Introduction to SFR

October, 2007
Agenda

1. SFR ambition and strategy
2. Strategy at work
3. Key financials
SFR ambition and strategy
SFR key assets

Strong number 2 operator in France

- 18M customers
- 34% market share (end of June 2007)
- 3.45M 3G customers

Strong momentum in Enterprise segment

- Fixed and ADSL: 370k ADSL customers (~3% of the ADSL market) + 2.3 million fixed line customers and a long term partnership with Neuf Cegetel

#1 in customer satisfaction and customer care in 2006 (TNS Sofres - BearingPoint)

Distribution network: more than 750 “Espace SFR” stores

- 70% of French population covered with HSDPA
- >90% of HSDPA-EDGE coverage
- Wimax: licenses in the 2 largest French regions (Ile-de-France, PACA)
- FTTH: joint investment (to be finalized) with Neuf Cegetel of €450m over 3 years
- Urban Wifi
Strong number 2 mobile operator in France (1/2)

35% customer base market share and 38% value market share (network revenues) end of 2006

Value market share 2002-2006

Source: operator publications and SFR estimates
Strong number 2 mobile operator in France (2/2)

Strong 41% EBITDA share and only operator to increase its EBITDA in 2006

- Only French operator to increase its EBITDA in 2006
- Highest EBITDA margin in France at 40% of revenues
- Strong 41% EBITDA share

Source: operator publications and SFR estimates
SFR group structure

Two supportive shareholders

- Vivendi
- Vodafone

SFR

- 56% from Vivendi
- 44% from Vodafone

- 100% ownership of Tele2
  - Fixed and ADSL operations
  - France

- 40% ownership of Cegetel
  - 30% from Vivendi
  - 30% from Vodafone
  - Louis Dreyfus

- Market and investors

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Market trends (1/3)

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

French Telecom market will continue to grow organically, driven by mobile and Internet.

Two growing segments (Internet and Mobile) representing €5.4bn growth in 5 years …

… o.w. €2.5bn growth generated by mobile.

Source: Idate + SFR estimates
Market trends (2/3)

Consumption of Telecom services will evolve towards a personal usage of personalized media/communication services

- Always on / Always connected
- Reached everywhere
- Personalized services and customer relationship
- High transmission speeds

Voice usage growth opportunity

- Mobile voice usage in the US: ~30 min / day
- Fixed + mobile voice usage in France: ~23 min / day
- Mobile voice usage in France: ~10 min / day

Fast development of personal / nomadic connected devices

Source: operators publications and SFR estimates
Market trends (3/3)

Internet is naturally extended into mobile

- Increasingly proven business models
  - Communication
    - Access
  - Search & eCommerce
    - Broadband Access

- Experimental / new business models
  - Share existing & Create new shared Communication / Content Payment
  - 3G / HSDPA
  - Continuity of usage
  - Personalization
  - Localization (GPS)

- Fixed
  - SMS / MMS
  - Operator WAP portal

- Mobile
  - Broadband Access
    - Broadband Access
    - Operator WAP portal
    - 3G / HSDPA

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SFR mobile centric strategy

- **SFR existing mobile offer**
- **Happy Zone**
  - GSM
  - 3G/3G+
- **Fixed / mobile substitution:**
  - Happy Zone / Office Zone
- **Mobile voice**
- **3G/3G+ USB Modem**
- **Internet at home**
- **SFR ADSL (Web, TV)**
- Quality
- Simplicity
- Continuity of usage
- Personal device
2 Strategy at work
Strategy at work

Reach profitable growth through a focused strategy

1. Operational excellence
2. Product superiority
3. New reach
SFR strategy benefits from network quality and innovation

- **#1 in network quality**
  in latest 2006 ARCEP (French regulator) survey, for the 3rd consecutive year

- **#1 3G operator in France**
  3.45 million 3G customers end of June 2007, 65%(*) 3G/3G+ market share

- **Largest HSDPA network in France**
  with 70% HSDPA coverage end of 2007 (up to 3.6Mbit/s download)

- **First operator to announce experimentation of HSUPA**
  at Nantes (up to 1.4Mbit/s upload)

- **Wimax licenses on the 2 largest French regions**
  (Ile-de-France, PACA)

- **Strong momentum in urban wifi**
  - Paris (~400 hotspots)
  - Nantes (30 hotspots end of 2007, 100 hotspots in 2008)
  - Levallois (~20 hotspots end of 2007)
  - Metz

- **FTTH investments**
  (€450m over 3 years, to be shared with Neuf Cegetel)

(*) Source: Mobile communications Europe, September 2007
A strong brand and a close relationship with its 18 million mobile customers

- SFR image re-boosted by the new brand signature and new advertising campaign
  - Well received and understood…
  - …with a strong impact on brand preference

Operational excellence – Customer relationship (2/2)

Aligned customer contact points: distribution, call centers, internet website

- **A deep commercial network with more than 750 “Espace SFR” stores**
  - Strong geographical coverage
  - Secure higher quality of sales
  - Opportunity to sell additional services (ADSL and fixed, Digital content, Insurance …)

- **#1 in customer satisfaction and customer care in 2006**
  (TNS Sofres - BearingPoint)

- **New sfr.fr website**
Continuation of multi-year cost saving programs for future growth

- **Capex:**
  - 70% of French population covered with 3G / 3G+

- **Decrease in fixed and variable Opex costs**
  - Multi-year cost reduction program
  - Stable network and IT Opex in 2007

- **Prepared for future cost structure adjustments**
  - UMTS strategy (incl. 900 MHz / site sharing / improvement of quality / decrease in costs of 3G infrastructure)
  - Transition to an “all IP” network core infrastructure as of 2009
  - IT / network subcontracting
  - WiMax license (and spectrum)

- **Transfer of three call centers**
  to Teleperformance and Arvato Services (Aug-07)
Product superiority – Fixed to mobile substitution (1/2)

Mass market: Fixed to mobile substitution with the launch of Happy Zone

- **Mobile assets in the battle for fixed / mobile substitution**
  - 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

- **Happy Zone + ADSL: quadruple play at home for €29.90**
  - Unlimited calls 24/7 from mobile to fixed numbers in France, at home and around
  - Unlimited fixed broadband internet access (20Mo)
  - Digital TV (39 HD channels; additional packages in option)
  - Unlimited VoIP calls 24/7 to fixed numbers in France and 40 countries
  - PC/Mobile continuity of services

Source: Louis Harris study, May 2006 / TNS Sofrès / AFOM, October 2006
Enterprises: Strong lever for growth

- **SFR enterprises**: 10% annual growth at €1 bn revenues
  - Growth contribution amounting to €100m/year
  - Strong market share uptake: +1pt/year at 36% in 2007

- **Global communication offer with SFR One (Sept-2007)**
  - One stop shopping offer for SFR SME customers (fixed + mobile)
  - Mobiles enhanced with fixed capabilities (call transfer, conference call, incoming call management, …)
  - Unlimited calls 24/7 within the fixed and mobile lines of the enterprise
Strong push of SFR in Mobile Internet

- **SFR consumers are ready**
  - Massively equipped
    - 13.7 million SFR customers already equipped with internet mobile handsets
  - Familiar with mobile internet
    - 4.2M Vodafone Live! active customers every month
  - Frequent internet users
    - 40% of French people frequently use the internet

- **Technology and handsets are ready**
  - Mobile broadband network
    - 70% population coverage with 3G / 3G+ and untapped capacity
  - Internet ready handsets
    - 3.5m 3G mobiles, Blackberry, PDAs, Smartphones
  - Computer and other connected devices
    - Mobile connecting cards, 3G+ USB Modem
      - First French operator to launch **3G+ USB Modem** in July 2007

- **Services are ready**
  - Deals signed with internet leaders to offer Best of Web
Strong push of SFR in Mobile Internet

- **Strong growth potential**
data revenues amounting to only 13.4% of mobile service revenues in H1-07

- **Moderate growth in data revenue in H1-07 (+3.0%)**
due to strong decrease in SMS pricing and despite growth in SMS volumes (+12% in H1 2007)

- **Acceleration of data revenue growth expected with development of mobile internet, starting H2-07**

- **Innovative full mobile internet solution with new tariffs**
as of August 2007:

<table>
<thead>
<tr>
<th>Access</th>
<th>Offer</th>
<th>Usage</th>
<th>Monthly rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>On your mobile</td>
<td>Pass surf 2.0 (1)</td>
<td>Unlimited e-mails + Unlimited browsing on Vodafone Live! + Unlimited browsing on Best of Web and Gallery + 25Mo</td>
<td>€9.90</td>
</tr>
<tr>
<td>On your computer</td>
<td>Frequent usage (1)</td>
<td>500 Mo (evening &amp; week-ends) + 60 Mo</td>
<td>€35 (2)</td>
</tr>
<tr>
<td></td>
<td>Intensive usage</td>
<td>1 Go</td>
<td>€60 (2)</td>
</tr>
</tbody>
</table>

(1) Limited offer; (2) Including a 3G+ option at €5 / month, for a 12 month commitment: +€5; illustrative examples, refer to sfr.fr
Mobile content services growth driven by messaging, games, TV/video, music and enterprise

- **Messaging**
  - +12% SMS in June-07 YTD YoY

- **Games**
  - 600 games available
  - 2.6m games downloaded in June-07 YTD

- **TV / Video downloads**
  - 80 channels (CanalSat and TPS)
  - 1.7m videos downloaded in June-07 YTD

- **Music**
  - Top 5 largest legal music download site in France
  - 2.1m music downloads in June-07 YTD on SFR Music (+24% YoY)
  - 700,000 music tracks available
  - Success of SFR Jeunes Talents

- **Enterprise**
  - +86% Blackberry® in FY 2006 vs. 2005
Strong assets in broadband Internet

- Pre-launch of ADSL SFR option in April 2007
  - Aggressive offer including Mobile/Fixed convergent services
  - Continuity of mobile services on the Internet
  - Strong focus on customer service with “connect” assistance

- Télé2 France acquisition to accelerate SFR ADSL strategy
  - Acquisition of 350k ADSL customers (~3% of ADSL market)…
  - …and 2.3 m fixed customers
A long term partnership with Neuf Cegetel

- SFR is the largest shareholder of Neuf Cegetel with a 40% stake (average acquisition cost of €12.5 / share)
- SFR and Télé2 are “Fixed VNOs” on the Neuf Cegetel ADSL network
- SFR and Neuf Cegetel will co-invest in FTTH (€450m over 3 years, to be finalized)

At a glance

- First alternative fixed operator
- #1 ADSL alternative operator with 3,032k ADSL customers (~22% market share) o.w. 600,000 TV customers
- 158,000 enterprises connected
- 200 wholesale operators
- Network of 45,000 km of optical fiber cables
- Balanced revenues at €2,897m (FY 2006)
  - 30% mass market
  - 34% Enterprises
  - 36% wholesale
SFR seizes and fosters all opportunities for growth

- **Digital Music**
  - Top 5 largest legal music download site in France
  - Success of “SFR Jeunes Talents”
  - SFR Music stores: ~500 downloading access points in SFR shops by end 2007

- **Wholesale activity**
  - Number of VNO customers on SFR network x3.1 at 831k end of June 2007
  - Debitel acquisition by CID, SFR 40% owned subsidiary (upon agreement by European Commission)

- **Additional growing activities**
  - Accessories
  - Insurance business
  - M-payment
  - Health / Security services
  - SFR Development: equity stakes in start-up companies
Key financials
H1-07 Performance

Mobile service revenues up by +0.2% in June-07 YoY, i.e. +3.8% excluding regulatory impacts

- €4,336m revenues in June YTD 2007 (+0.8% vs. LY)
- Mobile service revenues at €4,119m
  - +0.2% vs. LY
  - Excluding the impact of the regulated tariff reductions, the YoY growth of mobile service revenues would have been +3.8%
- EBITDA stable at €1,796m in June YTD 2007 (+0.1% vs. LY) despite increase in SAC/SRC in a competitive environment
- €1,364m EBITA in June YTD 2007 (−1.8% vs. LY)

Mobile service revenues June YTD

- Organic growth: +3.8%
- Regulatory impacts: -$144m
- Mobile services growth incl. regulatory impacts: +0.2%
2006 Performance (1/3)

Mobile revenues FY 2006 up by +0.5% FY 2006 YoY, i.e. +5.0% excluding regulatory impact

- Mobile revenue growth: +0.5% to €8,666 million
- Mobile EBITDA up 8.0% to €3,465M, up 4.2% excl. non recurring items*
- Mobile EBITA up 7.3% to €2,599M, up 2.4%, excl. non recurring items*

* Actual Mobile EBITDA and mobile EBITA incl. non-recurring items of €(115)M in 2005.
### 2006 Performance (2/3)

Stable mobile revenues in 2007 despite the strong regulated cuts

#### Simplified P&L statement – SFR Group

<table>
<thead>
<tr>
<th>in millions of euros, IFRS</th>
<th>2005</th>
<th>2006</th>
<th>06 vs 05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>8,693</td>
<td>8,678</td>
<td>-0.2%</td>
</tr>
<tr>
<td>o.w. mobile revenues</td>
<td>8,623</td>
<td>8,666</td>
<td>+0.5%</td>
</tr>
<tr>
<td>Reported EBITDA*</td>
<td>3,209</td>
<td>3,449</td>
<td>+7.5%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>36.9%</td>
<td>39.7%</td>
<td>+2.8 pts</td>
</tr>
<tr>
<td>o.w. Mobile EBITDA</td>
<td>3,209</td>
<td>3,465</td>
<td>+8.0%</td>
</tr>
<tr>
<td>Mobile EBITDA margin</td>
<td>37.2%</td>
<td>40.0%</td>
<td>+2.8 pts</td>
</tr>
<tr>
<td>Mobile EBITDA excl. non recurring items</td>
<td>3,324</td>
<td>3,465</td>
<td>+4.2%</td>
</tr>
<tr>
<td>EBITDA margin excl. non recurring items</td>
<td>38.5%</td>
<td>40.0%</td>
<td>+1.5 pts</td>
</tr>
<tr>
<td>Reported EBITA*</td>
<td>2,422</td>
<td>2,583</td>
<td>6.6%</td>
</tr>
<tr>
<td>EBITA Margin</td>
<td>27.9%</td>
<td>29.8%</td>
<td>+1.9 pts</td>
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<tr>
<td>o.w. Mobile EBITA</td>
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<tr>
<td>Mobile EBITA excl. non recurring items</td>
<td>2,537</td>
<td>2,599</td>
<td>+2.4%</td>
</tr>
<tr>
<td>EBITA margin excl. non recurring items</td>
<td>29.4%</td>
<td>30.0%</td>
<td>+0.6 pt</td>
</tr>
</tbody>
</table>

* Actual 2005 included €(115)M non recurring items

#### 2007 Outlook update

- **Revenues for mobile:**
  “Stable, despite the strong regulated tariff cut (21% cut of voice termination rates)”

- **EBITDA:**
  Mobile: Stable
  DSL and fixed: Limited operating losses

- **EBITA:**
  Slight decline in EBITA margin due to the increase in Depreciation and Amortization and launch of DSL activity
### 2006 Performance (3/3)

Stable CFFO in 2007 despite launch of DSL activity

#### Simplified Cash-Flow statement – SFR Group

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<thead>
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<th>2005</th>
<th>2006</th>
<th>06 vs 05</th>
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<td>EBITDA*</td>
<td>3,209</td>
<td>3,449</td>
<td>+7.5%</td>
</tr>
<tr>
<td>CAPEX net</td>
<td>923</td>
<td>1,133</td>
<td>+22.8%</td>
</tr>
<tr>
<td>CFFO</td>
<td>2,268</td>
<td>2,430</td>
<td>+7.1%</td>
</tr>
<tr>
<td>Net debt</td>
<td>2,235</td>
<td>2,256</td>
<td>+0.9%</td>
</tr>
</tbody>
</table>

2007 Outlook update:

CFFO: “stable despite launch of DSL activity”

* Actual 2005 included €(115)M non recurring items
**GSM license of €278M renewed in April 2006, with no cash impact
Conclusion

- **SFR has strong assets …**
  - A close relationship with its 18 million mobile customers
  - A strong brand
  - A good quality 2G and 3G/3G+ network infrastructure
  - A deep commercial network: more than 750 “Espace SFR” stores
  - A customer care service ranked number 1 in satisfaction surveys
  - A 40% stake in the first fixed/internet alternative operator in France: Neuf Cegetel

- **… and a focused strategy**
Appendices
## H1-07 Performance

### Key metrics

<table>
<thead>
<tr>
<th></th>
<th>H1-2007</th>
<th>H1-2006</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers (in '000) *</td>
<td>17,980</td>
<td>17,415</td>
<td>+ 3.2%</td>
</tr>
<tr>
<td>Proportion of postpaid customers *</td>
<td>65.8%</td>
<td>64.1%</td>
<td>+ 1.7 pts</td>
</tr>
<tr>
<td>3G customers (in '000) *</td>
<td>3,447</td>
<td>1,574</td>
<td>+ 118.9%</td>
</tr>
<tr>
<td>EoP estimated market share *</td>
<td>34.2%</td>
<td>35.5%</td>
<td>– 1.3 pts</td>
</tr>
<tr>
<td>12-month rolling blended ARPU (€/year) **</td>
<td>446</td>
<td>471</td>
<td>– 5.2%</td>
</tr>
<tr>
<td>12-month rolling postpaid ARPU (€/year) **</td>
<td>581</td>
<td>620</td>
<td>– 6.4%</td>
</tr>
<tr>
<td>12-month rolling prepaid ARPU (€/year) **</td>
<td>196</td>
<td>212</td>
<td>– 7.8%</td>
</tr>
<tr>
<td>Voice usage (min / month / customer) *</td>
<td>326</td>
<td>319</td>
<td>+ 2.4%</td>
</tr>
<tr>
<td>Net data revenues as a % of service revenues (%) **</td>
<td>13.4%</td>
<td>13.1%</td>
<td>+ 0.3 pt</td>
</tr>
<tr>
<td>Prepaid acquisition cost (€/gross add)</td>
<td>21</td>
<td>20</td>
<td>+ 6.3%</td>
</tr>
<tr>
<td>Postpaid acquisition cost (€/gross add)</td>
<td>200</td>
<td>182</td>
<td>+ 10.3%</td>
</tr>
<tr>
<td>Acquisition costs as a % of service revenues (%)</td>
<td>5.8%</td>
<td>5.0%</td>
<td>+ 0.8 pt</td>
</tr>
<tr>
<td>Retention costs as a % of service revenues (%)</td>
<td>5.1%</td>
<td>4.3%</td>
<td>+ 0.8 pt</td>
</tr>
</tbody>
</table>

* Metrics including SRR  
  ** Excluding wholesale customers (MVNO) ; ** Including mobile termination
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