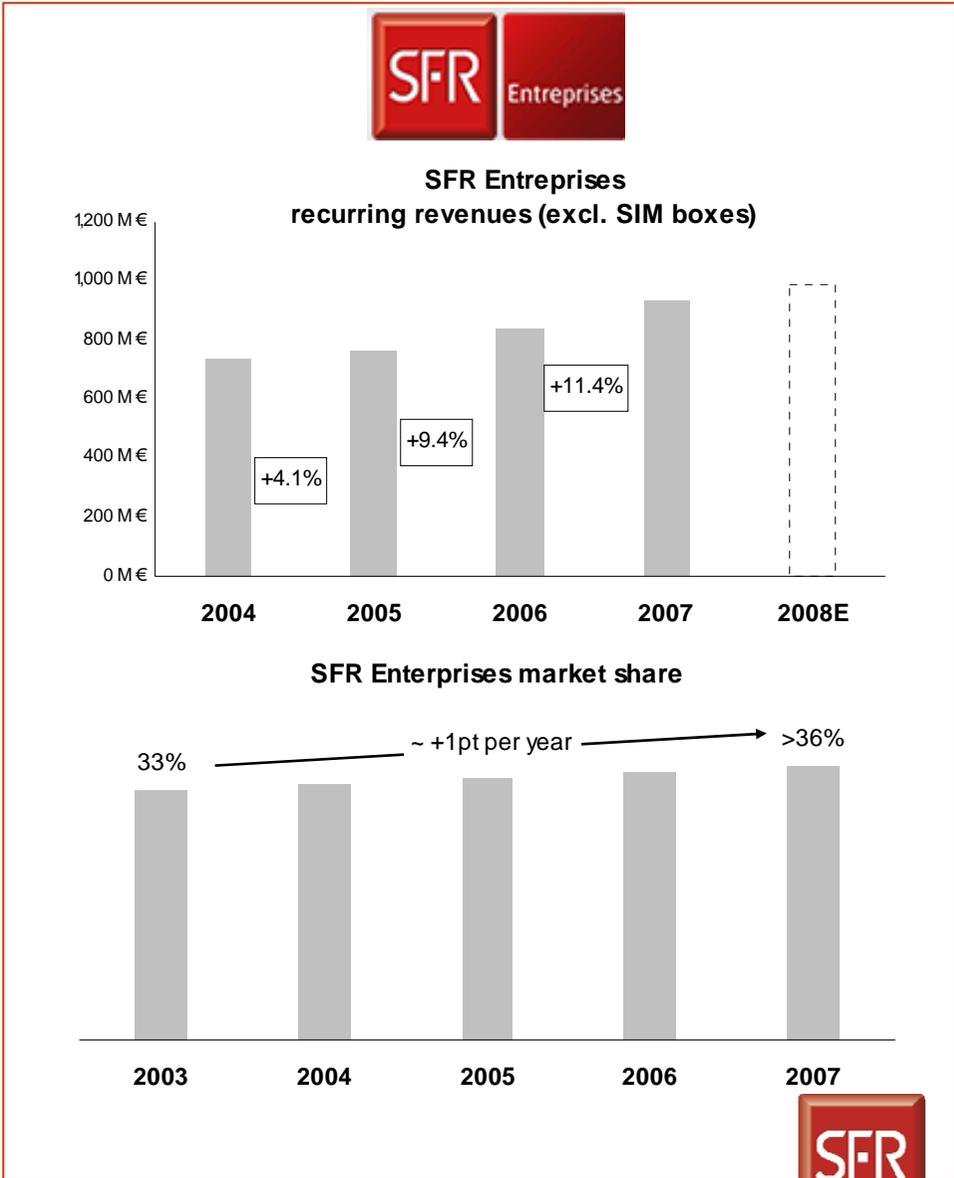


Strong development of Data and Machine to Machine

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



photo non contractuelle





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**



TV & Video

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



Games

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





3 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

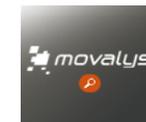


Health / security services / domotic



SFR Development to invest in mobile "ecosystem"

- Investment in 12 start-up





3

Key financials and guidance

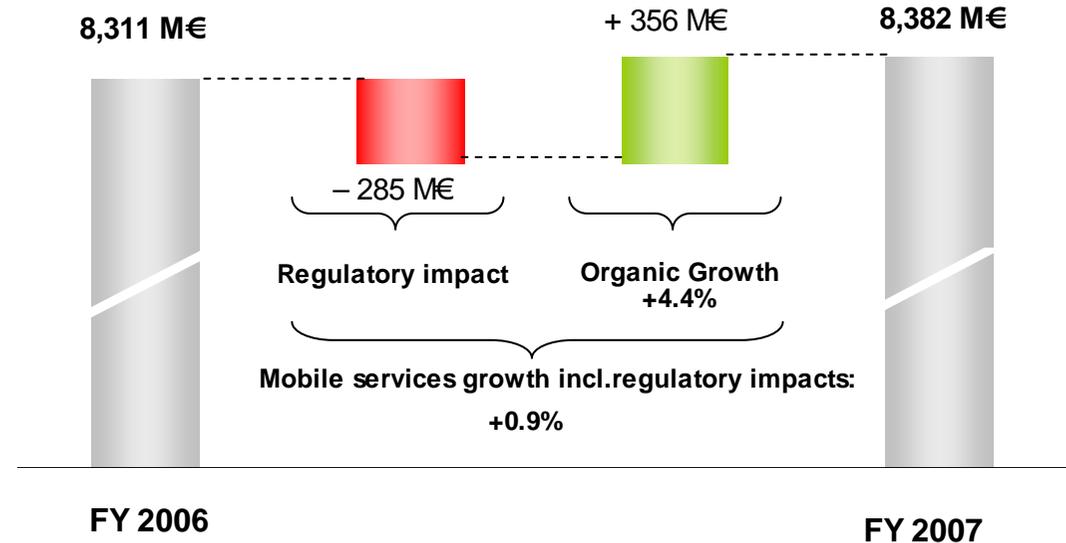
SFR 2007 Performance (1/2)

**€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%

Mobile service revenues FY 2007 vs. 2006



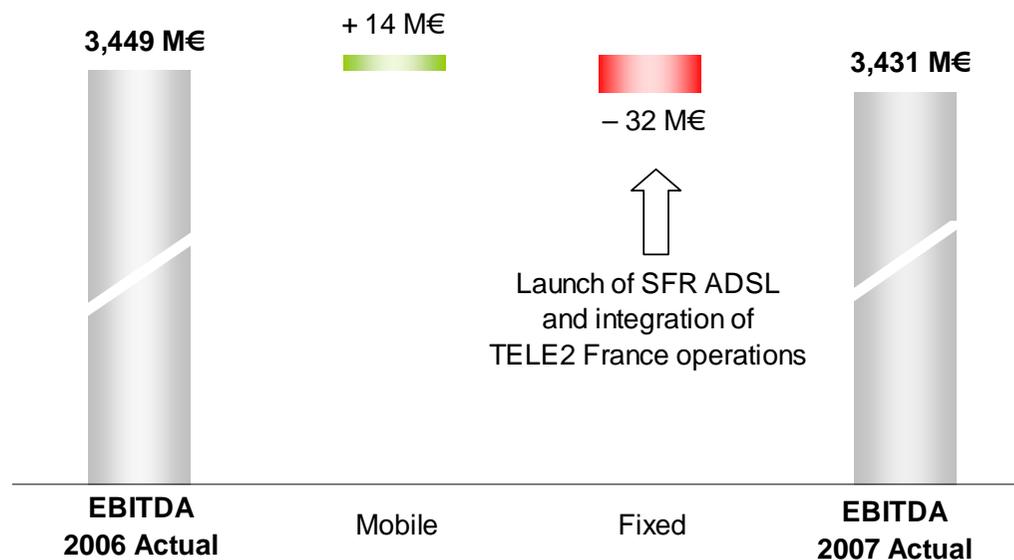
SFR 2007 Performance (1/2)

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 EBITDA FY 2007 vs. 2006



SFR 2007 Performance (2/2)

Simplified P&L statement

in millions of euros, IFRS	2006	2007	07 vs 06
Revenues	8,678	9,018	+3.9%
o.w. mobile revenues	8,644	8,785	+1.6%
Reported EBITDA	3,449	3,431	-0.5%
o.w. Mobile EBITDA	3,462	3,476	+0.4%
<i>Mobile EBITDA margin</i>	<i>40.0%</i>	<i>39.6%</i>	<i>-0.4 pt</i>
Reported EBITA	2,583	2,517	-2.6%
o.w. Mobile EBITA	2,597	2,581	-0.6%
<i>Mobile EBITA margin</i>	<i>30.0%</i>	<i>29.4%</i>	<i>-0.6 pt</i>

2008 Guidances

Slight growth

Slight growth

Nearly flat despite increased depreciation charges

Simplified Cash-Flow statement

EBITDA	3,449	3,431	-0.5%
CAPEX Net	1,133	1,020	-10.0%
o.w. Mobile Capex	1,119	949	-15.2%
<i>Mobile Capex as % of mobile revenue</i>	<i>12.9%</i>	<i>10.8%</i>	<i>-2.1 pts</i>
CFFO	2,430	2,551	+5.0%
o.w. mobile CFFO	2,462	2,606	+5.8%
Net debt	2,256	2,844	n.a.

Up due to decreased mobile capex



Neuf Cegetel 2007 key figures

Neuf Cegetel key figures

in millions of euros, IFRS	2006	2007	07 vs 06
Net adds ADSL customers, FY	1,000	1,052	+5.2%
Net adds ADSL customers, Q4	170k *	101k	-41%
Revenues	2,897	3,348	+16%
COGC	(1,737)	(1,967)	+13%
Gross Margin	1,160	1,381	+19%
Selling costs	(440)	(503)	+14%
Commercial margin	720	878	+22%
G&A	(176)	(150)	-15%
Adjusted EBITDA **	544	728	+34%
Capex	(331)	(414)	+25%
Adjusted EBITDA - Capex	212	314	+48%
Net debt	542	937	+73%
Cash generated by operations ***		213	

(*) 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

VITVONS NOBIS



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

SFR

“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

SFR

FY-07 Performance

Key metrics

	<u>FY-2007</u>	<u>FY-2006</u>	<u>Growth</u>
■ Customers (in '000) *	18,766	17,883	+ 4.9%
■ Proportion of postpaid customers *	65.5%	65.0%	+ 0.5 pt
■ 3G customers (in '000) *	4,082	2,686	+ 52.0%
■ EoP estimated market share *	33.9%	34.6%	- 0.7 pt
■ Network market share *	36.1%	35.8%	+ 0.3 pt
■ 12-month rolling blended ARPU (€/year)	440	455	- 3.3%
■ 12-month rolling postpaid ARPU (€/year)	570	596	- 4.4%
■ 12-month rolling prepaid ARPU (€/year)	191	202	- 5.4%
■ Net data revenues as a % of service revenues (%)	13.7%	12.8%	+ 0.9 pt
■ Prepaid acquisition cost (€/gross add)	25	23	+ 4.9%
■ Postpaid acquisition cost (€/gross add)	214	193	+ 10.9%
■ Acquisition costs as a % of service revenues (%)	7.5%	6.0%	+ 1.5 pt
■ Retention costs as a % of service revenues (%)	5.3%	4.7%	+ 0.6 pt

Metrics including SRR

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



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