



Et le monde est à vous.

SFR

Frank Esser

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September 2009

Key messages

- 1. The acquisition of Neuf Cegetel is a success.**
- 2. The New SFR has strong assets to capture growth opportunities.**
- 3. Strict control of Opex and Capex is enforced.**

The acquisition of Neuf Cegetel is a success

- ❑ The New SFR has delivered results on the top priorities for the merger in 12 months*:

- ❑ **Execute the integration plan**



Successful voluntary departure plan, closed in June
Completion of the ADSL migration plan (1m customers migrated)

- ❑ **Execute the synergy plan**



On track to deliver the €75-100m synergy target in 2009 and €250-300m in 2011

- ❑ **Restore ADSL net adds market share above 30%**



#1 in ADSL net adds in Q2 2009
ADSL net adds market share of 32% in H1 2009 vs. 12% last year

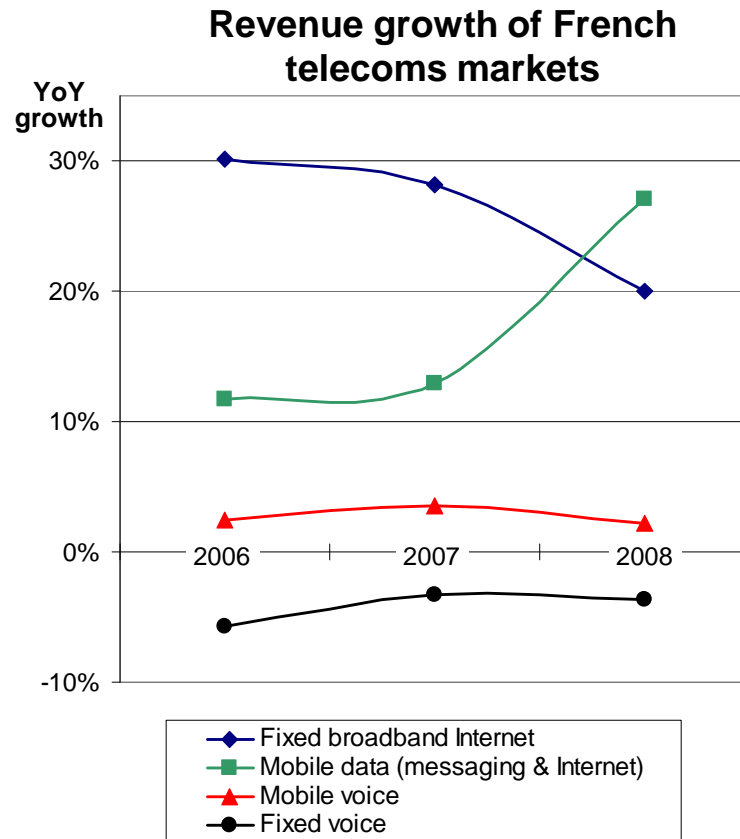
- ❑ **Keep leadership position in mobile Internet**



#1 in postpaid net adds in Q2 2009
280 k iPhone sold since launch in April 2009 (as of end July)

The New SFR is well positioned to create value

Telecoms markets are mature on traditional voice offers and need to embrace the Internet

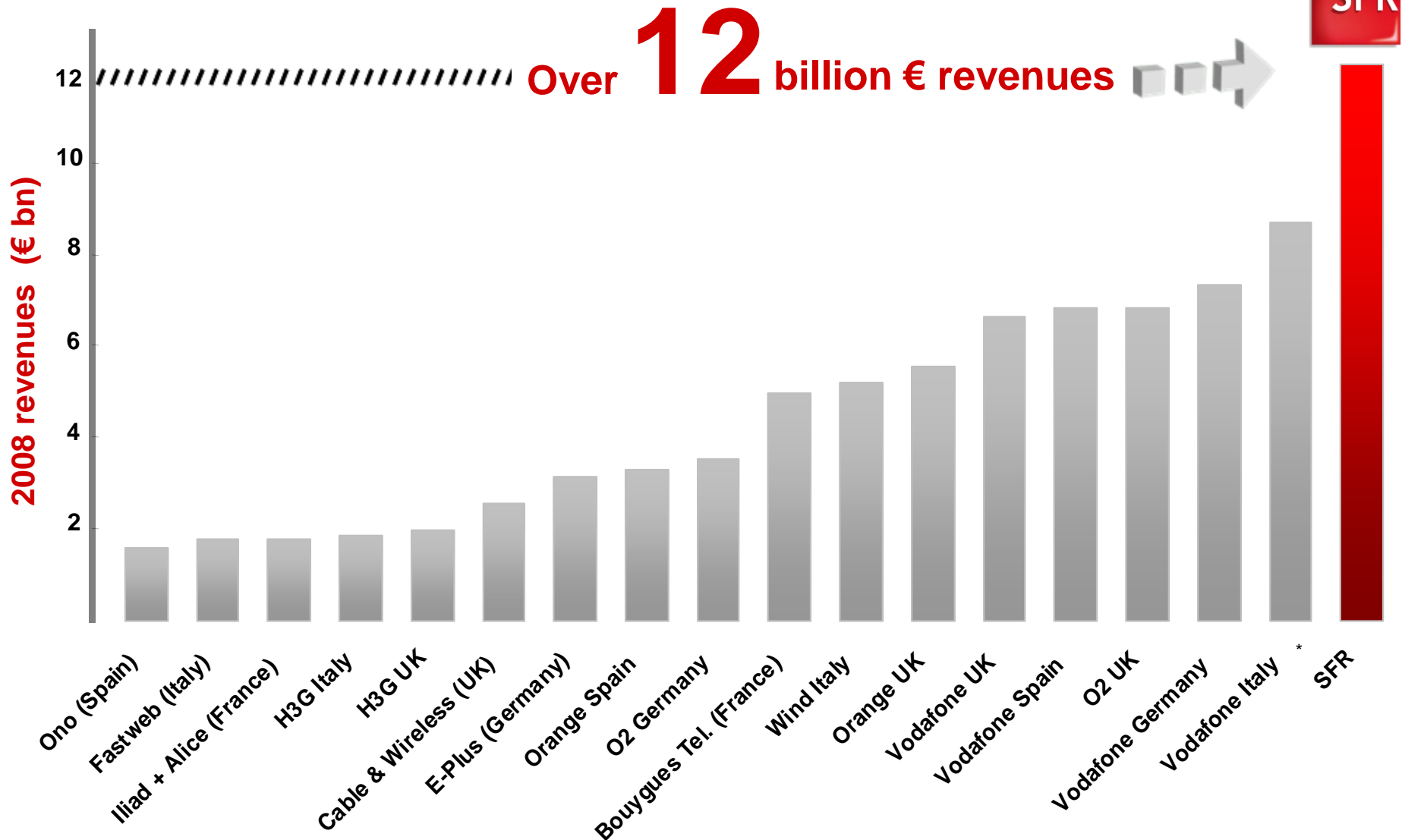


SFR is an integrated fixed /mobile operator with strong assets and opportunities of value creation

- 1 Generating scale effects due to the increased **size** of the New SFR
- 2 Promoting a single **brand**, for all offers and customers
- 3 Capitalizing on large **customer bases** both on mobile and fixed
- 4 Leveraging multiple channels for **distribution and customer care**
- 5 Optimising **network synergies**



1st leading alternative integrated operator in Europe



Source : Bank of America, Merrill Lynch

* SFR incl. 100% Neuf Cegetel consolidated



Strongly positionned on all segments of the telecoms market

SFR covers all segments of the telecoms market

Consumer

Enterprise

Wholesale

Addressing 25m customers
(as of mid 2009)

20,2m mobile customers, with 70% postpaid

4,1m broadband Internet customers

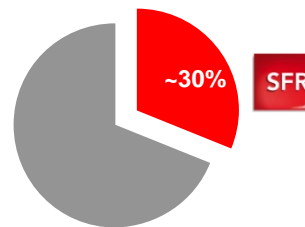
140 k enterprise customers

200 operators and 5 MVNOs

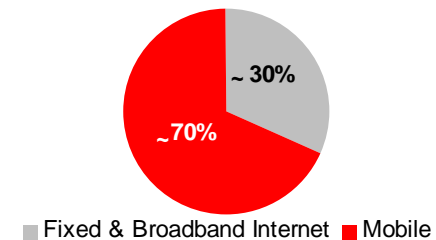
As of mid 2009

With strong positions in growing segments

SFR's revenue market share
(of French telecoms excl. switched voice)



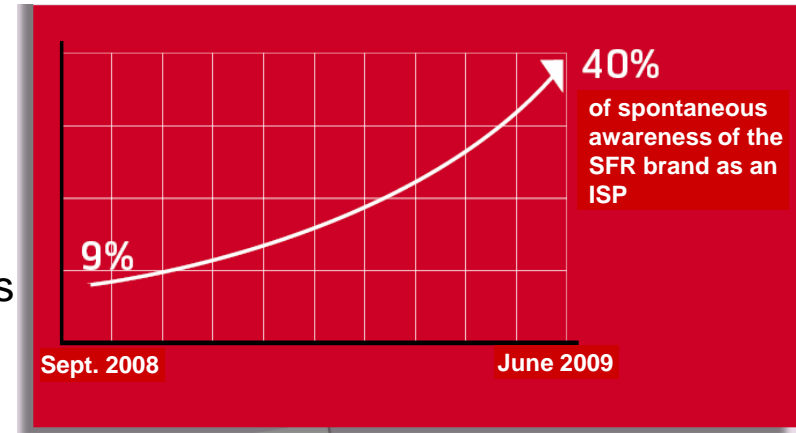
SFR revenue breakdown



SFR, a well-established and powerful brand

From a mobile-specialist brand to a global operator brand

- ✓ SFR brand extended with success to the fixed ISP market
- ✓ Launch of “SFR Business Team” for Enterprises



A powerful and dynamic brand with 3 key values:

- ✓ **Boldness**
A player which drives the market forward
- ✓ **Innovation**
A pioneer of new usages
- ✓ **Proximity**
Close to its customers



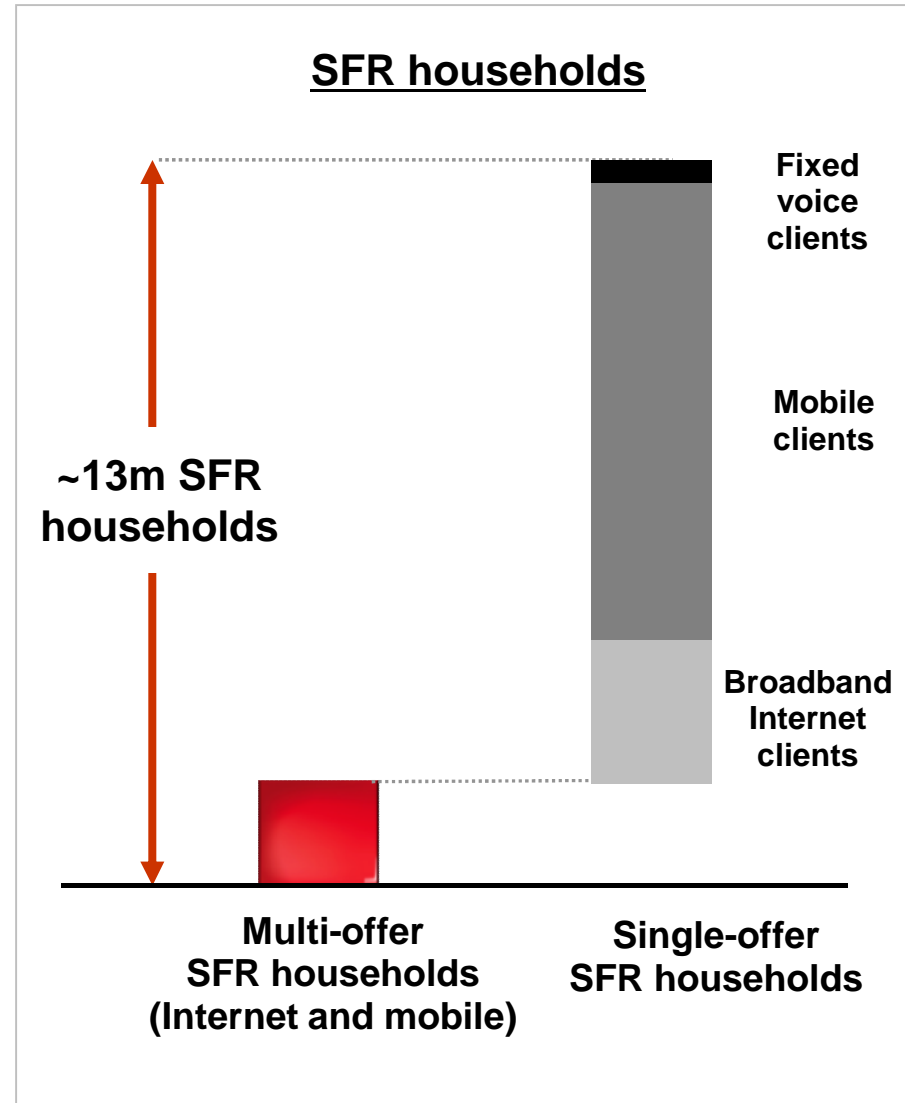


Leveraging SFR customer bases: Consumer market

❑ Opportunity to increase the number of customers that are both fixed and mobile

- ✓ Leverage mobile market shares to grow ADSL market shares above 30%
- ✓ Revenue growth
- ✓ Churn decrease

❑ Better customer knowledge, both as individuals and households



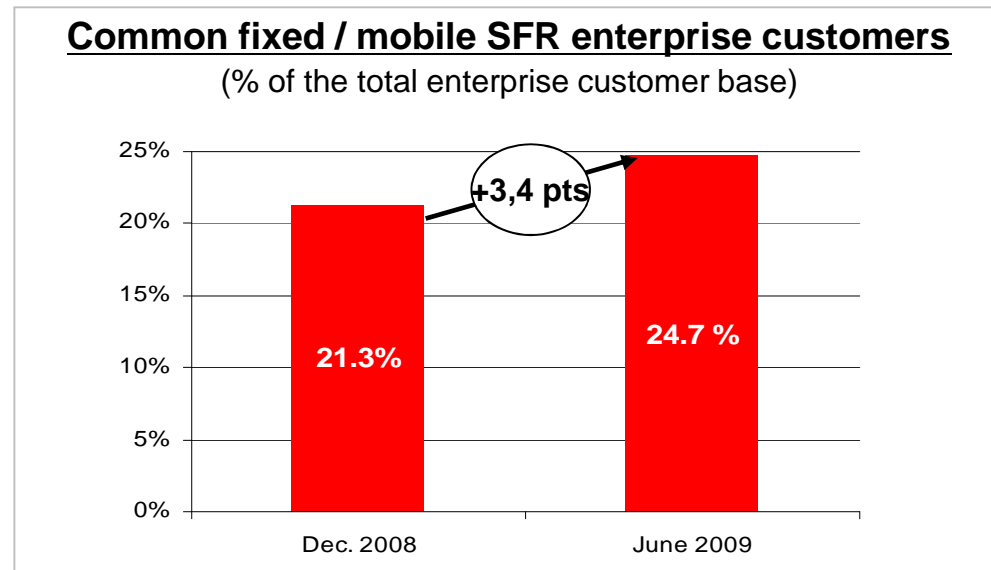
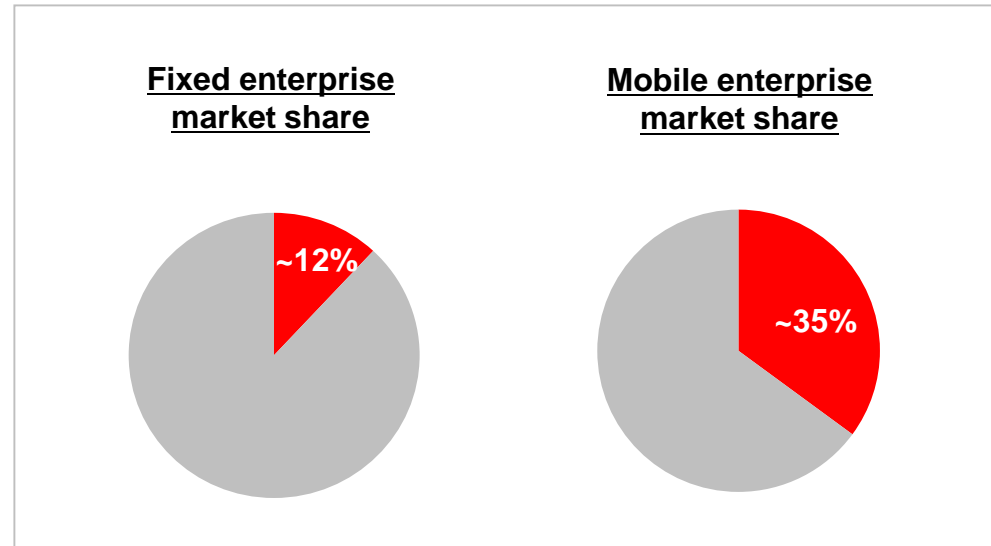


Leveraging SFR customer bases: Enterprise market

❑ Strong opportunity to grow in fixed enterprise services by targeting mobile customers

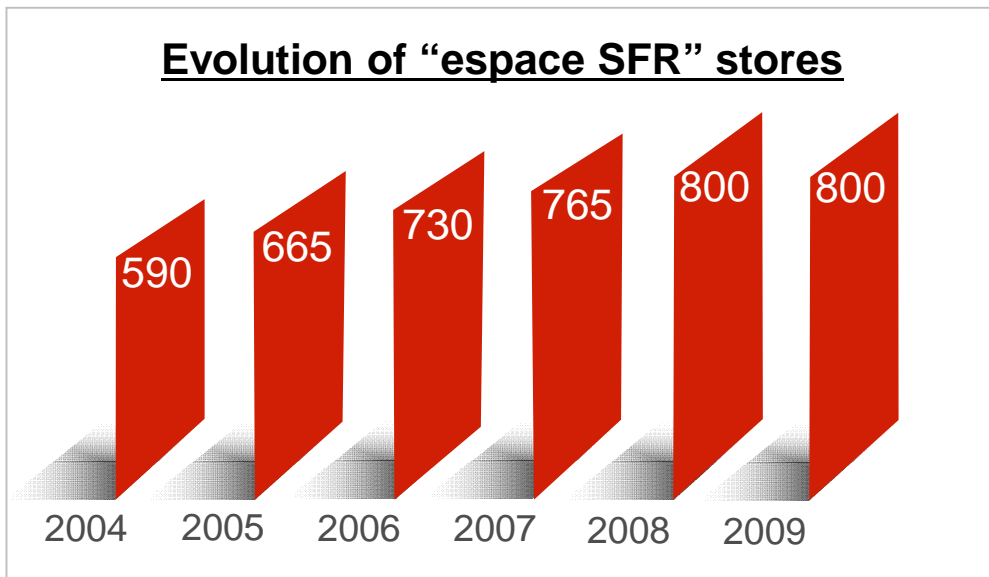
❑ Targeted cross-selling action plans

✓ Growing number of common fixed and mobile enterprise customers (+3.4 pts in H1 2009)



A strong multi-channel distribution and customer support

- ❑ **A strong distribution network providing enhanced proximity and quality of service for our customers**
 - ✓ 800 “espace SFR” distributing both mobile and fixed offers



- ❑ **Efficient direct sales distribution channels**
 - ✓ Telesales, key to increase cross-selling
 - ✓ Online store on the sfr.fr Web site

The online channel provides costs benefits to SFR and more flexibility to customers

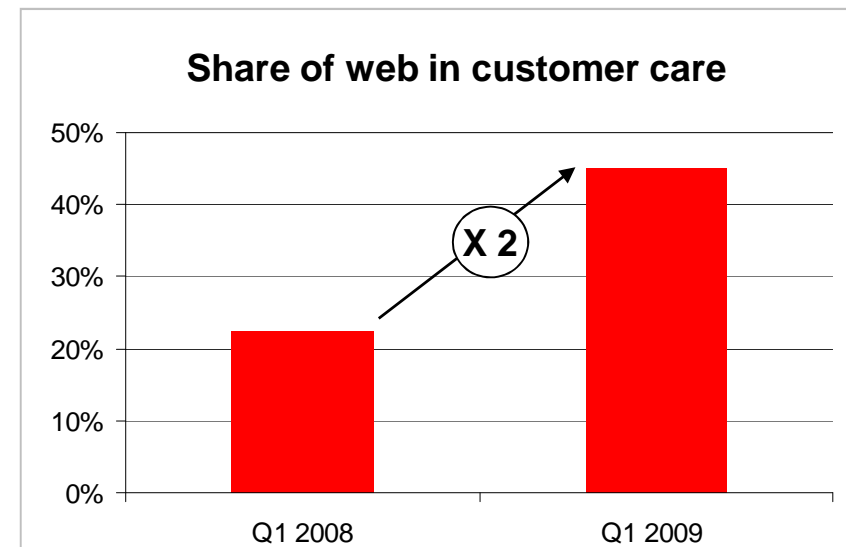
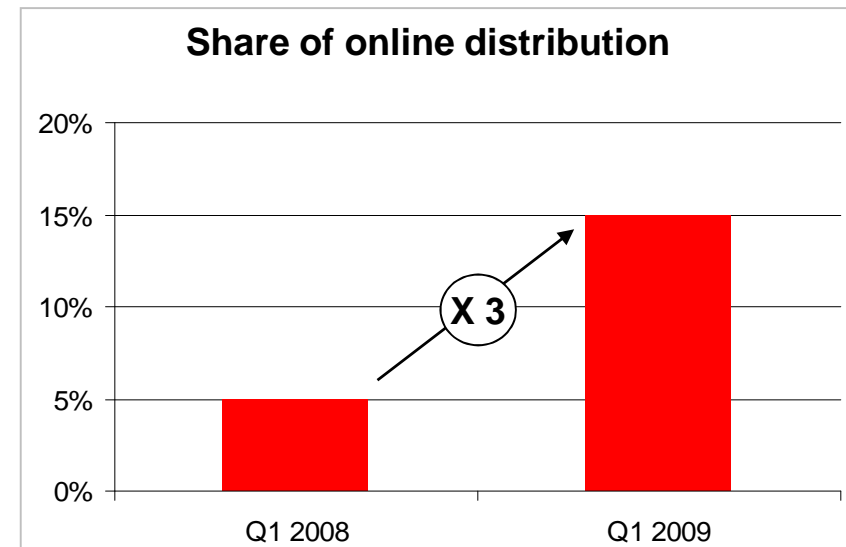


□ SFR's online shop

- ✓ Optimisation of SARC vs. physical distribution
- ✓ Large choice of devices & 24/7 availability
- ✓ Multi-channel shopping combining online (sfr.fr) and physical shops (espace SFR)

□ Online selfcare

- ✓ Reduction of calls to customer care with the development of selfcare on sfr.fr
- ✓ Development of electronic bills in place of traditional paper bills





The 1st alternative broadband infrastructure in France

Leading mobile broadband network

- ✓ ~75% population coverage in 3G/3G+
- ✓ N°1 mobile network for the 5th year in a row (2008 Arcep quality audit)



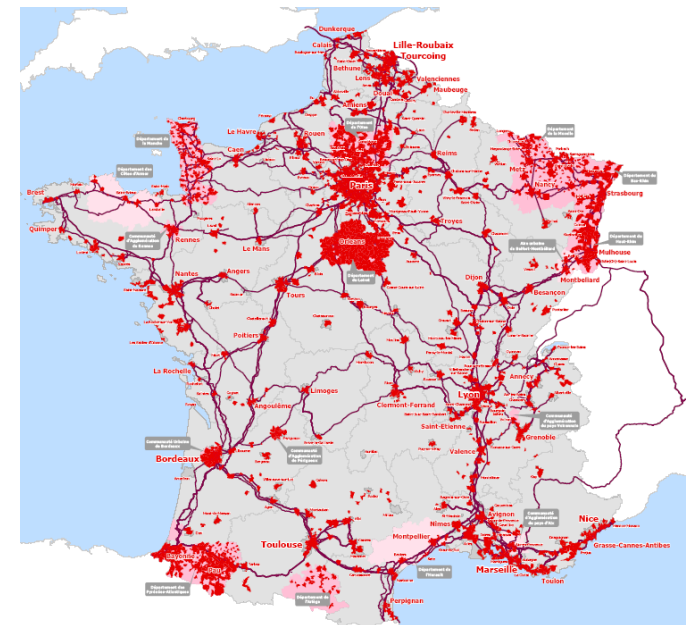
**MON RÉSEAU EST N°1
POUR LA 5^{ÈME} ANNÉE CONSÉCUTIVE.**

SFR est, en 2008, 1er ex-aequo au terme de l'enquête annuelle de l'autorité de régulation des communications électroniques et des postes sur la qualité de service des réseaux mobiles en France métropolitaine. Ils arrivent 31 fois 1er ou 1er ex-aequo sur les 37 critères testés.



The 1st alternative full-IP fixed broadband infrastructure

- ✓ 70% unbundled ADSL lines
- ✓ Strong start of FTTH deployment
- ✓ 50,000 km fiber backbone





Optimising network synergies

❑ Optimising networks by moving to an all-IP network infrastructure

- ✓ Single IP core for all access networks (fixed & mobile) and services (voice & data)
- ✓ Evolution towards IP in the 2G/3G mobile access network
- ✓ Agility of capacity evolution management

❑ Fixed broadband network benefiting to mobile Internet traffic growth

- ✓ Fiber backhauling of HSDPA radio sites, replacing leased lines
- ✓ Unlimited access to SFR's ~2m WiFi hotspots to iPhone and Google phone users



❑ Simplification of networks and infrastructure mutualisation leading to OPEX reduction

❑ Reduction of capacity CAPEX on the mobile network

❑ Improvement of user experience: enhanced network performance, differentiated services

“SFR Revolution” transformation plan for 2009-2012

Due to fast evolutions of the environment...

- ❑ **Internet is spreading everywhere, in all households, on all screens**
- ❑ **Competition intensifies, with new players in mobile and ADSL**
- ❑ **Change in customers' demand and behavior, notably due to the deterioration of the economic environment**

... SFR is adapting by implementing a transformation plan with two key focuses

1. Cut costs in order to control OPEX

- ❑ **Achieve the cost synergy plan**

Examples

Voluntary departure plan
Purchasing synergies
IT and traffic management optimisation

- ❑ **Implement additional initiatives enabling OPEX savings**

Growing weight of the Web in customer care and distribution
Improvement of IT productivity
Cuts in operating costs

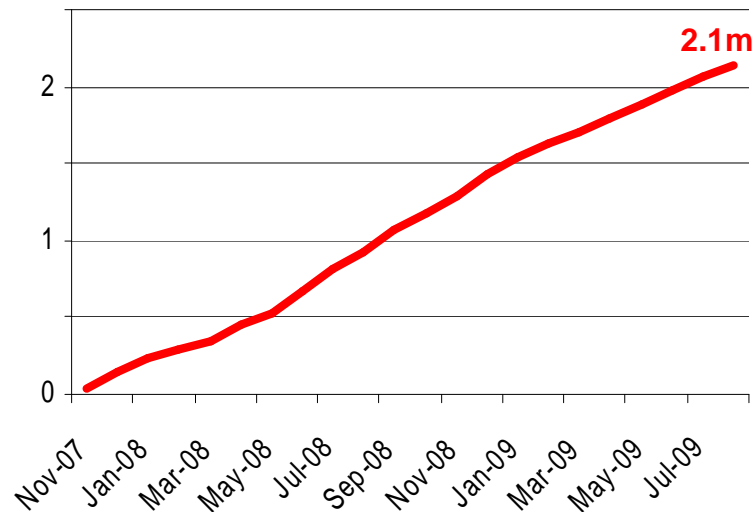
2. Capture growth opportunities in order to compensate for the slow-down in mature markets

- ❑ **Fixed broadband Internet access and services**
- ❑ **Mobile broadband access, on all devices**
- ❑ **Services for enterprises, in particular the SOHO/SME segment**

Growth opportunity (I): Take-up of mobile Internet

Growing share of customers subscribing to unlimited bundles (voice & data)

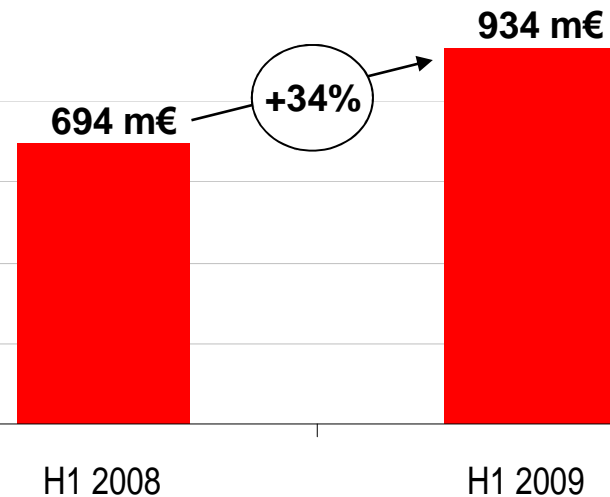
"Illimythics" offers customer base



- Success of "Illimythics" offers: 2.1m customers (15% of postpaid customers)
- Success of iPhone: 280k units sold between April and the end of July

Strong mobile data revenue growth

Mobile data revenues



- Mobile broadband growth driven by adoption of 3G+ USB keys and connected notebooks
- Successful launch of "Full Internet" plans packaged with new multimedia devices (iPhone, Android) → +8€/month increase

Growth opportunity (I): SFR's applications for smartphones



SFR TV:

Unlimited TV on 3G

→ 290k downloads (launched on April 8th)



SFR WiFi:

Unlimited access to SFR's ~2m hotspots

→ 191k downloads (launched on April 8th)



SFR Music:

SFR Music radio stations

→ 54k downloads (launched on June 12th)



SFR Mon Compte:

Consumption follow-up and online bill

→ 45k downloads (launched on August 14th)



Mobile Website:

News/Sport/Music from Safari

Up to 31.08.09



Growth opportunity (II): Fiber

With fiber deployment, SFR has the opportunity to strengthen its positions on the broadband Internet market...

- ❑ Increase broadband Internet market shares in the main cities
- ❑ Convert ADSL customers to fiber in order to reduce OPEX (monthly rental fee of about €10.6/subscriber to incumbent Orange)
- ❑ Increase usage and develop new services to increase ARPU
- ❑ Fulfill increasing bandwidth customer needs that ADSL networks will not be able to face on the long run

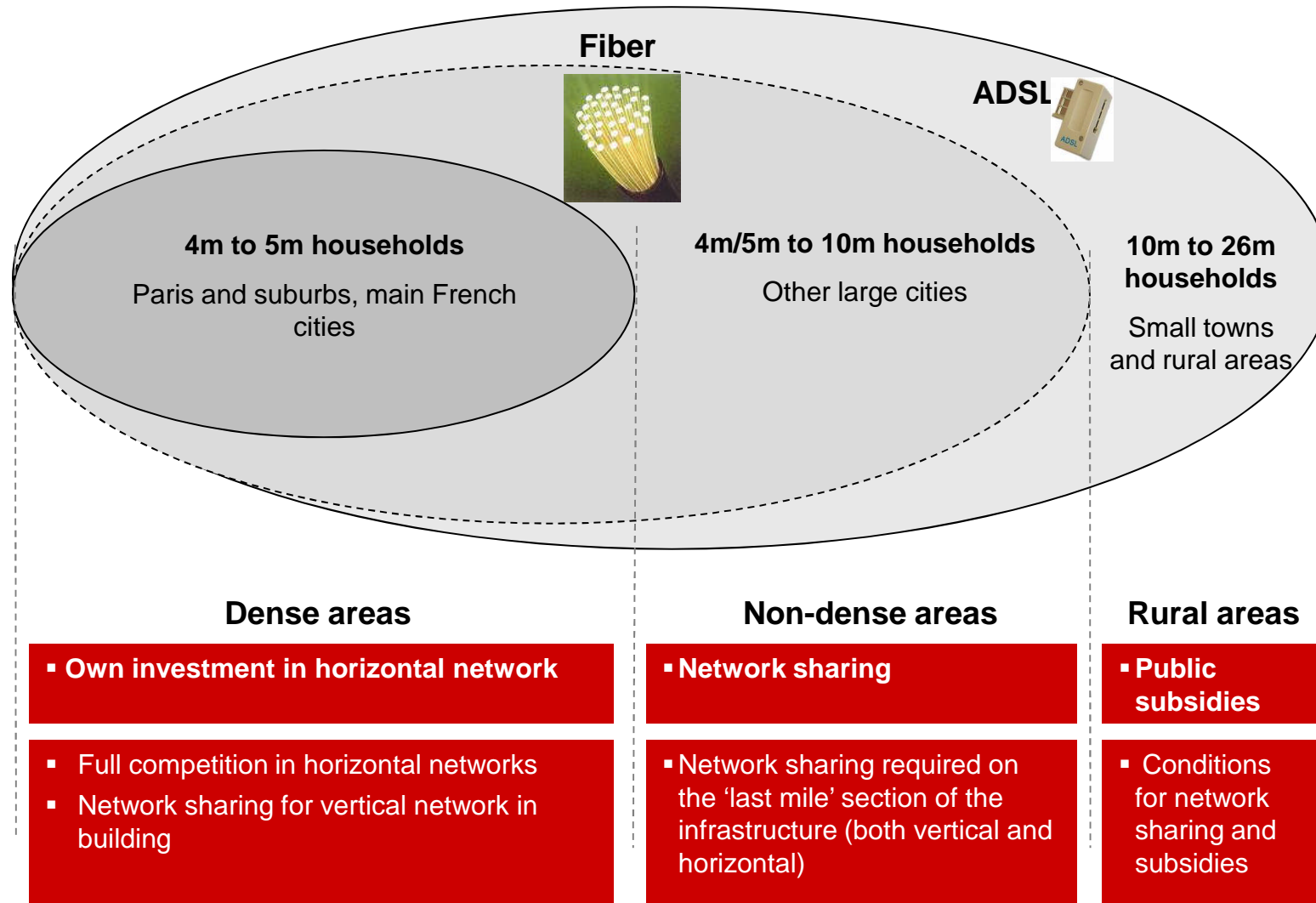


... and makes good progress in deployments

- ❑ Availability of commercial fiber “neufbox” and service offering
- ❑ Horizontal deployment in line with our objectives : ~1.5m homes street passed by end 2009, mostly in Paris, Lyon and Marseille
- ❑ Operational capacities to roll out more than 1m homes street passed in 2009
- ❑ Mutualisation agreement with Orange (Sept 08) for vertical connections in buildings, in dense areas
- ❑ Clarification by ARCEP in progress for non-dense areas

Growth opportunity (II): Fiber

FTTH investments will depend on the coverage areas density:



Growth opportunity (III): Enterprise solutions

❑ Building convergent solutions to meet demand for fixed/mobile offerings

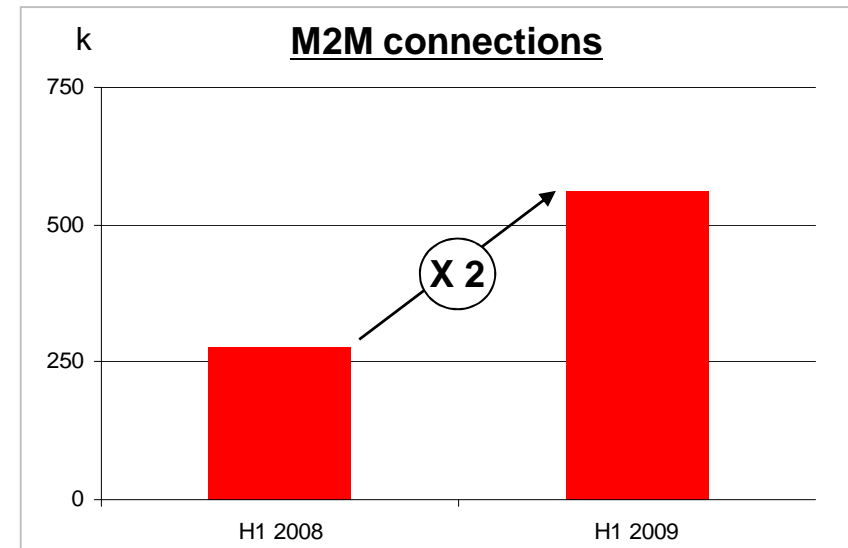
- ✓ E.g. launch of SFR Business Sfer: convergent solution for collaborative messaging

❑ 50% market share in M2M solutions

- ✓ Base of 563 k M2M connections

❑ Launching full-fledged conferencing solution

- ✓ Audio & Web
- ✓ Visioconference
- ✓ Telepresence



On track to deliver the synergy objectives

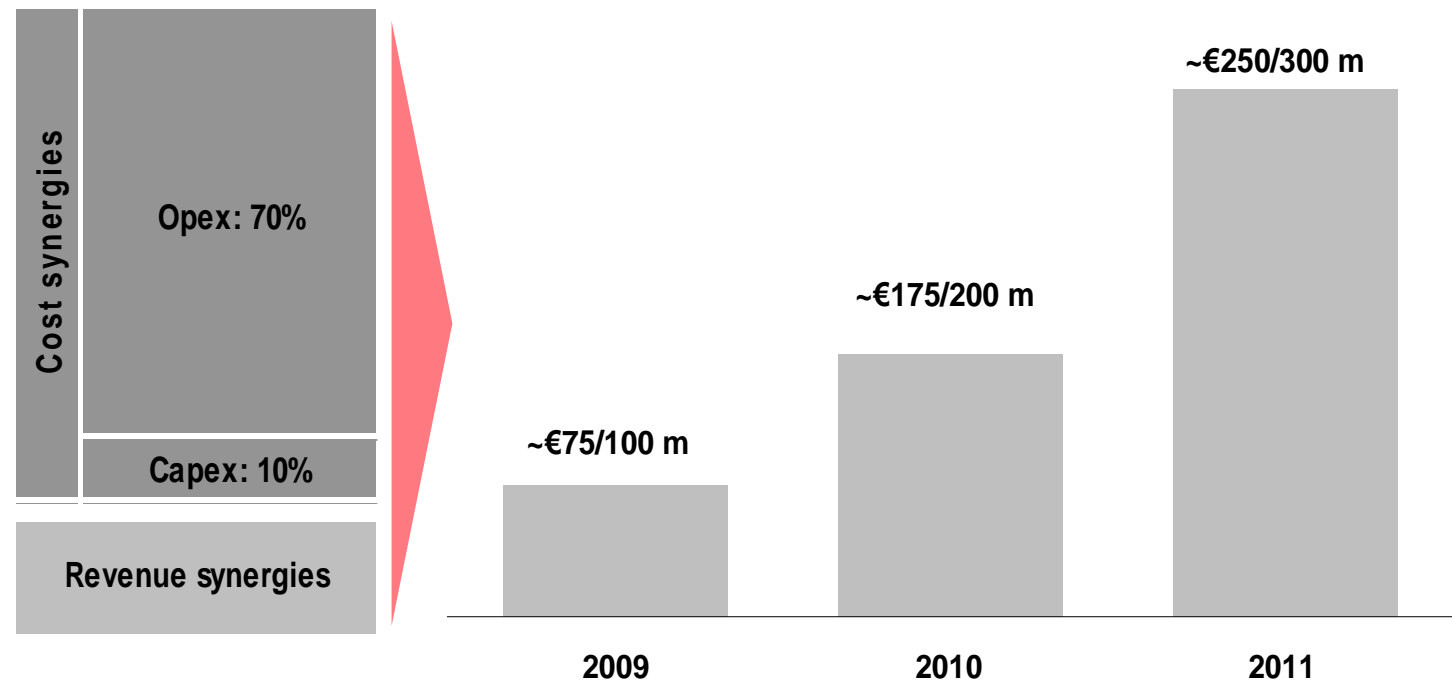
☐ **SFR + Neuf Cegetel, a value creating combination: ~€250/300m cash synergies per year from 2011**

80% on costs

- ✓ Unique branding : SFR
- ✓ IT optimisation
- ✓ Network optimisation
- ✓ Procurement economies of scale
- ✓ Overhead reduction
- ✓ Churn reduction

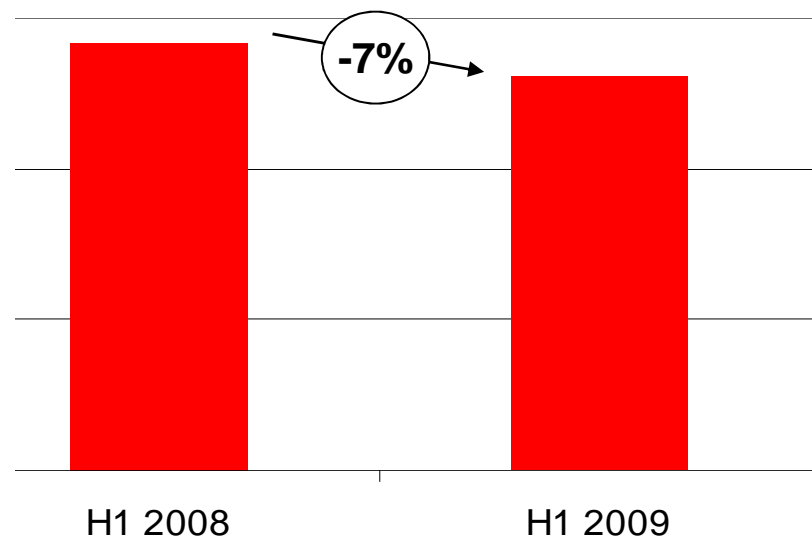
~20% on revenues

- ✓ Cross-selling opportunities

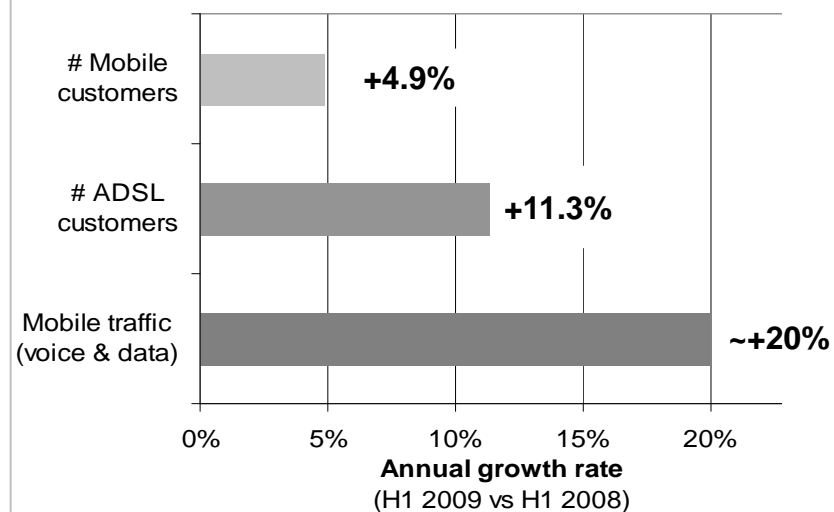


Reduction of costs despite significant growth of customer base and network traffic

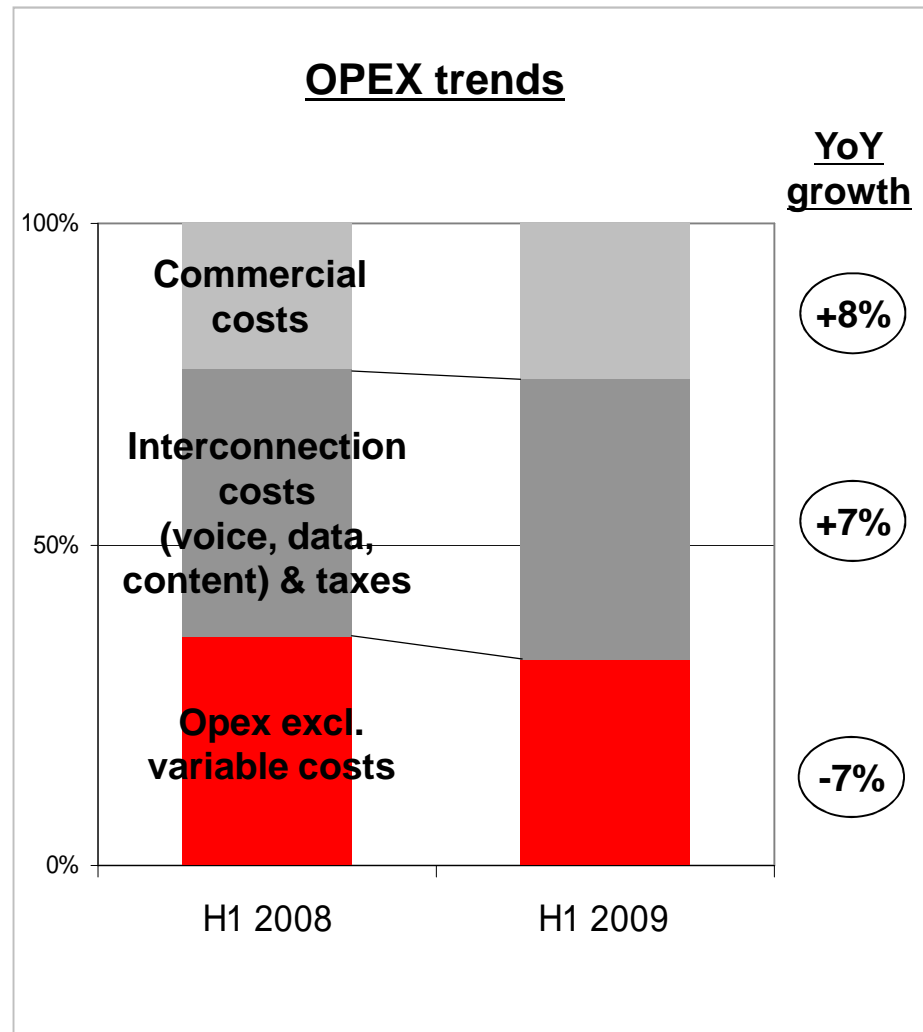
Opex excl. variable fees, interconnection and commercial costs down 7% YoY...



... while the number of customers and network traffic continue to increase

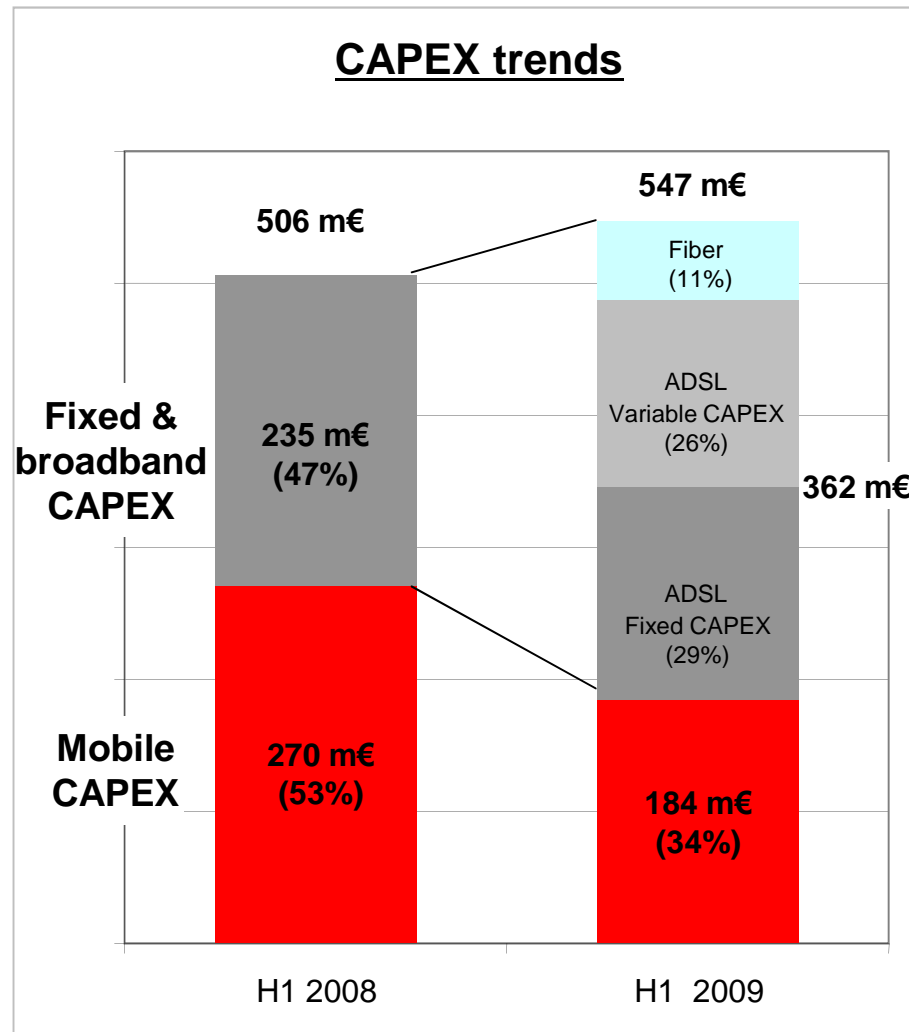


Control of Opex



- ❑ Strong commercial results and iPhone launch in H1 2009 have increased commercial costs
- ❑ Interconnection costs are growing due to the success of mobile abundance offers
- ❑ Implementation of cost cutting initiatives focusing on:
 - ✓ IT productivity
 - ✓ Network maintenance
 - ✓ Outsourcing of call centers
 - ✓ Voluntary departure plan

Control of CAPEX



- ❑ CAPEX evolution kept under control: 8.9% of total revenues in H1 2009
- ❑ Decrease in mobile CAPEX due to reduced need to invest in 2G/3G infrastructure
- ❑ Increase in fixed CAPEX driven by strong commercial activity in ADSL in H1 2009...
- ❑ ... and also by the investment in fiber deployment in Paris, Lyon and Marseille

H1 2009 Results

SFR #1 in mobile net adds

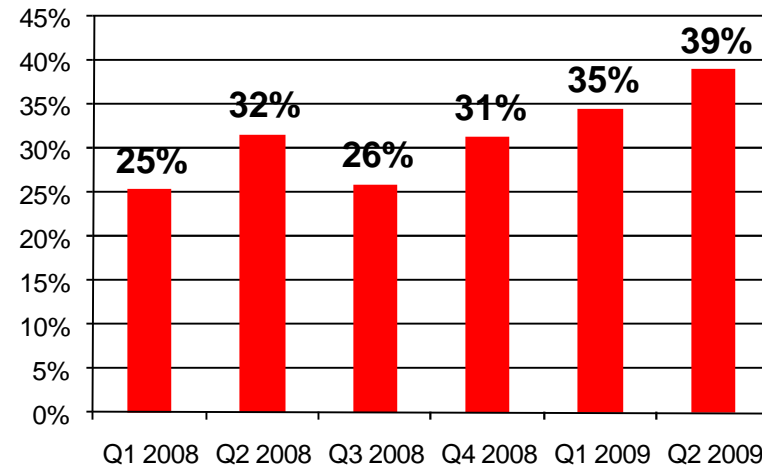
Very good commercial results, in particular in postpaid, with 39% net adds market share

- ✓ In H1 2009, net growth by +559k mobile customers, of which +466k postpaid customers
- ✓ Success of iPhone: 280k units sold at the end of July
- ✓ Share of postpaid customers at 69.5% of total base (+1.8 pt YoY)
- ✓ Strong decrease of postpaid churn (12-month rolling) -3.4 pts vs. 2008

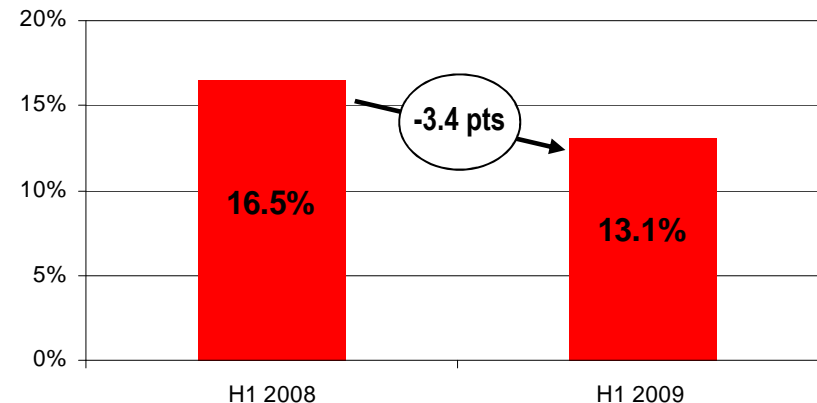
Strong development of mobile Internet, with data revenues growing at 22.1% of Services revenues (+5.5 pts YoY)

- ✓ Success of “Illimythics” offers, with 2.1m customers
- ✓ Successful launch of “Full Internet” offers packaged with new multimedia devices (iPhone, Android)

Postpaid net adds market share



Postpaid churn
(12-month rolling)



Continuation of excellent broadband Internet results

□ SFR leader in ADSL net adds in Q2 with 33% market share despite increased competition

- ✓ Continued success of the "neufbox by SFR" launched in October 2008
- ✓ In H1 2009, ADSL customers growth +263k
- ✓ Strong decrease in churn by -5.3 pts at 14.3% vs. 2008, in particular due to migrations. The churn of customers equipped with the neufbox is ~12%.

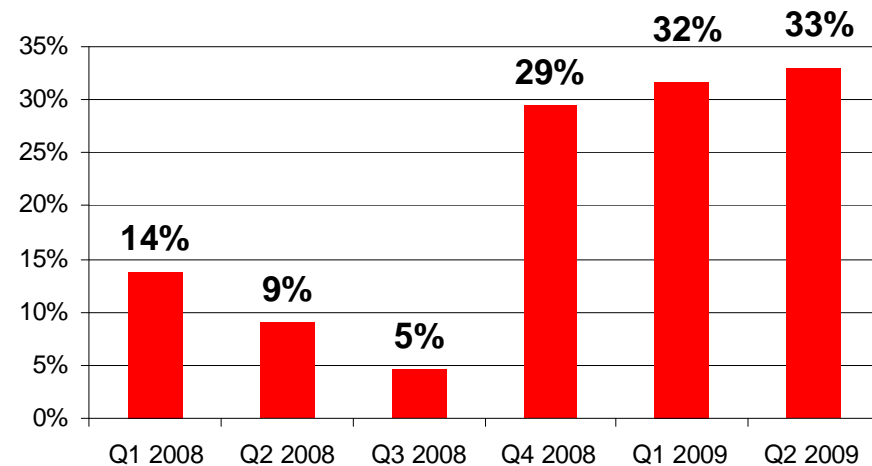
□ TV services growth

- ✓ Fast growing base of 1.7m customers having access to TV and VoD services
- ✓ ~400k subscribers to pay-TV bouquets and channels

□ Continuation of fiber deployment

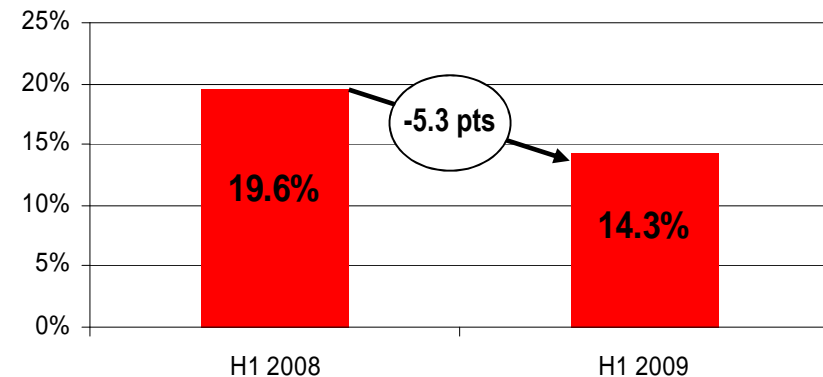
- ✓ Horizontal deployment of fiber in line with our objective of 80% coverage of Paris by end 2009
- ✓ Connection of subscribers in buildings slowed down by regulatory uncertainty

ADSL net adds market share



ADSL churn

(annualised semester churn)



Key financials

Mobile: strong commercial investments

- ✓ Revenues of €4,442m, +0.6% due to data revenues (+34%), despite adverse economic conditions (decrease in roaming traffic and out of bundle usage)
- ✓ EBITDA of €1,677m (-€110m):
 - ✓ Strong commercial results and iPhone launch drove increased variable costs
 - ✓ Increased variable fees (TV Tax) and interconnection costs linked to unlimited offers offset by strong control of other non-variable Opex

<i>In euro millions - IFRS</i>	H1 2009	H1 2008	Change
Revenues	6,140	5,289	+ 16.1%
<i>Mobile</i>	4,442	4,416	+ 0.6%
<i>Broadband Internet & Fixed</i>	1,865	968	
<i>Intercos</i>	(167)	(95)	
EBITDA	1,983	1,932	+ 2.6%
<i>Mobile</i>	1,677	1,787	- 6.2%
<i>Broadband Internet & Fixed</i>	306	145	
EBITA excl. restructuring costs	1,299	1,350	-3.8%
<i>Restructuring costs</i>	(3)	(10)	
EBITA	1,296	1,340	-3.3%

Broadband Internet & Fixed: strong commercial dynamism in all segments

- ✓ Revenues of €1,865m, +1.0% on a comparable basis* and excluding switched voice
- ✓ EBITDA of €306m (-€41m on a comparable basis*) due to increase in customer acquisition and retention costs, focus on quality, decline in switched voice revenues and impact of the sale of assets of Club Internet network in H1 08

Tight control of non-variable Opex

- On track to deliver the €75-100m synergy target in 2009
- Opex excl. variable fees and interconnection costs and commercial costs down 7% YoY

* Comparable basis mainly illustrates the full consolidation of Neuf Cegetel (excluding Edition and International parts of Jet Multimedia) as if this acquisition had taken place on January 1, 2008

2009 prospects

H2 2009

- ❑ Monitoring of variable commercial investments (Opex / Capex) in growth
- ❑ 31% decrease in Mobile Termination Rates from July 1, 2009
- ❑ Strong control of non-variable Opex
- ❑ Continued decrease in mobile capex to sales ratio

Full year 2009 outlook

Mobile:

- ❑ Services revenues: Slight decrease
- ❑ EBITDA: Mid-single digit decrease partly due to strong commercial results (iPhone)

Broadband Internet & Fixed:

- ❑ Revenues: Slight growth excluding switched voice on a pro forma basis *
- ❑ EBITDA: Very slight decrease on a pro forma basis

* Pro forma illustrates the full consolidation of Neuf Cegetel from January 1, 2008

Appendices

	H1 2009	H1 2008	Change
MOBILE			
Customers (in '000) *	20,211	19,275	+ 4.9%
Proportion of postpaid clients *	69.5%	67.7%	+ 1.8pt
3G customers (in '000) *	7,190	4,739	+ 51.7%
Market share on customer base (%) *	34.3%	34.4%	- 0.1pt
Network market share (%)	36.0%	36.1%	- 0.1pt
12-month rolling blended ARPU (€/year) **	421	434	- 3.0%
12-month rolling postpaid ARPU (€/year) **	534	562	- 5.0%
12-month rolling prepaid ARPU (€/year) **	176	184	- 4.3%
Net data revenues as a % of service revenues **	22.1%	16.6%	+ 5.5pts
Postpaid customer acquisition costs (€/gross adds)	201	211	- 4.7%
Prepaid customer acquisition costs (€/gross adds)	21	27	- 22.2%
Acquisition costs as a % of service revenues	6.6%	7.1%	- 0.5pt
Retention costs as a % of service revenues	7.7%	5.4%	+ 2.3pts
BROADBAND INTERNET AND FIXED			
Broadband Internet EoP customer base (in '000)	4,154	3,731	+ 11.3%
Enterprise data links (in '000) ***	169	153	+ 10.5%

* Not including MVNO clients which are estimated at approximately 983k at end of June 2009 vs. 918k at end of June 2008

** Including mobile terminations

*** As from January 2009, the number of enterprise sites connected to SFR's network no longer takes into account the ones sold as white label services (31k at the end of December 2008).

SFR: Detailed revenues

IFRS in euro millions	H1 2009 Actual		H1 2008 Actual		% Change	H1 2008 Comparable Basis*		% Change on a Comparable Basis *
Outgoing revenues net of promotions	3,430	81%	3,461	82%	-0.9%	3,472	82%	-1.2%
Mobile incoming	507	12%	424	10%	19.6%	424	10%	
Fixed incoming revenues	181	4%	198	5%	-8.6%	198	5%	
Roaming in	94	2%	106	2%	-11.3%	106	2%	
Network revenues	4,212		4,189		0.5%	4,200		0.3%
Other mobile	38	1%	41	1%	-7.3%	41	1%	
Service revenues	4,250	100%	4,230	100%	0.5%	4,241	100%	0.2%
Equipment sales, net	192		186		3.2%	186		
Total mobile revenues	4,442		4,416		0.6%	4,427		0.3%
Broadband Internet and fixed revenues	1,865		968			1,935		-3.6%
Elimination of intersegment transactions	-167		-95			-204		
Total SFR revenues	6,140		5,289		16.1%	6,158		-0.3%
of which data revenues from mobile services	940		701		34.1%	701		

* Comparable basis illustrates the full consolidation of Neuf Cegetel (excluding Edition and International parts of Jet Multimedia) as if this acquisition had taken place on January 1, 2008

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