



Neuf Cegetel Presentation

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12 June 2007

n9UF
cegetel

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A compléter

- Perception de la marque (étude Ipsos)
- 2006 : 1st Sustainable Development Report
- AOL ACME
- 1 million de clients de plus et 36 000 sites entreprises



Agenda

1

Overview and Targets

2

Growth Driven by Innovation
and Customer Satisfaction

3

Increasing Cash Flow
Generation

4

Acceleration of Strategic
Projects

The Leading French Altnet

Market Environment

1998-2006

Creation of a Solid #1 Alternative to FT

- €23bn fixed line market opening and favourable regulation of LLU
- €3bn invested in the network
- Ebitda positive since inception

2007+

Actively Pursuing Broader Opportunities

- IP revolution in all market segments
- Convergence
 - €20bn mobile market
 - 23m TV homes
- Access network (FTTx)
- Market consolidation

Neuf Cegetel Today

#1 Altnet in France with €2.9bn PF Sales in 2006

Wholesale

- Years active: 9.5
- €Market share: 23%

Enterprises

- Years active: 5.5
- €Market share: 14%
 - IP Data: >20%

Mass Market

- Years active: 3.5
- DSL Market share: 23%*

* Including Club Internet (acquisition subject to antitrust clearance)

Latest Trends Support Ambitious Targets

	Latest Trends	Targets (excluding Club Internet)	Drivers
Revenue Growth	<ul style="list-style-type: none"> ▪ <u>Mass Market</u> +46% yoy in Q1 07 ▪ <u>Enterprises</u> +6% yoy in Q1 07 	<ul style="list-style-type: none"> ▪ >40% growth in 2007 ▪ 5-10% growth in 2007 	<ul style="list-style-type: none"> ▪ AOL ▪ Market share growth ▪ €35 ARPU by end 07
Profitability	<ul style="list-style-type: none"> ▪ <u>EBITDA</u> 20% in H2 06 ▪ <u>Operating Cash Flow</u> €12m in FY 06 	<ul style="list-style-type: none"> ▪ 25% by end 2008 ▪ Run rate end 07 doubled versus €17m/month early 06 ▪ >€400m in FY 08 	<ul style="list-style-type: none"> ▪ Scale effects in MM ▪ Optimization of G&A ▪ Accelerated CAPEX plan for FTTx (€300m over 2007-09) ▪ No income tax
Dividend Distribution	<ul style="list-style-type: none"> ▪ €0.40 per share dividend paid in July on FY 06 results 	<ul style="list-style-type: none"> ▪ Increasing in line with Operating Cash Flow 	<ul style="list-style-type: none"> ▪ Retaining flexibility for strategic projects

Agenda

1

Overview and Targets

2

Growth Driven by Innovation
and Customer Satisfaction

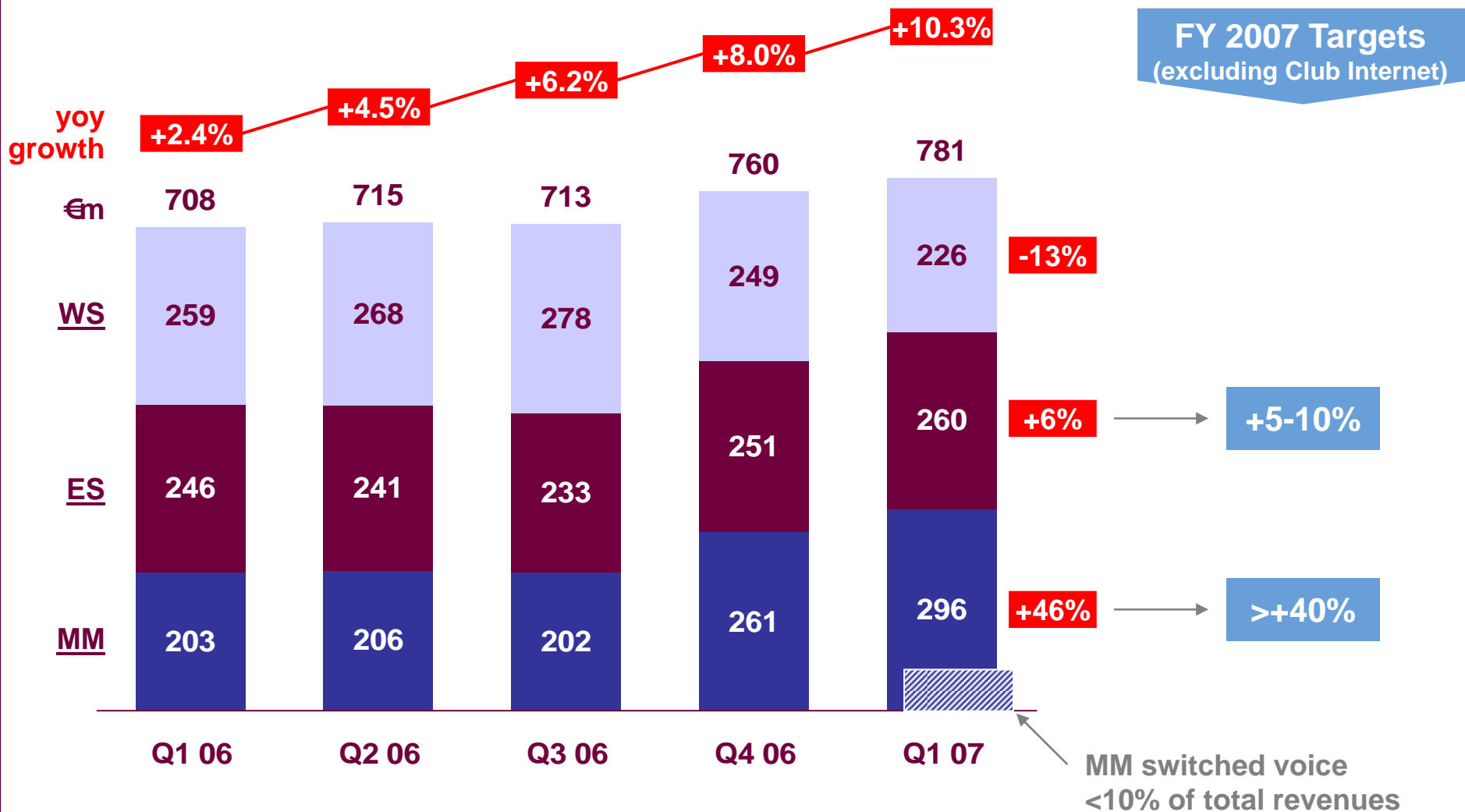
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Increasing Cash Flow
Generation

4

Acceleration of Strategic
Projects

Revenue Growth Accelerating

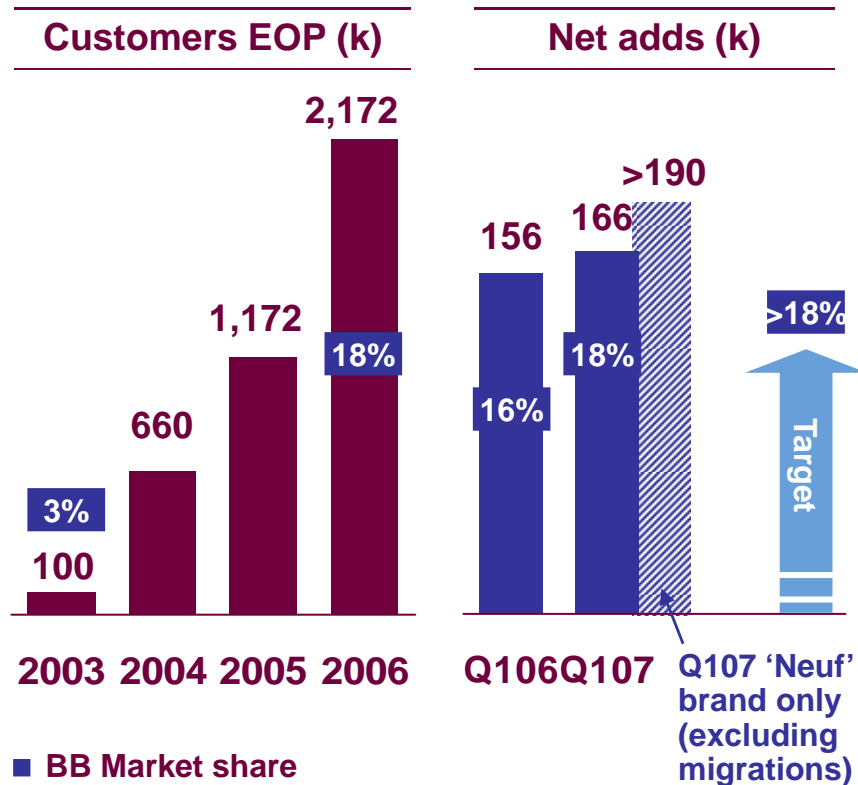


Mass Market Revenue Growth

Market Share Growth

Driven by

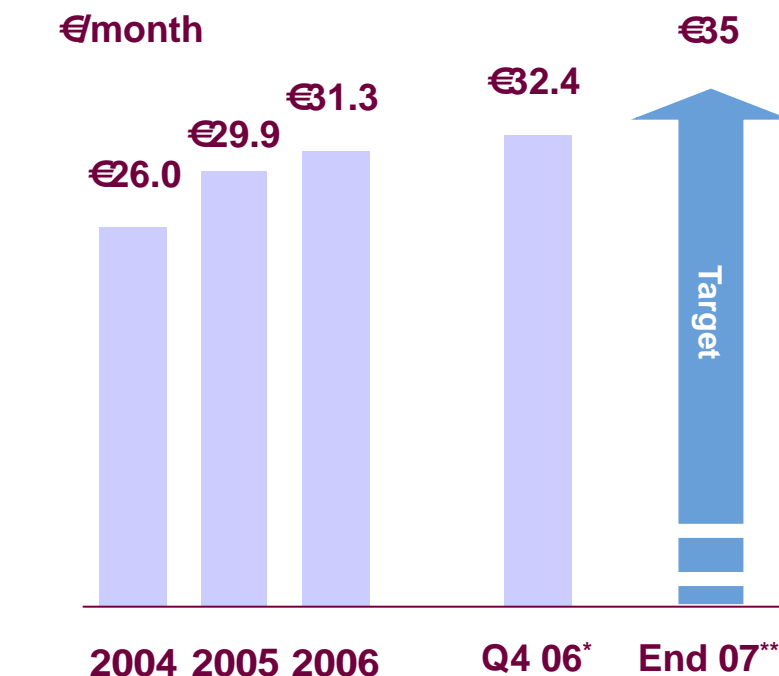
- Attractive packages
- Innovation mixing technology and simplicity
- Focus on Quality of Service



ARPU Development

Driven by

- Adoption of "100% Neuf Box" offer
- Optional services



* Excluding AOL

** Excluding Club Internet

Innovation: Technology and Simplicity

Neuf TV HD

- 200 TV channels including 69 in basic offer



New Neuf Box launched early 2007

- Designed in-house
- FTTx ready
- Plug and play; simple to install and use

VoD

- More than 1,000 programs



TWIN™

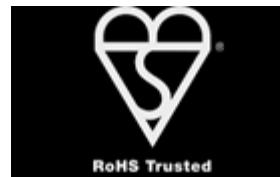


- Unlimited calls on WiFi
- Unlimited Internet access
- 20 free TV channels

TV on PC



- 20 TV channels, available for ULL & non ULL customers



RoHS Directive Compliant*

Customer Relations :

Anticipation Of Regulation...

Active contribution in the French debate regarding improvements in relations between consumers and operators leads Neuf Cegetel to anticipate regulation and to work on customer subjects in priority.

For example, Neuf Cegetel decided at the beginning of the year to :

- make written advertisements easier to read
- post standardized information forms on line for new offers
- post practical electronic communications guides on line aimed at consumers
- define quality level standards in its contacts and offer compensation if standards are not met
- for customers who have not been able to use the service offering in its contacts, the possibility of terminating the contract at no cost if service is not provided
- include into contracts a “best practices” guide for handling disputes
- make waiting time free when customers call hotlines
- improve quality of telephone support services
- ...

... To Go Further...

Note: all figures are pro forma for the acquisition of Cegetel

Customer Satisfaction: Moving to the Next Level

Simple Offers

- 100% Neuf
- Self installation and self-care

Investment in Customer Care

- 3,000 operators
- 2,000 on-site visits per week
- Internal call center

Superior Product Quality*



Reinforced Commitments

**“NEUF
S’ENGAGE”**
program
launched
March 2007

- *Your service is activated in less than 4 weeks (or you get 1 month free) - currently 10 business days on average*
- *We solve problems quickly and efficiently*
 - *Hotline waiting time is free - currently less than 3 min*
 - *We send a technician to your home free of charge to solve complex problems*
- *You get a free security package & diagnostic tool*
- *You are informed when a better offer becomes available*

Trends

- Customer satisfaction increasing
- Churn decreasing (18% in FY06; lower for ‘Neuf’ brand)
- Customer management costs decreasing

* Average of weekly performance measured by independent surveyor IP Label between 29/12/05 & 27/12/06 and rebased to 100 for Neuf.

Des outils de suivi en ligne disponibles à tout moment pour l'ensemble de nos clients

A TRADUIRE

Suivi du réseau : un outil qui rend transparent l'état du réseau, en ligne, disponible pour tous les clients

nsUF Assistance Espace client

Accueil Votre compte Vos e-mails Votre connexion Votre service TV Votre téléphone Votre mobile Votre Service Clientèle

Page précédente

Etat du réseau Neuf
Dernière mise à jour : 08/06/07 à 07:37
L'Etat du réseau permet de vous informer de tous les incidents ou maintenance effectués.

● incidents en cours ● maintenance en cours ● aucun dysfonctionnement en cours

Consultez l'état du réseau

Téléphone sur Internet	●
Messagerie	●
Bas débit	●
ADSL	●
Téléphonie mobile	●
Service TV	●
Services Neuf	●

Bienvenue dans l'état du réseau, retrouvez ci-contre l'état de vos services.
Pour avoir les détails sur une maintenance ou un incident en cours ou résolu, cliquez sur votre service.

Signaler un contenu illicite · Protection enfance · AFA · Informations légales · Annonceurs · Contacts · Neuf de A à Z

Neuf Assistance, un outil d'aide en ligne pour diagnostiquer les incidents

nsUF Assistance Espace client

Accueil Votre compte Vos e-mails Votre connexion Votre service TV Votre téléphone Votre mobile Votre Service Clientèle

Page précédente

Bienvenue sur Neuf Assistance

Rechercher dans Neuf Assistance
Saisissez vos mots clés

Besoin d'aide ? Suivez le guide !

Pour mieux utiliser vos services en ligne et devenir incollable sur les petits dépannages du quotidien, inscrivez-vous gratuitement à "Suivez le guide !" la newsletter du Service Clientèle

Trouvez en ligne la réponse à votre question...
Cliquez sur l'image correspondant à votre offre Neuf.

Client ADSL **Client Tél fixe classique** **Client Neuf mobile**

Vous êtes client ADSL ?
Nouveau client ? Vos premiers pas sur Neuf

Le Service Clientèle vous informe

L'actualité du moment...

En cas d'orage, avez les bons réflexes pour votre Neuf Box !
Retrouvez ici nos explications et conseils

Télévision sur Ordinateur
Pour savoir comment accéder à ce service, cliquez ici

Etat du réseau
Cliquez ici pour consulter les maintenances et incidents en cours

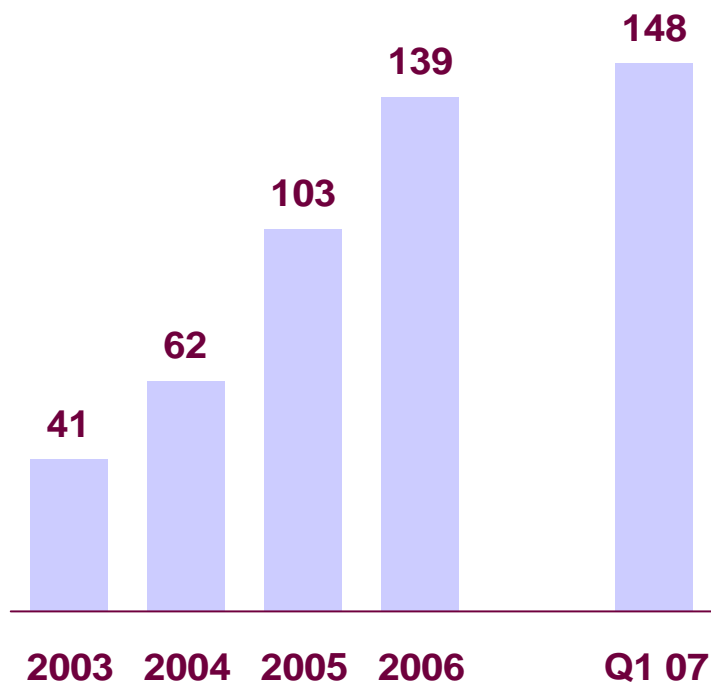
Dépannage à domicile

+ de 2000 interventions par semaine

Enterprises Revenue Growth

Steady Market Share Gains

Major new contracts signed recently include the Ministry of Defense, FNAIM, UGAP

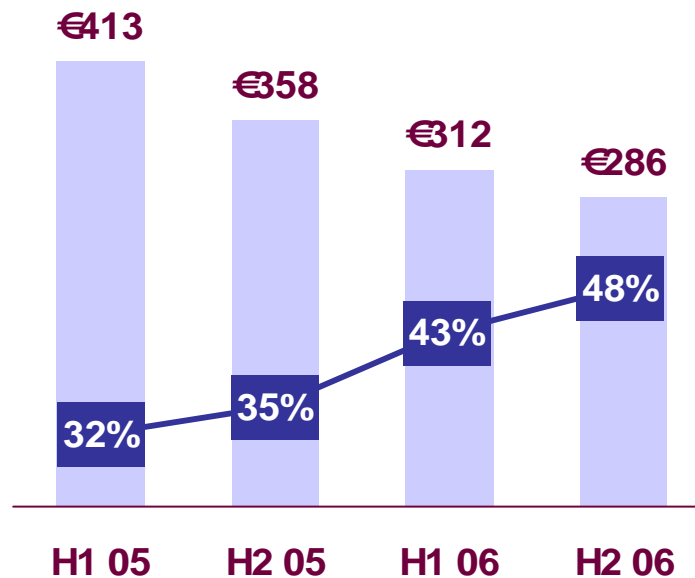


■ Data links, EOP (k)

Growth Focused on New Technologies

Enterprises switch from legacy technologies to DSL

- Explains the decrease in revenue per link
- DSL unbundling supports fast reduction of production cost per link



■ ARPL, €month ■ % unbundled, EoP

Note: all figures are pro forma for the acquisition of Cegetel

Combining Innovation & Services

Customer Strategy : SATISFACTION

Quality

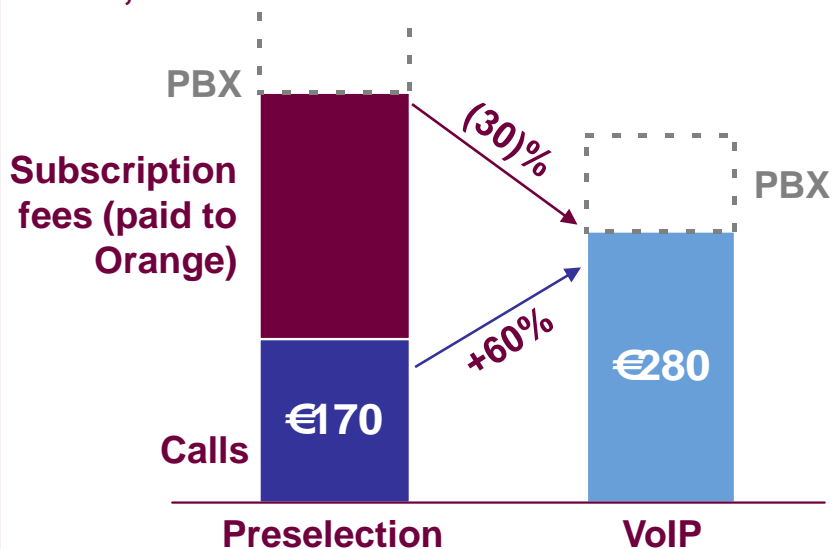
IP Convergence

Innovation

- a “zero default” quality of service to respond to specific constraints of our customers’ complexities
- a unique person to respond any telecom demand of our customers : data, mobile, voice
- Constant evolutions in marketing offers to anticipate new needs and usages and to adapt the various changes in the Enterprises’ organization

VoIP : a win-win proposition

ARPL, €/month



Quality : a 1st level concern

- Dedicated organization for Enterprises customers :
 - 800 employees motivated to ease the relation with our clients (technical and administrative demands)
- Relationship reinforced by Extranet Client
 - Online availability of indicators such as quality of service, traffic in live, orders intake, resolution of incidents
- Supervision of the network highly secured thanks to 2 redundant sites
- ISO 9001 v 2000 certification since June 01 for national services to majors accounts

Conclusion

**Innovation
Combining
Technology and
Simplicity**

**Customer
Satisfaction Rising
to the Next Level**

**Accelerated and
Disciplined
Investment in the
Access Network**

More Growth and Cash Flow Generation



Appendix

Profitable Growth

FY 2006 Key Financials

€m	MM	ES	WS	2005 PF	MM	ES	WS	2006	Change
Revenues	738	908	1,106	2,752	872	971	1,054	2,897	+145 +5%**
Gross margin	376	316	303	995	464	420	277	1,160	+165
<i>% margin</i>	51%	35%	27%	36%	53%	43%	26%	40%	+17%
Selling costs	(315)	(141)	(32)	(487)	(318)	(105)	(18)	(440)	
Commercial margin	60	175	272	507	146	315	259	720	+212
<i>% margin</i>	8%	19%	25%	18%	17%	32%	25%	25%	+42%
G&A (shared)				(273)*				(176)	
EBITDA				234				544	+309
<i>% margin</i>				9%				19%	+132%
		<i>EBIT</i>	(167)			<i>EBIT</i>	136		
		<i>Interest</i>	(25)			<i>Interest</i>	(25)		
Net income		<i>Taxes</i>	(2) =	(194)		<i>Taxes</i>	+102 =	213	+407
<i>/ share</i>				€(1.03)				€1.11	

- EBITDA margin to reach 25% by end 2008, driven primarily by operating leverage in Mass Market and further optimization of G&A

Note: all 2005 figures are pro forma for the acquisition of Cegetel

* Including €(78)m of restructuring cost in 2005

** 5% excluding the impact of the acquisition of AOL France Internet access activities

Note: 2006 EBIT is given before reduction of goodwill related to deferred taxes and 2006 Taxes are net of reduction of goodwill related to deferred taxes

Mass Market Rapidly Improving Profitability

Driven by Top-line Growth and AOL integration

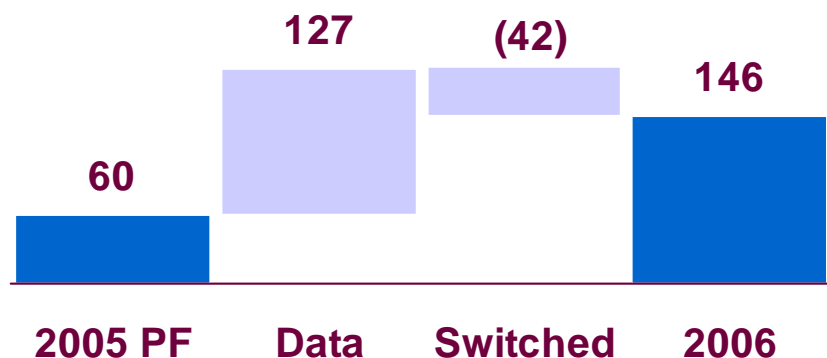
Key financials, €m	2005 PF	2006	
Revenues	738	872	+18%*
Data	336	560	+67%
Switched voice	402	312	(22)%
COGS	(362)	(408)	
Gross margin	376	464	
% margin	51%	53%	
Selling costs	(315)	(318)	
Commercial margin	60	146	
% margin	8%	17%	

Trends

- **>40% revenue growth in 2007****
 - Growth of DSL market share
 - DSL ARPU at €35 end 2007
 - Full year consolidation of AOL
 - Switched voice now weighing <30% of total

- **Continuous improvement of commercial margin**
 - Unbundling rate back above 70% end 2007 versus 65% end 2006 (impacted by AOL)
 - Mix of fully unbundled customers
 - Selling costs under control
 - H206 includes non recurring IT costs related to AOL integration

Evolution of commercial margin, €m



* 13% excluding the impact of the acquisition of AOL France Internet access activities (data 58%, switched (25)%)

** excluding Club Internet

Enterprises Profitable and Growing

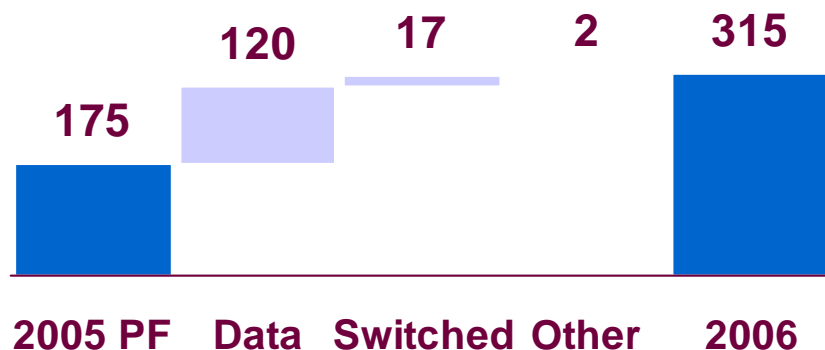
Key financials, €m	2005 PF	2006	
Revenues	908	971	+7%
Data	396	443	+12%
Switched voice	405	408	+1%
Other	107	119	+11%
 COGS	 (592)	 (551)	
Gross margin	316	420	
% margin	35%	43%	
Selling costs	(141)	(105)	
Commercial margin	175	315	
% margin	19%	32%	

Trends

- 5-10% revenue growth in 2007
 - IP Data market share growth
 - Development of new segments (VSEs) and products (mobile)

- Further improvements of commercial margin
 - Top-line growth
 - Unbundling rate expected to increase over time from current level of 48% of base
 - Enterprises division fully restructured in 2006 post acquisition of Cegetel

Evolution of commercial margin, €m



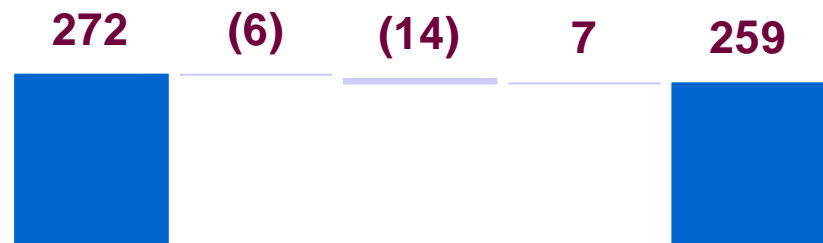
Wholesale Managed For Cash Flow

Key financials, €m	2005 PF	2006	
Revenues	1,106	1,054	(5)%*
Data	256	249	(3)%
Switched voice	653	588	(10)%
Other	198	218	+10%
COGS	(803)	(777)	
Gross margin	303	277	
% margin	27%	26%	
Selling costs	(32)	(18)	
Commercial margin	272	259	
% margin	25%	25%	

Trends

- Full year impact of AOL (transferred to mass market)
- Activity dependant on a limited number of clients
 - Switched voice decline limited by mobile-linked business
 - Take-off of SFR/Tele2 DSL business
 - Solid infrastructure sales
- Managed for cash flow
 - Optimization of production cost structure
 - Cash from infrastructure sales balances non-cash revenues

Evolution of commercial margin, €m



2005 PF Data Switched Other 2006

* (3)% excluding the impact of the acquisition of AOL France Internet access activities (data +5%)

Innovation: Mobile Offer Gaining Momentum

Build customer base



MVNO plans including unlimited calls and SMS from €1.90/month

Neuf Liberté First free no-commitment plan



"Mini forfaits" 30' from €14/month



May

June

October

November

December

Develop convergence

TWIN™ First hybrid WiFi-GSM phone



32,000 WiFi hotspots

Extension of WiFi coverage...



TWIN™ multimedia w/ 30 TV channels and portal

150,000 hotspots

Extension of TWIN range



Mobile customers

10,000

100,000

Optimized acquisition cost (c. 75% cross-sell to fixed customers)

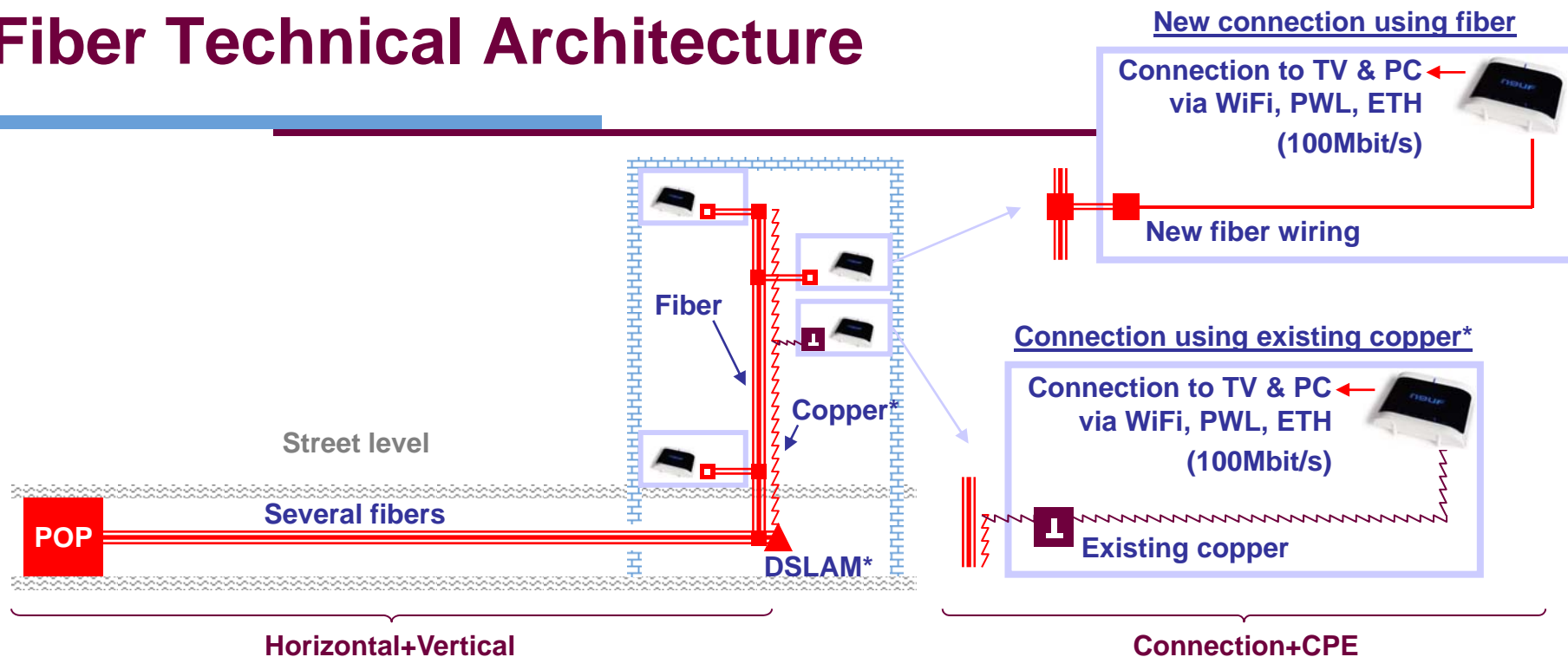
Summer 2006

Early 2007

Trends

- Cross sell to existing ADSL and preselection customers

Fiber Technical Architecture



Connection Process

- Several horizontal fibers to each building in selected deployment areas
 - Customer connected using either fiber or copper
- ⇒ FTTH always available for customers requesting it. Point-to-point vertical fibers installed in any case
- ⇒ Other customers will be connected using existing copper and “T-plug”, as it is a more rapid and less invasive process
- ⇒ Shift to 100% fiber will happen when optimized home wiring/networking solutions become available

* In some buildings

Income Statement

€m	2004	2005	2005PF	2006
Revenues	1 178	1 826	2 752	2 897
Cost of good sold	(710)	(1 126)	(1 757)	(1 737)
Gross margin	467	700	995	1 160
Selling and administrative costs	(305)	(445)	(683)	(616)
Restructuring costs	0	(78)	(78)	
Ebitda	162	177	234	544
Amortization	(145)	(230)	(335)	(357)
Impairment, write-offs, depreciation, share-based comper	(54)	(64)	(66)	(50)
Reduction of goodwill	0	0	0	(68)
Ebit	(37)	(118)	(167)	68
Interest expense/income	23	(9)	(25)	(25)
Taxes (current and deferred)	1	(3)	(2)	170
Net income	(13)	(129)	(194)	213
Net income before impairment and write-offs	43	(69)	(132)	237
EPS	(0,08)	(0,84)	(1,03)	1,13
EPS (diluted)	(0,08)	(0,84)	(1,03)	1,11
Average number of shares	135 727 106	155 205 927	189 343 820	192 347 182

Balance Sheet

<i>€m</i>	2004	2005	2006
Intangible assets including goodwill	282	1 162	1 426
Tangible assets	885	1 444	1 411
Other long term assets (including deferred taxes)	17	110	272
Total non current assets	1 183	2 716	3 109
Cash and cash equivalent	403	171	229
Total	1 586	2 887	3 337
Shareholders equity	584	957	1 479
Long term debt	199	803	730
Deferred revenues (long term)	443	466	474
Other liabilities, net of current assets	360	661	655
Total	1 586	2 887	3 337

Cash Flow Statement

<i>€m</i>	2004	2005	2006
Net income	(13)	(129)	213
Amortization, provisions and other non cash items	156	367	228
Change in working capital*	47	(75)	85
Cash flow from operations	190	162	526
Capex	(371)	(284)	(331)
Investment in subsidiaries and other items	40	(252)	(326)
Cash flow from investment	(331)	(536)	(657)
Cash flow from financing	136	142	189
Change in cash and cash equivalent	(6)	(232)	58
Opening cash balance	409	403	171
Closing cash balance	403	171	229

* Including the change in amounts due to fixed asset suppliers
Short term investments are aggregated with cash and cash equivalents

Debt

<i>€m</i>	Maturity	Interest rate	31/12/2005	31/12/2006
Syndicated loan	2010	3m Euribor + margin	246	246
Convertible bonds	2006-2008	4%	180	-
Securitization	2011	1m Euribor + margin	164	299
UK lease	2010	3m Euribor + margin	100	100
Leasing	2007-2015		132	93
Other			32	33
Gross debt			854	771
Cash and cash equivalent			171	229
Net debt			683	542