

Introduction to SFR

October, 2007



Agenda

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SFR ambition and strategy

2

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Key financials





1

SFR ambition and strategy

SFR key assets

Strong number 2 operator in France

Strong customer numbers

- 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

Customer relationship

- #1 in customer satisfaction and customer care in 2006 (TNS Sofres - BearingPoint)
- Distribution network: more than 750 “Espace SFR” stores

Network

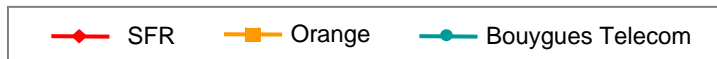
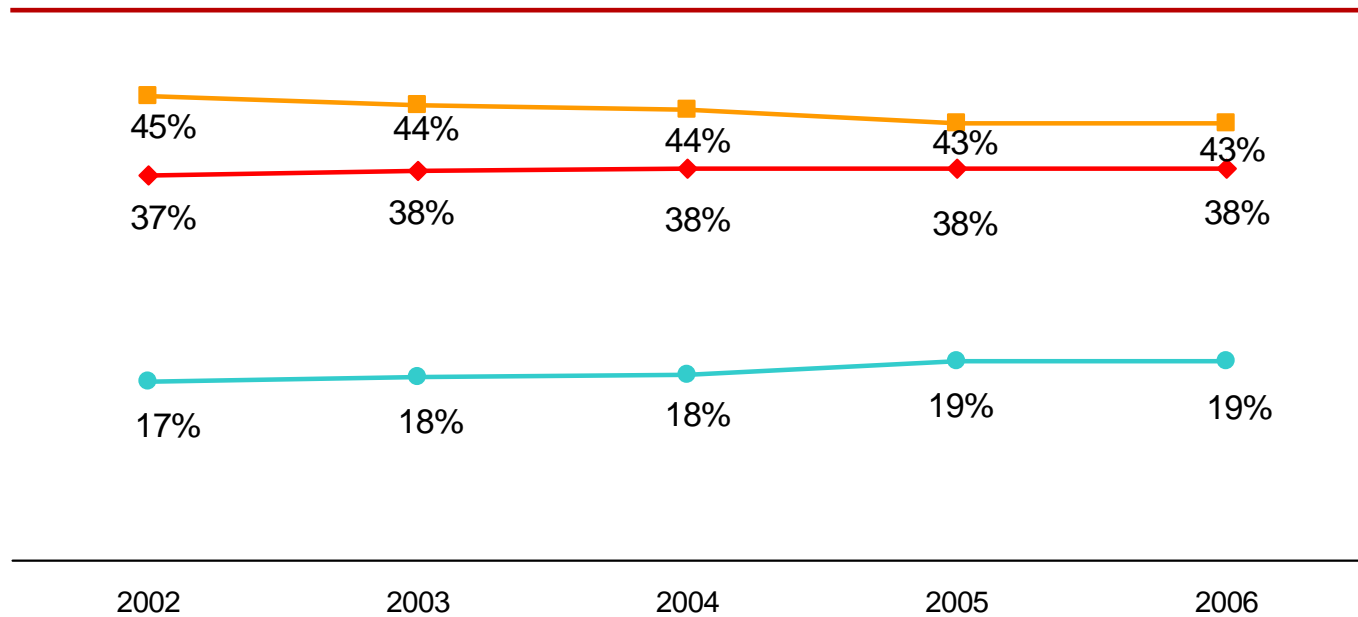
- 70% of French population covered with HSDPA
- >90% of HSDPA-EDGE coverage
- Wimax: licenses in the 2 largest French regions (Ile-de-France, PACA)
- FTTH: joint investment (to be finalized) with Neuf Cegetel of €450m over 3 years
- Urban Wifi



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

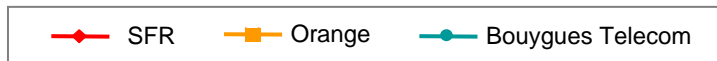
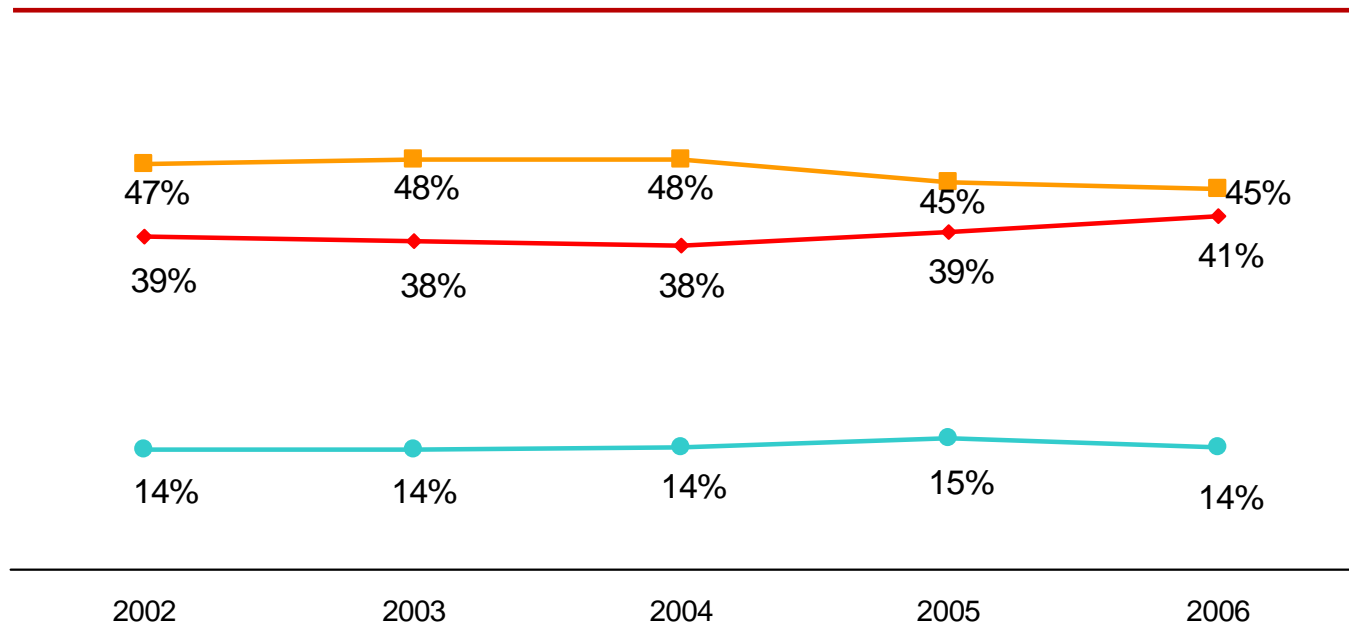


Strong number 2 mobile operator in France (2/2)

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

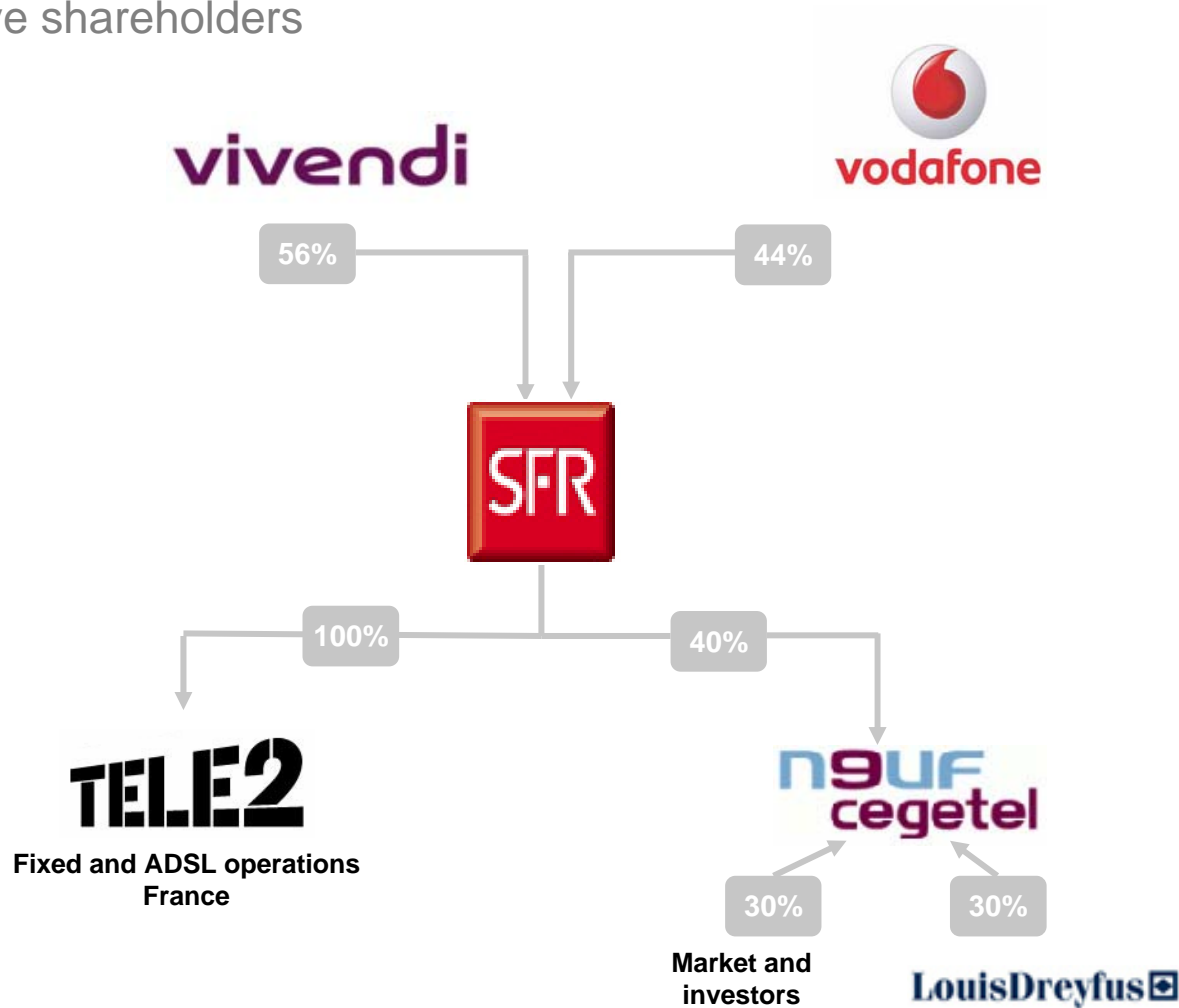
EBITDA share 2002-2006

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



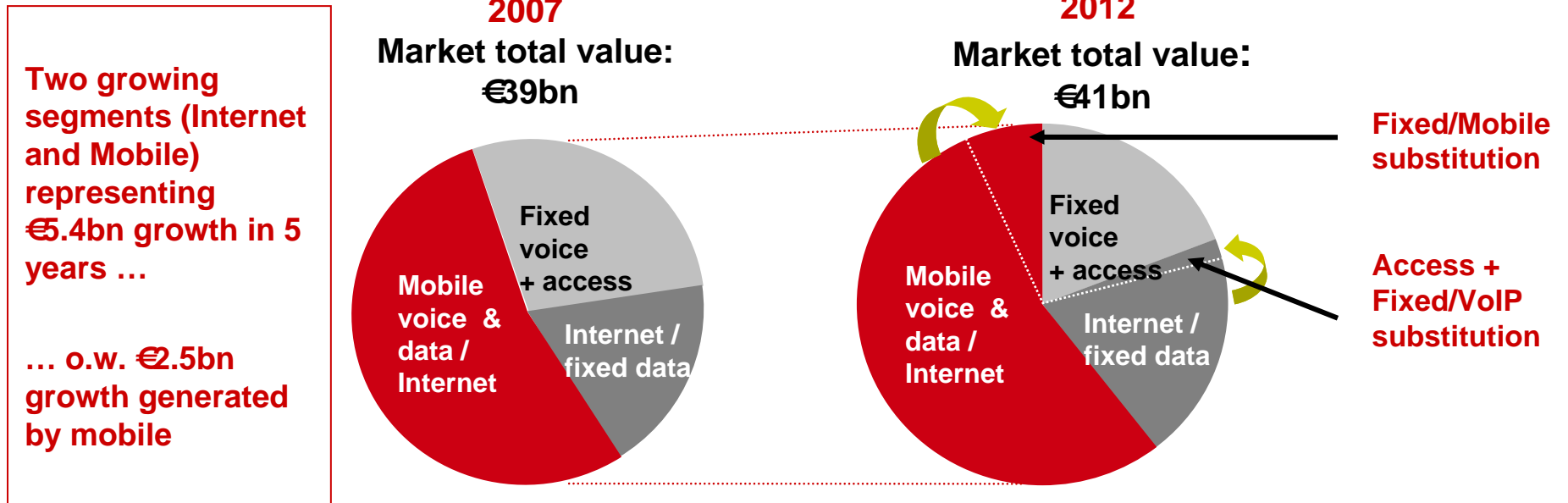
SFR group structure

Two supportive shareholders



Market trends (1/3)

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



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

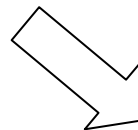
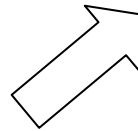


Market trends (2/3)

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

Evolution in Telecom services consumption

- 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

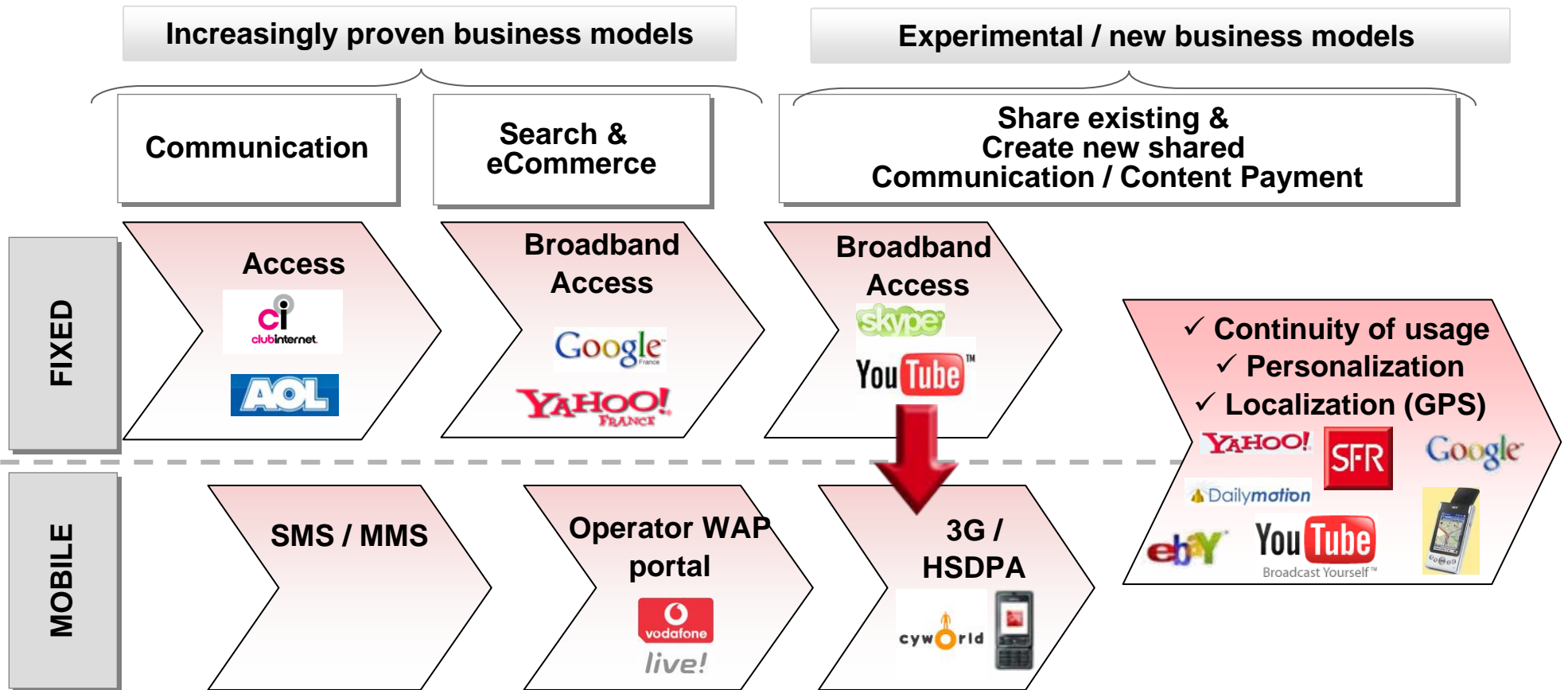
Mobile voice usage in France ~10 min / day

Fast development of personal / nomadic connected devices



Market trends (3/3)

Internet is naturally extended into mobile



SFR mobile centric strategy

**SFR
existing
mobile
offer**



**Happy Zone
GSM
3G/3G+**



Mobile voice



**Fixed / mobile substitution:
Happy Zone / Office Zone**

**3G/3G+
USB
Modem**



**3G/3G+
USB Modem**



**SFR ADSL
(Web, TV)**



Mobile internet



Internet at home

- Quality
- Simplicity
- Continuity of usage
- Personal device





2

Strategy at work

Reach profitable growth
through a focused strategy



Operational excellence – Network quality and innovation

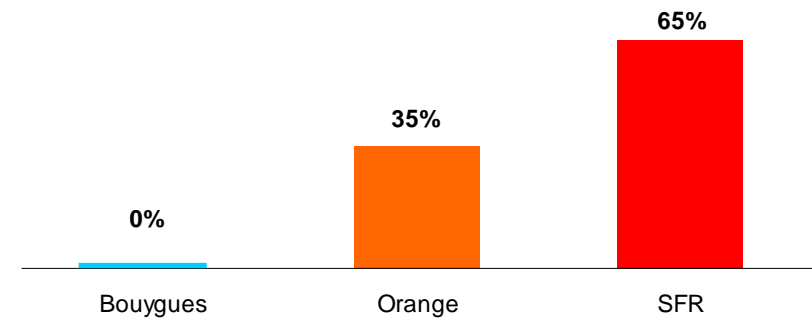


SFR strategy benefits from network quality and innovation

- **#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)



3G/3G+ subscriber market shares (2Q 2007)



(*) Source: Mobile communications Europe, September 2007



Operational excellence – Customer relationship (1/2)



A strong brand and a close relationship with its 18 million mobile customers

- **SFR image re-booted by the new brand signature and new advertising campaign**
 - Well received and understood...
 - ...with a strong impact on brand preference
- **Use of new media: success of the web marketing campaign “cavaouatcher.fr” in September 2007**



VIVONS MOBILE



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**



Operational excellence – Balancing costs to prepare future growth



Continuation of multi-year cost saving programs for future growth

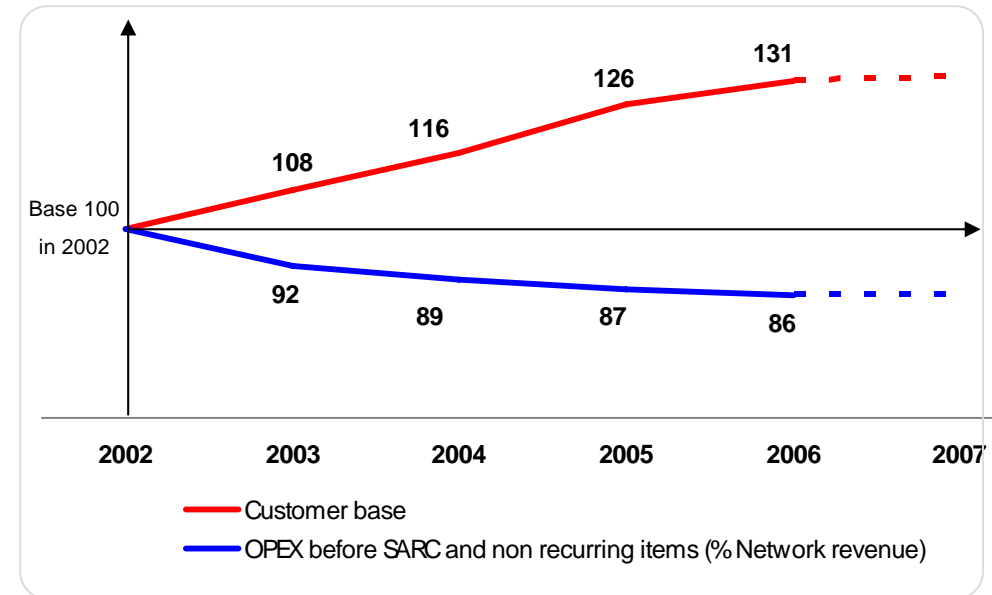
- **Capex:**
 - 70% of French population covered with 3G / 3G+

- **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)

Opex & customer base evolution 2002 – 2006



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



SFR MOBILE + ADSL

- Internet haut débit
- TV numérique
- Téléphonie fixe illimitée
- + HAPPY ZONE

29,90 €/MOIS

- ✓ Installation à domicile incluse
- ✓ Remboursement des frais de résiliation

> **Souscrire**

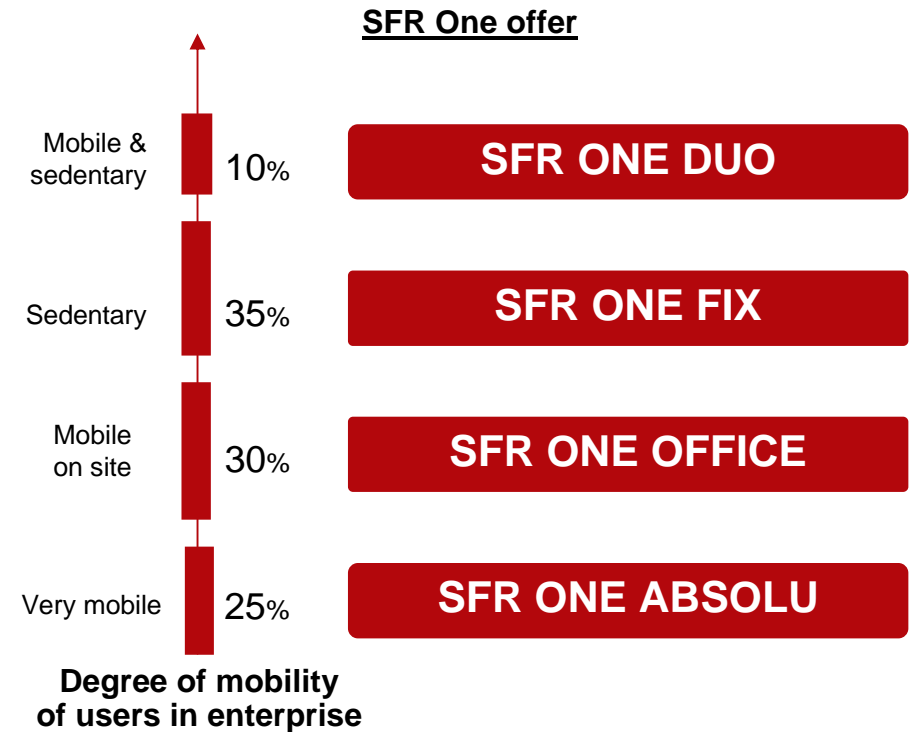


Product superiority – Fixed to mobile substitution (2/2)



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



Product superiority – Mobile Internet (1/2)



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



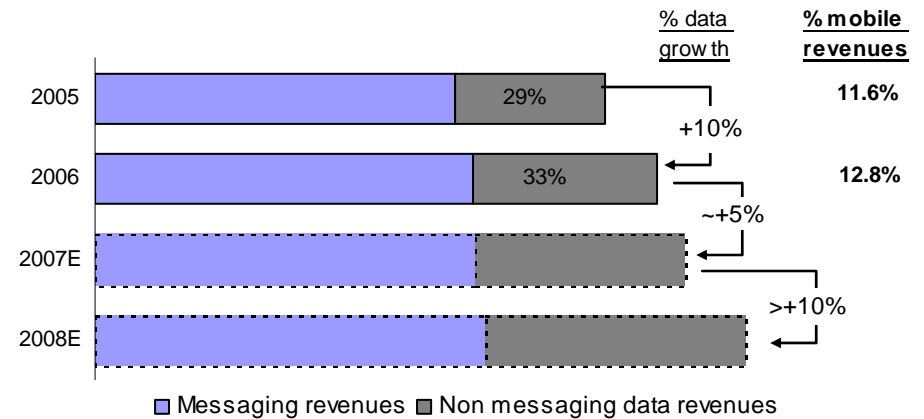
Product superiority – Mobile Internet (2/2)



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:**

SFR Data revenue (2005-2007E)



Access	Offer	Usage	Monthly rate
<ul style="list-style-type: none"> On your mobile 	<ul style="list-style-type: none"> Pass surf 2.0 ⁽¹⁾ 	Unlimited e-mails + Unlimited browsing on Vodafone Live! + Unlimited browsing on Best of Web and Gallery + 25Mo	€9.90
<ul style="list-style-type: none"> On your computer 	<ul style="list-style-type: none"> Frequent usage ⁽¹⁾ 	500 Mo (evening & week-ends) + 60 Mo	€35 ⁽²⁾
	<ul style="list-style-type: none"> Intensive usage 	1 Go	€60 ⁽²⁾

(1) Limited offer ; (2) Including a 3G+ option at €5 / month, for a 12 month commitment: +€5 ; illustrative examples, refer to sfr.fr



Product superiority – Mobile data



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



TELE2



New Reach – Fixed broadband Internet (2/2)



A long term partnership with Neuf Cegetel



at a glance

- 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)
- 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

SFR Music

Tous les produits mobiles liés à vos artistes préférés !

- Single
- Sonnerie
- Sonnerie vidéo
- Tonalité
- Mini-clip
- Logo

Découvrez aussi nos services exclusifs

- SFR Jeunes talents
- Radio DJ
- Le Pass





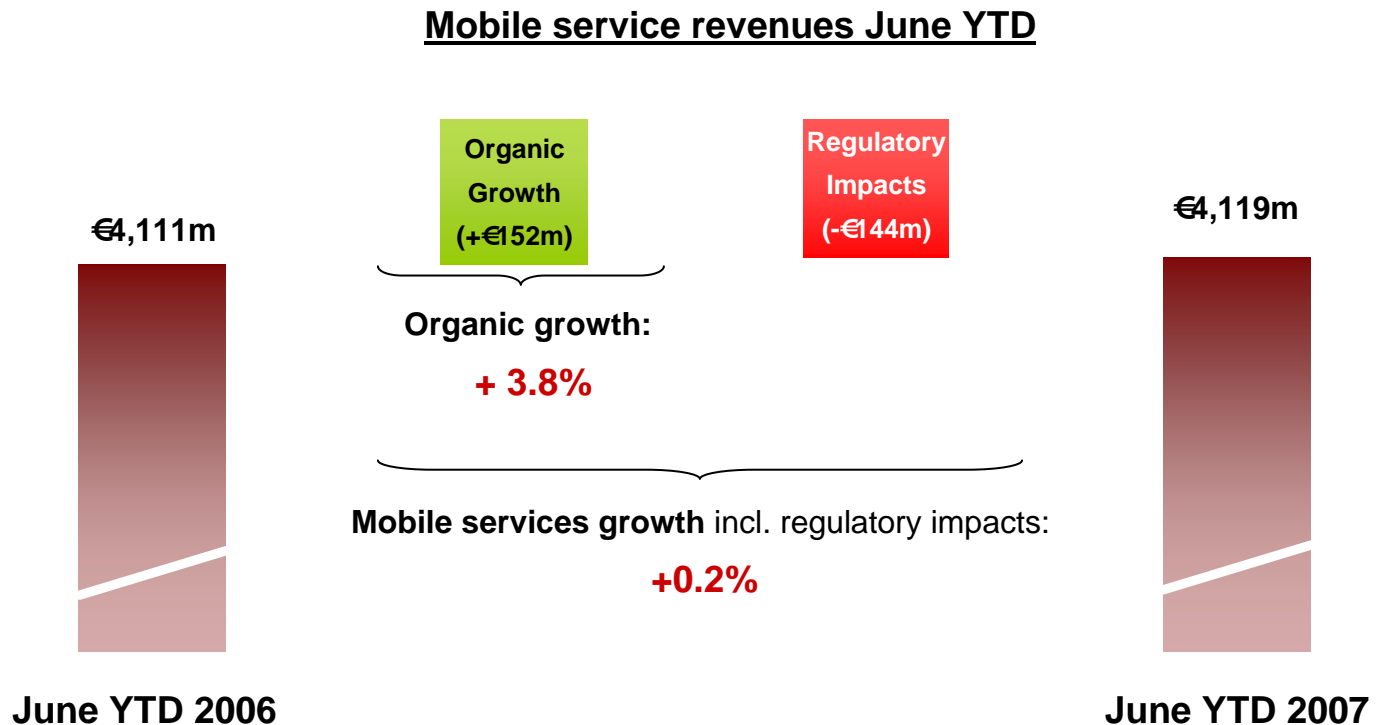
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Key financials

H1-07 Performance

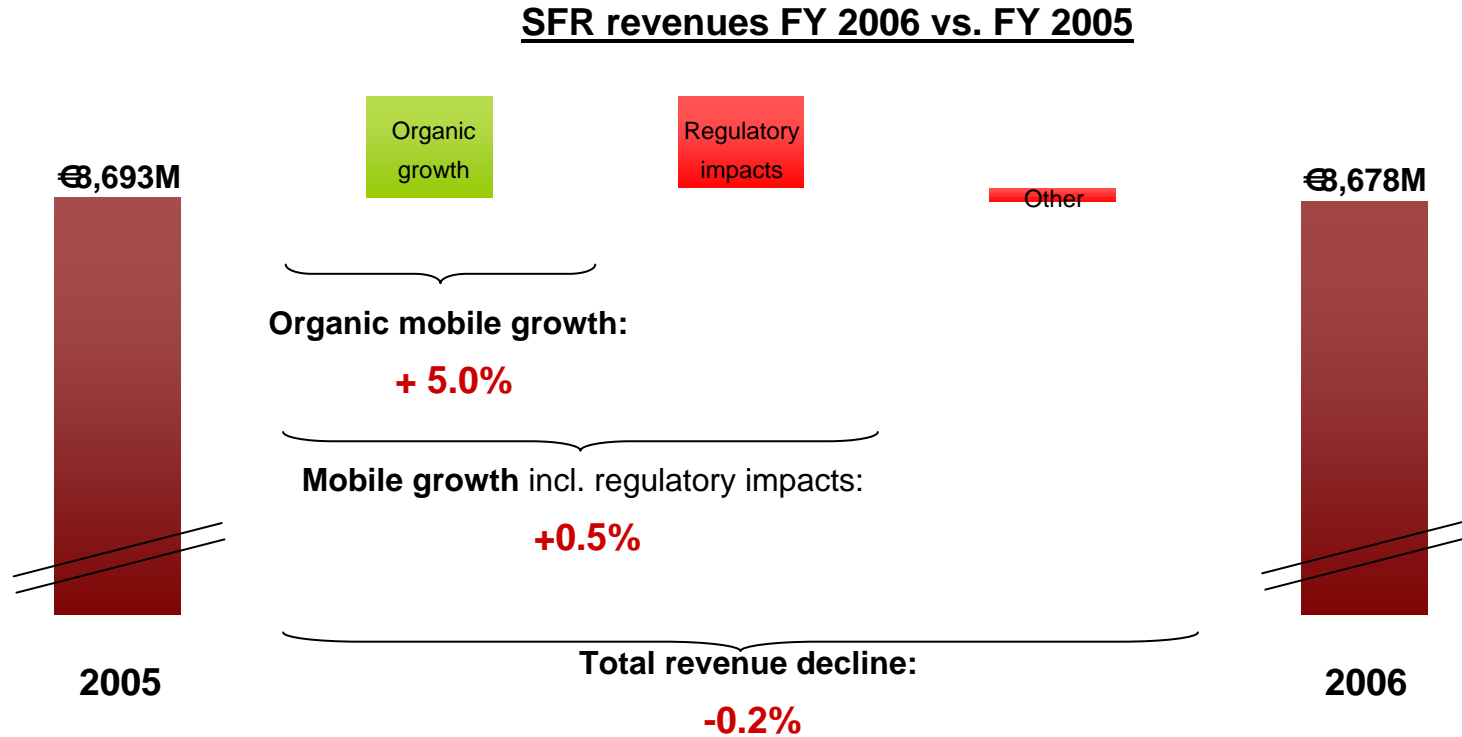
Mobile service revenues up by +0.2% in June-07 YoY, i.e. +3.8% excluding regulatory impacts

- €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)



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

in millions of euros, IFRS	2005	2006	06 vs 05
Revenues	8,693	8,678	-0.2%
o.w. mobile revenues	8,623	8,666	+0.5%
Reported EBITDA*	3,209	3,449	+7.5%
<i>EBITDA margin</i>	<i>36.9%</i>	<i>39.7%</i>	<i>+2.8 pts</i>
o.w. Mobile EBITDA	3,209	3,465	+8.0%
<i>Mobile EBITDA margin</i>	<i>37.2%</i>	<i>40.0%</i>	<i>+2.8 pts</i>
Mobile EBITDA excl. non recurring items	3,324	3,465	+4.2%
<i>EBITDA margin excl. non recurring items</i>	<i>38.5%</i>	<i>40.0%</i>	<i>+1.5 pts</i>
Reported EBITA*	2,422	2,583	6.6%
<i>EBITA Margin</i>	<i>27.9%</i>	<i>29.8%</i>	<i>+1.9 pts</i>
o.w. Mobile EBITA	2,422	2,599	+7.3%
<i>Mobile EBITA margin</i>	<i>28.1%</i>	<i>30.0%</i>	<i>+1.9 pts</i>
Mobile EBITA excl. non recurring items	2,537	2,599	+2.4%
<i>EBITA margin excl. non recurring items</i>	<i>29.4%</i>	<i>30.0%</i>	<i>+0.6 pt</i>

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

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



2006 Performance (3/3)

Stable CFFO in 2007 despite launch of DSL activity

Simplified Cash-Flow statement – SFR Group

in millions of euros, IFRS	2005	2006	06 vs 05	2007 Outlook update
EBITDA*	3,209	3,449	+7.5%	<u>CFFO:</u>
CAPEX net	923	1,133	+22.8%	“stable despite launch of DSL activity”
CFFO	2,268	2,430	+7.1%	
Net debt	2,235	2,256	+0.9%	

* 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

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

Metrics including SRR

* Excluding w wholesale customers (MVNO) ; ** Including mobile termination



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