

# SFR

September 1, 2008



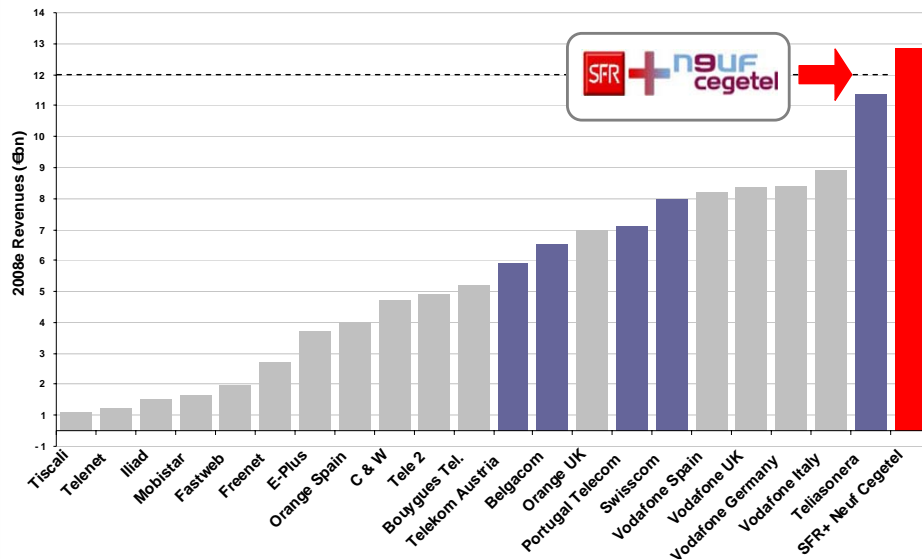
- SFR + Neuf Cegetel a value creating combination

- H1-2008 performance and 2008 outlook

# SFR, #1 fixed / mobile alternative integrated operator in France

SFR covers all segments of the telecoms market with >€12 bn revenues...

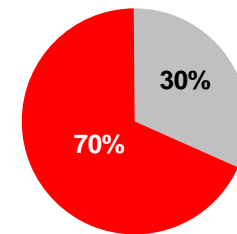
1st leading alternative integrated operator in Europe



- ❑ Total revenues: >€12bn
- ❑ 19.3 M mobile customers
- ❑ ~€2bn revenues and 20% market share on Enterprise segment

...with strong position in growing segments (mobile, broadband, Internet) and strong and complementary assets

SFR revenue breakdown



■ Fixed & Broadband Internet ■ Mobile

1. Brand and customer base
2. Distribution
3. Network and technology
4. Innovation
5. Strong financials



# Strong and complementary assets: Brand and customer base

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- **SFR, a powerful and well-established brand**
- **Large broadband fixed + broadband mobile Mass Market customer base**
  - ✓ 19.3 M mobile customers o.w. 68% are postpaid
  - ✓ 4.7 M 3G customers, ~ 60% market share
  - ✓ 3.8 M broadband Internet customers (homes)
- **The only credible alternative operator on the Enterprise segment : a strong opportunity to gain market share**
  - ✓ ~ €2bn revenues and ~20% market share
  - ✓ >180 k data links, + 16.5% YoY



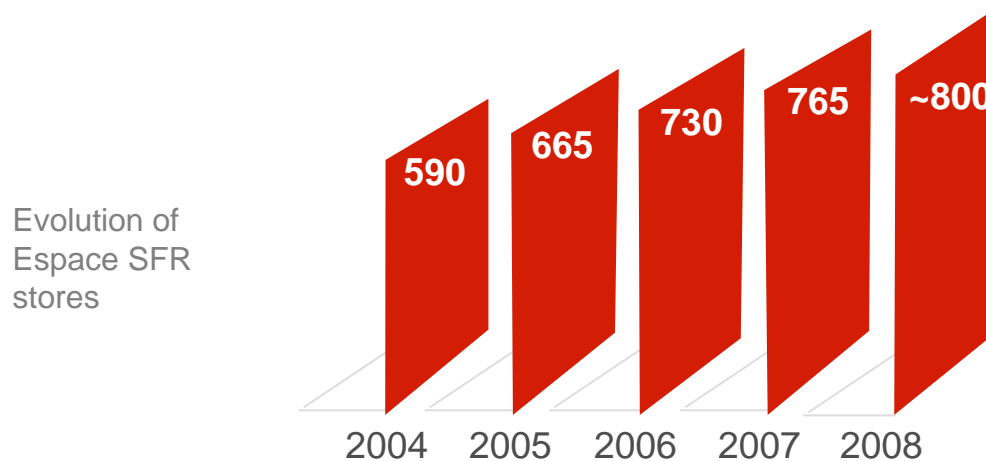
**→ Strong growth opportunity in a fixed cost industry**



# Strong and complementary assets: Distribution

- **Strong distribution network for Internet and mobile offers : ~800 “Espace SFR” in 2008**

- ✓ Enhanced proximity and quality of service for broadband Internet customers



- **Strong Internet and direct sales channels**

- ✓ Opportunity to build on Neuf Cegetel know-how to further develop Web channel for mobile

➔ **Focus on proximity and quality on all customer touch points**



# Strong and complementary assets: Network and technology

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## ■ **Leading broadband mobile network in France**

- ✓ SFR population coverage > 98%
- ✓ 70% population coverage in 3G/3G+

## ■ **Leading alternative broadband platform in France**

- ✓ ~50% of French unbundled lines
- ✓ 2,000 Central Offices by end 2008
- ✓ First alternative fiber backbone network with 49,000 km of fiber cables

## ■ **FTTH: an objective of 5 M homes passed by end 2013**

- ➔ **Ownership of a complete portfolio of technologies**
- ➔ **Building of the first alternative full-IP convergent network in Europe**
- ➔ **With fiber development, opportunity to reduce dependency on the incumbent**

# Strong and complementary assets: Innovation

## ■ Strong track record of innovative offers in mobile. First French operator to generalize Mobile Internet for the mass market :

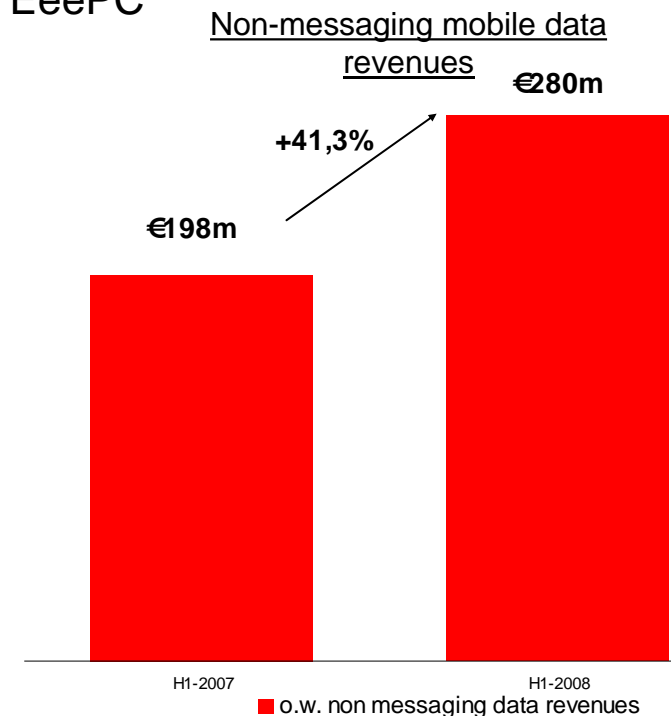
- ✓ Success of Illimythics offers with 850k customers
- ✓ Fast development of 3G+ USB card (100k sold to date)
- ✓ Successful launch of Ultra Mobile PC in 2008 (60k EeePC sold to date)



## ■ Strong track record of innovative offers in broadband Internet

- ✓ Neuf VoD shops of 5,000 programs
- ✓ Neuf Giga online storage space

➔ **+41% YoY non-messaging mobile data revenue growth**



## SFR+Neuf Cegetel: integration process to date (1/2)

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### ■ Rapid and strong execution of SFR/Neuf Cegetel deal

- **20 December 2007:** signature of LOI with Louis Dreyfus Group
- **15 April 2008:** clearance of Competition Authorities
- **24 June 2008:** success of Public Tender Offer and squeeze out (Retrait Obligatoire)
- **10 July 2008:** presentation of restructuring and redundancy plan to Workers Councils
- **30 September:** end of Workers Councils process on restructuring and redundancy plan
- **H1-2009:** restructuring plan to take place until mid-2009



## SFR+Neuf Cegetel: integration process to date (2/2)

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### ■ Strategy at work: execution of synergy and integration plan

- **January-July 2008:** Identification of 24 integration workshops, 90 integration KPIs and 103 action plans to generate cost/revenue synergies
- **Since July:** Biweekly “Integration Committee” to track status of cost/revenue synergy action plans

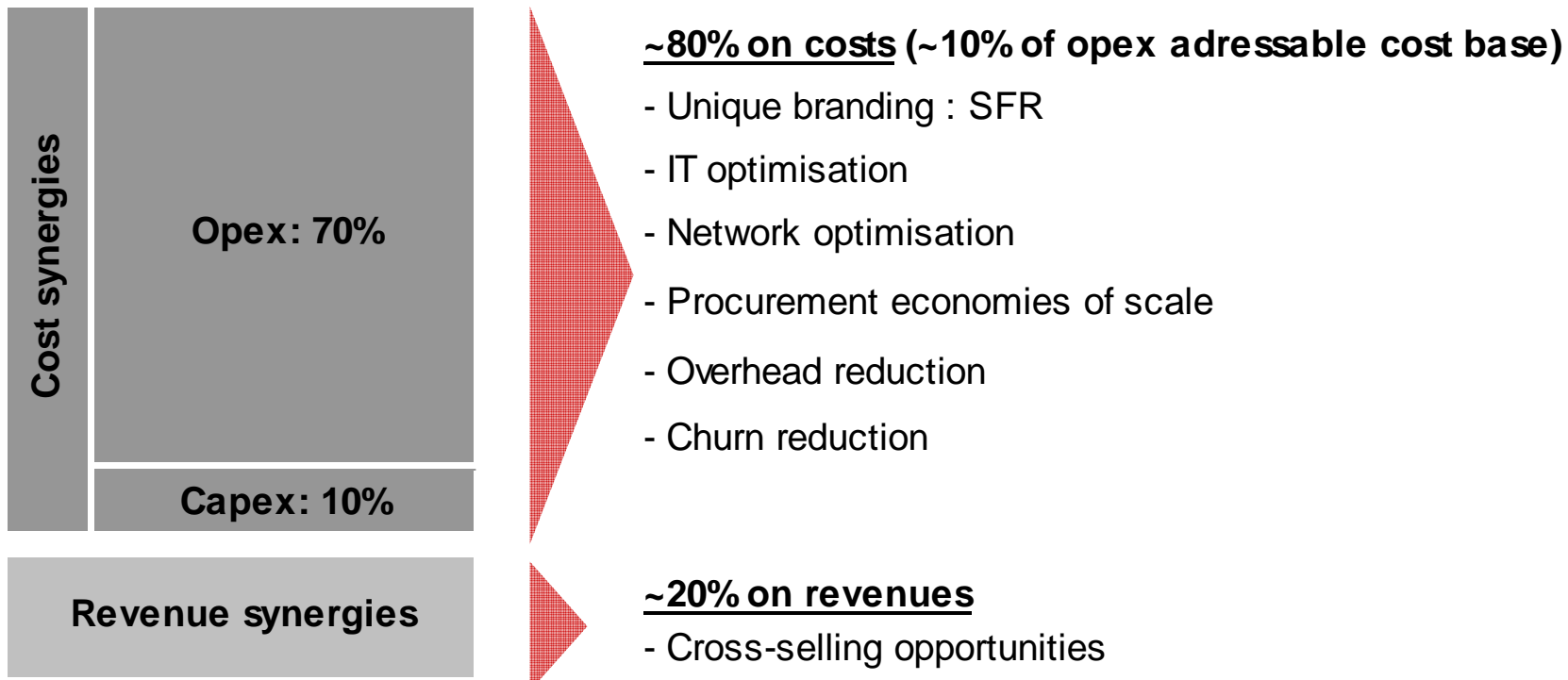
### ■ Strategy at work: structuring business decisions

- **15 April 2008:** New management team and governance
- **May 2008:** Re-branding of fixed/broadband activities under SFR brand to be launched in Q4-08
- **May 2008:** Definition of multi-channel distribution strategy to be launched by end-2008
- **June 2008:** Definition of new offers for the mass market to be launched by end-2008
- **July 2008:** Integrated fixed/mobile operations for Enterprise segment
- **September 2008:** First integrated fixed / mobile mass market product : Ma Sfere



# SFR + Neuf Cegetel: a value creating combination (1/3)

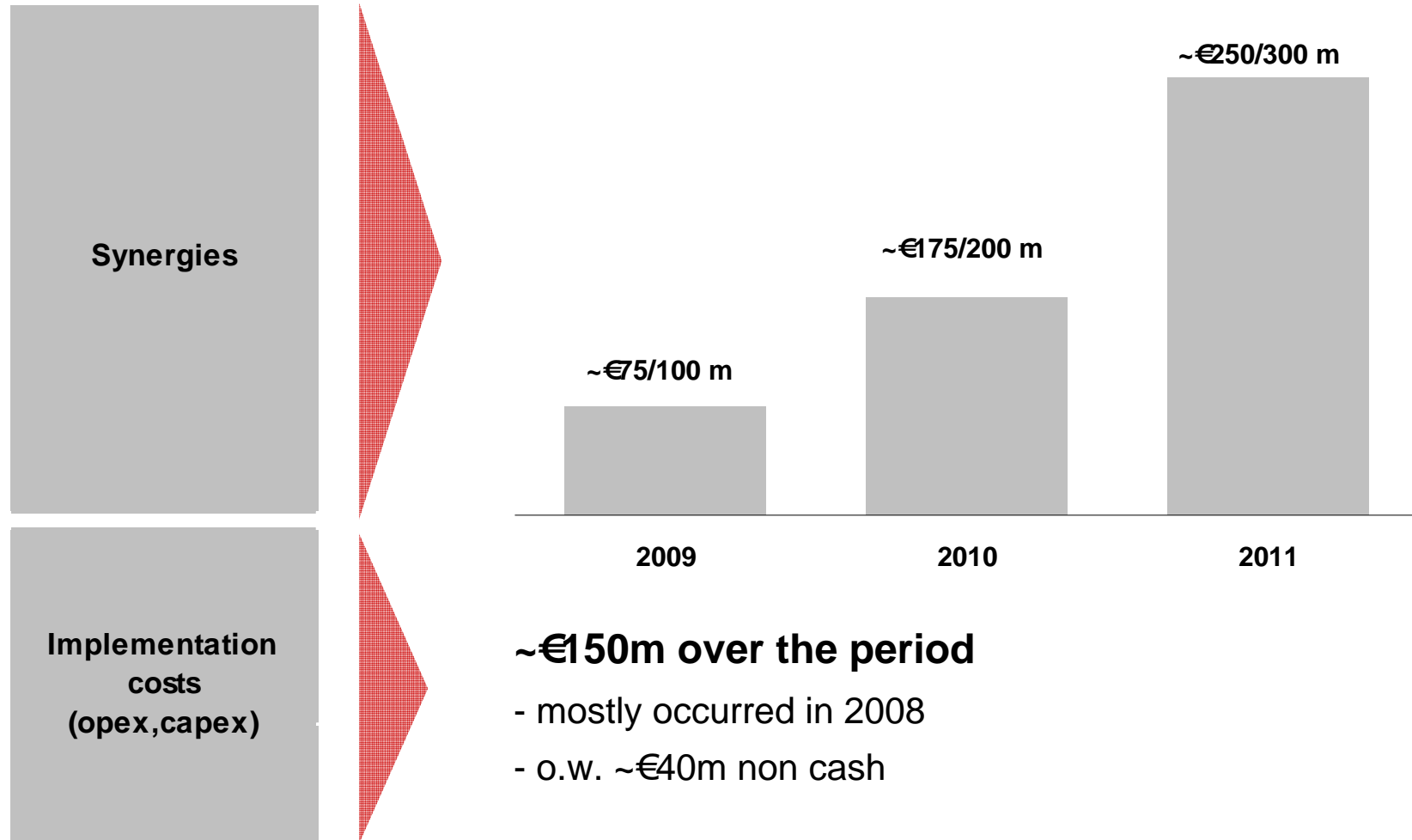
## ■ Significant synergies fueled by the 100% control



➔ ~ €250/300m cash synergies in 2011

## SFR + Neuf Cegetel: a value creating combination (2/3)

- ~€250/300M cash synergies per year from 2011



## SFR + Neuf Cegetel: a value creating combination (3/3)

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- **Strong and complementary assets to:**
  - **Execute integration and synergy plan**
  - **Mobile – Mass market : keep leadership in mobile Internet**
  - **Broadband Internet – Mass market : restore net adds market share above 24% by switching from Neuf Cegetel external growth model to an organic growth model**
  - **Enterprise: grow market share above 20% by taking advantage of being the only credible integrated alternative operator**
  - **FTTH : execute roll-out plan**
    - ✓ clarification of regulatory framework as soon as possible
    - ✓ 5m homes passed by end 2013

- SFR + Neuf Cegetel a value creating combination

- H1-2008 performance and 2008 outlook

## Mobile

- **Mobile service revenues:** + 2.7% YoY and +4.4% excluding the impact of regulated tariff cuts\*
  - Continued increase in customer base to 19.3\*\* million and improvement in the customer mix :
    - Postpaid customers represent 67.7 % of total base
    - 28.7% market share in contract net recruitments, up 7 pts YoY
  - Strong growth in data revenues, up 26.9% YoY
- **Mobile EBITDA:** slightly down 1.1% in a competitive market. Mobile service revenue growth offset by :
  - Increased acquisition and retention costs (+54% postpaid net adds YoY)
  - Increase in interconnection costs due to unlimited bundles
- **Sustained mobile EBITDA margin** of 40.5% in H1 08
  - vs. 41.8% in H1 07
  - 40.8% in Q2 08, 40.1% in Q1 08
- **Mobile EBITA:** Increase of write-offs by €11 million in Q2 08

## Fixed and ADSL

- **Rapid and strong execution of SFR / Neuf Cegetel combination**
  - See dedicated presentation

## SFR

*in euro millions - IFRS*

	H1 2008 *	H1 2007	Change
<b>Revenues</b>	<b>5,289</b>	<b>4,336</b>	<b>22.0%</b>
<i>Mobile</i>	<i>4,416</i>	<i>4,327</i>	<i>2.1%</i>
<i>Fixed and ADSL</i>	<i>968</i>	<i>9</i>	<i>ns*</i>
<i>Intercos</i>	<i>(95)</i>	<i>ns*</i>	<i>ns*</i>
<b>EBITDA</b>	<b>1,932</b>	<b>1,796</b>	<b>7.6%</b>
<i>Mobile</i>	<i>1,787</i>	<i>1,807</i>	<i>-1.1%</i>
<i>Fixed and ADSL</i>	<i>145</i>	<i>(11)</i>	<i>ns*</i>
<b>EBITA</b>	<b>1,340</b>	<b>1,364</b>	<b>-1.8%</b>
<i>Mobile</i>	<i>1,318</i>	<i>1,377</i>	<i>-4.3%</i>
<i>Fixed and ADSL</i>	<i>32</i>	<i>(13)</i>	<i>ns*</i>
<i>Restructuring costs</i>	<i>(10)</i>	<i>ns*</i>	<i>ns*</i>

\* Including Neuf Cegetel since April 15

ns\* not significant

## Main events

- Closing of Neuf Cegetel acquisition on June 24, 2008
- Successful mobile internet access offers
- 3G /3G+: 4.7 million customers at the end of June
- #1 position in mobile music and #2 position in digital music platform in France

\* -13% for call terminations as of January 1, 2008

\*\* Including 438K customers of the Debitel and Neuf Mobile offers

\*\*\* Please refer to comparable basis data in appendices



## SFR: confirmed 2008 outlook

### 2008 Outlook before impact of the integration of Neuf Cegetel

- Revenue for Mobile: Slight growth
- EBITDA for Mobile: Slight growth
- EBITA: Nearly flat despite increased depreciation
- CFFO for Mobile: Up due to decreased capex

### SFR in H2

- Maintain mobile EBITDA
- Control mobile acquisition and retention costs
- Pursue innovation in products and services around mobile Internet, innovative communication suite, localized services
- Continue fast execution of Neuf Cegetel integration: new organization, rebranding, restructuring plan
- Take advantage of integrated operations to gain market shares on Enterprise
- Restore Neuf Cegetel net adds market share by switching Neuf Cegetel external growth model to organic growth model

## Appendices



# SFR: Key metrics

<i>(including SRR)</i>	H1 2008	H1 2007	Change
<b>MOBILE</b>			
Customers (in '000) *	19,275	17,980	+7.2%
Proportion of postpaid clients *	67.7%	65.8%	+1.9pt
3G customers (in '000) *	4,739	3,447	+37.5%
Market share on customer base (%) *	34.4%	34.2%	+0.2pt
Network market share (%)	36.1%	35.9%	+0.2pt
12-month rolling blended ARPU (€/year) **	434	446	-2.7%
12-month rolling postpaid ARPU (€/year) **	562	581	-3.3%
12-month rolling prepaid ARPU (€/year) **	185	196	-5.6%
Net data revenues as a % of service revenues**	16.6%	13.4%	+3.2pts
Postpaid customer acquisition costs (€/gross adds)	211	200	+5.5%
Prepaid customer acquisition costs (€/gross adds)	27	21	+28.6%
Acquisition costs as a % of service revenues	7.1%	5.8%	+1.3pt
Retention costs as a % of service revenues	5.4%	5.1%	+0.3pt
<b>FIXED and ADSL</b>			
Broadband Internet EoP customer base***	3,767	3,381	+11.4%
Enterprise data links	184	158	+16.5%



\*Excluding wholesale customers (MVNO), estimated at 930k at the end of June 2008 (after integration of the 438k Debitel and Neuf Mobile customers to SFR's mobile customer base) compared to 873k at the end of June 2007

\*\* Including mobile termination

\*\*\* Including 600k Club Internet customers in H1 2007

## SFR: 2007 comparable basis

*In euro millions - IFRS*

	Q1'07 cb	Q2'07 cb	H1'07 cb	Q3'07 cb	Q4'07 cb	H2'07 cb	FY 07 cb
Outgoing revenues net of promotions	1,649	1,695	3,344	1,735	1,724	3,459	6,803
Mobile incoming	202	209	411	207	226	433	844
Fixed incoming revenues	95	108	203	108	115	223	426
Roaming in	54	65	119	80	52	132	251
<b>Network revenues</b>	<b>2,000</b>	<b>2,077</b>	<b>4,077</b>	<b>2,130</b>	<b>2,117</b>	<b>4,247</b>	<b>8,324</b>
Other mobile	22	27	49	23	27	50	99
<b>Service revenues</b>	<b>2,022</b>	<b>2,104</b>	<b>4,126</b>	<b>2,153</b>	<b>2,144</b>	<b>4,297</b>	<b>8,423</b>
Equipment sales net	75	141	216	81	122	203	419
<b>Total mobile revenues</b>	<b>2,097</b>	<b>2,245</b>	<b>4,342</b>	<b>2,234</b>	<b>2,266</b>	<b>4,500</b>	<b>8,842</b>
<b>Broadband Internet and fixed revenues</b>	<b>121</b>	<b>827</b>	<b>948</b>	<b>932</b>	<b>1,008</b>	<b>1,940</b>	<b>2,888</b>
Elimination of intersegment transactions	-4	-85	-89	-112	-109	-221	-310
<b>Total SFR revenues</b>	<b>2,214</b>	<b>2,987</b>	<b>5,201</b>	<b>3,054</b>	<b>3,165</b>	<b>6,219</b>	<b>11,420</b>

\* Comparable basis mainly illustrates :

- (i) the full consolidation of Tele2 France as if this acquisition had taken place on January 1, 2007
- (ii) the full consolidation of Neuf Cegetel and Club Internet as if these acquisitions had taken place on April 15, 2007
- (iii) the restatement of 2007 figures in compliance with IFRIC 12 "Service Concession Arrangements"

## SFR: Detailed Broadband Internet and fixed revenue growth

Growth of SFR Broadband Internet and fixed revenues	Q2'08 / Q2'07cb	H1'08 / H1'07cb
On a comparable basis as published on July 24, 2008	+7.6%	+7.2%
On a comparable basis restating Club Internet and IFRIC 12 o.w. Neuf Cegetel stand alone*	+1.8%	+2.2%
	+4.2%	+4.2%

\* Excluding mobile activities. As a reminder, from April 15 to June 30, Neuf Cegetel stand alone revenue including mobile activities increased +5.1%

*For the definition of comparable basis (cb), please refer to slide 18*

# Vivendi IR Team

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