



WENDEL
INVESTISSEMENT



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Forum on Unlisted Companies

Neuf telecom

December 7, 2004

neuf telecom

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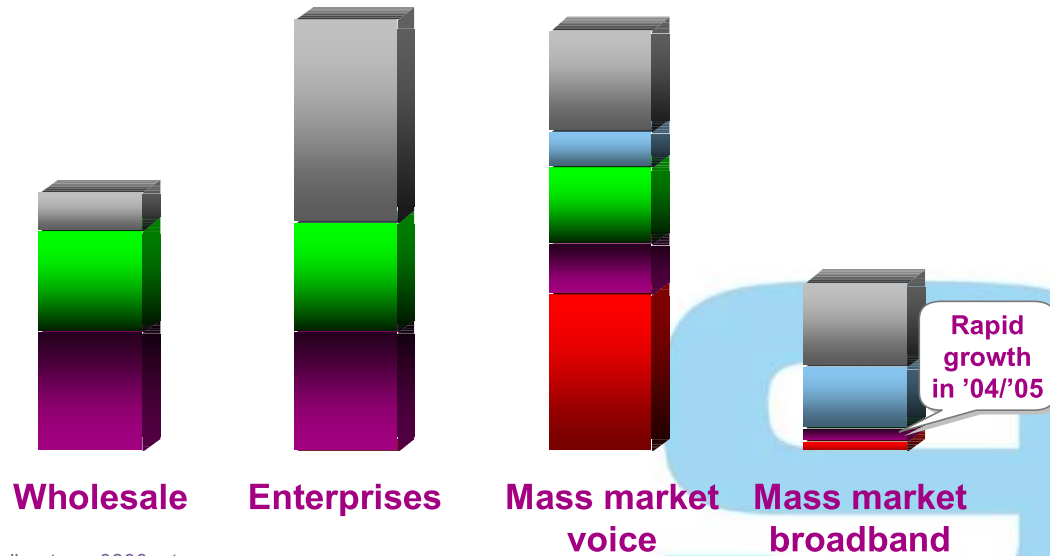
December 2004

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- **Overview of neuf telecom**
- **Current developments on neuf telecom's markets**
- **The unbundling opportunity**
- **Financial performance**
- **Conclusion and perspectives**

neuf telecom is the key integrated alternative fixed telecom operator on the 16b€* French market

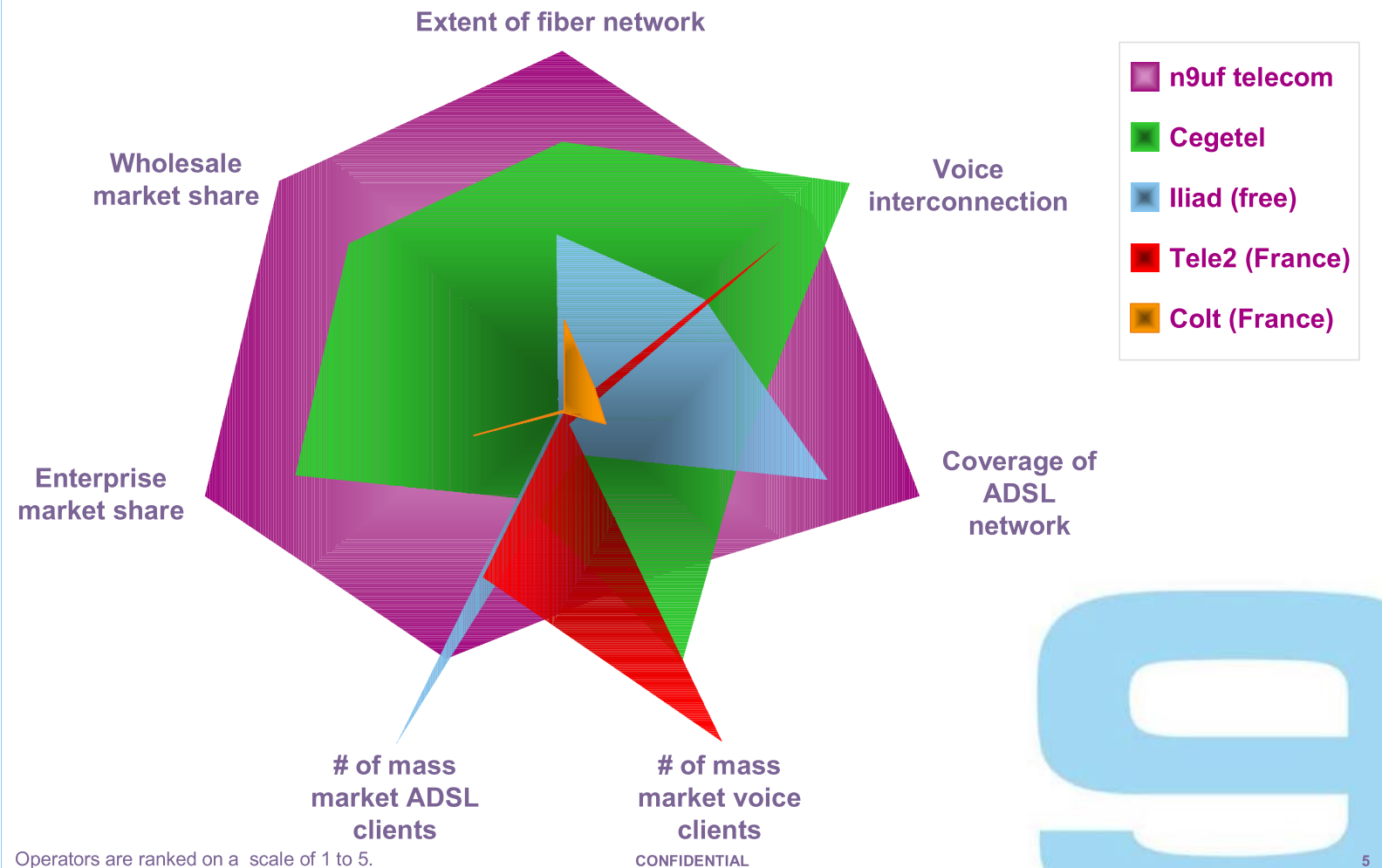
	Total	Wholesale	Enterprises	MM voice	MM broadband
2004 market	16b€*	1.0b€	6.3b€	8.0b€	1.6b€
Alternatives	5.0b€	1.0b€	1.7b€	1.7b€	0.7b€
neuf telecom	1.2b€	0.47b€	0.47b€	0.20b€	0.05b€



* The market totals 20b€ when one includes ~4b€ of directory, 0800, etc. revenues
Source: neuf telecom estimates.

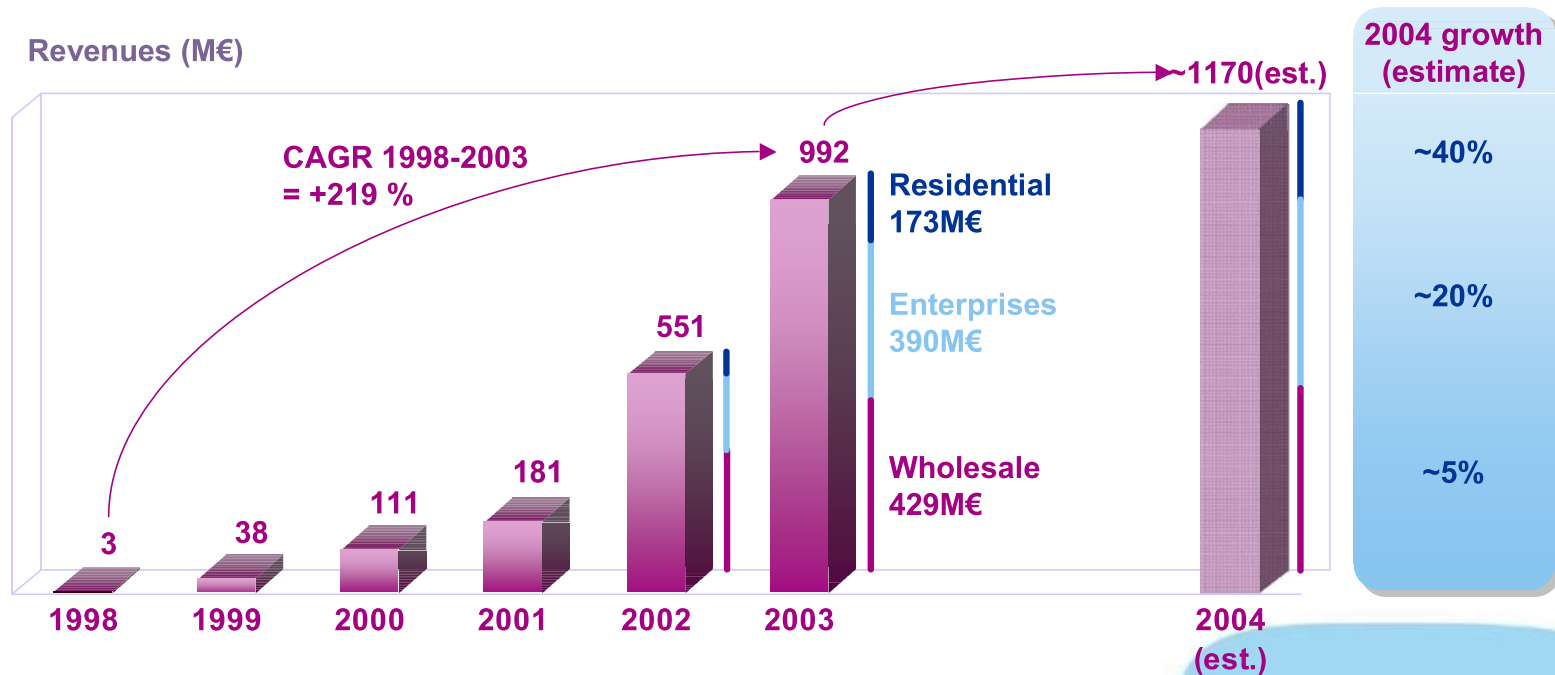
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neuf telecom is the best positioned French alternative operator



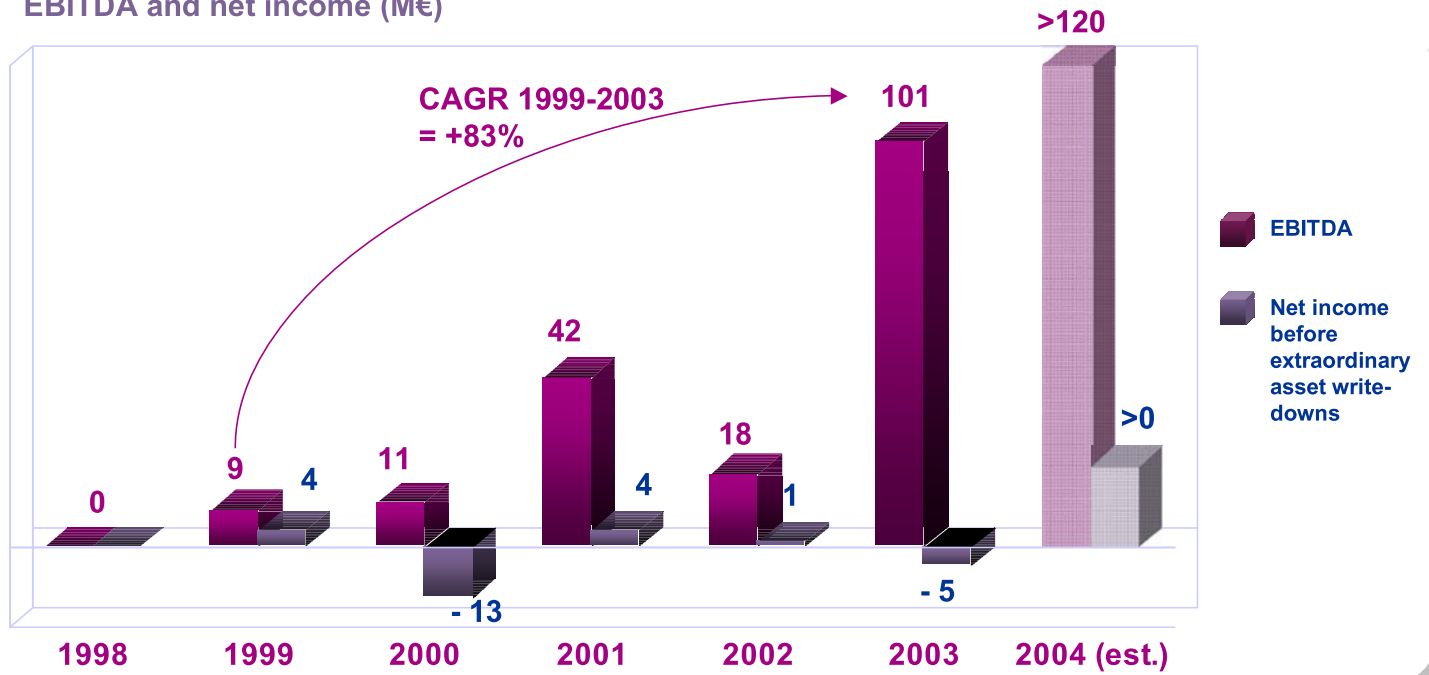
neuf telecom has grown rapidly both organically and via acquisitions...

Revenues (M€)



Expected group revenue growth in 2004: 18%
#1 for enterprises customers, #4 for mass market, #1 for wholesale

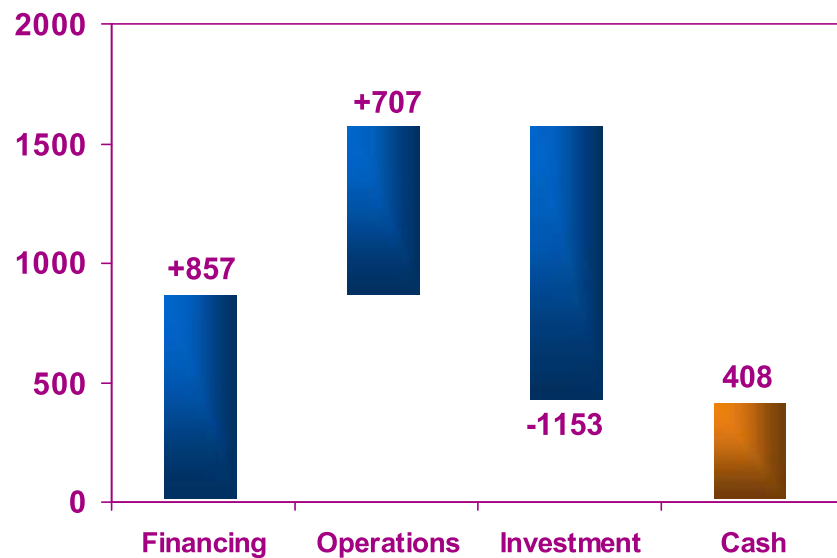
EBITDA and net income (M€)



2004 EBITDA growth expected to be at least equal to revenue growth (>120M€) despite significantly negative short-term impact of rapid DSL customer acquisition

neuf telecom has been funded largely by operating cash flow and equity capital

Cumulative cash flows from inception to EOY 2003 (M€)

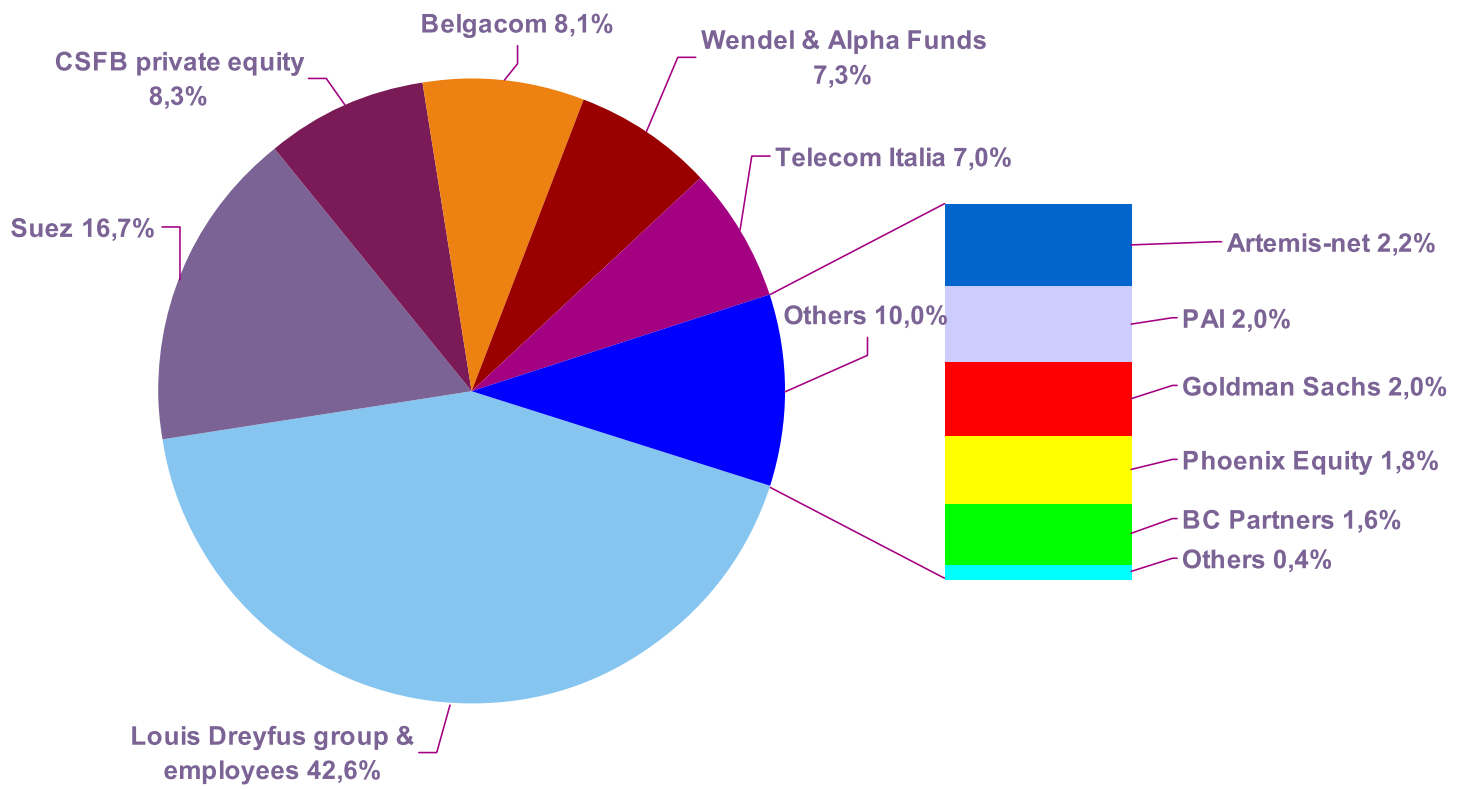


	In M€
Cash flows from operations	707
Tangible and intangible investments	(1 329)
Other net investments *	176
Cash flows from investments	(1 153)
Capital increases	800
Minority interests	14
Other financing - net of repayments	43
Cash flows from financing	857
Exchange rate variations	-3
Cash as of 31 December 2003	408

>250M€ in capex in 2004 (vs. 130M€ in 2003), mostly for DSL network

* Acquisitions, net of cash in companies acquired and gains on sales of assets
US GAAP

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neuf has deployed the most extensive alternative high speed network

End 2003

● Villes Desservies

Réseau Neuf Telecom

— Réseau Principal - Boucle 1

— Réseau Principal - Boucle 2

— Réseau Principal

— Réseau Secondaire



neuf has deployed the most extensive alternative high speed network

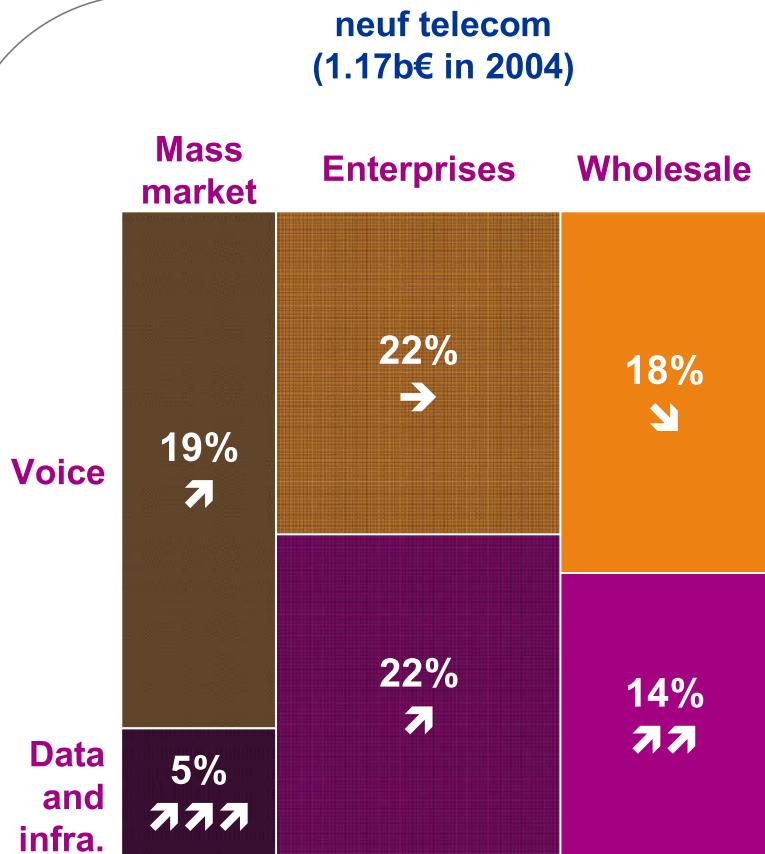
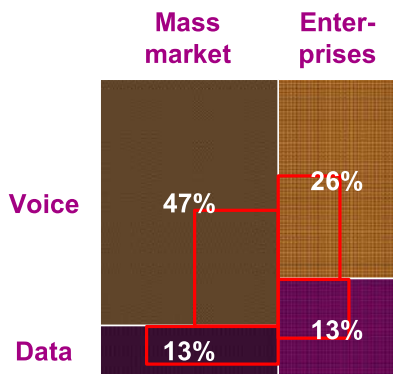
Early 2005

- Villes Desservies
- Réseau Neuf Telecom
- Réseau Principal - Boucle 1
- Réseau Principal - Boucle 2
- Réseau Principal
- Réseau Secondaire



neuf telecom's revenue mix is increasingly geared towards retail & data

French fixed market (~16b€ in 2004*)



19%: share of total Q3'04 revenue**

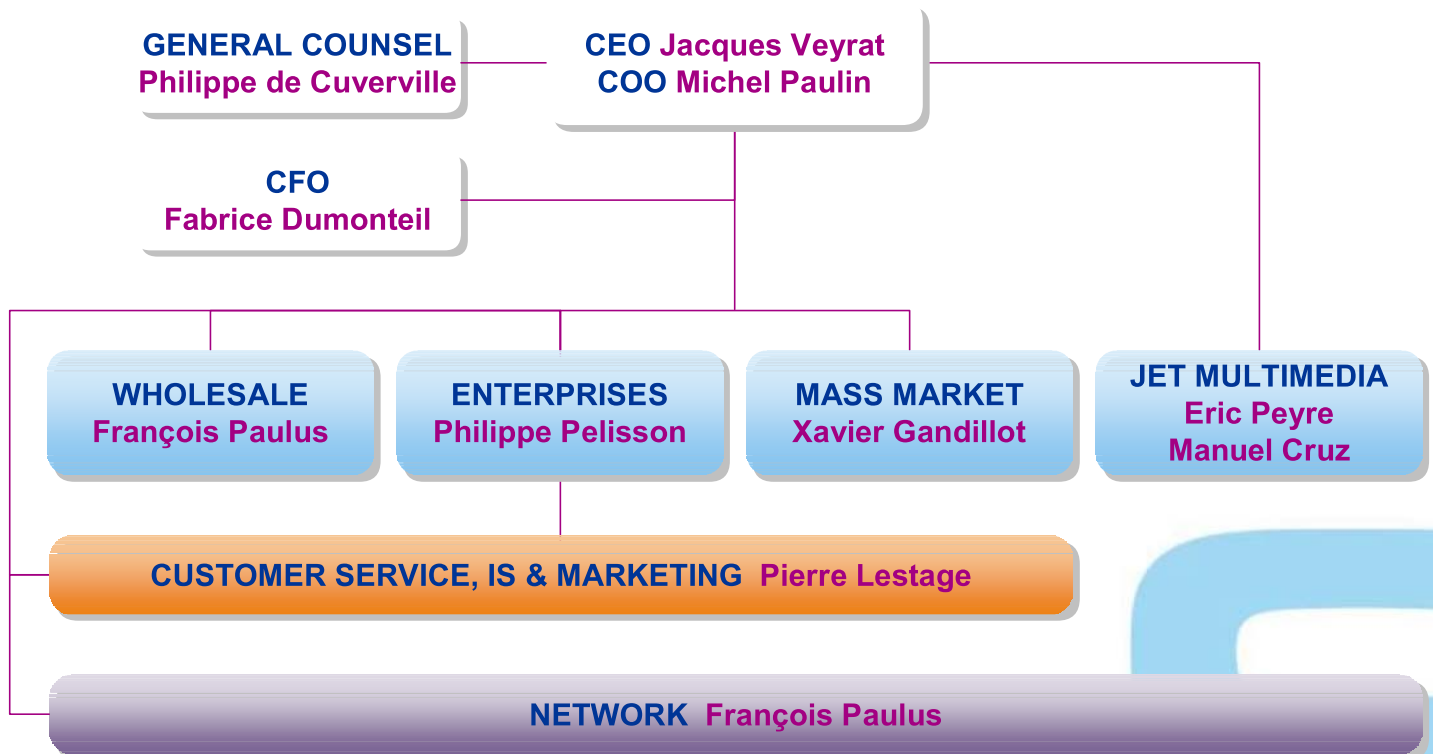
↗: YOY growth of Q3 revenues**

* Excluding ~4b€ of directory, 0800, etc. revenues.

** Excluding non recurring revenue.

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Organization: 4 markets leveraging shared customer service and network resources and assets



Wholesale: neuf telecom is the leading provider to ISPs and alternative telcos

Facts

More than 8 million end-users through 200 wholesale clients rely on the neuf telecom network

- 300 000 unbundled DSL lines by sept. '04
- 100 million minutes per business day
- More than 10,000 kilometers of fiber sold in 2004 (Iliad, Telecom Italia, Tiscali)

Competitive advantage

The « factory » for alternative carriers in France

- Cost competitiveness of neuf telecom's network drives explosion of French DSL (Tiscali, Tele2, Club Internet, etc.) and continuous growth of voice traffic (Tele2, enterprise switchless)
- French partner for foreign incumbents (DT, Belgacom, TI, ATT, etc.)

200 clients



Performance in H1'04 and perspective

H1'04 / '03: 14% revenue growth, to 228M€

- Wholesale of multiple play offers to support partner-ISP's growth
- Fiber/bandwidth to connect partner-ISP's URAs
- Defensive strategy on voice revenues (direct access for switchless)

Enterprises: neuf telecom is the leading provider to business customers

Facts

30 000 business customers, from SMEs to large accounts

- 50% of the CAC 40 are customers
- 1 500 national / local government clients
- 1200 new data contracts signed per month; 30 000 sites connected
- 2 000 voice contracts per month (1 main business # activated per minute)

Competitive advantage

« The alternative » reference

- Voice/data solutions for SMEs and large accounts
 - Adapted pricing and technology
 - Proven ability to deploy large corporate networks (>1000 sites)
 - Integrated offers w/ Jet Multimedia (hosting)
- Trusted partner of public authorities (4 "DSP" won so far)
- 400 sales reps. in 30 local branches

30 000 clients



Performance in H1'04 and perspective

H1'04 / '03: 29% revenue growth, to 227M€

- Full unbundling launched in September 2003
 - Entry on the €1.7b enterprise subscription market
- National launch of 4Mbps SDSL and pre-launch of 8Mbps in May 2004
- Roll out of direct voice products over unbundling
 - Capture outgoing and incoming calls

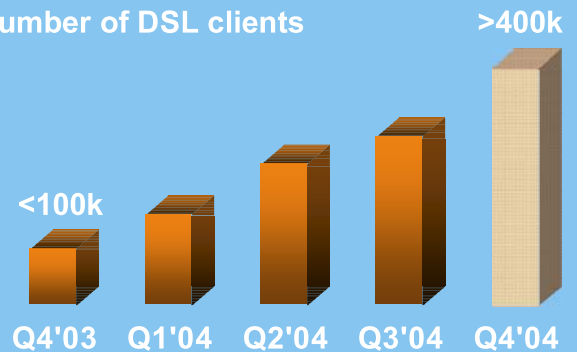
Facts

1.6M customers, of which 350 000 ADSL

- Up from 1M customers in early 2003 (voice only)
- +30 000 new ADSL customers/month
- >2/3 of ADSL customer are unbundled
- >70% of ADSL customers also buy voice
- #3 ISP by year end

Explosive growth of DSL customers

Number of DSL clients



Competitive advantage

A provider of choice...

- Best pricing for ADSL and unmetered voice
- 3-play « n9ufBox » modem launched in 2003
- Consistently in top 3 ISPs in brand awareness

...with superior economics

- Higher ARPU & margin w/ Internet+voice bundle
- Low cost position achieved through dense unbundled network and wholesale volumes providing scale

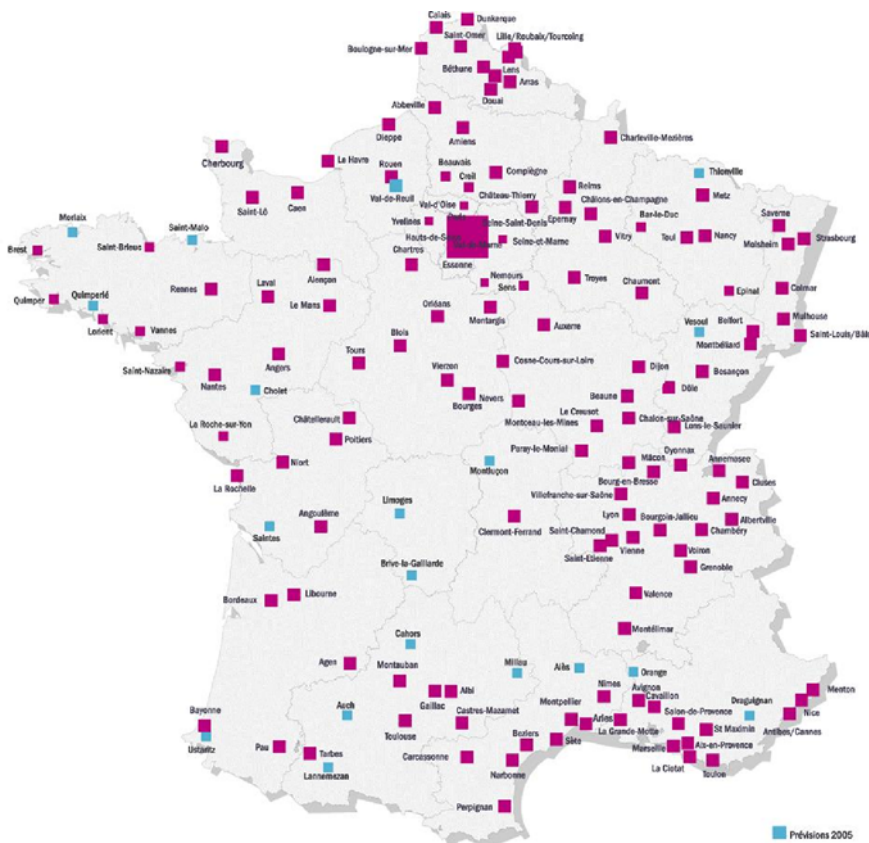
Performance in H1'04 and perspective

H1'04 / '03: 40% revenue growth, to 109M€

- Explosion of DSL
- >20% growth on the voice segment
- Full unbundling launched in June
- Maxi DSL (8Mbit/s for 14€90) and neufTV offer launched in November
- ADSL2+ rolled out in early 2005

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neuf telecom's DSL network reaches more than 50% of the French population



May 2004

- 150 cities
- 2000 «communes»
- 500 URAs (central offices)
- 1300 DSLAMs
- Cumulative DSL capex: 250M€

End 2004

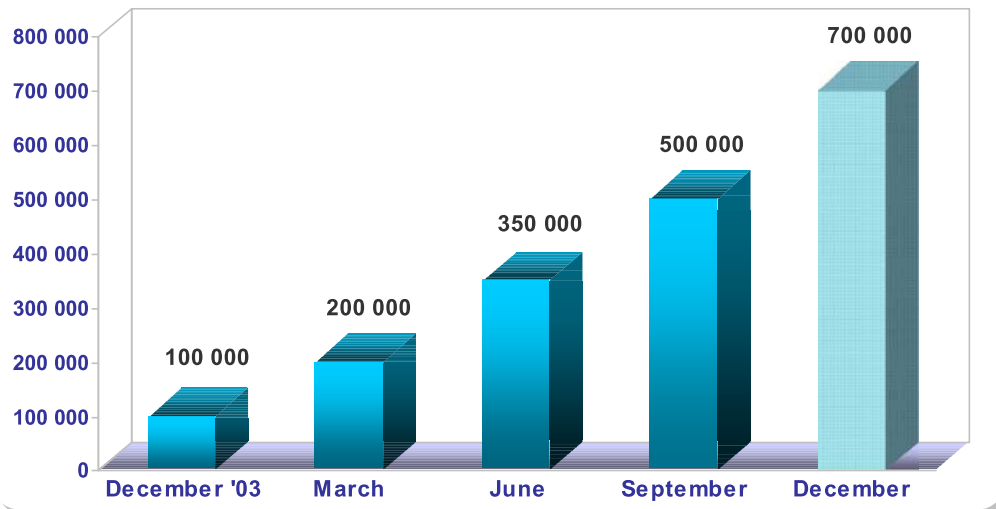
- 150 cities
- 3000 «communes»
- 700 URAs (COs)
- >3 000 DSLAMs
- >50% of French population covered (80% of internet users and 2/3 of enterprises)
- Cumulative DSL capex: 350M€

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neuf telecom has a 50% market share in France and is #1 in Europe

700K unbundled lines by year end

Unbundled lines



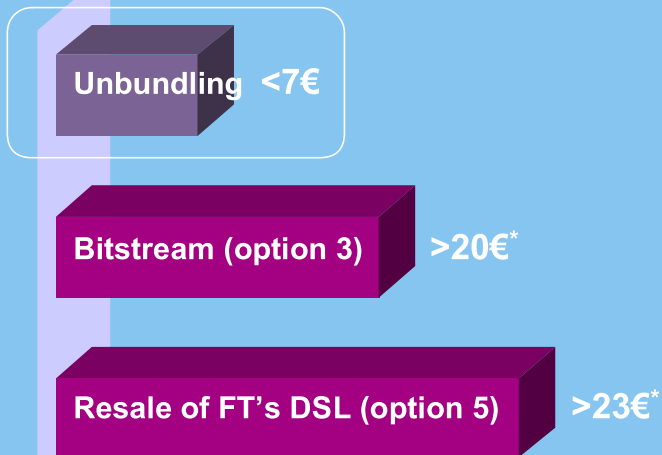
neuf telecom maintains its advance with a trend of 15 to 20K unbundled lines per week (retail & wholesale)

700 000 unbundled lines by year-end:

- 40% of these lines are unbundled for our own customers
- 60% are unbundled for other carriers and ISPs

Unbundling has lower production costs...

Approx. monthly cost of a DSL line



Coverage and scale are key to pay back significant capital investment
⇒ Importance of wholesale customers

...and spurs innovation...

- Basic MM offer speed multiplied by 8 in 1 year ; roll out of ADSL2+ (25Mbit/s) in early 2005
- VoIP and full unbundling for consumer and enterprises
- Video over DSL and bundle w/ TNT
- End-to-end QoS and service integration

...leading to better ARPU and margin

Incremental ARPU sources: full unbundling, TV, unmetered voice, incoming calls, etc.

Voice/DSL bundle allows enhanced profitability per customer

- neuf's best DSL prices conditional on the client subscribing to voice as well
- Telco margin *2 on VoIP minutes
- Local/LD unmetered plans develop usage of fixed to mobile and international

* Bitstream and resale costs are for 512kbps ; unbundling cost is not highly dependant of speed

8 MEGA ADSL

14,90 €/MOIS

ATTENTION AU CHOC !

APPEL GRATUIT
10 99
www.neuf.fr

* Sous réserve d'inscription à la téléphonie en prépaiement, since 19,90€/mois. Tarif TTC en 2003/04 de 14,90€ pour 8 Mo de trafic avec téléphone neuf ou ancien en prépaiement, validité 12 mois - 14,90 €/mois pour l'offre 512K. Après 12 mois, le prix est de 19,90 €/mois. Prix des communications téléphoniques et conditions disponibles sur www.neuf.fr. En cas de résiliation du contrat téléphonique avec prépaiement, retour 512K/mois aux tarifs de nos offres. Tarifs des offres avec téléphone ancien 12 mois 19,90€/mois pour l'offre 512K. Après les 12 mois, retour 512K/mois aux tarifs des offres. Offres réservées aux nouveaux clients particuliers, validées en France métropolitaine sur les zones géographiques couvertes par le service neuf telecom ADSL et sous réserve de disponibilité technique. Offre soumise à conditions disponibles sur www.neuf.fr. Services vendus séparément.



n9UF
telecom

MaxiDSL = 14,90 €/month *

ADSL at maximum available speed
(Max = 8M / Min = 512K)
With CPS or +5€/month

Unmetered local & LD calls : +9€/month

neufTV: +6€/month

Full unbundling: +7€/month

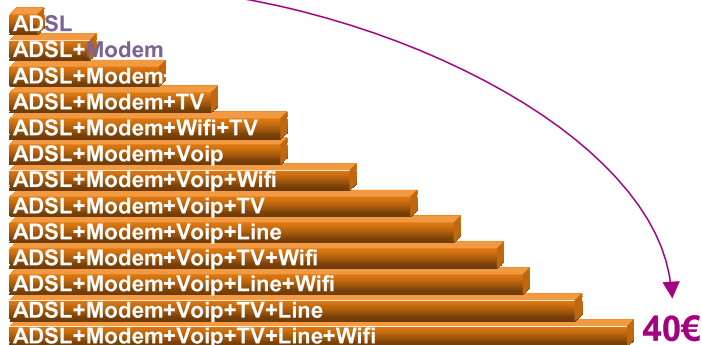
Anti-virus: free (6 months, then 2€/month)

n9ufbox: 2€/month or 39,90€
WiFi: +3€/month

ARPU between 15&40€ depending on options

ARPU (€/month, VAT included)

15€



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M€	<u>H1 '02</u>	<u>H2 '02</u>	<u>2002</u>	<u>H1 '03</u>	<u>H2 '03</u>	<u>2003</u>	<u>H1 '04</u>	<u>2004</u> (forecast)
Revenues	196	355	551	455	538	992	564	1,175
EBITDA	-8	26	18	45	56	101	60	>120
Net income*	-42	43	1	-12	7	-5	17	>0
CAPEX	57	42	99	49	82	131	128	>250
Net PP&E			1,232			1,230	1,297	
Cash			541			409	388	
LT debt			68			77	90	

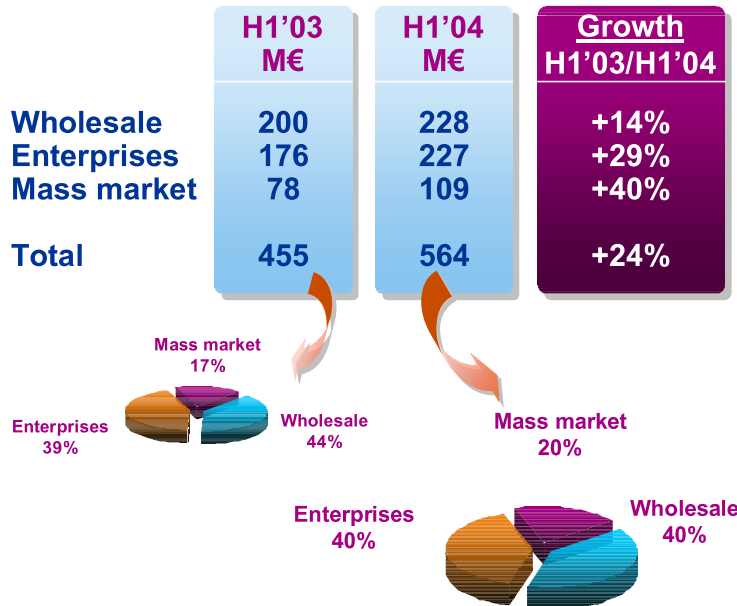
* Before extraordinary asset write-offs
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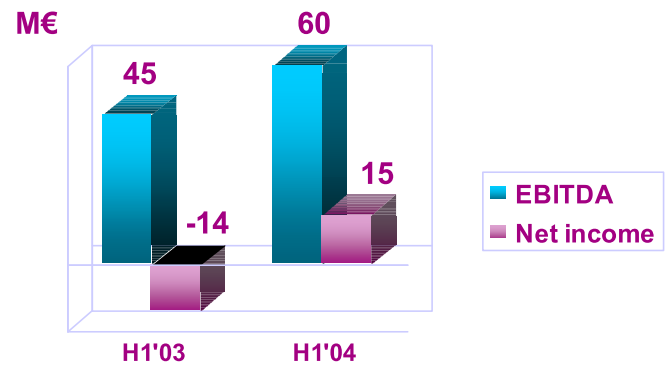
Revenue growth of 24% in line w/ expectations

- Driven by retail businesses and data



EBITDA of 60M€ (+30%) exceeding budget expectations

- >10% of revenues, despite very high acquisition expenses for ADSL



Capex of 128M€ mostly for DSL network deployment (NB : ADSL access fees paid to France Telecom are expensed)

Available cash: 388M€

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- **Leading position and strong growth to come**
 - Dense network and high retail+wholesale volumes allow to achieve very low cost position
 - #1 on the enterprises market, #1 on the wholesale market
 - Strong growth of mass market revenues in 2004 and 2005; strong growth of data / direct voice of enterprise and wholesale
- **Continuous innovation to open new markets and build future cash flows**
 - Voice over IP for residential and enterprise customers (outgoing / incoming calls)
 - TV over DSL
 - MVNO (Mobile Virtual Network Operator)
- **Margins will continue to improve, especially on mass market with the rollout of unbundled DSL**
- **2005 focus will be on profitable growth**
 - 3 plans launched to : 1) Improve quality of service and customer retention 2) Raise customer service and marketing productivity 3) Reduce network costs
 - **Objective is to be free cash flow positive by year-end, despite continued ADSL investment**

Thank you ! Questions and answers...



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