



Press Release

Merger plan between Cegetel and neuf telecom to create the leading alternative operator for fixed telecommunications services in France

Paris, 11th May 2005 - Cegetel and neuf telecom have announced their merger plan to set up the leading alternative operator for fixed telecommunications services in France. This project, presented today to personnel representatives of the two companies, is subject to obtaining their approval and, in the coming weeks, will be submitted to the competition and regulation authorities.

An ambitious conquest strategy for the next two years

The new group aims to become the leading alternative operator on all fixed telecommunications markets and, by mid-2007, to become:

- The leader on the residential customer market with more than 4 million customers, including 2 million ADSL customers using its own network;
- The leader on the business customer market with over 20% of market share; and
- The leader on the wholesale market selling to other operators and ISPs.

The whole business is estimated to be worth over 3.3 billion euros in 2007, broken down evenly between the three areas of activity.

This new key player in the telecommunications sector is estimated to generate sales of about 2.8 billion euros in 2005. It should be the only generalist alternative operator of sufficient size to offer a real and sustainable alternative on the fixed telecommunications market in France.

The size criterion for players is becoming crucial for this market, characterised by intense competitive pressure between several alternative operators, in order to deal with the omnipresence of an historic operator that still controls most of the market some 7 years after deregulation.

A healthy economic situation to finance future developments

In order to invest and position itself in the long-term against the historic operator, the new group needs to show solid and durable profitability. The merger creates a formidable player enjoying a healthy financial situation: the new group intends to produce a 20% EBITDA/sales ratio in 2007 and positive free cash flow as of 2006.

Cegetel and neuf telecom, who share the same spirit of conquest since their creation, will pursue a growth strategy together based on innovation and anticipation of major trends in the sector. Control of networks, key to both operators' strategy since their creation, will remain one of the major factors in their development. Quality of service to customers will thus continue to be based on the existence of the group's own high performance and complementary networks.

Terms of the merger

The project would consist in merging Cegetel and neuf telecom to form a new group called neuf Cegetel, chaired by Jacques Veyrat. In real terms, after having bought out the shares of SNCF beforehand, according to pre-existing agreements, SFR will contribute 100% of the capital of Cegetel SAS to neuf telecom and will receive 28% of the capital of neuf Cegetel together with bonds issued by neuf Cegetel. Both reference shareholders of the new neuf Cegetel group, SFR and Louis Dreyfus, will have an equal stake of 28% each. The 44% balance will be held by current shareholders of neuf telecom.

A decisive step in the development of durable and strong competition

This plan to merger the two leading alternative operators is a decisive step in the development of durable and strong competition on the fixed telecommunications market in France. This ambitious project, which will give rise to a new, strong player, necessary in the current competitive context, is based on the complementary assets of the two alternative leaders in the sector.

The new group will strive for conquest, growth, innovation and high quality service to establish itself as the benchmark player in fixed telecommunications in France and Europe.

About Cegetel: The pioneer on the deregulated fixed telecommunications market in France, Cegetel is the leading alternative telecommunications operator in France, present in all consumer and business segments, operators and IPS. Cegetel has a national, 22,000 kilometre long-distance network of optical fibre cables, connected to major foreign networks. In 2004, Cegetel made €1.435 billion in turnover. For more information: www.cegetel.fr and www.sfrcegetel.fr

About neuf telecom: neuf telecom is one of the leading alternative high speed service operators in France. The group, which has a national, 22,000 kilometre long-distance network of optical fibre cables, has invested massively over the past two years in the deployment of its DSL network. In early 2005, the broadband services of neuf telecom are accessible to 60% of the French population. The leader in unbundling in France, with 830,000 unbundled lines (March 2005), neuf telecom is present in all segments in the fixed telecommunications market. neuf telecom made 1,171 million euros in turnover in 2004. www.neuf.com

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