

Introduction to SFR

May 2007



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Agenda

- 1. Overview and recent developments**
- 2. SFR Strategy**
- 3. Financials**

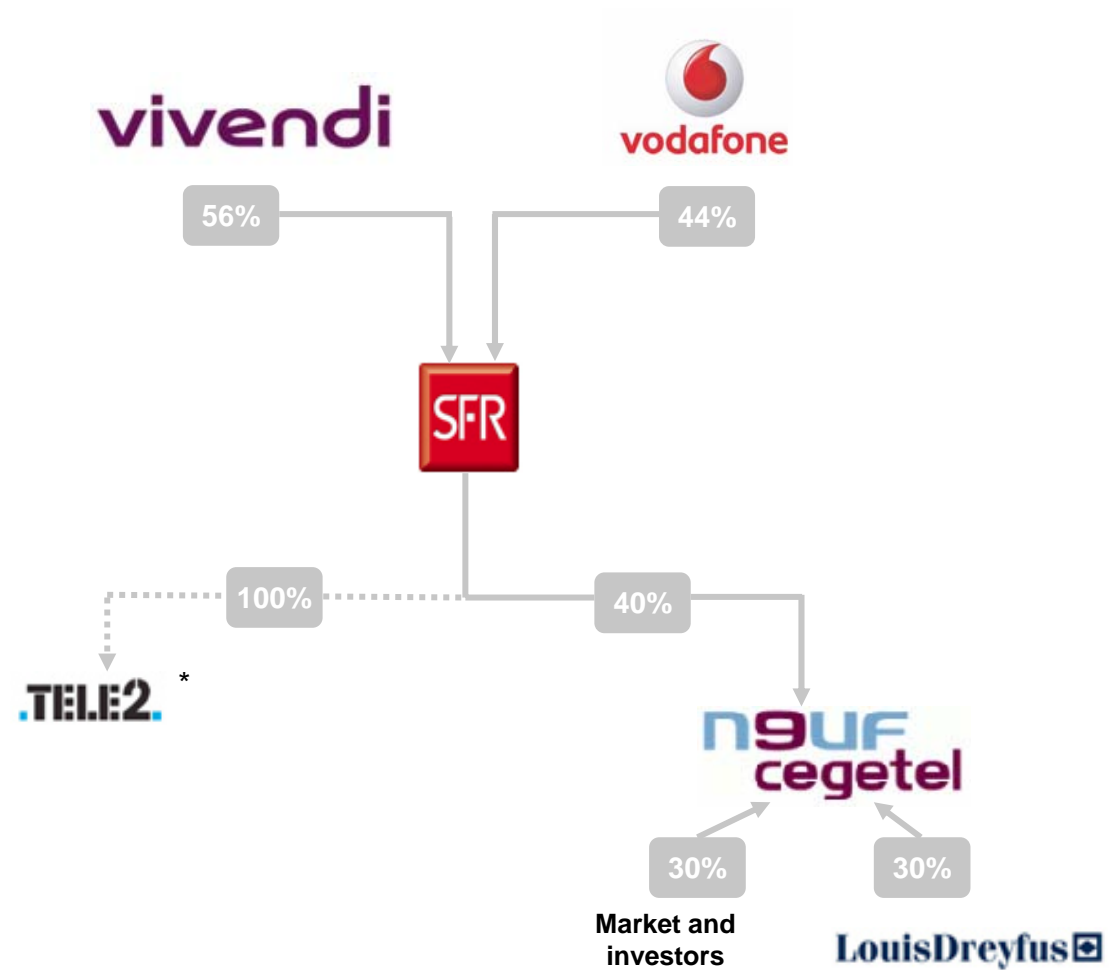
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SFR group structure



* subject to competition authority approval/ fixed and ADSL operations

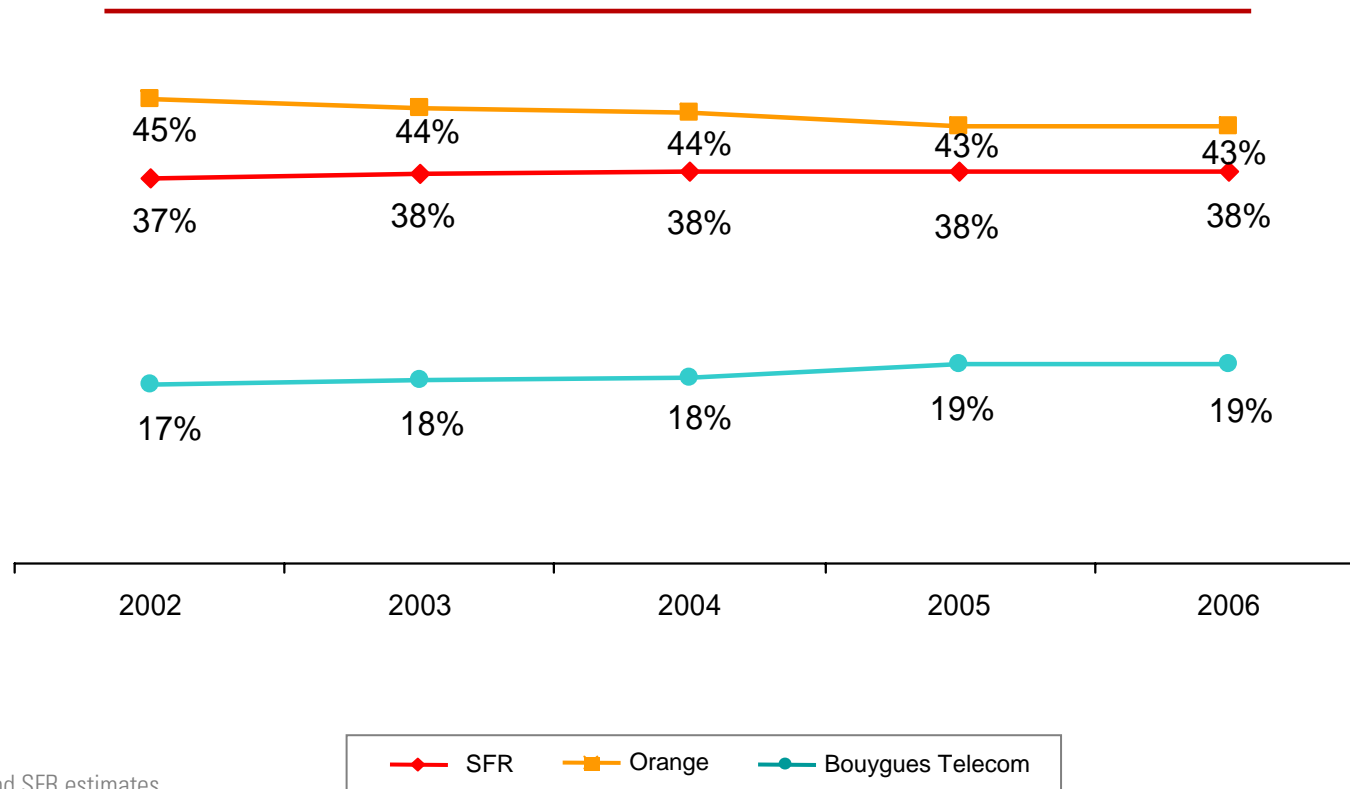


SFR: A profitable growth model (1/2)

Strong number 2 mobile operator in France (1/2)

- 35% customer base market share
- 38% value market share (network revenues)

Value market share 2002-2006



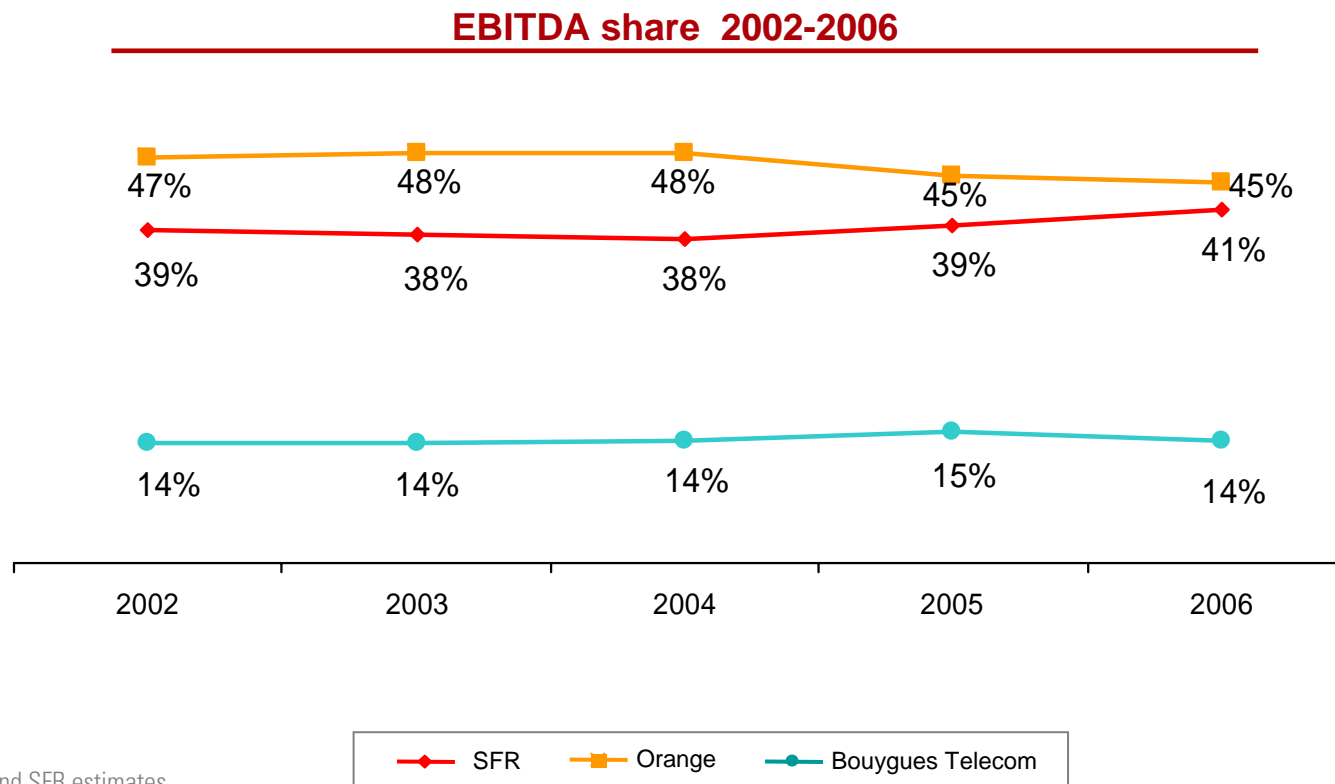
Source: operators publications and SFR estimates



SFR: A profitable growth model (2/2)

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

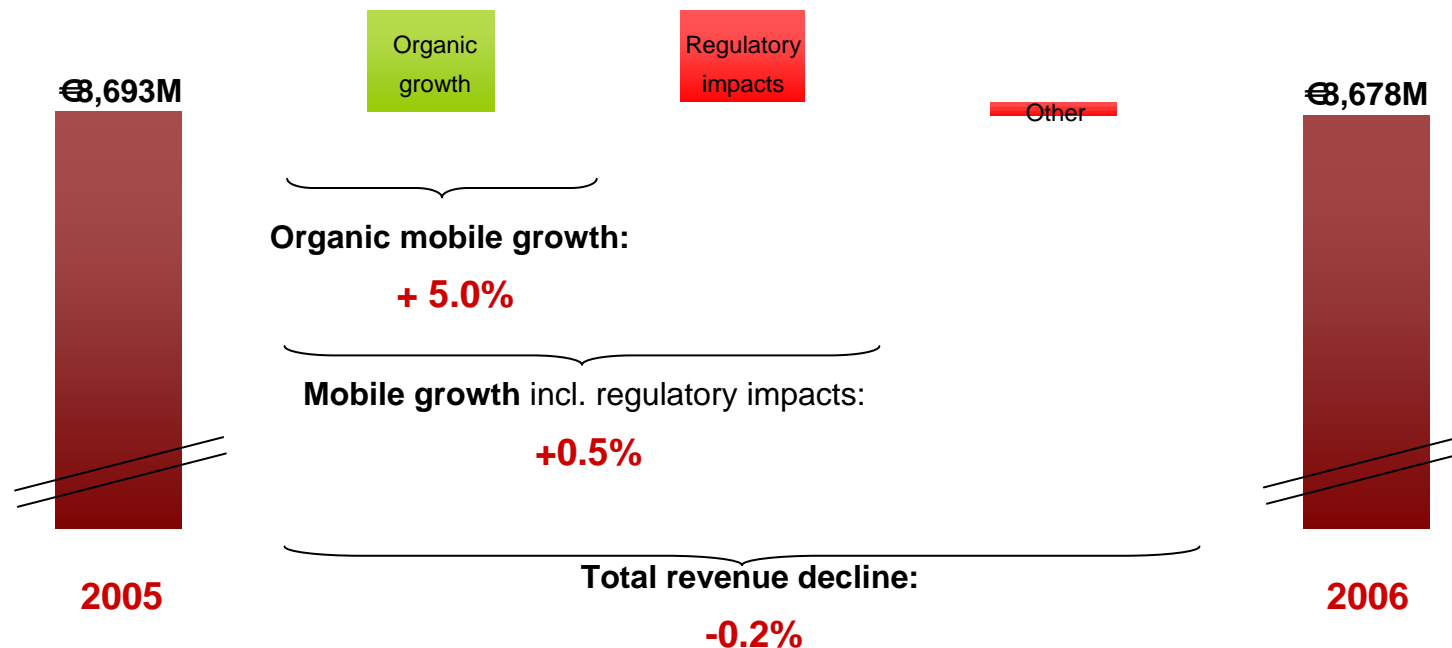
- Only French operator to increase its EBITDA in 2006
- Highest EBITDA margin in France at **40% of revenues**
- Strong **41%** EBITDA share



2006 performance



- 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.

- **Best commercial MNO performance of the French market:**
27k total net adds, of which 91k new contract customers
- Success of the launch of the **Happy Zone offer**
- **Mobile internet strategy** at work
 - 3.1M 3G customers end of March 2007
 - Launch of VMCC / modem offer based on SFR 3G / 3G+ network for summer 2007
 - Launch of ADSL triple-play offer in April
- On-going momentum of **enterprise activity**
- **New brand** signature





- Fixed to mobile substitution** {
 - Success of the **Happy Zone offer**
 - **Voice AUPU**: +5.5% in Q1 2007 vs. Q1 2006 at 326 min / month / customer

- VNOs** {
 - Number of VNO customers **x4.2** at 756k end of March 2007

- Data** {
 - Number of **3G customers** x2.3 to 3.1M end of March 2007
 - **Data revenues** amounting to 13.9% of network revenue
 - **Music : SFR Top 3 of legal downloading platforms**

Levers for growth (2/2)



Broadband Internet

- **Increased stake in Neuf Cegetel** to 40% - successful IPO in October 2006 (18% Neuf Cegetel ADSL market share, 23% after acquisition of Club Internet in progress)
- Launch of **ADSL SFR option** in April 2007
- **FTTH investment** to be shared with Neuf Cegetel

Mobile internet

- One of the **largest HSDPA network** in Europe with 65 % coverage
- **Deals signed with Internet leaders** (Yahoo!, Google, eBay, YouTube, Microsoft, myspace)
- **PC Mobile Connect Card**: +69% in 2006 vs 2005 ;
- **Blackberry®**: +86% in 2006 vs 2005
- **Machine-to-machine**: +52% in 2006 vs 2005
- **WiMax licenses** obtained in July 2006 (Ile-de-France and PACA), 10 sites opened in Ile de France end of Dec. 2006
- In February 2007, Paris city chose SFR to deploy 400 free **WiFi hotspots** in Paris

Cost control

- Continuation of multi-year **cost saving programs**

- **17.9 M customers** at the end of December 2006 (+4% vs. LY) with improved customer mix (65% contract vs. 63.3% in Dec-05)
- **3G: largest HSDPA network** in Europe with 65% coverage
- **N.1 in customer satisfaction and customer care** in 2006 (TNS Sofres - BearingPoint)
- **N.1 in network quality** in latest 2006 ARCEP (French regulator) survey for the 3rd consecutive year
- **Distribution network: 750 “Espace SFR”**
- **40% stake** in Neuf Cegetel at an average cost of €12.5 per share (market price at €30.0 as of end April 2007)

March 2007 key Metrics (1/2)



- Customers (in '000)
- Vodafone live! Customers (in '000) *
- 3G customers (in '000)
- EoP market share *
- 12-month rolling blended ARPU (€/year) **
- 12-month rolling postpaid ARPU (€/year) **
- 12-month rolling prepaid ARPU (€/year) **
- Proportion of postpaid customers *

	<u>Q1-2007</u>	<u>Q1-2006</u>	<u>Growth</u>
Customers (in '000)	17 910	17 328	+ 3,4%
Vodafone live! Customers (in '000) *	6 423	5 268	+ 21,9%
3G customers (in '000)	3 133	1 352	x 1,3
EoP market share *	34,4%	35,6%	- 1,2 point
12-month rolling blended ARPU (€/year) **	450	479	- 6,0%
12-month rolling postpaid ARPU (€/year) **	587	634	- 7,4%
12-month rolling prepaid ARPU (€/year) **	199	216	- 8,0%
Proportion of postpaid customers *	65,4%	63,7%	+ 1,7 point

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

March 2007 key Metrics (2/2)



	<u>Q1-2007</u>	<u>Q1-2006</u>	<u>Growth</u>
■ Voice usage (min / month / customer) *	326	309	+ 5,5%
■ Number of SMS sent (M)	1 726	1 561	+ 10,5%
■ Number of MMS sent (M)	40	43	- 6,2%
■ Net data revenue as a % of network revenues (%) **	13,9%	13,5%	+ 0,4 point
■ Prepaid acquisition cost (€gross add)	23	23	+ 1,4%
■ Postpaid acquisition cost (€gross add)	205	184	+ 11,4%
■ Acquisition costs as a % of network revenues (%)	6,2%	5,5%	+ 0,7 point
■ Retention costs as a % of network revenues (%)	5,5%	4,9%	+ 0,7 point

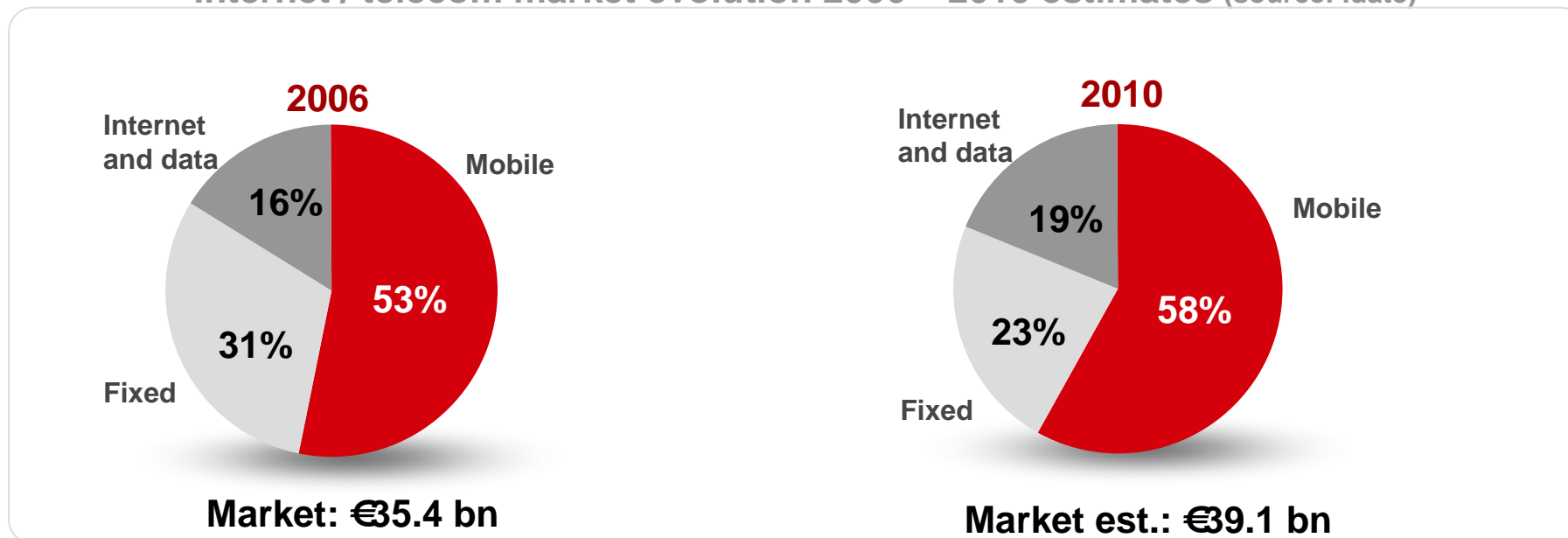
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Mobility and internet are the two growth drivers for internet / telecom sector

Internet / telecom market evolution 2006 – 2010 estimates (source: Idate)



➔ SFR positioned on two growing segments

including: { + €3.9 billion for mobile
+ €1.7 billion for internet

➔ SFR best positioned on Mobile Internet

➔ SFR attacking fixed market



« Mobile centric »

Continuity of usage
through a personal and
unconstrained service



- **94%** of SFR customers take their mobile phone everywhere
- **More than 1/3** of SFR customers use their mobile phone outside France, at least once a year

Mobility is the core of SFR's
service offering

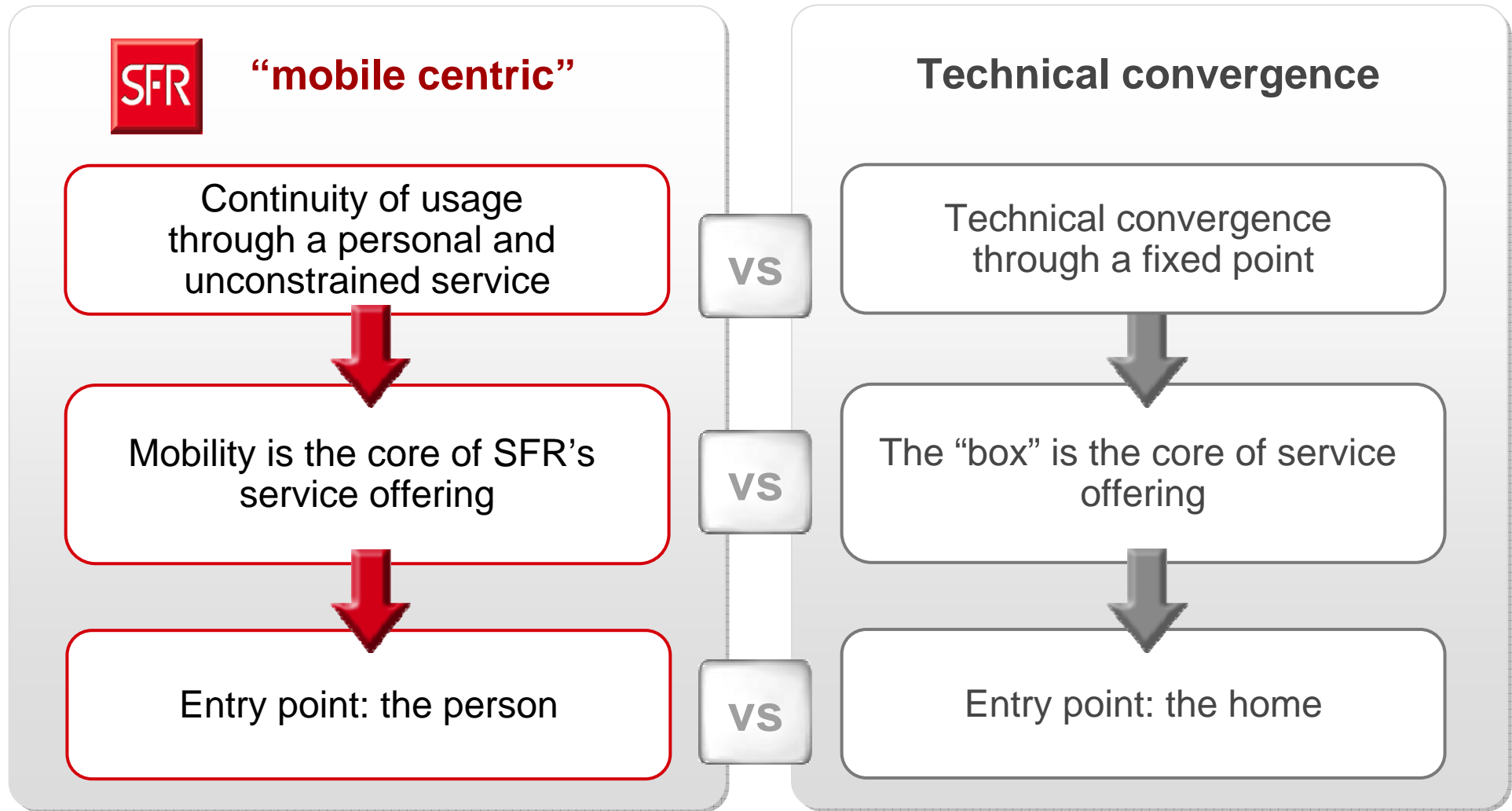


- **77 %** of mobile users think that mobile phone is simple to use
- **59%** of SFR customers record their contacts in their mobile phone directory

Entry point: the person



- **~40%** of communications made by mobile customers from their home is from their mobile phone
- **81%** of SFR customers consider their mobile phone as their main handset





A. Develop SFR customer base:

- Develop customer intimacy
- Launch segmented and tailor-made offers
- Keep strong momentum in Enterprise services

B. New reach:

- Fixed to mobile substitution
- Development of Mobile Internet
- Launch of broadband internet offer

C. Operational excellence:

- Cost control
- Efficient distribution network

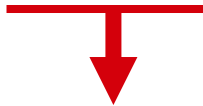


« Mobile centric »

SFR strategy (2/2)



Voice /
Mobile Internet



Fixed to Mobile
substitution



Internet ADSL
+
Audience models



SFR Core Offerings

SFR existing mobile offer



Happy Zone
GSM / 3G – 3G+



Option

Internet access
Web / TV



2G / 3G-3G+ / WiFi / WiMAX

ADSL

Voice

Mobile Internet → Internet

■ 3G: more capacity for voice usage

- AUPU is up 10.5% in 2006 to 327 min / month / customer
- +19% in network traffic



■ One of the largest EU HSDPA network to date: 65% HSDPA coverage

■ 3G+: quantum leap in user experience for data

- A **debit rate** at 3.6 Mbit/s in busy business places (stations, airports, heavy traffic business centers)...
- ...and in ~ 20 towns (incl. Paris, Lyon, Marseille, Toulouse, Bordeaux, Toulon, Grenoble, ...)



A- Mobile growth: Data usage (2/3)



■ SMS and MMS:

- +10.5% of SMS and -6.2% of MMS in March YTD-2007 vs. March YTD-2006

■ Games:

- 600 games available, 1.25 M games downloaded in March YTD-2007

■ TV / Vidéo:

- 80 channels (CanalSat and TPS)
- 0.95 M video downloaded in March YTD-2006

A- Mobile growth: Enterprise segment (3/3)

SFR

- **Strong development of enterprise activity**
 - +16% lines
- **Strong dynamism on large accounts**
 - Renault, SPIE, Danone
- **Strong increase in market shares**
- **Strong development of Mobile data**
 - PC Mobile Connect Card: **+69%** vs 2005
 - Blackberry®: **+86%** vs 2005
 - Machine-to-machine: **+52%** vs 2005



B- New reach: Fixed to Mobile substitution (1/5)

■ **Continuity of mobile usage** at home and around enabled by 3G / 3G+ capacity

■ **Happy Zone assets:**

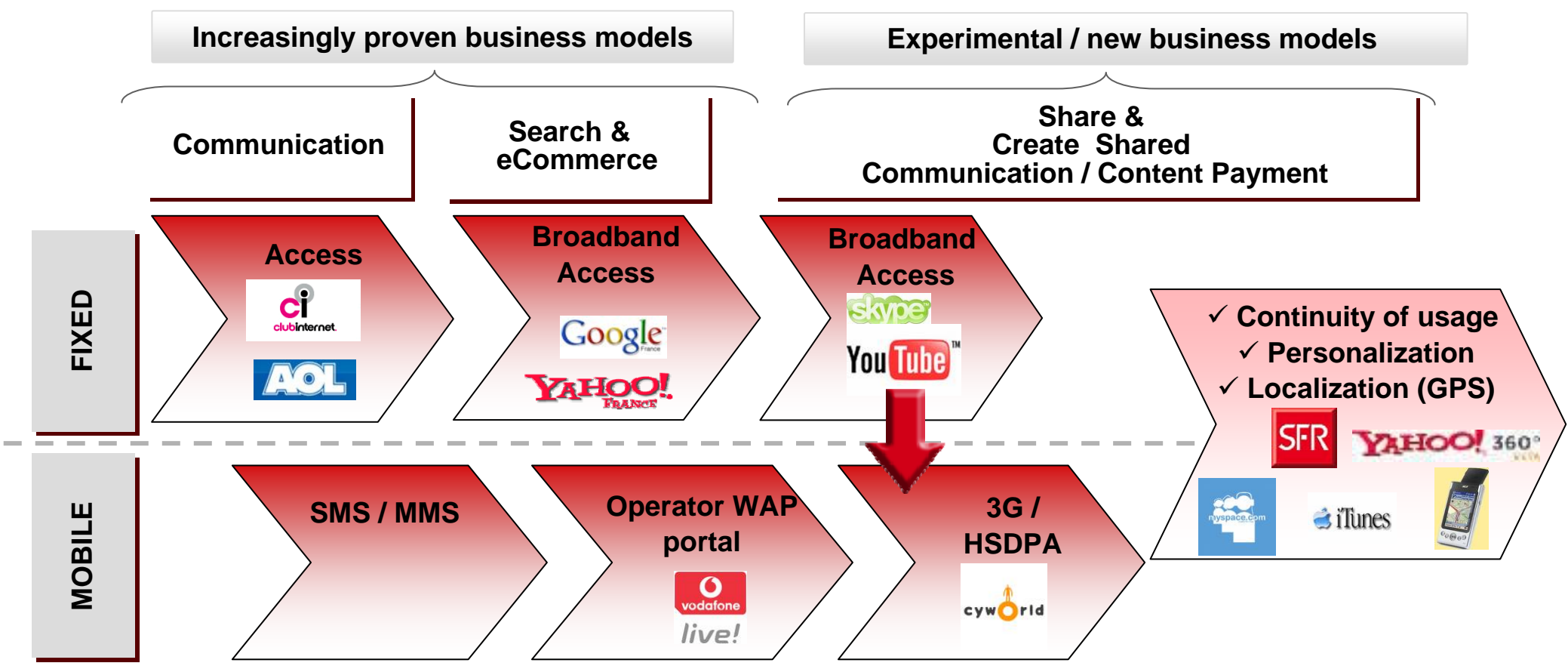
- Offerings with discounted tariffs for calls made from home
- Customers keep their favorite handset
- Large success in other European countries

■ Option to be extended to the office with “**Office Zone**”



B- New reach: Mobile internet (2/5)

Internet is naturally extended into mobile (1/2)



B- New reach: Mobile Internet (3/5)

- First success: ongoing deals with fixed Internet players:



- First success: SFR music strategy:

- Music both on mobile and PC:
 - Top 3 of legal downloading platforms in France
 - Success of “SFR Jeunes Talents”



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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SFR JEUNES TALENTS
Les nouveaux artistes de la scène française

SFR Jeunes Talents

Vous avez du TALENT? LE MOBILE VOUS OUVRE LA VOIX

le 1er portail de Jeunes Talents sur le mobile

Faites découvrir à tous vos créations musicales ! Mettez en ligne vos morceaux sur le web et le mobile... et figurez au catalogue de SFR Music !

» En savoir plus

Remplissez dès maintenant pour être en ligne dès l'ouverture du site !

» Cliquez comme artiste

Écoutez gratuitement et en intégralité les œuvres inédites de talents encore inconnus. Entrez votre email pour être alerté dès l'ouverture du site SFR Jeunes Talents.

» Entrez votre email

1 Artistes déjà inscrits

B- New reach: Internet, launch of ADSL offer (4/5)



- SFR launched ADSL offerings in April 2007
 - An option on top of mobile offerings
 - Continuity of mobile services on the internet
 - Strong focus on customer service with “connect” assistance

- Strong assets in fixed and ADSL:
 - Télé2 France acquisition:
 - Acceleration of SFR’s ADSL strategy
 - Immediate credible player in ADSL

 - SFR and Neuf Cegetel, a long term partnership:
 - SFR and Télé2 are “Fixed VNOs” on the Neuf Cegetel ADSL network
 - SFR and Neuf Cegetel will co-invest in FTTH



B- New reach: Fixed and Internet, Neuf Cegetel (5/5)

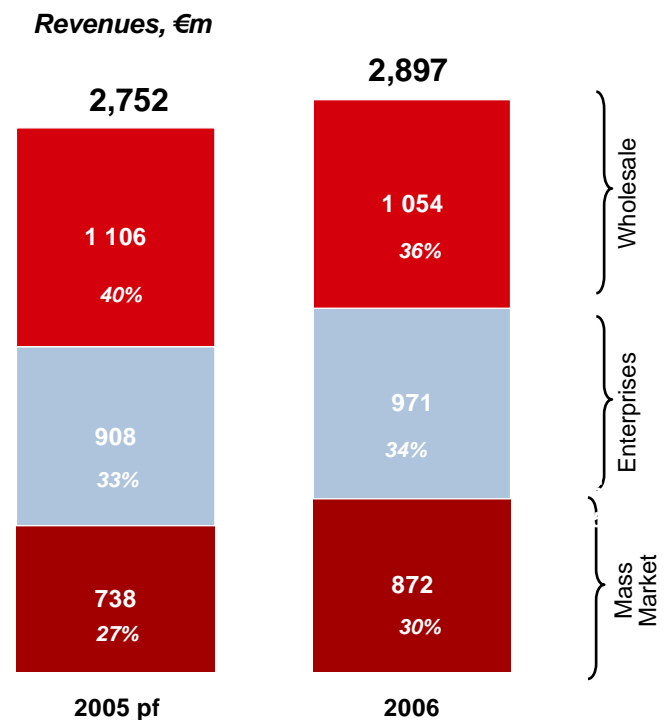
SFR

SFR is the 1st shareholder of Neuf Cegetel with a 40% stake
(average acquisition cost of €12.5 / share)

- **Revenues up 5% to €2.8bn:**
 - Mass market: +18% at €872M
 - Enterprise: +7% ay €971M
- **Key market indicators:**
 - 2.2M ADSL subscribers at the end of 2006: 18% market share
 - 139,000 enterprise data links (+36k vs 2005)
- **EBITDA up 132% at €544M**
 - Margin up 10 % points at 19%
- **Operating CF (EBITDA – CAPEX): up to €212M vs. -€95M in 2005**
- **More growth expected in 2007:**
 - Mass market revenue growth: >40%
 - Enterprise revenue growth: 5-10%
- **More profitability expected in 2008:**
 - 25% EBITDA margin
 - More than €400M Operating CF

neuf
cegetel

Neuf Cegetel revenue breakdown



C- Operational Excellence: cost control (1/3)

SFR

Cost control to prepare future growth

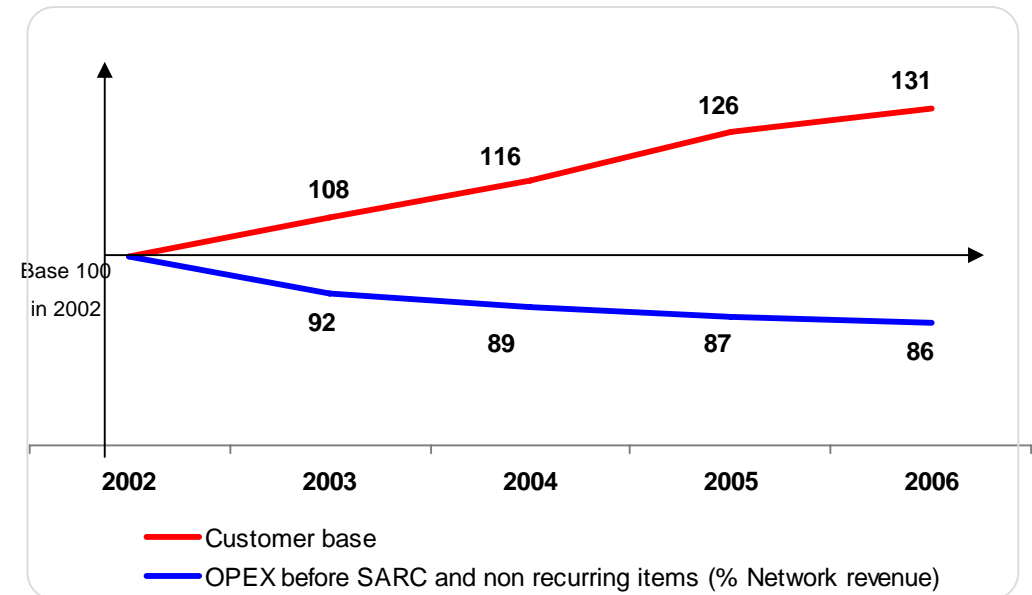
■ Capex

- 3G / 3G+ already cover 65% of French population

■ Decrease in fixed and variable Opex costs

- Multi-year cost reduction program
- Stable network and IT Opex in 2007
- Emphasis on structure costs

Opex & customer base evolution 2002 – 2006



C- Operational Excellence: cost control (2/3)

Cost control to prepare future growth

- 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 licence (and spectrum)

- HR evolution 2007-2009
 - Plan signed with trade unions to adapt and change competencies of SFR workforce

C- Operational Excellence: distribution (3/3)

SFR

Distribution is key to support mobile, fixed and ADSL strategy

- More than 750 mobile shops in 2006
 - Strong geographical coverage
 - Secure higher quality of sales
 - Opportunity to sale additional services
 - ADSL and fixed
 - Digital content
 - Insurance ...

- Zoom on digital content: SFR Music Store
 - ~500 downloading access points in SFR shops by end 2007
 - SFR Music Store will open in Paris in September 2007





■ **SFR has strong assets ...**

- A close relationship with its 17.9 million mobile customers
- A strong brand
- A good quality of its 2G and 3G/3G+ networks
- A deep commercial network: 750 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**

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IFRS

in millions of euros	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%pt</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%pt</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%pt</i>
Reported EBITA*	2 422	2 583	6,6%
<i>EBITA Margin</i>	<i>27,9%</i>	<i>29,8%</i>	<i>+1,9%pt</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%pt</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 Guidance

“Revenues: Slight decline, despite strong regulated price cut (-21% cut of voice MT rates)”

“Mobile EBITDA: Stable margin rates;

DSL: operating losses related to development and launch costs of DSL offer”

“EBITA: Slight decline in margin rate also due to the increase in depreciation”

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

Simplified Cash Flow Statement – SFR Group



IFRS

in millions of euros

	2005	2006	06 vs 05
EBITDA*	3 209	3 449	7,5%
CAPEX net	923	1 133	22,8%
CFFO	2 268	2 430	7,1%
Net debt	2 235	2 256	nm

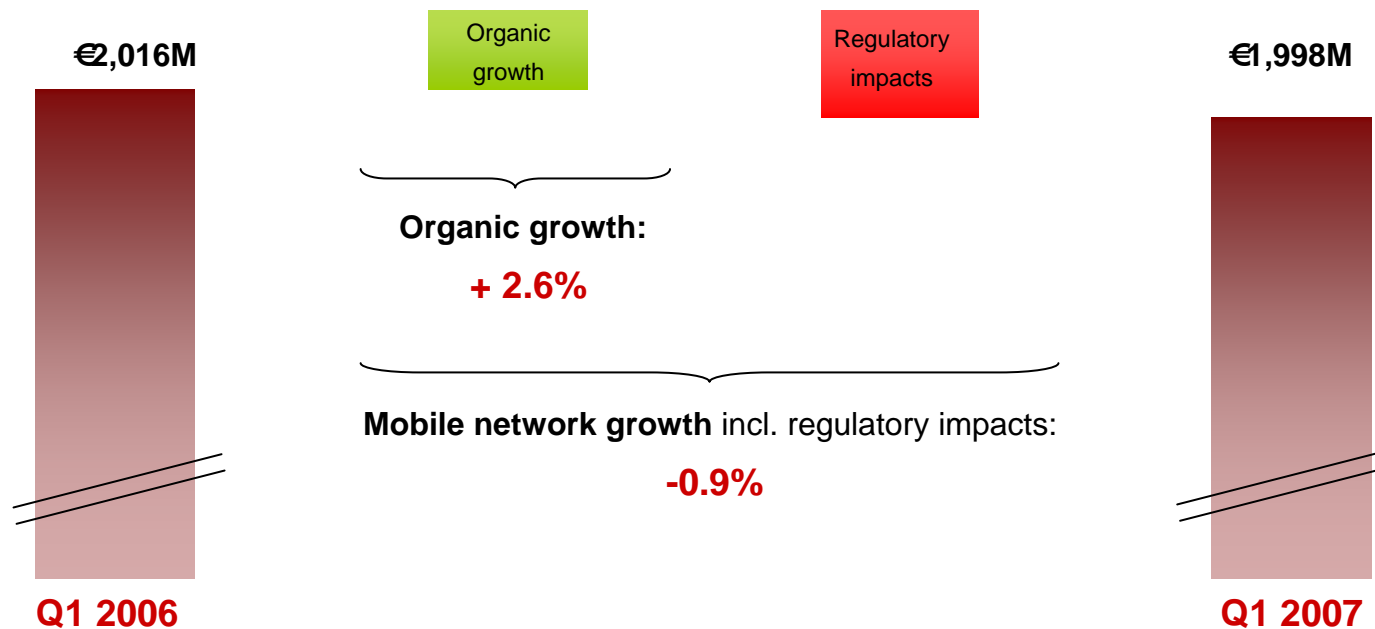
2007 Guidance

“CFFO: Stable”

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

**GSM licence of €278M renewed in April 2006, with no cash impact

- **€2.096 bn revenues** in March YTD 2007 (-1.8% vs LY but -0.9% on network revenues at €1.998 bn)
- Excluding the impact of the **regulated tariffs decrease**, the YoY growth of network revenues would have been **+2.6%**



- **€860 M EBITDA** in March YTD 2007 (-0.6% vs. LY)
- **€643 M EBITA** in March YTD 2007 (-3.5% vs. LY)



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