Completel Europe NV

2006 Annual Report

TABLE OF CONTENTS

Special Note Regarding Forward-Looking Statements

Certain statements in this Annual Report 2006 are “forward-looking statements”. Such statements are based on the current expectations of the management of Completel Europe NV only, and are subject to a number of risk factors and uncertainties, including but not limited to changes in technology and market requirements, decline in demand of Company’s products and services, inability to timely develop and introduce new technologies, products and services, loss of market share, pressure of pricing resulting from competition, and inability to maintain certain marketing arrangements which could cause the actual results or performance of the Company to differ materially from those described herein. For a more detailed description regarding the uncertainties affecting the Company, please refer to the section titled “Risks factors”.

Introduction

Completel Europe NV operates telecom networks and services in France and is a company publicly traded on Euronext Paris under ISIN code NL0000262822 — CPT.

News, filings and information are available on www.completel.com, at the company offices in the Netherlands, and at the principle location of its French operating subsidiary:

Completel Europe NV
Beech Avenue 54-80
1119PW Schiphol-Rijk
The Netherlands

Completel SAS
Tour Ariane
5, place de la Pyramide
92088 La Défense Cedex
France

Reports of the Supervisory Board

Report of the Supervisory Board to the General Meeting of Shareholders

General

The role of the Supervisory Board is to supervise the policies of the Board of Management and the general course of affairs of the company and its group companies, as well as to assist the Board of Management with advice.

In fulfilling its role, the Supervisory Board is guided by the interests of the company and its group companies, and takes into account the relevant interests of the company's stakeholders. In addition, the Supervisory Board is also responsible for determining the remuneration of the Board of Management. The General Meeting of Shareholders appoints the Supervisory Board members. Each member of the Supervisory Board is appointed for a period of two years and may serve a maximum of 6 terms.

Composition of the Supervisory Board

The Supervisory Board presently consists of six members: Messrs James C. Allen, Lawrence F. DeGeorge, Jean Marie Descarpentries, Duncan Lewis, Jean Pierre Vandromme and Dominique Vignon. Messrs Descarpentries and Vignon shall resign at the close of the Annual Meeting at which the company's Annual Accounts for the financial year 2006 will be considered, and the Supervisory Board intends to nominate them for re-election in said Annual Meeting for another period of two years.

Details for each Supervisory Board member can be found on page 88 of the Annual Report.

In the opinion of the Supervisory Board, Messrs Lewis, Vandromme, Descarpentries, DeGeorge and Vignon are independent within the meaning of the best practice provision III.2.1 of the Dutch corporate governance code. Mr. Allen, Investment Director of Meritage, is not considered independent within the meaning of said best practice provision.

Summary of Supervisory Board meetings in 2006 and activities

In the financial year 2006, the Supervisory Board held 10 meetings with a 87% rate of presence fulfilling its mission to control the Management. The Supervisory Board discussed medium and long-term strategic planning, the budget, the business and the overall operational development of the company. Moreover, it discussed the result of the assessment by the Board of Management of the structure and operation of the internal risk management and control systems and the changes thereto. In addition, matters such as the performance of the Board of Management, the risk involved in the enterprise were discussed.

The Supervisory Board also met without the Board of Management members being present to discuss its own functioning and that of its individual members, as well as to discuss the functioning of the Board of Management and the performance of the individual members of the Board of Management.

Further to these meetings, a number of Supervisory Board members also participated in committee meetings, namely the Audit Committee, the Remuneration and Selection Committee and the Executive Committee.

Executive Committee

The Executive Committee currently consists of Messrs Allen, DeGeorge and Vandromme. The Executive Committee members, individually or collectively, liaise with the Board of Management to discuss the overall operational development of the company and report to the Supervisory Board.

Audit Committee

The Audit Committee currently consists of Messrs DeGeorge, Lewis (Chairman) and Vignon. The Committee makes recommendations to the Supervisory Board. In 2006, the Audit Committee reviewed (i) the operation of the internal risk management and control systems (ii) press releases for quarterly and annual results, (iii) the elaboration and validation processes of the annual accounts with the independent auditors, the Chief Financial Officer and the Corporate Controller, (iv) current litigations and finally, (v) the tasks carried out by the financial team of the company. In 2006, the Audit Committee met 5 times with a 93% rate of presence. The Audit Committee also met the external auditors without the members of the Board of Management being present.

Remuneration and Selection Committee

The Remuneration and Selection Committee currently consists of Mr. Allen, Descarpentries and Vignon (Chairman). The Committee makes recommendations to the Supervisory Board concerning salaries and incentive compensation for Completel's employees, including the Management Board. In 2006, it made proposals for changes in the remuneration of the members of the Board of Management and key employees of the group, evaluated the performance of the members of the Board of Management and key employees of the group against the financial and personal targets set during the previous year, and made a proposal for the variable part of their remuneration. For the new financial year, it made an analysis of the financial targets set by the Management Board for the calculation of the variable part of employees' remuneration, and made recommendations to the Supervisory Board for the fixed and variable remuneration of the Management Board members. In 2006, it also studied different types of long term incentive programs for employees and management, and made recommendations to the Supervisory Board for adoption of such programs. In 2006, the Committee met once with a 100% rate of presence.

The Supervisory Board has drafted a meeting schedule for the financial year 2007.

Remuneration of the Board of Management

The remuneration of the Board of Management, which is determined by the Supervisory Board, on advice of the Remuneration and Selection Committee, is discussed on page 83 of the Annual Report.

Remuneration report of the Supervisory Board

The remuneration report of the Supervisory Board regarding the remuneration policy for 2006 is included as a separate chapter and forms a part of this report of the Supervisory Board on page 9 of the Annual Report, and has been posted on the company's website, www.completel.com / Corporate Governance.

The Supervisory Board and the Board of Management of Completel Europe NV pursue a consistent policy to comply and improve its corporate governance, and closely follow the actual Corporate Governance developments. We refer you to the chapter on Corporate Governance in the Annual Report for details on the Corporate Governance within the Company.

Annual Accounts

With this Annual Report, the Supervisory Board presents the Annual Accounts for the year 2006, accompanied by an unqualified auditor's opinion issued by Deloitte Accountants B.V. and by the information to be added in accordance with Article 392 section 1 of Book 2 of the Netherlands Civil Code. You will find the auditors report on page 87 of the Annual Report.

The Annual Accounts have been signed by the Board of Management and the Supervisory Board.

The Supervisory Board recommends the adoption of the Annual Accounts for the year 2006 to the General Meeting of Shareholders and the discharge of the Board of Management and the Supervisory Board in respect of their management and supervision respectively.

The Supervisory Board is satisfied with the financial performance of the company and thanks all employees for their continuous dedication to support the business.

Amsterdam, March 8, 2007

The Supervisory Board
James C. Allen
Lawrence F. DeGeorge (Chairman)
Jean-Marie Descarpentries
Dominique Vignon
Duncan Lewis
Jean-Pierre Vandromme

Annual Accounts

With this Annual Report, the Supervisory Board presents the Annual Accounts for the year 2006, accompanied by an unqualified auditor's opinion issued by Deloitte Accountants B.V. and by the information to be added in accordance with Article 392 section 1 of Book 2 of the Netherlands Civil Code. You will find the auditors report on page 87 of the Annual Report.

The Annual Accounts have been signed by the Board of Management and the Supervisory Board.

The Supervisory Board recommends the adoption of the Annual Accounts for the year 2006 to the General Meeting of Shareholders and the discharge of the Board of Management and the Supervisory Board in respect of their management and supervision respectively.

The Supervisory Board is satisfied with the financial performance of the company and thanks all employees for their continuous dedication to support the business.

Amsterdam, March 8, 2007

The Supervisory Board
James C. Allen
Lawrence F. DeGeorge (Chairman)
Jean-Marie Descarpentries
Dominique Vignon
Duncan Lewis
Jean-Pierre Vandromme

Annual Accounts

With this Annual Report, the Supervisory Board presents the Annual Accounts for the year 2006, accompanied by an unqualified auditor's opinion issued by Deloitte Accountants B.V. and by the information to be added in accordance with Article 392 section 1 of Book 2 of the Netherlands Civil Code. You will find the auditors report on page 87 of the Annual Report.

The Annual Accounts have been signed by the Board of Management and the Supervisory Board.

The Supervisory Board recommends the adoption of the Annual Accounts for the year 2006 to the General Meeting of Shareholders and the discharge of the Board of Management and the Supervisory Board in respect of their management and supervision respectively.

The Supervisory Board is satisfied with the financial performance of the company and thanks all employees for their continuous dedication to support the business.

Amsterdam, March 8, 2007

The Supervisory Board
James C. Allen
Lawrence F. DeGeorge (Chairman)
Jean-Marie Descarpentries
Dominique Vignon
Duncan Lewis
Jean-Pierre Vandromme

Annual Accounts

With this Annual Report, the Supervisory Board presents the Annual Accounts for the year 2006, accompanied by an unqualified auditor's opinion issued by Deloitte Accountants B.V. and by the information to be added in accordance with Article 392 section 1 of Book 2 of the Netherlands Civil Code. You will find the auditors report on page 87 of the Annual Report.

The Annual Accounts have been signed by the Board of Management and the Supervisory Board.

The Supervisory Board recommends the adoption of the Annual Accounts for the year 2006 to the General Meeting of Shareholders and the discharge of the Board of Management and the Supervisory Board in respect of their management and supervision respectively.

The Supervisory Board is satisfied with the financial performance of the company and thanks all employees for their continuous dedication to support the business.

Amsterdam, March 8, 2007

The Supervisory Board
James C. Allen
Lawrence F. DeGeorge (Chairman)
Jean-Marie Descarpentries
Dominique Vignon
Duncan Lewis
Jean-Pierre Vandromme

Annual Accounts

With this Annual Report, the Supervisory Board presents the Annual Accounts for the year 2006, accompanied by an unqualified auditor's opinion issued by Deloitte Accountants B.V. and by the information to be added in accordance with Article 392 section 1 of Book 2 of the Netherlands Civil Code. You will find the auditors report on page 87 of the Annual Report.

The Annual Accounts have been signed by the Board of Management and the Supervisory Board.

The Supervisory Board recommends the adoption of the Annual Accounts for the year 2006 to the General Meeting of Shareholders and the discharge of the Board of Management and the Supervisory Board in respect of their management and supervision respectively.

The Supervisory Board is satisfied with the financial performance of the company and thanks all employees for their continuous dedication to support the business.

Amsterdam, March 8, 2007

The Supervisory Board
James C. Allen
Lawrence F. DeGeorge (Chairman)
Jean-Marie Descarpentries
Dominique Vignon
Duncan Lewis
Jean-Pierre Vandromme

Duncan Lewis

Annual Accounts

With this Annual Report, the Supervisory Board presents the Annual Accounts for the year 2006, accompanied by an unqualified auditor's opinion issued by Deloitte Accountants B.V. and by the information to be added in accordance with Article 392 section 1 of Book 2 of the Netherlands Civil Code. You will find the auditors report on page 87 of the Annual Report.

The Annual Accounts have been signed by the Board of Management and the Supervisory Board.

The Supervisory Board recommends the adoption of the Annual Accounts for the year 2006 to the General Meeting of Shareholders and the discharge of the Board of Management and the Supervisory Board in respect of their management and supervision respectively.

The Supervisory Board is satisfied with the financial performance of the company and thanks all employees for their continuous dedication to support the business.

Amsterdam, March 8, 2007

The Supervisory Board
James C. Allen
Lawrence F. DeGeorge (Chairman)
Jean-Marie Descarpentries
Dominique Vignon
Duncan Lewis
Jean-Pierre Vandromme

Remuneration report of the Supervisory Board

This remuneration report of the Supervisory Board describing the remuneration policy of the company was prepared by the Remuneration and Selection Committee.

Board of Management members are remunerated for the fulfilment of their Management Board duties. In addition, remuneration for members of the Board of Management who are otherwise employed by Completel Europe NV and its subsidiaries consists of (i) fixed base salary, (ii) performance related annual bonuses, (iii) share-based payments and (iv) benefits. The Remuneration and Selection Committee has not been able to establish valid comparisons with a peer group considering the limited number of public companies of a similar size operating in the same sector and market.

Base salary of the members of the Board of Management is initially determined by weighting the experience and achievements of the candidates against market practice for the same responsibilities. Base salary is reviewed annually in consideration of achievements and market evolution.

Annual bonuses are conditional upon the achievement of certain performance objectives set by the Supervisory Board, stating on a proposition from the Remuneration & Selection Committee. Performance objectives determined at the start of each year are based upon (i) achievement of financial targets based on each year's budget, (ii) achievement of individual qualitative and quantitative objectives.

For the year 2006, the following ratio was used to balance base salary and performance related annual bonuses: when base salary was 100, performance bonuses were set at 60% to 105%, for a 100% achievement of the performance objectives. For the year 2006, 2/3 of the annual bonus was based against achievements of financial targets set for the company, derived from total revenue and from the operating result (before depreciation, amortization and extraordinary items). 1/3 of the annual bonus was based against achievement of qualitative and quantitative individual targets such as dedicated projects, deadlines, or key performance indicators. Considering the financial results of the company for the year 2006, 2006 bonuses have been accrued at 100% of the targets set for the year, pending for review by the Remuneration & Selection Committee and final approval by the Supervisory Board. 2006 bonuses will be paid in April 2007.

Compensation of the members of the Board of Management for the year 2006 is detailed on page 83 of the Company statutory accounts.

Benefits are limited to a company car. In addition, a member of the Management Board potentially benefits from limited reimbursement of tax advisors fees. The company has not implemented a dedicated pension plan.

Stock options or similar share based incentive payments are not awarded annually. On April 24 2006, the Supervisory Board approved the implementation of a 2006/2009 Incentive Plan based on a conditional grant of free shares to approximately 80 managers of the Company, including the members of the Board of Management.

The actual number of conditional free shares to be issued pursuant to the plan in 2008 and 2009, respectively, will be subject to certain performance criteria having been met, e.g. (i) achieving certain revenue targets for the financial year 2007, and (ii) achieving certain Adjusted EBITDA targets for the financial year 2008 or (iii) in the event of a change of control occurring prior to May 2009, the highest price paid for the Completel Europe NV ordinary shares in connection with the change of control. This plan potentially grants a maximum number of 1,427,360 ordinary shares. As of this date, 1,174,680 free shares have been conditionally granted and are outstanding under this plan. 0% to 100% of the free shares conditionally granted will be finally issued, depending upon the % of achievement of the set targets. The shares issued upon expiration of the respective vesting periods shall be subject to a lock-up from trading for an additional two years as of the date of their issuance. The conditional free shares finally issued will be paid-up from the freely distributable reserves of Completel Europe NV.

The employment contracts concluded with two members of the Board of Management provide for 9 to 12 months of the former year fixed and variable remuneration in the event of termination, other than dismissal for serious misconduct. This clause of the employment contracts of two members of the Board of Management, concluded prior to the introduction of the Dutch Code of Corporate Governance, deviates from the Art II.2.7. of the Code.

The employment contracts concluded with two members of the Board of Management also include a one-year non-compete clause, indemnified on the basis of annual fixed salary. The company may unilaterally lift the non-compete obligation at the severance of the employment contract.

The company has contracted a Directors & Officers insurance policy which will indemnify the members of the Board of Management against any claim arising in connection with their position as member of the Board of Management, providing that such claim is not attributable to wilful misconduct or intentional recklessness.

Amsterdam, March 8, 2007

The Supervisory Board
James C. Allen
Lawrence F. DeGeorge (Chairman)
Jean-Marie Descarpentries
Dominique Vignon
Duncan Lewis
Jean-Pierre Vandromme

James C Allen

The employment contracts concluded with two members of the Board of Management also include a one-year non-compete clause, indemnified on the basis of annual fixed salary. The company may unilaterally lift the non-compete obligation at the severance of the employment contract.

The company has contracted a Directors & Officers insurance policy which will indemnify the members of the Board of Management against any claim arising in connection with their position as member of the Board of Management, providing that such claim is not attributable to wilful misconduct or intentional recklessness.

Amsterdam, March 8, 2007

The Supervisory Board
James C. Allen
Lawrence F. DeGeorge (Chairman)
Jean-Marie Descarpentries
Dominique Vignon
Duncan Lewis
Jean-Pierre Vandromme

The employment contracts concluded with two members of the Board of Management also include a one-year non-compete clause, indemnified on the basis of annual fixed salary. The company may unilaterally lift the non-compete obligation at the severance of the employment contract.

The company has contracted a Directors & Officers insurance policy which will indemnify the members of the Board of Management against any claim arising in connection with their position as member of the Board of Management, providing that such claim is not attributable to wilful misconduct or intentional recklessness.

Amsterdam, March 8, 2007

The Supervisory Board
James C. Allen
Lawrence F. DeGeorge (Chairman)
Jean-Marie Descarpentries
Dominique Vignon
Duncan Lewis
Jean-Pierre Vandromme

The employment contracts concluded with two members of the Board of Management also include a one-year non-compete clause, indemnified on the basis of annual fixed salary. The company may unilaterally lift the non-compete obligation at the severance of the employment contract.

The company has contracted a Directors & Officers insurance policy which will indemnify the members of the Board of Management against any claim arising in connection with their position as member of the Board of Management, providing that such claim is not attributable to wilful misconduct or intentional recklessness.

Amsterdam, March 8, 2007

The Supervisory Board
James C. Allen
Lawrence F. DeGeorge (Chairman)
Jean-Marie Descarpentries
Dominique Vignon
Duncan Lewis
Jean-Pierre Vandromme

The employment contracts concluded with two members of the Board of Management also include a one-year non-compete clause, indemnified on the basis of annual fixed salary. The company may unilaterally lift the non-compete obligation at the severance of the employment contract.

The company has contracted a Directors & Officers insurance policy which will indemnify the members of the Board of Management against any claim arising in connection with their position as member of the Board of Management, providing that such claim is not attributable to wilful misconduct or intentional recklessness.

Amsterdam, March 8, 2007

The Supervisory Board
James C. Allen
Lawrence F. DeGeorge (Chairman)
Jean-Marie Descarpentries
Dominique Vignon
Duncan Lewis
Jean-Pierre Vandromme

Duncan Lewis

The employment contracts concluded with two members of the Board of Management also include a one-year non-compete clause, indemnified on the basis of annual fixed salary. The company may unilaterally lift the non-compete obligation at the severance of the employment contract.

The company has contracted a Directors & Officers insurance policy which will indemnify the members of the Board of Management against any claim arising in connection with their position as member of the Board of Management, providing that such claim is not attributable to wilful misconduct or intentional recklessness.

Amsterdam, March 8, 2007

The Supervisory Board
James C. Allen
Lawrence F. DeGeorge (Chairman)
Jean-Marie Descarpentries
Dominique Vignon
Duncan Lewis
Jean-Pierre Vandromme

Information on Completel

Description of Business

Completel Europe NV, incorporated in the Netherlands, was established in January 1998 to take advantage of the opportunities arising from the progressive liberalization of the European telecom markets. Since 2002, Completel Europe NV has concentrated its operations in France.

Its French subsidiary, Completel SAS has built metropolitan access fibre networks in the 9 top regions in France, deploying the largest and densest access fibre network coverage among French alternative carriers. Completel SAS has become a leading alternative business carrier in France, offering voice and data telecom services to corporate and wholesale customers.

Based upon the success of its business model, favourable market conditions and a favourable competitive environment, Completel announced in July 2005 an expansion plan extending its pre-existing metropolitan access fibre networks with a national fibre backbone and an extensive DSL network, thus expanding its footprint from 9 to 110 metropolitan areas in France, and multiplying its addressable market by 3.

In 2006, Completel delivered both its new national fibre backbone covering 110 cities, and its DSL network with approximately 600 collocation sites connected. As a result, Completel is today the only alternative operator in France with both a very large metropolitan fibre access network and a comprehensive national DSL network, the third in coverage of French population.

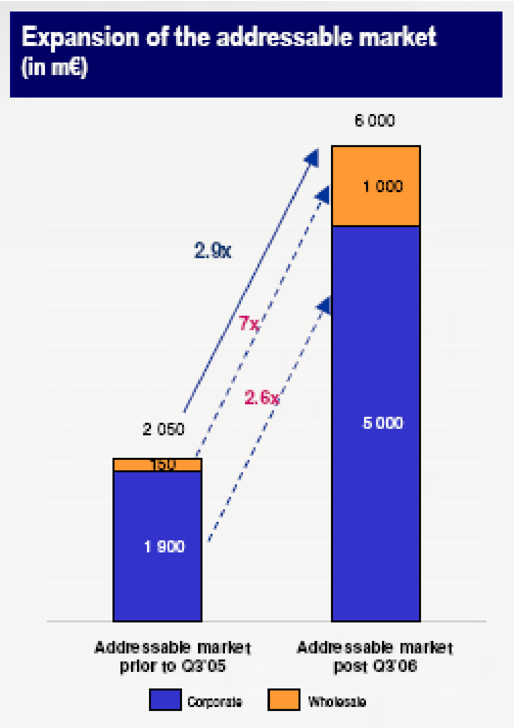
Completel's strategy is to address the telecom needs of corporate customers, offering them a full suite of voice and data telecom products, via the direct connection of customers sites on its unique combination of fibre and DSL networks. In 2006, Completel continued to increase its market share of the corporate market, with a double digit growth of its revenues on this market segment.

Completel also addresses the needs of the wholesale market, offering them traffic termination services, as well as the connection of their end customers to its fibre and DSL networks. In 2006, Completel continued to increase its market share of the wholesale market, with a double digit growth of its revenues on this market segment.

In 2006, Completel also entered a new segment of the residential wholesale market, developing "triple play" residential services for Darty. Completel's network is the third largest DSL network in France, in terms of collocation sites connected and residential lines passed.

A national telecom operator serving corporate & wholesale customers

Completel's addressable market was historically restricted to its fibre local access network footprint in 9 largest regions in France. Completel has tripled its addressable market further to the completion of its national coverage in Q3 2006, strengthening its competitive position in the corporate market. Completel now covers most of French medium and large companies, the majority of French SMEs, and almost the entire French wholesale market.



source: Company estimates based on publicly available information

Addressing the corporate market on a geographically expanded market

Expanding its network to 110 metropolitan areas during the year 2006 has allowed Completel to address a much wider potential customer base. Since the announcement of the plan, the extended coverage has attracted new prominent customers, such as Air France-KLM, La Poste, the Ministry of Interior, the Louvre museum, RATP, Vivarte…

With its expanded network footprint covering 110 metropolitan areas, Completel has also the opportunity to directly access the majority of the French SMEs whose average needs can be economically served with DSL based solutions.

Completel mostly addresses the corporate market with direct sales, and concentrates its sales efforts on the high end of the corporate market (medium and large multi sites companies and mono-site SMEs with an ARPU greater than 500 euros per month).

In November 2006, the Company partnered with Nextiraone, the first PBX installer in France, to further address the SME market. Under this partnership, NextiraOne markets a bundled PBX and telecom services offer to the SMEs ranging from 20 to 250 employees. Completel operates the underlying telecom services for NextiraOne.

Up-selling medium and large companies

Completel mainly serves medium and large companies since the Company has historically focused on addressing with fibre access the needs of large and critical sites of multi-sites corporate customers, located within a 500-meter range of its metropolitan networks. Completel had solidly established its presence on this market segment, but was however lacking the geographical coverage to economically serve the remote sites of its customers, located outside the 9 regions historically covered.

With its expanded network footprint covering 110 metropolitan areas, Completel is now able to up-sell to its existing medium and large customers by addressing with DSL access the telecom needs of their secondary sites across France, leveraging on the complementary access of fibre and DSL. In 2006, Completel sold VoIP over DSL services to the secondary sites of existing fibre customers, such as Auchan. Completel's combined offer of fibre and DSL connections is increasingly proving to be the appropriate response to serve the telecom needs of medium and large companies.

In 2006, Completel has also increased its ability to serve the international needs of its customers through a non-exclusive partnership signed with BT on November 8, 2006. BT is Completel's preferred supplier to connect the international sites of its customers.

As of December 31, 2006, 2,558 companies and public institutions were connected to its networks.

source: Completel

Addressing the wholesale market on a national basis

Completel also addresses the wholesale market, offering French and foreign operators a full suite of traffic termination services, as well as the connection of their end customers.

Thanks to its extended footprint and the combination of its DSL and fibre networks, Completel is now addressing the wholesale market on a national basis, providing French and foreign operators with a viable alternative source of supply to France Telecom and Neuf Cegetel, the two main providers of this market segment.

In 2006, Completel captured an increasing share of the wholesale market and served an increased number of carriers and service providers. As of December 31, 2006, Completel served 190 wholesale customers.

source: Completel

Entry into the wholesale residential DSL

In February 2006, Completel signed a long term contract with Darty to provide, on a wholesale basis, triple play services to the residential market. The company successfully developed residential triple play services from scratch in 8 months, enabling Darty to launch its offer (Dartybox) early November 2006.

Under this contract, Completel produces triple play services (VoIP services, high-speed Internet access, and high density TV services) on unbundled DSL lines, while Darty assumes the relationship with its residential customers (including customer service, billing and back office).

Through the contract signed with Darty, Completel indirectly became a residential operator. However, Completel does not directly address the residential market and thus, does not compete against its own wholesale ISP customers.

The only alternative corporate operator with its own metropolitan fibre and DSL network

Leading alternative carrier with its own local fibre access network

Historically, Completel deployed metropolitan fibre access networks in the nine largest regions in France, then continuously densified its local fibre access coverage through the connection of new customers in new business areas.

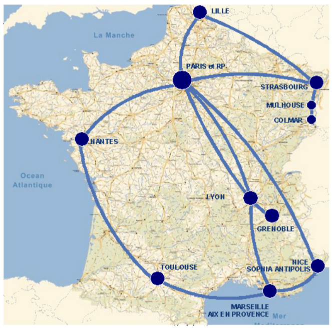
Today, Completel is the leading alternative with more than 2,300 kilometers of local fibre optic metropolitan networks in nine of the largest French urban agglomerations: (1) Paris, (2) Lyon, (3) Marseille and Aix, (4) Lille, Roubaix and Tourcoing, (5) Grenoble, (6) Toulouse, (7) Nice and Sophia-Antipolis, (8) Nantes and (9) Strasbourg, Colmar and Mulhouse.

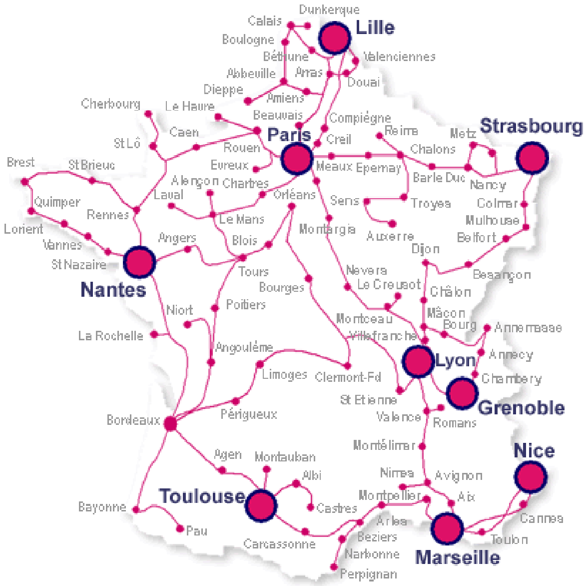
In 5 out of the 9 metropolitan areas covered, Completel is the only fibre alternative to France Telecom. Completel deployed its networks in high-density business areas with little or no fibre service from other carriers. The fibre in its nine metropolitan fibre access networks are deployed in ducts that Completel owns or leases from third parties under long term agreements, automatically renewable.

These unmatched metropolitan fibre access networks are a key competitive advantage of Completel against its competitors, including France Telecom.

Completion of national backbone and DSL network

Completel launched an extension of its network coverage in Q3 2005, and completed its national backbone and DSL extension in Q3 2006, expanding its footprint from 9 to 110 metropolitan areas in France.





Fibre network before Q3'05:

- 9 metro areas in fibre
- 2,200 km of local fibre based access network
- 3,000 km of leased national backbone
- National backbone capacity of 2/3 lambdas

Extended network starting Q3'06:

- 9 metro areas in fibre
- 110 metro areas in DSL
- 2,300 km of local fibre based access network
- 10,000 km of national backbone
- National backbone capacity of 40/80 lambdas

The network extension was mainly composed of:

- **A national backbone** of 10,000 km to access collocation and interconnection points in 110 metropolitan areas, and replacing the previous 3,000 km national backbone, linking the nine historical MAN's, which was leased to 3rd parties. The upgraded network is equipped with 40/80 lambdas DWDM technology, enabling Ethernet speeds of up to 10 Gb/s per lambda. The Company mainly contracted 15-year indefeasible rights to use ("IRUs") from major infrastructure providers for the long distance backbone;

- **Local fibre networks** in the 110 metropolitan areas connecting the national backbone to the incumbent's collocation points. The Company mainly contracted 15-year Indefeasible Rights to Use ("IRUs") from multiple sources (including telecom operators, cable operators, and local authorities) for access to the collocation sites;

- **Access to approximately 600 collocation points,** un-bundling the local loop and accessing 415 interconnection points with France Telecom.

As a result, Completel is today the only alternative operator with both a very large metropolitan fibre access network and a comprehensive DSL coverage of French businesses.

This new network allows Completel:

- To use fibre and DSL as complementary access to address customers' needs for Very High Speed and High Speed services, depending on customer's sites size and bandwidth need;
- To control its networks from end-to-end through its own national backbone leased on a long term basis, thus reducing its dependency from other carriers and increasing its network capacity;
- To continue to serve its customers with a suite of innovative IP and Ethernet based services, along with superior quality of service; and
- To improve overall economics as Completel now produces most of its xDSL lines at attractive margins while it has been historically leasing xDSL access from France Telecom and Neuf Cegetel.

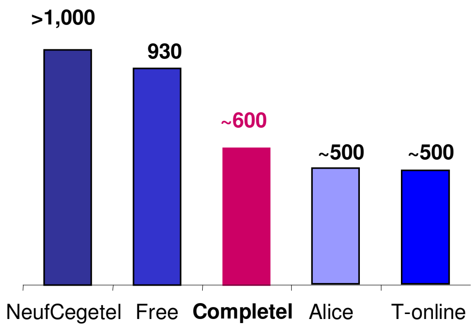
In parallel of its network extension, Completel deployed a New Generation Network (NGN) in 2006. All new customers have been connected to its NGN network since July 06. The NGN is based on Completel's MPLS network supporting both Ethernet and IP protocols, the dominant technologies for corporate networks. With its MPLS network, Completel offers to its customers voice-over-IP services, as well as different classes of Ethernet-based data transmission services.

To date, Completel's main equipment suppliers are Nortel (SDH, voice TDM and VoIP switches, Internet routers), Huawei (DWDM, DSLAM), Redback (Ethernet switches, layer 2 and layer 3 routers) and Cisco (routers).

The 3rd largest DSL network in France

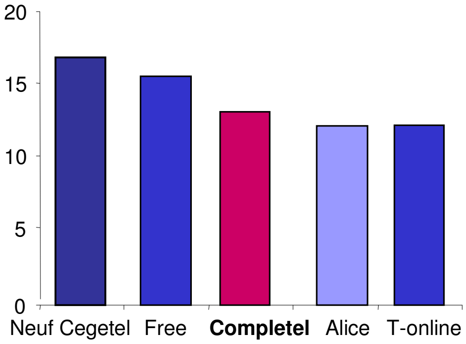
In 2006, Completel deployed the 3rd largest DSL network in France, in terms of number of collocation sites and population covered. In November 2006, Darty, a leading French distribution chain, launched a nationwide Triple Play residential offer, the "Darty box". The underlying VoIP, Internet access and TV services are produced by Completel for Darty.

in number of collocation sites connected



source: Completel estimates

in number of lines covered (in millions)



source: Completel estimates

An already concentrated market

Since the liberalization of the French telecommunications market in 1996, a large number of telecommunications operators have positioned themselves in the corporate and wholesale market segments, offering different access technologies to the end users. Over the last few years, the process of concentration has drastically reduced the number of competitors in these segments. Following the merger between Neuf Telecom and Cegetel in July 2005, the French business telecom market is now concentrated around few competitors which have various profiles.

The profile of competitors vary with their market positioning and their network footprint:

	Geographically limited coverage: Local access fibre and DSL networks	National coverage: Limited local access fibre network and comprehensive DSL network	National coverage: Comprehensive local access fibre network and comprehensive DSL network
Serving both the corporate and the residential markets		Neuf Cegetel	France Telecom
Serving the corporate market only	Colt		Completel

Completel is the only alternative operator addressing the corporate market on a national basis with both a large local access fibre network and a comprehensive DSL network (over 10 million of French lines covered).

Nationwide competitors using their own fibre and DSL access

France Telecom — the main competitor

Public data and France Telecom's own publication leads Completel to believe that France Telecom still enjoys an approximate 80% market share for corporate telecom services.

Due to its historically exclusive market position, France Telecom retains competitive advantages over alternative operators, including:

- A preponderant share of the end-user market;
- Control of access to the majority of end-users;
- Established installations for distribution and connection at local, intercity, national and international level;
- Extensive human resources in the finance, technology, management, marketing and other key domains;
- Existing rights-of-way;
- An old-established reputation;
- The French ministry of finance as its main shareholder; and
- Established relationships with regulatory authorities.

Apart from France Telecom, which is expected to remain Completel's main competitor, Completel also competes with Neuf Cegetel, a nationwide operator, and to a lesser extent, with other operators which mainly use third party DSL or leased lines access to serve their customers.

Neuf Cegetel

Completel competes with Neuf Cegetel, the new group created in July 2005 following the merger between Neuf Telecom and Cegetel, the then two largest generalist alternative operators on the French market. Neuf Cegetel has rapidly merged and is now behaving as one company. Neuf Cegetel became a public company in October 2006 and publicly stated managing their corporate customers division towards customer protection and cash flow generation.

Neuf Cegetel focuses on the residential market, addresses every segment of the corporate market, from the smallest accounts to the largest, and the wholesale market.

Neuf Cegetel mainly offers DSL-based services to their corporate customers, from the SMEs to the medium and large companies, from its national DSL network. Neuf Cegetel has deployed local fibre access network in a limited number of dense areas. Neuf Cegetel is primarily active in La Défense, the business district in Paris, and in Bordeaux. Overall, its metropolitan access fibre networks are much smaller than Completel's, whether in terms of regions covered or in terms of network density. Completel believes that Neuf Cegetel is investing only marginally in direct fibre connections for the business market.

For medium and large companies, Completel believes that its offer of complementary fibre and DSL access is a better response to the customers' needs (use of fibre for the main sites requiring more bandwidth and security and use of xDSL for secondary sites requiring more limited needs). Though Neuf Cegetel may offer similar solutions, its local fibre network is less dense than Completel's and usually does not have sufficient geographical coverage.

More generally, Completel believes that it has a competitive edge over Neuf Cegetel, thanks to its focus on the corporate market, its local fibre access network coverage along with its comprehensive DSL coverage of French businesses, the direct connection of its customers' sites, its direct sales approach and finally its regional presence.

Competitors using mostly third party access

Colt

Completel competes with Colt mainly in geographically confined areas, such as Paris, Lyon and Marseille, where it has deployed limited fibre and DSL networks. Colt primarily focuses on pan-European customers and offers telecom services using direct (fibre and DSL) access on a limited geographical scope or via third party access.

Little competition from global international operators

Completel faces little competition from operators such as Verizon, BT and AT&T, which mainly target multinational customers, primarily using third party access. Although Verizon has a limited metropolitan access fibre network coverage in Paris, Lyon and Strasbourg, the Company believes that Verizon lacks meaningful local network presence in France.

International operators are also customers of Completel through its wholesale division, for the connection of their end customers.

Little competition from wireless local loop (WLL/WIMAX) operators and resellers

Completel faces little significant competition from wireless local loop operators (Bolloré Telecom, Altitude Telecom), which mainly target low density business areas poorly covered by fibre optic and DSL.

Though Completel also faces competition on voice services from switchless resellers, they are few in number, lack infrastructure and target only a marginal share of the market. Completel believes that resellers of DSL services will find it more difficult to compete, especially on the SME market, due to the high cost of leased DSL lines and the relatively modest revenue per line generated by SME customers.

Little competition from local authorities

Local authorities have been authorized to become wholesale operators of telecommunications networks or providers of retail services where there is a lack of private initiatives. Generally, local authorities have deployed a network to connect all the collocation sites of France Telecom, towards selling DSL services on a wholesale basis.

Overall, the Company faces little competition from local authorities which are also suppliers of Completel. The Company routinely contracts local authorities to leverage on their network to access customers' sites at a lower costs and also to access DSL collocation rooms.

A comprehensive service offer on complementary networks

A national operator offering all telecom services

Completel offers a wide range of telecommunications services throughout France:

	Voice Services	Data & Internet Services	Convergence
Specific Needs	• Optimized costs • Improved routing	• Increased productivity • Secured data • Availability of information systems	• New applications combining voice and data
Adequate Services	Voice over Fibre	LAN to LAN	Multiservice Solutions VoIP and Internet
	Voice over DSL	IP VPN	
	Multisites Voice	SAN to SAN	Company VPN
	Preselection	Internet	
	800 Numbers	Hosting	
		Managed security	

source: Completel

With this broad range of services, Completel represents an alternative to the incumbent operator, allowing its customers and prospects, where applicable, to replace the incumbent. The full range of services is available throughout the national territory.

Completel usually offers its customers and prospects competitive prices adapted to their needs. For voice services, the Company generally prices its services to its customers at a discount to the incumbent operator, and for data services, Completel primarily differentiates from the incumbent operator with a greater flexibility, availability, project management or a better quality of service for certain Very High Speed data services.

Completel's fibre optic metropolitan networks is a major strength in differentiating its service offer.

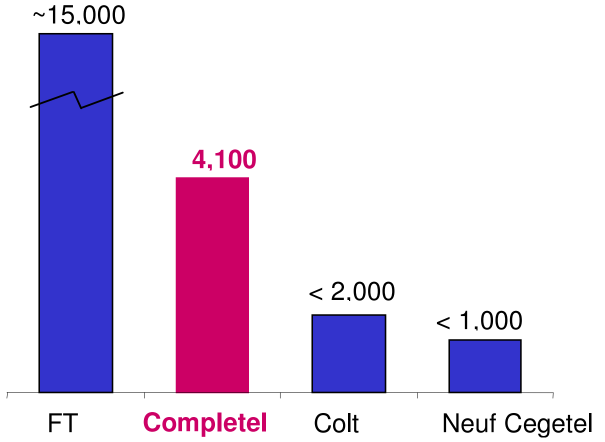
Direct connection based on complementary fibre and DSL access

Completel believes that owing a direct connection to the customers sites delivers long-term competitive advantages such as:

- Higher revenue per customer;
- Controlled and oversized bandwidth from the initial connection;
- Higher degree of customer loyalty; and
- Improved operating margins.

Combination of fibre to the site…

The Company provides direct fibre connection to its customers' sites located within the reach of its metropolitan networks. At year-end 2006, Completel had connected 4,100 sites to its metropolitan fibre access networks, confirming its position of France's leading alternative carrier in fibre sites in service.



Source: Completel estimates

Direct fibre connection to the site offers customers the benefit of a flexible technology which can be tailored to their voice and data requirements. The main proven advantages of fibre optic over other technologies such as DSL are unmatched levels of bandwidth capacity and reliability of service.

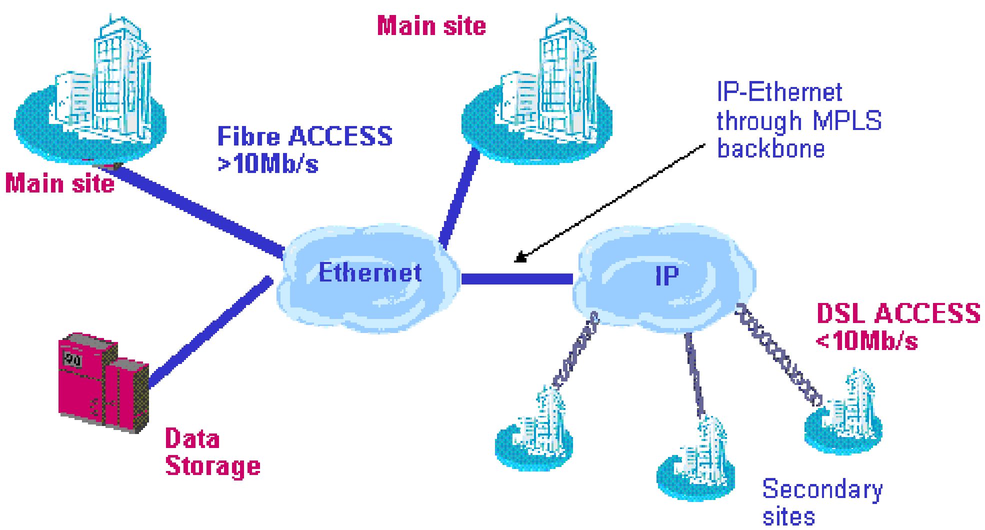
… and DSL access

Completel is using both fibre and DSL as complementary access technologies to address its customers needs, depending upon the bandwidth and security requirements of their sites.

Generally, Completel connects its customers' main and/or critical sites with fibre, while it usually connects with DSL lines the secondary sites of large customers, as well as SME's in the areas covered by its DSL network.

In addition, customers' secondary sites outside of Completel's DSL network reach are connected through DSL lines or leased lines leased from France telecom or other operators.

Typical example of a company data network (in fibre optic and DSL)

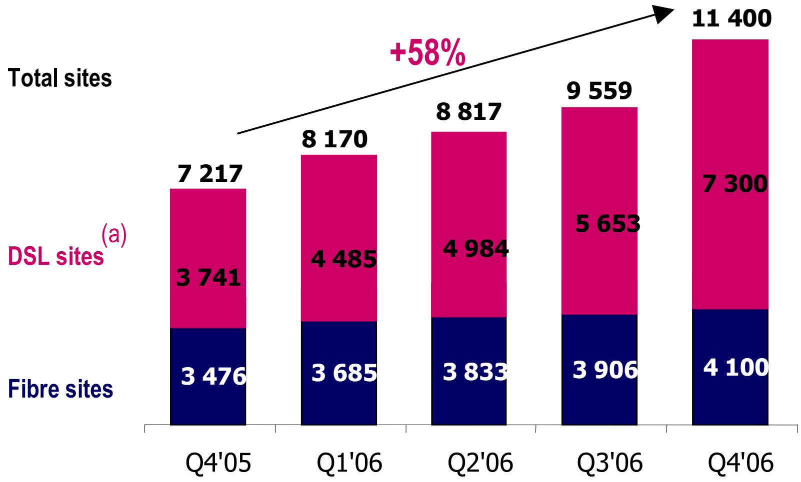


Completel believes that the direct connection based on complementary fibre and DSL access is the best technical response to customer needs:

- Bandwidth needs;
- Technological and geographical complementarities; and
- End-to-end control of quality of service.

The complementarities of fibre and DSL-based solutions give Completel a unique position in the corporate market. Its competitors may offer similar solutions, but their fibre networks are less dense than Completel's and usually do not have sufficient geographical coverage.

In 2006, the Company accelerated the use of DSL lines and doubled the number of corporate sites connected with DSL; there were 7,300 DSL connected sites as of December 31, 2006, against 3,741 as of December 31, 2005. In 2006, the proportion of DSL connected sites against fibre connected sites continued to increase, as Completel increasingly sold its DSL services to secondary sites of its existing fibre connected customers, and addressed new customers with national needs.



(a) Excluding wholesale DSL sites

Source : company

Fibre connection for Gigabit Ethernet services

Completel believes that its local fibre access network constitute a major strength in differentiating its services, such as LAN-to-LAN, SAN-to-SAN, and Gigabit Ethernet services, to meet the bandwidth needs of multi-site medium and large companies. Only an operator with significant fibre coverage - locally and nationally - can offer such Very High Speed services (over 10 Mb/s) and control direct fibre optic connection of customer sites and end-to-end network supervision.

Completel was the first French operator to offer services such as LAN-to-LAN based on Ethernet technology, which is the standard technology for corporate data networks. With over 1,600 sites connected at the end of 2006, Completel considers that it remains the leading alternative operator in this market segment.

In 2006, demand from national accounts for Gigabit Ethernet services was strong and Completel successfully signed new prominent customers in the service sector (banks, insurance companies, transportation companies). In 2006, Completel was selected by some customers as their prime supplier for such services, with the incumbent becoming the back-up supplier.

A bundled services approach for the SMEs

For SME customers, Completel has implemented bundled voice, data and Internet services over DSL lines at a competitive price, the same kind of products and services it has successfully sold through fibre access over the past years. This approach allows Completel to capture almost all of the customers' telecom spend and to offer a viable alternative to the incumbent's services offerings. Completel offers value added IP-based telecommunication services to its SME target market, and plans to offer IP Centrex services in a near future.

Wholesale services for carriers and Internet Service Providers

In 2006, Completel extended its wholesale services portfolio, benefiting from its extended network coverage and product development. Completel offers carriers and Internet Service Providers the following services:

- DSL-based Triple Play residential services;
- DSL-based Double Play corporate services;
- Fibre and DSL access: Very High and High capacity metropolitan links to connect their end customers;
- Collocation of their equipment; and
- Traffic termination and traffic collection services.

Completel remains a corporate operator and does not compete with its wholesale customers on the residential market, which is a key differentiator with its competitors.

In November 2006, Darty, a leading French distribution chain, launched the Dartybox, a residential Triple Play service offer, which is produced by Completel and retailed by Darty.

A customer-oriented organization with a strong regional presence

Strong reinforcement of the organization to support the expansion plan

In 2006, Completel strengthened its organization to support its nation-wide network and commercial expansion. As a consequence, Completel primarily reinforced its sales staff and to a lesser extent, its network and operations team in order to sell its services on its expanded addressable market and to support growing operations. The Company had 708 employees as of December 31, 2006, against 570 as of December 31, 2005.

	December 31, 2006	December 31, 2005
By geographic location:		
Central	341	310
Paris & Regions	367	260
By activity:		
Sales & Marketing	255	190
Network, IT & Operations	376	305
Management & Administration	77	75
Total number of employees	**708**	**570**

The Company considers that its staff expansion is nearing its end, and anticipates to only marginally reinforce its network, operations and sales teams in a near future.

Completel maintains a strong and decentralized regional presence to address medium and large customers. The Company created a dedicated business unit, centrally managed, to address the SME market.

A strong regional presence to address medium and large customers…

The Company maintains dedicated teams in each region, supervised by Regional Directors:

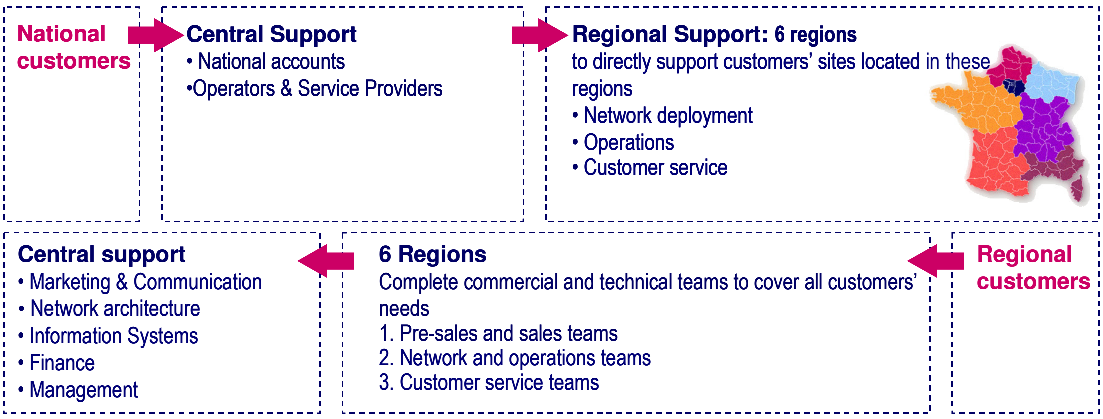
- Sales team: sales and pre-sales coached by a manager to ensure a strong commercial presence;
- Maintenance and network operation team: for efficient network management (rights-of-way and access agreements), network maintenance and efficient customer connection to its metropolitan and DSL networks; and
- Customer service team: Completel provides first level customer care to its business end-users on a regional rather than a national basis, ensuring a personalized relationship, fast response times and day-to-day monitoring of their needs through a real-time information system. Outside business hours, its customer care functions are supported by its Network Operations Center, which is open twenty-four hours a day, seven days a week.

Completel believes that its regional organization is the best suited to serve its customers and prospects efficiently and rapidly, increasing both penetration and customer loyalty.

National corporate customers and wholesale customers are addressed and supported by a centralized organization located in Paris.

… Supported by centralized resources

To ensure consistency and cost rationalization, the regional teams are supported by centralized resources, namely marketing and communication, network architecture, information systems, finance and management.



source: Completel

A focused direct sales process

Completel believes that its direct sales approach towards the corporate market is a key competitive advantage to address customers and prospects needs, as it privileges responsiveness and quality of service.

Completel maintains a sales force decentralized at the regional level to serve its regional accounts, together with centrally managed national teams dedicated to national accounts.

The Company has entered into a number of sales partnerships to provide global solutions for its existing and prospective customers:

- an exclusive partnership with Telindus, the leading French data network integrator for IP value-added solutions;
- non-exclusive partnership with NextiraOne, the leading PBX installer, on the SME market.

During 2006, Completel significantly increased its sales and marketing force to address its extended addressable market.

A dedicated business unit to address SMEs

Completel is addressing the SME market with a centrally managed dedicated business unit.

This business unit has its own direct sales force, localized in regions to ensure a constant commercial presence. Operation teams to connect SME customers to the Company's DSL network are centralized, as well as customer service.

In order to accelerate and maximize SME market penetration, Completel signed, in November 2006, a partnership with Nextiraone, the first PBX installer in France to leverage on their secured relationships with SME's. The Company may also partner with other players that could be either distributors of its services or more strategic partners integrating its services with their own services under their own brand-name.

A dedicated business unit to serve wholesale customers

Completel is addressing the wholesale market with a centrally managed dedicated business unit.

This business unit has its own direct sales force and customer support functions, addressing wholesale customers needs on a national basis.

In 2006, Completel demonstrated its ability to offer innovative solutions to wholesale customers serving all market segments nationwide. Completel leveraged on its DSL network, which is the 3rd largest DSL network in France in terms of number of collocation sites and population covered, to provide Darty nationwide DSL based Triple Play services to the residential market. Completel also leveraged on its extended network footprint to sell bandwidth capacity to several operators (long term contracts of €40 million).

A focused marketing and communication

Completel's marketing and communication aim to strengthen its reputation and image with its target corporate and wholesale customers. Unlike its competitors also addressing the residential market, the Company does not conduct national media campaigns, which seem unsuitable for its sales targets. Instead, it favours relations with the press, participation in telecom events of interest to its prospects, the publishing and distribution of a company magazine which addresses corporate telecom issues, and local initiatives of all kinds to disseminate its messages and to promote its image with decision-makers and opinion-leaders in its target corporate market. In 2006, this strategy was reinforced by a specific action plan to support the opening of new sales offices, the launch of SME's activity and the recruiting plan.

Historical overview

1998-2001: Corporate establishment, network deployment and launch of services

- Establishment of Completel Europe NV and its operating subsidiaries in France, Germany and the UK
- Financing through debt offerings and Initial Public Offering on the French Premier Marché and the NASDAQ

In France:
- Deployment of its MAN's in 9 cities in France
- Development of a comprehensive portfolio of services for corporate and wholesale customers
- Launch of the first LAN-to-LAN services

2002: Financial Restructuring and operating focus on the French market

- Recapitalization of the Company: debt for equity swap and cash investment of EUR 44 million
- Delisting from NASDAQ
- Operating focus in France with the sale of the German and UK subsidiaries
- Launch of IP VPN services

2003-2005: Development of operations and financial performance

- Confirmed position as first operator of LAN-to-LAN services on end-to-end Ethernet network in France with almost 1,300 sites connected at the end of 2005
- Exclusive partnership with Arche Omnetica Group, the leading French data network integrator, to serve corporate data needs
- Launch of VoIP services in 2004
- Free cash flow positive from Q4 2004, through the launch of the expansion plan

July 2005: Launch of expansion plan to triple the addressable market

- Launch of expansion plan to become the only alternative operator with both a very large metropolitan fibre access network and a comprehensive DSL coverage of French businesses
- Raised €120 million in July 2005 to fully fund the expansion plan

2006: Execution of expansion plan and continuing development

- Completed national backbone and DSL network
- Developed the 3rd largest DSL network
- Confirmed leadership position on Very High Speed services (LAN-to-LAN services)
- Launched dedicated SME offer on DSL line
- Double digit revenue growth for all products on all market segments

Regulatory

The European Union has been the driving force behind all the major changes in the regulatory framework of the telecommunications market in recent years. During the 1990s, the European legislative apparatus enacted a number of directives designed to dismantle national monopolies in the telecommunications market by January 1st, 1998. The transposition of the European directives into French law took the form of law in July 1996 amending the Post and Telecommunications Code, abolishing France Telecom's legal monopoly, providing for the immediate liberalisation of all telecommunications activities and, finally, creating the *Autorité de Régulation des Télécommunications* (ART), which was established as the French National Regulatory Authority (NRA) on January 5, 1997.

This regulatory framework changed again in 2004 with the transposition into national law of the European directives of March 7, 2002, which are known as the "Telecoms Package". These directives have affected the competitive environment on the French telecommunications market from 2005 onwards.

As a result of the Law of July 9, 2004, ART became ARCEP (*Autorité de Régulation des Communications Electroniques et des Postes*).

The European directives of 2002

The main objective of the European directives issued in 2002 was to adapt the then existing legal framework to the changes brought about by network convergence. The 2002 framework applies to all types of networks, including cable, electrical, wired, mobile and satellite networks, and therefore requires a clearer separation between the regulations applying to carriers and those applying to content. This reform also involves bringing sector-specific regulations in line with competition law, as well as harmonizing the market at European level.

The framework took into account:

- The growth of competition*:* The development of competition in the various markets requires the fine-tuning of the regulatory framework to suit the diversity of competitive conditions in the various segments of the electronic communications market. In its framework directive No. 2002/21, the European Commission identified 18 relevant markets (7 retail and 11 wholesale) for Europe as a whole which needed to be analysed by the ARCEP;

- Network convergence*:* The convergence phenomenon is taken into account in order to establish a harmonized legal framework for all types of networks, regardless of whether they are telecommunications networks or cable networks, and this is the reason why the term "telecommunications" has been replaced by "electronic communications".

The framework aimed to:

- Simplify the authorization system: A general authorization system replaced the system of individual licenses. The distinction between public and private networks and services disappears. All providers enjoy the same rights without discrimination;

- Simplify the regulatory process and regulations: *Ex ante* regulation should only apply if the level of competition in certain specific markets is deemed to be insufficient. Preference is given to *ex ante* intervention in the wholesale markets, while regulation of retail markets will be imposed only as a secondary resort. Individual licenses have been done away with and a general authorization and notification system has been introduced. Price controls have been eased and there will be no *ex ante* regulation for emerging markets;

- Achieve greater transparency in regulatory matters: Important decisions must be subject to a prior public consultation process. The NRA must always provide the reasoning behind all its decisions;

- Reinforce the European Commission's role in matters of harmonization: All important decisions taken by the NRA must be notified to the European Commission. The Commission has the right of veto concerning the definition of relevant markets subject to *ex ante* regulations and the identification of operators with significant market power. Other European NRAs must also be notified of and allowed to comment on decisions concerning market analyses; and

- Apply the principles of competition law: The regulation of the electronic communications sector is based on the fundamental principles, concepts and reasoning of competition law. The ARCEP will use the tools of competition law in order to analyze the markets and to designate dominant operators. This analysis of relevant markets will be carried out in consultation with the competition authority, the *Conseil de la Concurrence*.

The transposition into French law of the 2002 European Directives

The legislative process of transposing the European directives of 2002 was completed in July 2004 when Parliament voted to enact the law governing electronic communications and audiovisual communication services.

Three new laws now govern the telecommunications sector in France and define the powers of the NRA:

- The law governing electronic communications and audiovisual communication services (known as the "telecoms package" transposition law), enacted on 9 July 2004. This law aims to ensure that the regulations relating to this sector are appropriate for the diversity of competitive conditions in the various markets and take into account the convergence of technologies, making the regulatory framework more sensitive to economic issues and giving it a more Community-oriented dimension;

- The law on confidence in the digital economy, enacted on 21 June 2004. This law provides greater protection for consumers in their dealings with Internet merchants, while also dealing with the question of the liability of the intermediary ISPs. It also includes provisions enabling local authorities to act as operators;

- And finally, the law relating to public telecommunications service obligations and France Telecom, enacted on 31 December 2003. This law integrates the regulatory changes arising from the transposition of the directive on the universal service and the rights of users in respect of electronic networks and services, and also the means for calculating the contribution of operators to the funding of universal service obligations. This means that France Telecom is no longer designated by law as the operator responsible for provision of universal service and that the operator or operators required to guarantee the provision of universal service will in future be designated on the basis of calls for tender.

The principal objectives of these changes to the regulatory framework are as follows:

- To foster "effective and fair competition to the benefit of users";
- To guarantee "the provision and funding of all aspects of the public telecommunications service";
- To guarantee "job creation and the development of innovation and competition in the telecommunications sector"; and
- To take into account "the interests of regions and users in terms of access to services and equipment".

ARCEP's responsibilities and powers

The new legal regime which has been established defines the procedures to be applied rather than, as under the 1996 law, a relatively rigid framework with lists of obligations to be applied. The first, vital, stage provided for under the new framework was the analysis of relevant markets. This process defined and justified what was previously directly specified by law. It is in fact these market analyses which are used as the basis for regulation in the coming years. The other important change introduced by the new legal regime concerns the NRA's powers which have now been increased, but which are also subject to greater oversight.

Changeover from a license system to a notification system

The new European legislation enshrines the principle of freedom to establish and operate a public network and provide public electronic communications services, and marks a change from a system of individual licenses to one of general authorization.

The ARCEP is therefore no longer responsible for assessing individual license applications and the Minister responsible for telecommunications no longer issues licenses. However, operators are obliged to notify the ARCEP of their intention to provide such services, and the ARCEP will issue an acknowledgement of receipt of the notification, enabling them to exercise their rights (interconnection, rights of way, etc.) and familiarize themselves with their obligations (taxes, contribution to funding universal service, etc.).

Market analysis and obligations

One of the ARCEP's main roles is to ensure that there is real competition in 18 market segments, which are known as "relevant" markets, covering residential and non-residential services, as well as wholesale services.

For each of the 18 markets identified in the Commission's recommendation, the ARCEP identified the various relevant markets and the operators it considers to have Significant Market Power (SMP) and, the case being, imposed appropriate remedies. As of today, ARCEP has departed from the Commission's recommendations with the identification of a new relevant market - the call termination of SMS on individual mobile network, which is not included in the list of 18 harmonized markets.

Today, the analysis of the 18 relevant markets is completed and ARCEP identified the operators with Significant Market Power (SMP) in these markets and imposed certain obligations on operators which were justified, proportionate and commensurate with the nature of the competition problem which has been identified. Such measures relate principally to wholesale markets, but can also apply to the retail market where necessary. These obligations or measures are defined in the "access" and "universal service" directives.

Here is the result of the analysis for non-residential and wholesale services. Residential services are excluded since Completel does not address the residential market:

Markets				**SMP**
Fixed voice		Retail market	Access for non-residential services	France Telecom
			National calls for non-residential services	France Telecom
			International calls for non-residential services	France Telecom
		Wholesale market	Call origination	France Telecom
			Call termination	All local loop operators (a)
			Transit	France Telecom
Fixed data	Leased lines	Retail	Leased lines of 2Mbits or less	France Telecom
		Wholesale market	Terminating segment (primarily comprising partial leased lines for termination)	France Telecom
			Trunk segment (i.e. the backbone between operators' main network nodes)	France Telecom
	Broadband	Wholesale market	Provision of broadband access	France Telecom
			Provision of unbundled access	France Telecom
Mobile		Wholesale market	Access and call origination	3 mobile operators / price cap imposed (b)
			Call termination	3 mobile operators / price cap imposed (b)

(a) With regards to call termination, all local loop operators have been declared SMP and imposed an obligation not to charge excessive rates for terminating calls on their networks. On June 1st, 2006, ARCEP published its decision on a call termination dispute between France Telecom and Neuf Cegetel, setting call termination tariffs for Neuf Cegetel for the period January 1st, 2006 to September 30th, 2008. This ARCEP decision was not directly applicable to other players who were not a party to the dispute brought before ARCEP (including Completel). However, this call termination tariff served as basis for Completel and other operators to settle their own dispute with France Telecom and therefore set call termination tariffs for the period January 1st, 2006 to September 30th, 2008 for all the industry.

(b) The price cap imposed on the three mobile operators has reduced Completel's termination costs. In application with the principles of ARCEP, the decrease of termination costs has been passed to the end-customers.

Once it has completed its analysis of the markets, the ARCEP may also impose obligations:

- With respect to retail services, and particularly to retail prices, if the market is not sufficiently competitive and if the obligations imposed on SMP operators in matters of access and interconnection in the underlying wholesale markets are not sufficient; and

- On SMP operators in the fixed telephone service connection market which are obliged to offer carrier selection or pre-selection.

Obligations may also be imposed on non-SMP operators. These are aimed at ensuring that operators controlling access to end users provide end-to-end connectivity. Such obligations may also be imposed to ensure compliance with international commitments.

Price control

Under the previous legislation, the ARCEP was responsible for reviewing the retail prices charged by France Telecom and other SMP operators and for ruling on any new tariffs before they could be applied in respect of:

- Retail services for which no competitors existed in the market;
- Services offered to other operators for access to and interconnection with its network; and
- Services considered as universal service (basic fixed telephony, mainly voice).

Furthermore, the Minister for telecommunications was required to approve France Telecom's retail tariffs on the basis of the ARCEP's recommendations.

Under the current framework, approval of tariffs is considered to be part of the overall control measures and therefore takes place on the basis of the results of the analysis of the relevant markets, but from now on the ARCEP has sole responsibility for approving the tariffs.

As of today, on the basis of the state of competition in the market, the ARCEP considers that the access and interconnection obligations imposed on the underlying wholesale markets are sufficient to remedy competition problems identified in the retail markets.

Settlement of disputes

The ARCEP has the power to settle disputes between operators. It is responsible for settling disputes between operators in relation to the following issues:

- The refusal to provide interconnection, the conclusion or implementation of interconnection agreements and the conditions of access to a telecommunications network;

- The need to bring into compliance agreements which include clauses that exclude or impose restrictions of a legal or technical nature on the provision of telecommunications services provided using cable networks; and

- The availability and conditions of shared use of existing installations located in the public domain or on private property.

The ARCEP is also responsible for settling cross-border disputes. Upon the current legal framework, ARCEP is required to issue its decision within a period of four months that may be extended to six months under exceptional circumstances.

Imposition of penalties

The ARCEP has the power to impose penalties on operators which fail to fulfill their obligations. It may impose financial penalties, suspend or withdraw the right to operate or to use frequency or numbering resources and the transposition law has now granted it the power to take interim measures in cases of emergency.

The universal service

Pursuant to the law of 31 December 2003 transposing the European “universal service” directive of 7 March 2002 into national law, the ARCEP is required:

- To determine the principles and methods for providing universal service;
- To calculate the amount of contributions to the funding of universal service obligations, now based on the revenues generated in respect of services (excluding interconnection);
- To monitor the funding mechanisms; and
- To impose penalties on operators which fail to pay their contribution.

The ARCEP must also ensure that the provision of the minimum set of leased lines as provided for by the “universal service” directive follows the principles of non-discrimination, cost orientation and transparency.

Expanding the broadband market

The ARCEP is keen to encourage the expansion of the broadband market in the following areas:

- Developing multi-service offerings (which involve the integration of broadband Internet access, TV over xDSL and telephone services);
- Quality of service (services for business customers which are comparable to France Telecom’s services and full unbundling);
- Developing geographical access to multi-service offers over the territory:
    - Increasing alternative DSL coverage (not restricted to large towns and cities and residential areas). ARCEP requires France Telecom to provide operators with a fibre-based offer to connect to FT’s unbundling sites;
    - Enabling operators to launch DSL-based services outside unbundled areas, thanks to “naked DSL” offer. With such product, operators would be able to complete their DSL offers with a all-inclusive triple-play offer (only one invoice and one provider);
- Fibre regulation and network sharing are currently under discussion with operators.

Other priorities for the ARCEP

- Competition on mobile. Intensifying competition for mobile: ARCEP will ensure that the conditions of implementation of the MVNO contracts offer MVNOs sufficient and long-lasting economic space, as well as the ability to offer a broad range of services;

- Portability is viewed as a key competitive issue and ARCEP supports an evolution towards a global portability for fixed and mobile numbers, with a single customer interface and a direct call routing based a central database shared by all operators; and

- Impact of VoIP on the traditional voice telephony value chain as a result of moving away from the cost constraints related to time and distance. In particular, the ARCEP tends to treat VoIP operators the same way as traditional switched voice operators.

Other players on the market — local authorities

Article L.1425-1 of the General Local Authority Code significantly widened the powers of local authorities in the field of regional digital development by authorizing them to become wholesale operators of telecommunications networks or providers of retail services where there is a lack of private initiatives.

Local authorities can choose whether to manage their networks themselves or to outsource their management to a third party. They may also choose any of several different types of legal arrangements for the construction and operation of their telecommunications infrastructures (direct management by the authority, public contracts or public service outsourcing contracts, etc). They must ensure that these infrastructures are made available to operators under transparent and non-discriminatory conditions and must take care not to infringe the ban on state aid which could distort competition.

While local public action to reduce regional disparities in broadband access is now recognized as legitimate, the granting of public subsidies in the electronic communications market sector must be done in a way that allows for competition. This requires the provision of equal access to the network to all users, a crucial factor for the success of projects and for preserving the interests of local authorities.

Just like any other operator, local authorities (or those acting on their behalf) will be subject to the sector-specific regulation implemented by the ARCEP pursuant to the Post and Telecommunications Code. While the ARCEP is not obliged to issue a recommendation for each local authority project, it is nevertheless working on drafting a number of general principles which will help local authorities to reconcile public action and competition.

Compliance with the general principles of neutrality, openness and equality requires that:

- The information gathered by a local authority in order to meet an operator's request must be made available to all operators;

- Actions undertaken to inform users about and to promote broadband must be carried out in a neutral manner and must not promote the services of one specific operator or ISP; and

- Financial subsidies must be awarded in such a way as to comply with the State aids regulation in both France and the Community.

Risk Factors

Investors are encouraged to consider the information contained in the annual report before making any investment decision, and in particular the risk factors described below.

This is not an exhaustive list of the risks that may affect the Company. Other risks that Completel is not aware of at this time or which it currently considers insignificant could also negatively affect its business and, as a result, have a negative impact on its activities, financial position and operating results.

Risks relating to Completel's business and strategy

Risks related to the execution of the Company's business strategy

The Company's business strategy is to increase its customer base by attracting new customers and up selling to existing customers on a geographically expanded addressable market. The Company's marketing strategy may not be successful and the Company may not be able to attract a sufficient number of new customers or up sell to existing ones in line with its expectations. In addition, if the Company's marketing strategy is successful, it may experience difficulties in responding to customer demand for services and technical support in a timely manner and in accordance with their expectations and the Company's quality standards. If the Company fails to attract or up sell as expected or fail to service its customers as a result of rapid growth, this could slow down its growth, decrease its revenues and cause customer dissatisfaction causing its reputation to suffer.

The Company's business strategy is based on assumptions for capital expenditures, revenues, and operating expenses, and the Company's assumptions may be wrong. The Company's assumptions are in part based on its previous experience, but there is no guarantee that they will be correct for the future. The Company might be overestimating revenue, and underestimating the capital expenditures and operating expenses necessary to implement and sustain its business strategy.

Annual and quarterly operating results are likely to vary in the future due to numerous factors and could fail to meet the expectations of securities analysts and investors and as a result the market price of the Company's stock may decline. Factors that the Company can partially influence include:

- Its ability to timely connect its customers;
- Its ability to attract and train new staff, particularly in sales functions;
- The rate of customer acquisitions and turnover;
- Technical difficulties the Company may experience with its network or network downtime; and
- The amount and timing of expenditures relating to the expansion of its services and infrastructure.

Factors that the Company is not able to influence are:

- The ability of its equipment and service suppliers to meet its needs;
- The introduction of new services or technologies by its competitors;
- The prices charged by its competitors for competing services; and
- The prices its target customers are willing to pay.

The occurrence of any of the foregoing risks could adversely affect capital expenditures, revenues, network costs, operating results, and cash flows, which could result in additional financing needs.

Risk of not achieving expected profitability objectives

The Company's ability to meet its profitability and positive cash-flow objectives in the future will depend on several factors, and in particular its ability to:

- Increase revenues through corporate and wholesale customers with substantial network traffic;
- Control its investments with regard to customer connection, product development and network capacity;
- Maintain its operating margins, given that the price of communications services and bandwidth capacity has decreased in recent years and this trend may continue in the future;
- Control its operating costs; and
- Ensure efficient operation of the networks and support systems, such as billing, purchasing and network management.

The Company may be unable to achieve its operating profits or positive cash-flow objectives.

Risk related to the emergence of additional financing requirements

The Company could need new financing due to a number of factors, several of which are beyond its control.

Additional financing may be required in the event of (1) decisions by the Management Board, approved by the Supervisory Board, to undertake new network investments, to sign noteworthy customer contracts requiring specific and dedicated incremental investments, or to acquire businesses or companies in order to increase the Company's market or size significantly (2) technological developments requiring significant investment in new technology and new product offerings, (3) a sharp decline in customers, revenues or operating margins caused by events beyond the control of the Company, (4) finally, in more general terms, major changes in the market situation.

Risk related to the ability to adapt

The corporate telecommunications market is characterized by rapid changes in technology and thus in the types of services and functionalities made available to customers.

To remain competitive, the Company must continually improve its existing products and services, and develop new products and services at competitive prices that respond to the needs of the market. The Company must also maintain the ability to modify its organizational structure to respond to changing technologies and customer needs. The Company may not be able to adapt its products or its organizational structure in good time. Were this to be the case, it would have an adverse impact on the Company's business, financial position and operating results and its ability to achieve its objectives.

Risk related to the efficiency of the Company's information systems

The Company's business depends on the use of integrated information systems to coordinate its key business processes, including:

- Execution and follow-up of customer orders including interfacing with France Telecom and other parties proprietary systems;
- Customer billing;
- Control of interconnection costs; and
- Supervision of networks and customer equipment.

Errors in, or problems with, the Company's information systems could affect the Company's ability to respond quickly and effectively to its customers and, therefore, the quality of its service, which in turn could have an adverse effect on customer loyalty.

Finally, the Company depends on its information systems to control production costs. If the Company's information systems are not effective or experience failures, the Company's ability to develop its business and achieve the expected margins could be adversely affected.

Risk related to dependence on key personnel of the Company

The success of the Company depends on its ability to attract, retain and motivate highly qualified and experienced personnel, especially in marketing, sales, technical operations and network engineering. The loss of key personnel, or the Company's inability to recruit qualified personnel could adversely affect the Company's business.

Risk related to dependence on third parties

To be able to connect its customers with fibre to its metropolitan networks, the Company must obtain rights of way and authorizations to access buildings and network infrastructures belonging to third parties. The administrative requests must be made to the various parties concerned, namely administrative authorities, private individuals and competitors. The process of obtaining such authorizations must be well-planned and efficient in order to be able to connect customers within the timelines specified in their contracts.

The Company is relying on third-party access in order to offer services to customers' sites it cannot connect directly, in particular in remote locations that are not within reach of the Company's fibre and DSL networks. In such cases, the Company uses leased lines or DSL lines rented from France Telecom, as well as France Telecom and other operators DSL lines to connect these sites. Any delay in providing leased or DSL lines could result in a delay in providing service to customers or in customer cancellations.

Risk related to the Company's dependence on third-party suppliers of equipment and suppliers

Delays in obtaining, or the inability to obtain, necessary equipment and support services, or equipment failure, could impair the Company's operations and the quality of its services. If the Company is unable to obtain the equipment needed for its planned networks and services, or if delivery of the equipment is delayed or the price of the equipment increases, the development of the Company's business could be disrupted or its costs could increase. The Company depends on Huaweï, Redback, Nortel Networks, Siemens AG, Cisco Systems, Ciena Corporation, Riverstone and other third-party suppliers to provide voice, data and Internet switching and network transmission equipment as well as customer equipment. The Company also depends on various suppliers for billing and other information management and operations support systems, and to design, build and install the Company's networks and provide maintenance and repair services. From time to time, the Company has experienced network disruptions due to software or hardware failures that have necessitated emergency maintenance and repair services. Failure by the Company's suppliers to provide equipment and services necessary for the Company's operations on a timely basis could have a material adverse effect on the Company's network operations and customer relations, as well as its results and financial position.

Risk related to network failure

Telecommunications networks in general and those of the Company in particular, are vulnerable to natural disasters, such as earthquakes, storms and large floods, all of which can lead to major damage or failure. A study conducted by the Company in 2003 indicated that a major flood in the center of Paris could result in the flooding of certain of the Company's technical sites and in significant service interruptions within and beyond the flood zone.

The Company's telecommunications networks are equally vulnerable to terrorist attack and to damage or failure caused by third parties, such as damage to buildings housing exchanges or network loops.

More generally, information system failures (equipment or software) or computer viruses can affect service quality and lead to temporary interruptions of service.

Although the likelihood of the occurrence of such events is impossible to quantify, any such occurrence could have a significant adverse impact on Completel's customers and result in a temporary or permanent reduction in the Company's traffic and revenues.

Risk related to the Company's customers

A limited number of customers represents a significant portion of the Company's revenues. The loss of any of these customers could result in a considerable decrease in revenue. The first-ranking customer generated 2% of revenues for the financial year ended December 31, 2006, while the third, fifth and tenth largest customers generated approximately 6%, 10% and 15% of the Company's revenues, respectively. There can be no assurance that the Company will be able to retain these customers or other large customers. A loss or a decrease in the business activity of one or more of these customers could result in a corresponding decrease in the Company's revenues.

The Company's customer accounts are partially insured.

Risks Relating to the Indebtedness

Risks related to the Company's ability to generate or raise cash

The Company's ability to meet scheduled payments, to refinance and to satisfy its obligations with respect to its indebtedness and other obligations and its ability to fund planned capital expenditures and working capital depends on its future operating performance and its ability to generate cash in the future. If the Company is not able to satisfy its debt service obligations, including redemption of the notes at maturity or pursuant to a mandatory repurchase event, the Company may have to undertake alternative financing plans, such as refinancing or restructuring its indebtedness or seeking to raise additional capital. The Company's ability to restructure or refinance its debt will depend on various factors, some of which are beyond its control. Any refinancing of its debt could be at higher interest rates and could require compliance with more onerous covenants, which could restrict its business operations. In addition, the terms of existing or future debt instruments, including the indenture governing the notes, may restrict the Company from adopting some of these alternatives. The Company's inability to satisfy its debt service obligations, or to refinance its obligations on commercially reasonable terms, would have a material adverse effect on its financial position and results of operations as well as on its ability to satisfy its obligations in respect of the notes.

In addition, the Company's ability to implement its business strategy successfully, as well as general economic, financial, competitive, regulatory, legal, business and other factors beyond its control, will affect its future operating performance. If its operating cash flows are not sufficient to meet its operating expenses, capital expenditures and debt service obligations as they come due, the Company may be forced to do any or all of the following:

- Delay or reduce capital expenditures or delay the introduction of new products;
- Forego business opportunities including acquisitions and research and development;
- Obtain additional debt or equity capital; or
- Restructure or refinance all or a portion of its debt.

The Company may be unable to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all.

The Company's substantial indebtedness could have important consequences including, but not limited to:

- Making it more difficult to satisfy its obligations with respect to its indebtedness;
- Limiting its ability to borrow additional funds;
- Increasing its vulnerability to general adverse economic and industry conditions;
- Requiring the dedication of a substantial portion of its cash flow from operations to the payment of principal of, and interest on, its indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditure and development or other general corporate purposes; and
- Limiting its flexibility in planning for, or reacting to, changes in its business, the competitive environment and the industry in which the Company's operate.

Any of these or other consequences could materially and adversely affect its consolidated results of operations and affect its ability to comply with the obligations of any of its debt instruments, including financial and other restrictive covenants, which could result in an event of default under the indenture governing the notes and the agreements governing such other indebtedness.

Although the indenture governing the notes contains restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of important qualifications and exceptions and any indebtedness incurred in compliance with these restrictions could be substantial. If new debt is added to the Company's anticipated debt levels, the related risks that the Company now face, including those described above, could intensify.

Risks related to changes in public debt ratings of the Company

The Company is publicly rated by Moody's Investor Service and Standard & Poor's, independent rating agencies. Rating downgrades, should they occur, could affect the availability, cost, terms and conditions of the Company's future financings and may affect the market value of the notes.

The Company may be unsuccessful in carrying out measures that strengthen or maintain its credit profile, and the rating agencies may regard the measures carried out by the Company as insufficient. In addition, factors that are not within its control, including factors relating to the industry, may affect the rating agencies' assessment of the Company's credit profile. As a result, the Company's cannot guarantee that the assessment of its public debt ratings will not be downgraded by the rating agencies.

Risks related to the terms of the indebtedness of the Company

The indenture governing the notes and any indebtedness the Company may incur in the future may contain covenants that impose significant operating and financial restrictions, including restrictions that may limit its ability to engage in acts that may be in its long-term interests.

The indenture relating to the notes contains covenants restricting, among other things, its ability to:

- Sell assets, including share capital of its subsidiaries, or consolidate or merge with or into other companies;
- Make certain payments, including dividends or other distributions;
- Repurchase or redeem share capital;
- Make certain investments or acquisitions;
- Incur or guarantee additional indebtedness or issue disqualified or preference shares;
- Create or incur certain liens;
- Engage in certain transactions with affiliates;
- Enter into sale and lease-back transactions; and
- As regards restricted subsidiaries in its group, pay dividends or make other equity distributions to its group.

All of these limitations are subject to exceptions and qualifications in the indenture relating to the notes. These covenants could limit its ability to finance future operations and capital needs, or to pursue acquisitions, joint ventures and other business activities.

Risks relating to the industry

Risk related to France Telecom access and interconnection tariffs

The Company's revenues and margins depend in part on the pricing and technical conditions laid down in the interconnection catalogue and the reference offer for access to the France Telecom local loop. Under the current regulatory framework, the tariffs established by France Telecom are reviewed *a posteriori* by the ARCEP. In consequence, the changes made by France Telecom in the interconnection tariffs and reference offer for access to the local loop is checked and revised by the ARCEP only when ARCEP deems it necessary. Any significant change or variation in the prices or technical conditions of the interconnection catalogue or the reference offer could have an adverse effect on the Company's business, financial position, operating results and ability to achieve its objectives.

Risk related to the development of the telecommunications market

The Company’s success depends on the growth, in terms of both volume and value, in the use of the Internet, e-commerce, data transmission services, multimedia and other bandwidth-intensive applications in the Company’s markets. The Company’s business plan currently assumes that the use of such services will increase in the next few years in parallel with a limited reduction in their price. If the use of data transmission services, multimedia and bandwidth-intensive applications in the Company’s markets does not increase in both volume and value as anticipated, the Company’s future growth and profitability may be lower than currently anticipated.

Risk related to competition in the corporate market

The corporate telecom market is extremely competitive with some participants having greater resources and more customers than the Company.

In the corporate telecom market, the Company could face increased competition from the following:

- France Telecom, the Company’s main competitor, may more easily offer tailored telephony services to current and prospective customers without the need to obtain prior approval from the relevant authorities;
- Neuf Cegetel, Colt, or Verizon may exert downward pressure on prices, in order to gain market share more rapidly;
- Local authorities have been authorized by the Digital Economy Law to become operators of telecommunications networks or operators of retail services wherever initiative from the private sector is insufficient. Thus, they could supply telecommunications services to end-users, and thereby become competitors in regions where the Company has deployed its DSL and metropolitan networks;
- New market entrants could become competitors of the Company: for example, electricity companies, public services with access rights or existing cable infrastructures, railway companies, radio network operators, telecommunications resellers and large end-users who own their own networks; and
- Large multinational operators with significantly greater financial resources than the Company could invest massively in France.

In addition, current pure residential operators, such as Iliad, and Telecom Italia that have deployed residential-oriented DSL could decide in the future to target and compete for the corporate market.

In this regard, this competition could have the following effects on the Company:

- A decrease of prices for products and services, resulting in an increased pressure on margins, which could restrict the Company's ability to maintain or improve its current level of operating profitability;
- The inability to increase market share, or a loss of market share;
- Loss of prospective or existing customers or increased difficulty in winning customer loyalty; and
- A more rapid deployment of new technologies and the obsolescence of existing technologies.

Risk related to competition in the carrier market

The carrier market is concentrated between a few network operators which are France Telecom, Neuf Cegetel, Completel, Verizon and Colt, and a limited number of customers. As a result, this market is highly competitive and market shares are extremely volatile. Furthermore, it remains difficult to predict how this market as a whole will develop. In addition, current pure residential operators, such as Iliad, and Telecom Italia that have deployed residential-oriented DSL could decide in the future to target and compete for the wholesale market.

In this regard, this competition could have the following effects on the Company:

- A decrease of prices for products and services, resulting in an increased pressure on margins, which could restrict the Company's ability to maintain or improve its current level of operating profitability;
- The inability to increase market share, or a loss of market share;
- Loss of prospective or existing customers or increased difficulty in winning customer loyalty; and
- A more rapid deployment of new technologies and the obsolescence of existing technologies.

Legal risks

Risks connected with legal and regulatory considerations

Telecom markets are regulated at both the European and French levels. In France, the ARCEP is proceeding, on the one hand, to identify the relevant markets and the dominant operators in them, and, on the other, to determine what measures are necessary to preserve competition.

Depending on the decisions taken by the ARCEP, the dominant operators may be able to use the opportunities left by the regulator. The development of the regulatory regime is uncertain, and could have a material adverse effect on the Company's activities, operating results and financial position, as well as its ability to achieve its objectives.

Risks relating to liability for content

Content distributed over data networks

Legislation relating to the regulation and the liability of Internet access and hosting providers for content distributed by them or accessible through their services continues to develop in line with changes in information technologies and sales practices on the Internet.

The Digital Economy law has enshrined in domestic law the principle that the operators of electronic communication services are not liable for the contents or information carried by them. Thus, the hosting companies can be held liable only if they are effectively aware of the unlawful nature of the content or information carried or hosted and they have not acted promptly to remove or block access to the data. While this law specifies that the hosting companies and access-providers have no general obligation to monitor contents, the fact remains that, in the event of a third party having reported the existence of an unlawful content, the technical service provider responsible for taking preventive action may find itself held liable to the third party in the event of an unlawful content not being rendered inaccessible promptly or, conversely, held liable to its customer for having suspended access to the service in the event of the content proving not to be unlawful.

In consequence, the conditions under which these texts are applied by different jurisdictions in the future could require the Company to mobilize substantial resources or to cease offering certain products or services. Any such action could have a material adverse effect on the Company's activities, operating results and financial position.

Content exchanged via numbers made available to customers

Special numbers provide the public with access, via an operator's network infrastructure, to telephony services produced and operated by content suppliers or publishers.

This activity is regulated and requires publishers to abide by a series of ethical recommendations. In particular, these recommendations, which are based on fundamental principles of public policy such as the protection of minors or consumers, preclude services that are contrary to public morality. In accordance with the interconnect agreements, various controls are put in place by the Company when the content provider subscribes for Completel's telecommunications services, as well as during the provision of such services. Despite its employees' vigilance, Completel cannot ensure that these customers will behave ethically and appropriately, despite their contractual commitment to do so. If Completel were to be held liable for the actions of its customers, this could have a material adverse effect on the Company's activities, operating results and financial position, as well as on its ability to achieve its objectives.

Market Risks

Liquidity risk

The Company remains subject to a liquidity risk until such time as the Company establishes a large enough customer base and sufficient operating profitability to allow the company to resume positive cash flow generation and internally finance its growth.

The Company did not conduct any credit derivative operations in 2006. The Company does not have any confirmed line of credit with its banks.

The Company's cash is invested exclusively in money market funds and certificate of deposits issued by first class French and Dutch banks. The Company considers the risk of default by these banks low.

Foreign exchange risk

The Company's revenues, operating expenses, capital expenditures, assets and liabilities are denominated principally in euros. The euro is both the operating and the accounting currency used by the Company. The Company invests its cash balances in euros. Expenses denominated in other currencies are limited. The Company considers its exposure to exchange rate risk to be insignificant.

Interest rate risk

The amount of interest the Company receives on its investments is affected by short-term interest rate fluctuations. As a result, the Company is exposed to risk from variations in market interest rates. The Company has historically managed this risk by monitoring interest rate fluctuations and the term of its investments.

(In thousands of euros)	Less than 1 year (1)	From 2 to 5 years	Greater than 5 years
Liabilities (2)	9,351	37,616	91,514
Assets (3)	60,886		
Net exposure prior to hedging	51,535	(37,616)	(91,514)
Off-balance sheet commitments for hedging	-	-	-
Net exposure after hedging	51,535	(37,616)	(91,514)

(1) Including assets and liabilities with variable exchange rates.
(2) Principal and interests on 2012 Senior secured notes, and IRUs forming part of the Company's networks.
(3) Deposits and liquid investments readily convertible to a known amount of cash, and subject to an immaterial change in value.

The amount of interest the Company receives on its investments is affected by short-term interest rate fluctuations. As a result, the Company is exposed to risk from variations in market interest rates. The Company has historically managed this risk by monitoring interest rate fluctuations and the term of its investments.

Share Risks

Risks related to fluctuations in the Company's share price

The Company's share price has historically been volatile. This volatility could continue for a number of reasons, including:

- The announcement by Completel or its competitors of strategic partnerships, results or capital operations or any other significant changes in business activities;
- The company's financial performance;
- The financial performance of the telecommunications sector taken as a whole compared to market expectations;
- Technological innovations affecting the Company's markets;
- Changes in financial analysts' forecasts and recommendations concerning the performances or forecasts of the Company or the industry;
- The recruitment or departure of key employees; and
- Stock market fluctuations.

Risks related to the departure of significant shareholders

The majority of the Company's shares are held by a small number of shareholders. Trades of large numbers of shares could exert downward pressure on the price of the Company's shares.

Industrial and environmental risks

The Company considers that its activities do not present any significant risks for the environment.

Management Discussion and Analysis of Operations

Financial Consolidated Highlights

(in million of euros, except per share amounts in euros)

Statement of Operations	**2006**	**2005**
Revenue	**233.3**	189.2
Operating expenses	263.9	199.6
Operating loss	(30.6)	(10.4)
Financial income (expense)	(7.1)	(2.1)
Income (Loss) before tax	(37.7)	(12.5)
Income tax	-	0.1
Net Income (loss)	**(37.7)**	**(12.6)**
Net Income (loss) applicable to ordinary shares	(37.7)	(12.6)
Basic income (loss) per ordinary share	(2.1)	(0.8)

Balance Sheet		
Non-current assets	338.1	254.0
Current assets	133.2	195.8
Of which cash and cash equivalents	*60.9*	*146.6*
Total assets	**471.3**	**449.8**
Shareholder's equity	233.8	266.2
Non-current liabilities	114.4	89.5
Current liabilities	123.1	94.1
Total equity and liabilities	**471.3**	**449.8**

Cash Flow Statement		
Cash flows from operating activities	42.9	53.4
Cash flows used in investing activities	(129.5)	(59.6)
Cash flows from financing activities	0.9	112.8
Net increase (decrease) in cash and cash equivalents	(85.7)	106.6
Cash and cash equivalents at end of period	60.9	146.6

Performance 2006 compared to 2005

2006 key events

National backbone and DSL network delivered

In 2006, Completel completed the deployment of its national backbone and its DSL network, reinforcing its differentiated approach to the French corporate market. The Company expanded its footprint from 9 to 110 metropolitan areas in France and connected approximately 600 collocation points. Completel has become the only alternative operator with both a very large metropolitan fibre access network and a comprehensive DSL coverage of French businesses.
Based on its expanded geographical footprint and the powerful combination of fibre access and unbundled DSL access, Completel has significantly expanded its addressable market to cover most of French medium and large companies, the majority of French SMEs, and almost the entire French wholesale market.

Organization reinforced

In 2006, Completel increased its sales staff to sell its services on its expanded addressable market, and reinforced its network and operations teams to support growing operations. As of December, 31 2006, the Company had 708 employees, as against 490 before the launch of the expansion plan in July 2005. The sales and marketing force was composed of 255 employees at the end of 2006, as against 144 in July 2005. The Company considers that its staff expansion related to its network extension is now completed.

Confirmed leadership position on medium and large companies

The combination of fibre and DSL access on a national basis is proving to be the appropriate response to serve the telecom needs of medium and large corporate customers with Ethernet and IP-based solutions.

Expanding to 110 metropolitan areas has allowed Completel to up-sell to its existing medium and large customers by addressing with DSL access the needs of their secondary sites across France, leveraging on the complementary access of fibre and DSL. In 2006, Completel sold new VoIP services over DSL to secondary sites of existing customers, such as Auchan.

Expanding to 110 metropolitan areas has also allowed Completel to address a much wider potential customer base and to attract new prominent customers, such as Air France-KLM, La Poste, the Ministry of Interior, the Louvre museum, RATP, Vivarte…

Deploying its own national backbone has allowed Completel to address the strong demand of national accounts for Gigabit Ethernet services which requires both long distance and local fibre. The number of sites served with gigabit services has more than doubled since July 2005. Completel continued to leverage on its unique network competitive advantage to consolidate its position as the leading operator for LAN-to-LAN Ethernet services on end-to-end Ethernet backbone in France, with over 1,600 sites connected to its end-to-end Ethernet backbone, as against 1,300 sites in 2005.

This combination of fibre and DSL solutions places Completel in a unique position in the corporate market. Though its competitors offer the same type of services, their networks generally lack the geographical fibre cover that Completel is able to provide.

Deployed the 3rd largest DSL network in France

In 2006, Completel developed « triple play » residential services on its unbundled DSL network from scratch in 8 months, in relation with its long-term contract signed with Darty, a leading retail chain. Completel started to produce nationwide triple play services early November, when Darty launched its “Dartybox” offer.

In 2006, Completel deployed the 3rd largest DSL network in France, in terms of number of collocation sites and population covered. Completel will continue to address the residential market indirectly on a wholesale basis and will continue to focus on the corporate market.

SME market: slower ramp-up than anticipated

In the course of 2006, Completel's practice of the SME market confirmed that the SME market, overwhelmingly dominated by France Telecom, was very attractive in terms of revenues and margins. However, current market response to DSL-based services remains low for the time being, with longer than expected sales cycles. Consequently, the Company decided to concentrate its direct sales efforts on the high end of this market. In November 2006, the Company also partnered with Nextiraone, the first PBX installer in France, to address the SME market.

End of regulatory uncertainty

In 2006, the Company reached an agreement with France Telecom over call termination tariffs for the years 2005 and 2006. The agreement with France Telecom, based on a decision rendered by the regulator, ARCEP, set call termination tariffs for the period January 1st, 2006 to September 30th, 2008. The Company estimates that the decision rendered by ARCEP ends the regulatory uncertainty period which has historically affected its call termination revenues.

Review of Operations

Income statement

(In million of euros)	2006	2005
Revenue	**233.3**	**189.2**
Network costs	(143.8)	(109.6)
Network depreciation	(42.1)	(30.3)
Gross margin, network depreciation included	**47.5**	**49.3**
Sales, general and administrative costs	69.2	53.2
Other depreciation and amortization expense	4.3	4.1
Share-based compensation	4.4	1.9
Other income / (expenses)	0.1	0.4
Operating profit / (loss)	**(30.6)**	**(10.4)**
Interest income	2.5	2.0
Interest expense	9.6	4.1
Profit (loss) before tax	(37.7)	(12.5)
Income Tax	-	0.1
Net profit (loss)	**(37.7)**	**(12.6)**

Gross margin breakdown	2006	2005
Revenue	233.3	189.2
Network costs, before network depreciation	(143.8)	(109.6)
Gross margin, before network depreciation	89.6	79.5

Revenue

Revenue is generated on two markets: the corporate market and the wholesale market.

Corporate revenue is generated by:

- Voice services. Voice revenue is based primarily on (i) monthly subscriptions for access (ii) traffic minutes for fixed local, national and international traffic, and fixed to mobile traffic, billed to customers sites connected directly with fibre and DSL lines to Completel's network (iii) traffic minutes on special numbers (iv) to a lower extent, on traffic minutes pre-selected from customers sites which are not connected to the company's networks. A small portion of voice revenue derives also from inbound traffic to customers, billed by Completel to France Telecom and other operators;

- Data, Internet services and hosting. The Company derives revenue principally from monthly subscription fees for (i) data services such as point-to-point bandwidth, LAN-to-LAN, IP VPN and SAN-to-SAN, (ii) Internet access and related services (iii) hosting and related services.

Revenue from carriers is derived from:

- Termination of carrier traffic. Revenue is principally linked to the volume of minutes carried;
- Bandwidth to meet the carriers' needs for network capacity or connection from carriers hotels to their end-users. Revenue for these services consists mainly of monthly subscription fees;
- Triple Play services on DSL lines. Revenue for these services consists of (a) monthly subscription fees for DSL lines and (b) volume of traffic minutes from the residential customers of the ISP.

Revenue increased by 23% to €233.3 million in 2006, as against €189.2 million in 2005. Revenue growth in 2006 was driven by both a growth in corporate services and a growth in wholesale services.

(in million of euros)	2006	2005	Growth 06 / 05
Voice	117.3	102.4	15%
Internet, data, hosting	61.5	48.1	28%
Corporate revenue	**178.8**	**150.5**	**19%**
Wholesale revenue	**54.5**	**38.7**	**41%**
Total revenue	**233.3**	**189.2**	**23%**

- **Corporate revenue**

Corporate revenue increased to €178.8 million for full year 2006 from €150.5 for full year 2005, an increase of 19%. Corporate revenue growth in 2006 was driven by a balanced double digit growth in voice and data corporate services.

Corporate revenue growth in 2006 was driven by the solid growth of data revenue derived from network solutions for corporate customers, such as LAN-to-LAN, SAN-to-SAN and VPN services on Ethernet and IP networks. Deploying its own national backbone has allowed Completel to address the strong demand of national accounts for Gigabit Ethernet services which requires both long distance and local fibre. Completel continued to leverage on its unique network competitive advantage to consolidate its position as the leading operator for LAN-to-LAN Ethernet services on end-to-end Ethernet backbone in France, with over 1,600 sites connected to its end-to-end Ethernet backbone, as against 1,300 sites in 2005.

Corporate data revenue increased by 28% at €61.5 million for full year 2006, against €48.1 million for full year 2005. Corporate data revenue continued to represent an increasing proportion of total corporate revenue. For full year 2006, it represented 34% of total corporate revenue, against 32% for full year 2005.

Expanding to 110 metropolitan areas has allowed Completel to up-sell to its existing medium and large customers, primarily on voice services, by addressing with DSL access the needs of their secondary sites across France, leveraging on the complementary access of fibre and DSL.

Corporate voice revenue increased by 15% at €117.3 million for full year 2006, against €102.4 million for full year 2005. In 2006, corporate voice revenue resumed double digit growth after a 4% increase in 2005 over 2004. Completel has seen reduced price pressure for new voice contracts since the end of 2005, and voice prices for the corporate market remained quite stable in 2006. Corporate voice revenue was also positively impacted by the settlement of the 2005 call termination tariffs dispute with France Telecom. The settlement was reached for an undisclosed amount in Q3'06, at a rate above Completel's estimate.

Expanding to 110 metropolitan areas has also allowed Completel to address a much wider potential customer base and to attract new prominent customers (Air France-KLM, La Poste, the Ministry of Interior, the Louvre museum, RATP, Vivarte). The number of corporate customers connected with fibre to Completel's network grew to 2,558 customers at the end of 2006 compared to 2,221 customers at the end of 2005, a 15% increase. Annual customer churn remains below 5% per annum, demonstrating customers' loyalty at contract renewal.

As of December 31 2006, there were 4,100 buildings connected with fibre and 7,300 buildings connected with DSL to Completel's network, compared to 3,476 and 3,741 at the end of December 2005, an increase of 18% and 95% respectively. In 2006, the proportion of DSL connected secondary sites against fibre connected primary sites continued to increase, as Completel increasingly sold its DSL services for the secondary sites of its existing fibre connected customers and to addressed new customers with national needs.

In 2006, the market response to Completel's DSL-based services remained low, with a lack of education of the SMEs on DSL-based services. In view of longer than expected sales cycles, the Company decided to concentrate its direct sales efforts on the high end of this market, and, in November 2006, partnered with Nextiraone, the first PBX installer in France, to further address the SME market.

- **Wholesale revenue**

Wholesale revenue increased to €54.5 million for full year 2006 from €38.7 million for full year 2005, an increase of 41%.

In 2006, Completel continued to increase its share of the wholesale market segment thanks to its extended network coverage. Growth of wholesale revenue was primarily driven by higher volumes of switched services to existing and new customers, although the Company's ability to accelerate the growth of its wholesale switched services beyond the trend of the first semester was temporarily limited by the sub-optimization of its interconnection structure in the second semester of 2006.

Revenue derived from data and DSL services represented a increasing proportion of wholesale revenue, as the Company continued to provision new data links to the end-customers of other operators in 2006. Revenue derived from data and DSL services is more recurring than revenue derived from switched services.

As expected, Completel has not fully benefited yet from the revenue of the major contracts signed with Darty (triple play services) and other operators (sale of capacity) in 2006. Darty launched its services early November 2006 and the IRUs sold to three operators in Q2'06 and Q3'06 started to be provisioned in Q4'06. This data revenue of more than €40 million will be recognized over 15 years.

Network costs

Network costs, before amortization and depreciation, include variable costs or costs directly related to revenue generated from our customers:

- Traffic termination and traffic collection costs for voice traffic;
- Costs for Internet capacity purchased wholesale and resold to customers;
- Costs of DSL lines unbundled from France Telecom on Completel's own network; and
- Costs of leased lines or DSL lines leased from France Telecom and marginally from other operators to access customer sites outside of Completel's network reach.

Other costs more directly related to the size and organization of Completel's network are:

- Salaries and other personnel costs for technical staff in charge of network maintenance;
- Maintenance costs related to the network, to network transmission equipment and to equipment installed on customer premises (first level maintenance is provided by Completel's own personnel and other levels by outside contractors);
- Costs of fixed interconnection with France Telecom;
- Costs of collocating Completel's DSL unbundling equipments in France Telecom's premises;
- Costs related to rights of way on public or private property and costs related to the renting of cable conduits;
- Costs for rental and maintenance of technical facilities such as switch centers, hubs, nodes, hosting centers and collocation sites.

Network costs were €143.8 million for full year 2006 against €109.6 million for full year 2005, representing 62% of revenue for full year 2005, against 58% of revenue for full year 2005.

The increase of network costs, in absolute terms and in % of revenue, stems from several factors:

- Increased fixed costs such as space rental and utilities in a larger number of network sites, maintenance fees for a higher number of kilometers of plant and transmission equipment, and collocation space rental to the incumbent in approximately 600 central offices. The increase of such fixed costs started in Q3'05 with the implementation of the expansion plan, and has stabilized since the end of Q3'06 at completion of the Company's DSL network;

- Increased network personnel costs. The Company increased its network staff as it deployed its extended network. The Company considers that its staff expansion related to its network extension is now completed;

- A temporary sub-optimization of the interconnection structure in the second semester of 2006. In Q3'06, the company focused its technical staff on DSL network deployment and the delivery of triple play services to Darty. This temporary shift of resources led the Company to postpone to Q1'07 the completion of its roll out from 150 to 400 voice local exchanges with France Telecom. Therefore, the Company temporary supported the costs of interconnection leased capacity at both the local and regional voice exchanges during the second semester of 2006. As of March 13, 2007, the Company completed most of the deployment of its local interconnection structure; and

- Additionally, in 2006, the Company continued to have an increased proportion of lower margin wholesale revenue in the total revenue mix. Wholesale revenue represented 23% of revenue in 2006 against 20% of revenue in 2005.

Network depreciation, at €42.1million for full year 2006 against €30.3 million for full year 2005, is composed of the depreciation of Completel's:

- Historical fibre network assets;
- Network equipment; and
- Customer equipment.

The increase in network depreciation stems from the new equipment commissioned in the extended network during the year, and from the equipment provisioned for new customers.

Gross margin before network depreciation

Gross margin before amortization and depreciation is defined as revenue less fixed and variable network costs.

In 2006, gross margin before network depreciation stood at €89.6 million, as against €79.5 million in 2005. Gross margin accounted for 38% of revenue in 2006, as against 42% in 2005.

As anticipated, gross margin decreased in percentage terms in 2006, due to incremental fixed network costs incurred in relation to the geographical network extension. Completel reinforced its network staff and incurred additional fixed network costs related to its expanded network footprint initiated in the second semester of 2005 and completed in Q3 2006.

In S2'06, gross margin resumed its growth as incremental revenue started to absorb the increased fixed network costs related to the extended network. In Q3'06, Gross margin was increased by the settlement of the dispute with France Telecom over 2005 call termination tariffs, for an undisclosed amount, at a rate above Completel's estimate. Gross margin was also negatively impacted by the temporary sub-optimization of the interconnection structure in the second semester of 2006. All in all, gross margin increased to €47.9 million in S2'06 as against €39.1 million in S2'05, a 23% increase.

Sales, General and Administrative expenses

Sales, General and Administrative (S,G&A) costs before depreciation and amortization include:

- Salaries and other personnel costs;
- Insurance and consulting fees (legal, tax, etc);
- Office leases and related charges; and
- Other costs relating to the sales and marketing departments, customer care, billing, corporate administration, universal service charge, property tax and other taxes.

Total S,G&A for 2006 stood at €69.2 million, as against €53.2 million in 2005, an increase of 30%. In percentage terms, SG&A costs increased to 30% of revenue, as against 28% in 2005.

S,G&A expenditures are mostly composed of personnel related costs. Accordingly, the increase of S,G&A in 2006 over 2005 primarily reflects the continued reinforcement of sales staff and support functions of the Company during the past year in order to sell its services on its expanded addressable market. The Company had 708 employees at December 31, 2006, against 570 at December 31, 2005.

The Company considers that its staff expansion related to its network extension was completed at the end of 2006 and therefore that its S,G&A expenditures, mostly composed of personnel related costs, are now at the level required to support its higher level of operations on its extended network. The Company anticipates its S,G&A to stabilize in a range of €18 million per quarter.

Operating profit (loss)

Operating losses increased from €10.4 million in 2005 to €30.6 million in 2006. This is primarily resulting from increased fixed network costs and S,G&A expenses in relation to the Company's expansion plan.

Operating losses in 2006 included:

- Amortization and depreciation expense of €46.4 million, as against €34.4 million in 2005. Increased depreciation expense stems from the increased network depreciation from €30.3 million in 2005 to €42.1 million in 2006, reflecting the completion of the extended network in 2006 and the equipment provisioned for new customers;

- Share-based expense of €4.4 million, as against €1.9 million in 2005. In 2006, share-based expense corresponds to recurring non cash charges for the conditional free shares issued in the second quarter of 2006.

Net profit (loss)

The net loss for 2006 amounted for €37.7 million, as against €12.6 million in 2005. The increase of net loss primarily stems from the increase in the operating losses in relation with the implementation of the Company's expansion plan.

Net loss in 2006 included:

- Interest income of €2.5 million, as against €2.0 million in 2005 due to a higher average cash reserve throughout 2006 than throughout 2005. As of December 31, 2006, Completel had €60.9 million in cash and cash equivalents, compared to €146.6 million as of December 31, 2005;

- Interest expense of €9.6 million, as against €4.1 million in 2005, including €8.8 million of full year interest expense incurred on the 2012 senior secured notes issued in July 2005, as part of the financing for the Company's expansion plan.

Condensed balance sheet

(In million of euros)	December 31 2006	December 31 2005
Non current assets	**338.1**	**254.0**
Property, plant and equipment	308.6	236.1
Intangible assets	27.7	14.8
Financial assets	1.8	3.1
Current assets	**133.2**	**195.8**
Trade receivables	55.2	32.1
Other receivables	17.1	17.1
Cash and cash equivalents	60.9	146.6
Total Assets	**471.3**	**449.8**
Shareholder's equity	**233.8**	**266.2**
Non-current liabilities	**114.4**	**89.5**
Senior secured notes	76.0	75.5
Obligations under finance leases	5.1	3.4
Deferred revenue	32.8	10.2
Retirement benefits	0.5	0.4
Current liabilities	**123.1**	**94.1**
Financial liabilities	4.3	4.2
Trade payables	41.5	35.2
Network vendor payables	48.1	31.1
Accrued payroll and related costs	16.1	13.8
Deferred revenue	9.8	7.4
Accrued liabilities	2.1	1.3
Provisions	1.1	1.0
Total Liabilities	**471.3**	**449.8**

Non Current Assets

Non current assets increased by €84.1 million during 2006, from €254.0 million as of December 31, 2005 to €338.1 million as of December 31, 2006. This is primarily due to:

- The ongoing capital expenditures incurred for the completion of the national backbone and the DSL network;
- The provisioning of the Darty contract to produce residential triple play services, including the set up of a TV head end; and
- The provisioning of the IRUs sold in Q2 and Q3 2006.

Current Assets

Current assets decreased by €62.6 million during 2006, from €195.8 million as of December 31, 2005 to €133.2 million as of December 31, 2006. This primarily results from the decrease in cash and cash equivalents.

As of December 31, 2006, Completel had €60.9 million in cash and cash equivalents, compared to €146.6 million as of December 31, 2005. The cash decrease is primarily due to the payment of the capital expenditures related to the expansion plan, as well as the success based capital expenditures for the Darty contract and the IRUs.

In 2006, trade receivables increased by €23.1 million, from €32.1 million as of December 31, 2005 to €55.2 million as of December 31, 2006. Days of Sales Outstanding remains in 2006 at a comparable level as for 2005.

The year on year increase of trade receivables stems from the following effects:

- The revenue increase of 23% in 2006 over 2005;
- A dispute with France Telecom on call termination tariffs for the year 2005, settled in August 2006, reduced accounts receivables as at December 31, 2005; and
- One off significant invoicing made in December 2006 in relation to IRUs sold to other operators in Q3 and Q2 2006.

Shareholders' equity

In 2006, shareholders equity decreased by €32.4 million, from €266.2 million as of December 31, 2005 to €233.8 million as of December 31, 2006, further to the increase of net losses, which stems from the implementation of the Company's expansion plan (increased network costs and S, G&A as described above).

Non current liabilities

In 2006, non current liabilities increased by €24.9 million, from €89.5 million as of December 31, 2005 to €114.4 million as of December 31, 2006.

The increase of non current liabilities mainly stems from two effects:

- The increase of deferred revenues by €22.6 million in 2006 to €32.8 million as of December 31, 2006, in relation to IRU's deferred over the duration of the contracts;
- The increase of obligations under finance leases by €1.7 million in 2006 to €5.1 million as of December 31, 2006. This increase is primarily due to the 15-year indefeasible rights to use ("IRU") contracted by the Company from major infrastructure providers for the long distance backbone.

Current liabilities

In 2006, current liabilities increased by €29.0 million, from €94.1 million as of December 31, 2005 to €123.1 million as of December 31, 2006.

The increase resulted mainly from the increase of network vendor payables in relation with the increased investments related to the Company's expansion plan, and from trade payables in relation with revenue growth during the year 2006:

- Networks vendor payables increased by €17.0 million, from €31.1 million as of December 31, 2005 to €48.1 million as of December 31, 2006;
- Trade payables increased by €6.3 million, from €35.2 million as of December 31, 2005 to €41.5 million as of December 31, 2006.

Liquidity and resources

(in million of euros)	2006	2005
▪ Cash flow from operating activities	42.9	53.4
▪ Cash flow used in investing activities	(129.5)	(59.6)
▪ Cash flow from financing activities	0.9	112.8
Net increase (decrease) in cash and cash equivalents	(85.7)	106.6
Cash and cash equivalents, beginning of period	146.6	40.0
Cash and cash equivalents, end of period	60.9	146.6

Cash flow from operating activities

Net cash flows generated by operating activities decreased by €10.5 million in 2006, from €53.4 million in 2005 to €42.9 million for the year 2006. This decrease primarily resulted from the increased net loss from €12.6 million in 2005 to €37.7 million in 2006, in relation with the implementation of the Company's expansion plan (increased fixed network costs and SG&A expenses).

In 2006, net cash flow from operating activities included a positive change in working capital of €29.2 million, as against €25.7 million in 2005. The positive change in working capital in 2006 is mainly driven by:

- The increase of current liabilities in relation with the network extension which was completed at the end of the third quarter of 2006;
- The increase of long term deferred revenue, steming from the IRUs sold to wholesale customers in 2006.

Cash flow from investing activities

In 2006, capital expenditures increased from €60.0 million in 2005 to €129.7 million in 2006. The year-on-year increase of capital expenditures is due to the Company's network extension initiated in the second semester of 2005 and completed in the third quarter of 2006.

In 2006, the Company invested €96.5 million to complete the national backbone and the DSL network, as against €34.8 million to start the expanded network in 2005. The vast majority of this investment was related to the completion of the national backbone and the provisioning of most of the 600 collocation sites. It also includes expenditures for the commissioning of the TV signal processing equipment required to deliver the Triple Play DSL services, and IT systems required to support both the automation of DSL line provisioning and industrialized process and tools.

In 2006, capital expenditures related to new customer connections increased by 32% to €33.2 million, as against €25.2 million in 2005. The increase over 2005 is primarily related to wholesale contracts signed and provisioned in 2006, such as the IRU's sold in Q2'06 to three telecom operators.

Cash flow from financing activities

In 2006, financing cash flow provided by financing activities was €0.9 million, as against €112.8 million in 2005. In 2005, cash flow from financing activities resulted from the concomitant issuance of new ordinary shares for €40.0 million and notes due 2012 for €80.0 million in July 2005, in order to fully finance the Company's expansion plan.

Guarantees and contractual cash obligations

(in million of euros)	Less than 1 year	2 to 5 years	Greater than 5 years	Total
▪ Long term debt	-	-	80.0	80.0
▪ Capital lease obligations	0.9	3.5	3.5	7.9
▪ Interest payable	8.8	35.2	8.8	52.8
▪ Operating leases and right of way agreement	13.0	36.6	33.3	82.9
Total contractual cash obligations	22.7	75.3	125.6	233.6

Outlook

Completel anticipates for 2007 an acceleration of revenue increase experienced in past quarters, as its network extension, completed at the end of the third quarter of 2006, is now fully available to its sales force.

Completel anticipates that its corporate revenue growth should be mostly fuelled by medium and large corporate customers, with an increased impact from SME's in the course of 2007. The Company also anticipates accelerating its growth in wholesale revenue.

Completel anticipates that incremental revenue generated on its expanded addressable market will continue to absorb the network fixed costs associated to its extended network. Its Gross Margin will accordingly continue to progress.

In 2007, Completel anticipates its S,G&A to stabilize in a €18 million range per quarter, with little relation to revenue growth. The Company anticipates its S,G&A expenses to resume the trend it followed before the launch of the expansion plan, when its S,G&A expenses remained in a €12-13 million per quarter range for more than two years as revenue doubled.

Completel anticipates that the incremental revenue and gross margin generated on its expanded addressable market will continue to absorb S,G&A costs, of a more fixed nature. As a result, the Company anticipates a continuing progression of its EBITDA, resuming the trend it followed before the launch of the expansion plan. Completel anticipates its EBITDA margin to represent between 15% and 20% of revenue in the fourth quarter of 2007.

With the completion of its extended network in 2006, Completel anticipates that its capital expenditures will significantly decrease in 2007 and that the vast majority of its investments in 2007 will be success-based.

Considering the above trends, the Company announced the following guidance for 2007:

(in million of euros)	**Guidance for 2007**
Corporate Revenue	200 - 210
Wholesale Revenue	90 - 100
Total Revenue	290 - 310
Adjusted EBITDA	40 - 45
CAPEX	50 - 55
Positive Free Cash Flow	Q4'07

This guidance is based on management's current views and assumptions and involves known and unknown risks and uncertainties, which could cause actual results, performance or events to differ materially from those anticipated.

Financial Report

2006 Consolidated Financial Statements

Notes to Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

In thousands of euros, except per share amounts

	Notes	**2006**	**2005**
Revenue	*5*	**233 326**	**189 174**
Network costs		143 755	109 627
Network depreciation		42 061	30 276
Gross margin, network depreciation included		47 510	49 271
Sales, general and administrative expenses		69 218	53 215
Other depreciation and amortization expense		4 322	4 093
Share-based compensation	*24*	4 430	1 950
Other (income) / expenses	*7*	116	406
Operating profit / (loss)		**(30 576)**	**(10 393)**
Interest income	*8*	2 473	1 967
Interest expense	*8*	9 578	4 109
Profit (loss) before tax		(37 681)	(12 535)
Income tax	*9*	33	45
Net profit (loss)		**(37 714)**	**(12 580)**
Basic and diluted earnings (loss) per share	*11*	**(2.11)**	**(0.77)**

CONSOLIDATED BALANCE SHEET

In thousands of euros

	Notes	**December 31, 2006**	**December 31, 2005**
ASSETS			
Non-current assets			
Property, plant and equipment	*12*	308 578	236 112
Intangible assets	*13*	27 762	14 777
Financial assets	*14*	1 784	3 090
		338 124	**253 979**
Current assets			
Trade receivables	*15*	55 205	32 117
Other receivables	*16*	17 060	17 089
Cash and cash equivalents	*17*	60 886	146 587
		133 151	**195 793**
TOTAL ASSETS		**471 275**	**449 772**
EQUITY AND LIABILITIES			
Shareholder's equity	*18*	**233 812**	**266 211**
Non-current liabilities			
Senior secured notes	*19*	75 976	75 516
Obligations under finance leases	*20*	5 130	3 421
Deferred revenue	*2.3*	32 764	10 188
Retirement benefits	*21*	572	398
		114 442	**89 523**
Current liabilities			
Financial liabilities		4 346	4 182
Trade payables	*22*	41 545	35 168
Network vendor payables	*22*	48 082	31 141
Accrued payroll and related costs		16 050	13 823
Deferred revenue	*2.3*	9 849	7 443
Accrued liabilities		2 054	1 311
Provisions	*23*	1 095	970
		123 021	**94 038**
TOTAL EQUITY AND LIABILITIES		**471 275**	**449 772**

CONSOLIDATED STATEMENT OF CASH FLOWS
In thousands of euros

	Notes	**2006**	**2005**
Cash flows from operating activities			
Net loss		(37 714)	(12 580)
Depreciation and amortization expense	*10*	46 383	34 369
Share-based compensation	*24*	4 430	1 950
Income tax expense	*9*	33	45
Loss / (Gain) on sales of PP&E and intangible assets	*7*	115	430
Interest expense and interest (income)		7 105	2 142
Interest expense paid		(9 220)	(252)
Interest income received		2 593	1 663
Income tax paid		(33)	(45)
Changes in working capital		29 232	25 660
Net cash from operating activities		**42 924**	**53 382**
Cash flows from investing activities			
Purchases of PP&E and intangible assets	*12&13*	(129 709)	(59 990)
Proceeds from sales of PP&E and intangible assets		199	392
Net cash used in investing activities		**(129 510)**	**(59 598)**
Cash flows from financing activities			
Senior secured notes, net of issuance costs	*19*	-	75 428
Capital increase, net of issuance costs	*18*	3	37 278
Exercise of stock options	*18*	945	61
Movements in treasury shares		(63)	6
Net cash from financing activities		**885**	**112 773**
Net increase (decrease) in cash and cash equivalents		**(85 701)**	**106 557**
Cash and cash equivalents at beginning of period		146 587	40 030
Cash and cash equivalents at end of period		**60 886**	**146 587**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of euros.

Notes		Issued capital	Additional Paid-In Capital	Accumulated Deficit	Share-based compensation reserve	Treasury shares	Total
Balance at December 31, 2004		**310**	**842 193**	**(603 476)**	**492**	**(23)**	**239 496**
Share-based compensation	*24*				1 950		1 950
Issuance of new shares		47	39 953				40 000
Related issuance costs			(2 722)				(2 722)
Exercise of stock-options			61				61
Movements in treasury shares				39		(33)	6
Net loss				(12 580)			(12 580)
Balance at December 31, 2005		**357**	**879 485**	**(616 017)**	**2 442**	**(56)**	**266 211**
Share-based compensation	*24*				4 430		4 430
Exercise of stock options		3	945				948
Movements in treasury shares				(15)		(48)	(63)
Net loss				(37 714)			(37 714)
Balance at December 31, 2006		**360**	**880 430**	**(653 746)**	**6 872**	**(104)**	**233 812**

Notes to Consolidated Financial Statements

1 General information

Completel Europe NV (together with its wholly-owned subsidiaries, the "Company") is a Dutch holding company incorporated under Dutch law on December 14, 1998, as a Netherlands public company with limited liability (naamloze vennootschap, or NV). The addresses of its registered office and principal place of business are disclosed in the introduction of the Annual Report.

Listed on Euronext Paris, Completel is subject to certain provisions of French stock exchange laws and regulated by the Netherlands Authority for the Financial Markets (AFM). It is a member of the following Euronext indexes: CAC Small 90, CAC Mid & Small 190, SBF250, IT CAC and the Next Economy segment.

Description of business

Completel Europe NV is a facilities-based telecommunications operator providing, in France, voice and data services to business customers and other carriers, as well as "triple play" services to ISP's.

Major 2006 events

National and DSL networks delivered
In 2006, Completel completed the deployment of both its national and DSL networks, reinforcing its differentiated approach to the French corporate market. The Company expanded its footprint from 9 to 110 metropolitan areas in France and connected approximately 600 collocation points. Based on its expanded geographical footprint and the powerful combination of fibre access and unbundled DSL access, Completel has significantly expanded its addressable market to cover most of French medium and large companies, the majority of French SMEs, and almost the entire French wholesale market.

Organization reinforced
In 2006, Completel continued to reinforce its sales staff and to a lesser extent, its network and operations team in order to sell its services on its newly expanded addressable market and to support growing operations. As of December, 31 2006, the Company had 708 employees, against 490, before the launch of the expansion plan in July 2005.

Deployed the 3rd largest DSL residential network in France
In 2006, Completel developed « triple play » residential services on its unbundled DSL network from scratch in 8 months, in relation with its long-term contract signed with Darty, a leading retail chain. In 2006, Completel deployed the 3rd largest DSL residential network in France, in terms of number of collocation sites and population covered.

Major 2005 events

Expansion plan
On July 22, 2005, the Company announced an expansion plan to significantly enlarge its addressable market through the deployment of a national backbone and a DSL network unbundling the local loop, thus expanding its network footprint from 9 to 110 metropolitan areas in France.

In order to finance this expansion plan, on July 27, 2005, the Company simultaneously issued in a private placement to a limited number of qualified institutional investors (i) 1,176,470 ordinary shares of Completel Europe NV, at €34 per share (before share split of May 2006) generating gross proceeds of €40 million, and representing approximately 13.2% of the Completel Europe NV's issued capital, as well as (ii) 11% senior secured notes maturing in 2012, which generated gross proceeds of €80 million, issued by Completel SAS. The senior secured notes are described in note 19.

Approval of financial statements

The consolidated financial statements were signed-off by the Management Board and approved by the Supervisory Board on March 8, 2007. The consolidated financial statements will be submitted for adoption to the Annual Shareholders' Meeting scheduled on April 24, 2007.

2 Summary of accounting policies

In accordance with EC Regulation No 1606/2002 of July 19, 2002, the 2006 consolidated financial statements of the Company have been prepared in accordance with IFRS (International Financial Reporting Standards), as adopted by the European Union. They include the standards approved by the International Accounting Standards Board ("IASB"), that is, IFRS, International Accounting Standards ("IAS") and the accounting interpretations issued by the International Financial Reporting Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC").

Accounting standards or amendments to accounting standards existing at December 31, 2006, whose effective date is on or after January 1, 2007 have not been applied.

2.1 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the valuation of certain financial instruments which are measured at fair value or amortized cost. The principal accounting policies are set out below.

The Company classifies its assets and liabilities as current when they are expected to be realized or settled in the course of its normal operating cycle or within twelve months after the balance sheet date.

The financial statements are presented in euros, rounded to the nearest thousand.

2.2 Consolidation methods

Companies over which the Company has control are fully consolidated.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of disposal, as appropriate. All intercompany transactions are eliminated.

2.3 Revenue recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectibility is probable.

Revenue related to non-installation services offered by the Company is recognized in the period the services are delivered.

Installation revenue is initially deferred upon installation and invoicing of the service and recognized over the expected life of the service.

Sales of Indefeasible Right of Use ("IRU") are deferred for recognition over the term of the contract.

Deferred revenues which will be recognized over the next 12 months following the balance sheet date are classified in current liabilities. Deferred revenues which will be recognized in subsequent periods are classified in non-current liabilities.

2.4 Translation of foreign currency transactions

Foreign currency transactions are translated at the rate of exchange applicable on the transaction date. At the period-end, foreign currency monetary assets and liabilities are translated at the rate of exchange prevailing on that date. The resulting exchange gains or losses are recorded in the income statement.

2.5 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee:
Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability due to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2.6 Borrowing costs

Borrowing costs attributable to the acquisition or construction of assets are not added to the cost of those assets.

2.7 Retirement benefit costs

Post-employment benefits:
In accordance with IAS 19, obligations under defined benefit plans are measured using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are not amortized over the expected average remaining working lives of the participating employees, but are expensed in the period incurred.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation adjusted for actuarial gains and losses.

2.8 Taxation

Income tax expense represents the sum of currently payable tax and deferred tax.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax assets are recorded in the consolidated balance sheet when it is more likely than not that the tax benefit will be realized in the future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized.

2.9 Property, plant and equipment and intangible assets

In accordance with IAS 16 “Property, plant and equipment” and IAS 38 “Intangible assets “, only items whose cost can be reliably measured and for which future economic benefits are likely to flow to the Company are recognized as assets.

In accordance with IAS 36 “Impairment of assets”, whenever events or changes in market conditions indicate a risk of impairment of property, plant and equipment and intangible assets, a detailed review is carried out in order to determine whether the net carrying amount of such assets is lower than their recoverable amount, which is defined as the greater of fair value and value in use. Value in use is measured by discounting the expected future cash flows from continuing use of the asset and its ultimate disposal.

In the event that the recoverable value is lower than the net carrying value, the difference between the two is recorded as an impairment loss. Impairment losses for property, plant and equipment or intangible assets can be reversed if the recoverable value becomes higher than the net carrying value (but not exceeding the loss initially recorded).

<u>Property, plant and equipment</u>

Property, plant and equipment are valued at historical cost less accumulated depreciation expenses and any impairment losses.

Switch equipment and installations:
Switch equipment includes the equipment installed in switch sites, provisioning costs included, and capitalization of employee costs for employees involved in the installation of the equipment.
Switch installation includes the external costs of readying switch sites, and capitalization of employee costs for employees involved in switch sites installation.
The Company depreciates its switch equipment and installations over periods ranging from 8 years for equipment to 12 years for installations.

Network plant and equipment:
Network plant includes the core network plant and cable installed, provisioning costs included, and capitalization of employee costs for employees involved in core network deployment. The Company depreciates its core network plant over periods ranging from 15 years for cable to 20 years for civil work and ducts.
Network equipment includes the network equipment installed in the Company's hubs and nodes, provisioning costs included, and portions of labor involved in the installation of core network equipment. The Company depreciates its core network equipment over periods ranging from 3 years for IP routers to 8 years for TDM network transmission equipment.

Customer plant and equipment
Customer plant includes the cable and network plant extensions from the core network to buildings and sites where customers are located, provisioning costs included, and capitalization of employee costs for employees involved in customer network deployment. The Company depreciates its customer network plant over periods ranging from 15 years for cable to 20 years for civil work and ducts.
Customer equipment includes the customer equipment installed in buildings and sites where customers are located, provisioning costs included, and capitalization of employee costs for employees involved in customer equipment deployment. The Company depreciates its customer equipment over 3 years.

Operating support systems includes the hardware and software for the business support systems of the Company's operations. The Company depreciates the hardware and software of its operating support systems over 3 years.

Depreciation commences when the assets are ready for their intended use. Depreciation expense is calculated using the straight-line method.

Property, plant and equipment are usually depreciated over the estimated useful lives of the related assets as follows:

Switching equipment and installation	8 to 12 years
Network plant and equipment	3 to 20 years
Customer plant and equipment	3 to 20 years
Operating support systems	3 to 5 years
Computer equipment and other	5 years

Depreciation is split in the income statement between network costs and sales, general and administrative expenses, depending on the designation of the asset.

Fixed assets acquired through finance leases arrangements or long-term arrangements that transfer substantially all the risks and rewards incident with ownership of the asset to the Company are capitalized. These assets are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets are mainly comprised of software which are measured initially at purchase cost and are amortized on a straight-line basis over their estimated useful lives.

Computer software costs
The Company capitalizes software used for internal purposes. Internal and external costs incurred in the planning or conceptual development of software for internal use are expensed as incurred. Once the planning or conceptual development of software has been achieved and the project has reached the application or development stage, external direct costs of materials and services used in the project, payroll and payroll-related costs for employees who are directly associated with and who devote time to the project (to the extent of the time spent directly on the project) are capitalized. Training and routine maintenance costs are expensed as incurred.

2.10 Research and development expenses

In accordance with IAS 38 "Intangible assets", research and development expenses are recorded as expenses in the year in which they are incurred, except for developments costs which are capitalized as an intangible asset when they strictly comply with the following criteria:

- an asset is created that can be identified (such as software);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Developments costs are amortized on a straight-line basis over the estimated useful life of the underlying assets.

2.11 Trade receivables

Trade receivables are measured at fair value and represent receivables for the Company's services less an allowance for doubtful receivables based on the Company's assessment of probable loss related to overdue accounts receivables. In addition, appropriate allowances for estimated irrecoverable amounts are recognized when there is objective evidence that the collection is doubtful.

2.12 Other receivables

Other receivables consist primarily of prepaid rents, prepaid insurance and VAT receivable.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash on hands, demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an immaterial risk of change in value.

In accordance with the specific criteria defined in IAS 7, the Company has recognized its investments in securities with an initial maturity date exceeding three months but less than 12 months as cash equivalents.

2.14 Senior secured notes

Senior secured notes are treated as financial instruments. They are initially recognized at cost, being the fair value of the consideration received, net of issuance costs. After initial recognition, senior secured notes are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account issuance costs.
Interest expense is calculated by applying the effective interest rate.

2.15 Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured based on management's best estimate of the expenditure required to settle the obligation at the balance sheet date.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

2.17 Treasury shares

Treasury shares owned by the Company are valued at their cost price and are deducted from shareholders' equity. Proceeds from the sale of such shares are included in shareholders' equity and have no impact on the income statement.

2.18 Share-based payments

Share-based payments are accounted for in accordance with IFRS 2. The Company issues equity-settled share-based payments to directors and certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimates of the shares that will eventually vest.

Fair value is measured using the Black-Scholes pricing model. This model permits to take into consideration the option's characteristics, such as exercise price and expiry date, market data at the time of the acquisition such as the risk-free interest rate, share price and volatility.

Options issued after November 7, 2002 and not fully vested at January 1, 2005 were accounted for in accordance with IFRS 2.

2.19 Earnings per share

Earnings per share are based on the results recognized in the consolidated income statement.

Basic
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

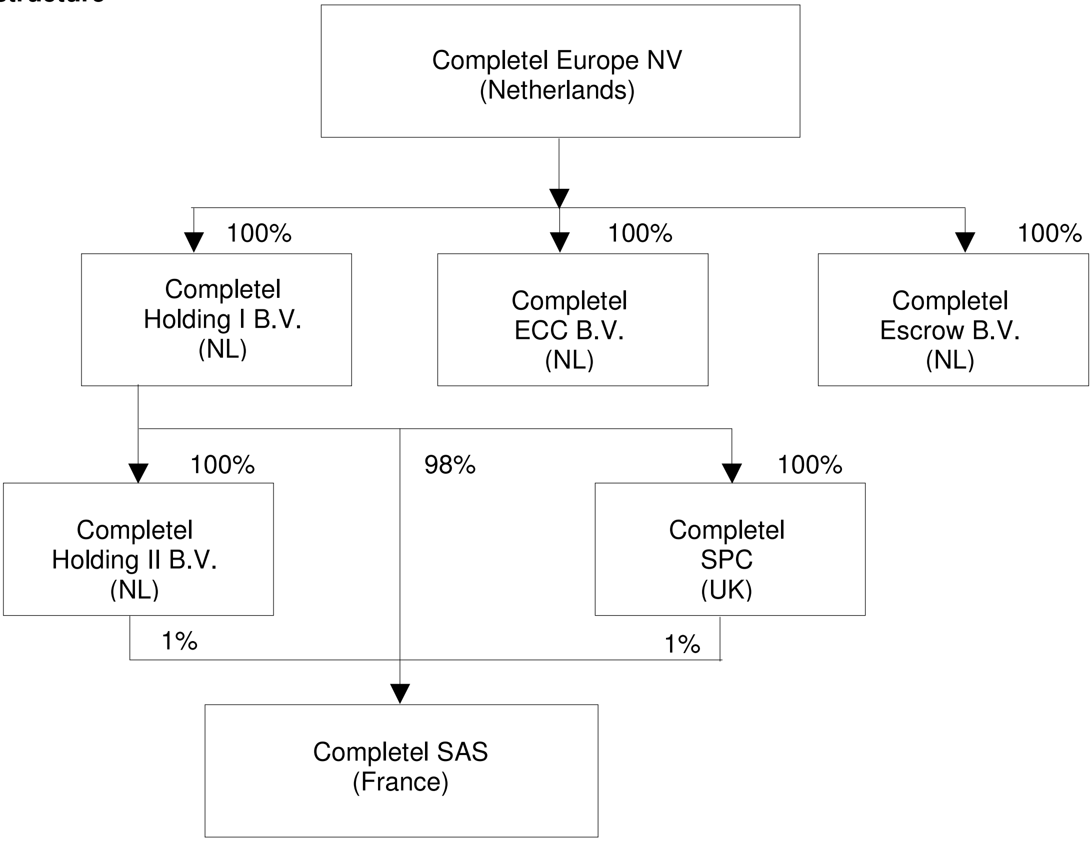
Diluted
Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares such as stock options. For the latter, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding stock options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the stock options.

3 Scope of consolidation

Details of the Company's subsidiaries at December 31, 2006 are as follows:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
Completel SAS	France	100	100	Telecommunications services
Completel Holding I BV	Netherlands	100	100	Holding
Completel Holding II BV	Netherlands	100	100	Holding
Completel ECC BV	Netherlands	100	100	Financial services
Completel Escrow BV	Netherlands	100	100	Financial services
Completel SPC Ltd	United Kingdom	100	100	Holding

Corporate structure



4 Critical accounting estimates and judgements

The key sources of estimation uncertainty at the balance sheet dates that had, or have, a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year, are discussed below.

Revenue recognition

As at December 31, 2005, call termination tariffs between France Telecom and alternate operators for the year 2005 had not been determined by the regulator, and the Company had not reached an agreement with France Telecom for tariffs applicable in 2005. The Company's management had estimated its call termination revenue for the year 2005 and the Company's 2005 Annual Results were based on call termination revenue estimates that could later be adjusted upwards or downwards retrospectively, materially affecting operating and net result for the year 2005.

In Q3 2006, the Company reached an agreement with France Telecom over call termination tariffs for the year 2005, for an undisclosed amount. This change to prior management estimates increased corporate voice revenue, operating result and net result in Q3 2006.

In Q3 2006, the Company also reached another agreement with France Telecom over call termination tariffs for the year 2006, on the basis of a decision rendered by the regulator on June 1, 2006. This agreement with France Telecom set call termination tariffs for the period January 1st, 2006 to September 30th, 2008.

Other accounting judgements and estimates are described in the relevant notes to the financial statements.

5 Revenue

The breakdown of the Company's revenue for the year is as follows:

In thousands of euros	2006	2005
Corporate: Voice	117 280	102 373
Corporate: Internet, Data & Hosting	61 548	48 102
Total Corporate Revenue	**178 828**	**150 475**
Wholesale Revenue	**54 498**	**38 699**
Total Revenue	**233 326**	**189 174**

6 Segment reporting

The Company's French operations constitute its sole operating segment. Except for revenues, the Company does not retain discrete financial information for retail and wholesale customers, as the Company does not allocate the costs nor the fixed assets infrastructure to the services provided through the same network and interconnection structure. This single infrastructure is a stand-alone value-generating segment.

7 Other (income) / expenses

In thousands of euros	2006	2005	
Loss on sale of PP&E and intangible assets	115	430	(1)
Restructuring expenses	-	(67)	
Net foreign exchange losses / (gains)	1	43	
Other (income) / expenses	**116**	**406**	

(1) In 2005, the Company retired certain network and customer equipment, which was deemed no longer usable.

8 Finance income / (costs)

8.1 Interest income

In thousands of euros	2006	2005
Interest income on short-term deposits	2 473	1 967
Total interest income	**2 473**	**1 967**

8.2 Interest expense

In thousands of euros	2006	2005	
Senior secured notes - Interest expense	(8 797)	(3 769)	*(1)*
Senior secured notes - Amortization of the issuance costs	(460)	(88)	
Sub-total of expense on Senior secured notes (see note 19)	(9 257)	(3 857)	
Interest expense on obligations under finance leases	(321)	(214)	
Other financial costs	-	(38)	
Total interest expense	**(9 578)**	**(4 109)**	

(1) Interest expense on senior secured notes issued on July 27, 2005.

9 Current and deferred tax

Breakdown of income tax charge (gain)

In thousands of euros	**2006**	**2005**
Current income tax charge (gain)	33	45
Deferred income tax charge (gain), net	-	-
Income tax charge (gain)	**33**	**45**

The current income tax charge relates to the minimum tax payment payable by French companies.

Balance sheet tax position

In thousands of euros	December 31, 2006			December 31, 2005
	Assets	Liabilities	Net	Net
Net balance sheet income tax				
- Current tax	45	(45)	**0**	**0**
- Deferred tax	0	0	**0**	**0**

Deferred income tax

Dutch tax group
On November 28, 2006, the First Chamber of the Dutch parliament voted the 2007 corporate income tax bill. The main contents which become effective January 1, 2007 are a current income tax rate reduced to 25.5% and a limitation to nine years for carry forward losses.

As of December 31, 2006, the Completel Europe NV tax group had NOL carry forwards for corporate income tax estimated at €93 million in anticipation of the final tax assessments for the years 2005 and 2006.

French tax group
As of December 31, 2006, the French tax group had NOL available for indefinite carry forward income tax purposes estimated at €238 million. The current statutory rate for France is 33.33 %, excluding surcharge. After the merger of its subsidiary Estel SAS completed in November 2005, the French tax group has only one member; Completel SAS.

Breakdown of Company deferred tax position:

In thousands of euros	December 31, 2005	Impact on net loss	Impact on equity	December 31, 2006
Tax loss carry forward	97 240	8 393	-	105 633
Temporary differences arising from other balance sheet captions	-	-	-	-
Gross deferred tax assets (liabilities)	97 240	8 393	-	105 633
Valuation allowance	(97 240)	(8 393)	-	(105 633)
Net deferred tax assets (liabilities)	**0**	**0**		**0**

Due to the uncertainty of realization through future operations, the Company has recorded a valuation allowance equals to the net deferred tax assets as of December 31, 2006 and 2005.

The valuation allowance will be reduced at such time as management believes it is more likely than not that the net deferred tax assets will be realized.

10 Expenses by nature

In thousands of euros	**2006**	**2005**
Wages and salaries	39 921	31 060
.of which capitalized labor	(8 396)	(4 591)
Wages and salaries without capitalized labor	31 525	26 469
Social security costs	17 092	12 670
Other personnel costs	2 695	2 368
Employee benefits expense	**51 312**	**41 507**
Depreciation of Property, plant & equipment	39 334	29 433
Amortization of Intangible assets	7 049	4 936
Total depreciation & amortization expense	**46 383**	**34 369**
Allocation of the depreciation and amortization :		
Network depreciation	42 061	30 276
Other depreciation and amortization expense	4 322	4 093
Total depreciation & amortization expense	**46 383**	**34 369**

11 Earnings per share

The calculation of the basic and diluted earnings per share attributable to the equity holders of the parent Company is based upon the following data:

Basic

In thousands of euros except share and per share numbers	**2006**	**2005**
Profit / (Loss) attributable to equity holders of the Company	(37 714)	(12 580)
Weighted average number of ordinary shares outstanding *(1)*	17 873 551	16 490 136
Basic earnings per share (€ per share)	**(2.11)**	**(0.77)**

Diluted

In thousands of euros except share and per share numbers	**2006**	**2005**
Profit / (Loss) attributable to equity holders of the Company	(37 714)	(12 580)
Effect of dilutive potential ordinary shares: No transaction	0	0
Profit / (Loss) used to determined diluted earnings per share	(37 714)	(12 580)
Weighted average number of ordinary shares outstanding	17 873 551	16 490 136
Effect of dilutive potential ordinary shares: stock options *(2)*	-	-
Weighted average number of ordinary shares for diluted earnings per share *(2)*	17 873 551	16 490 136
Diluted earnings per share (€ per share)	**(2.11)**	**(0.77)**

(1) The denominator for the year 2005 for the purposes of calculating both basic and diluted earnings per share have been adjusted to reflect the issuance of 1,176,470 new shares on July 27, 2005 and its related capital increase of €40 million.

(2) As per IAS 33, stock options were not included in the calculation since they were anti-dilutive due to net losses reported for fiscal years ended on December 31, 2005 and December 31, 2006. Stock options would have reduced net negative diluted earnings per share by €0.03 as of December 31, 2005 and by €0.24 as of December 31, 2006.

12 Property, plant and equipment

12.1 Gross amount and accumulated depreciation

In thousands of euros	At cost	Depreciation & impairment	Net
	Dec 31, 2006		
Switching equipment and installation	56 140	(31 775)	24 365
Network plant and equipment	232 970	(57 867)	175 103
Customer plant and equipment	161 785	(58 237)	103 548
Operating support systems	9 287	(6 499)	2 788
Computer equipment and other	9 658	(6 884)	2 774
Total Property, plant & equipment	**469 840**	**(161 262)**	**308 578**
of which finance leases (see note 20):			
Network plant and equipment	7 851	(2 513)	5 338

In thousands of euros	At cost	Depreciation & impairment	Net
	Dec 31, 2005		
Switching equipment and installation	48 516	(26 118)	22 398
Network plant and equipment	163 266	(42 867)	120 399
Customer plant and equipment	130 339	(41 373)	88 966
Operating support systems	7 789	(5 736)	2 053
Computer equipment and other	9 263	(6 967)	2 296
Total Property, plant & equipment	**359 173**	**(123 061)**	**236 112**
Of which finance leases :			
Network plant and equipment	5 412	(1 948)	3 464

12.2 Capitalized expenses

In thousands of euros	Dec 31, 2006	Dec 31, 2005
Employee compensation & benefits (1)	8 695	4 802
Contracted labor	11 385	945
Total	**20 080**	**5 747**
(1) of which capitalized other costs	299	211

12.3 Changes in net carrying amount of property, plant and equipment

In thousands of euros	Dec 31, 2006	Dec 31, 2005
Beginning of the period	**236 112**	**212 446**
Additions	111 243	54 058
New finance leases	2 439	-
Disposals	(314)	(784)
Depreciation charge	(39 338)	(29 433)
Impairment	-	-
Reversal of impairment	-	-
Reclassification and other	(1 564)	(175)
End of the period	**308 578**	**236 112**

13 Intangible assets

13.1 Gross amount and accumulated depreciation

	Dec 31, 2006		
In thousands of euros	At cost	Depreciation & impairment	Net
Software	66 388	(38 626)	27 762
Total Intangible assets	**66 388**	**(38 626)**	**27 762**

	Dec 31, 2005		
In thousands of euros	At cost	Depreciation & impairment	Net
Software	46 349	(31 572)	14 777
Total Intangible assets	**46 349**	**(31 572)**	**14 777**

13.2 Changes in net carrying amount of Intangible assets

In thousands of euros	Dec 31, 2006	Dec 31, 2005
Beginning of the period	**14 777**	**13 649**
Additions	18 466	5 932
Disposals	-	(43)
Amortization charge	(7 045)	(4 936)
Impairment	-	-
Reversal of impairment	-	-
Reclassification and other	1 564	175
End of the period	**27 762**	**14 777**

14 Financial assets

In thousands of euros	Dec 31, 2006	Dec 31, 2005
Deposits	1 784	3 090
Total financial assets	**1 784**	**3 090**

Financial assets consist primarily of deposits for leased offices and switch location premises.

15 Trade receivables

In thousands of euros	Dec 31, 2006	Dec 31, 2005
Trade receivables, VAT included	55 368	32 332
Doubtful accounts, gross	2 729	1 828
Provisions for doubtful accounts	(2 339)	(1 586)
Down payments received from customers	(553)	(457)
Trade Receivables	**55 205**	**32 117**

Trade receivables are net of (i) repayments to be made to service providers in relation to value added services (ii) accruals related to call termination revenues.

16 Other receivables

In thousands of euros	Dec 31, 2006	Dec 31, 2005
VAT receivable	13 453	12 838
Prepaid administrative and general expenses	1 177	1 684
Prepaid operating expenses	2 113	1 900
Other current assets	317	667
Other receivables	**17 060**	**17 089**

17 Cash and cash equivalents

In thousands of euros	Dec 31, 2006	Dec 31, 2005
Short-term deposits & cash at bank	54 826	146 587
Cash collection in progress *(1)*	6 060	-
Cash and cash equivalents	**60 886**	**146 587**

(1) Customer direct debits of December 30, 2006, collected (or received) on January 2nd, 2007.

As indicated in note 2, our short-term deposits are highly liquid investments, readily convertible to a known amount of cash and are subject to an immaterial risk of change in value.

In July 2005, the Company raised €120 million, before issuance costs, in debt and equity, in order to finance its expansion plan.

The maturity of the deposits is as follows:

	Dec 31, 2006	Dec 31, 2005
Less than 3 months	54 826	100 782
Less than 12 months	-	45 805
Total deposit accounts in Dutch and French banks	54 826	146 587

18 Shareholder's equity

Shareholder's equity breaks down as follows:

In thousands of euros	§	Dec 31, 2006	Dec 31, 2005
Issued capital	a)	360	357
Additional paid-in capital	b)	880 430	879 485
Accumulated deficit	c)	(653 746)	(616 017)
Share based compensation reserve	d)	6 872	2 442
Treasury Shares	e)	(104)	(56)
Total Shareholder's equity		**233 812**	**266 211**

a) Issued capital

As of December 31, 2006 the share capital consisted of 18,007,048 ordinary shares issued and outstanding with a par value of €0.02 each and amounted to €360,140.97.

Two for one share split

On May 17, 2006, the Company effected a division by 2 of the face value of the Company shares taking it from €0.04 to €0.02.

The detail of the 2006 movements in the number of shares is as follows :

	Note	December 31, 2006		December 31, 2005	
		Amount in '000 of €	Number of shares	Amount in '000 of €	Number of shares
At the beginning of the year (with a par value at €0.04)		**357**	**8 930 635**	**310**	**7 744 565**
Exercise of stock options with a par value of €0.04		0.1	13 445	0.4	9 600
Effect of two for one share split		-	8 944 079	-	-
Exercise of stock options with a par value of €0.02		3	118 889	-	-
Issuance of 1,176,470 shares with a par value of €0.04	*(1)*	-	-	47	1 176 470
At the end of the year (with a par value at €0.02)		**360**	**18 007 048**	**357**	**8 930 635**

(1) On July 27, 2005, the Company issued 1,176,470 shares at €34 each, before issuance costs, in the course of the financing of its expansion plan (see note 1).

As of December 31, 2006, the authorized capital consisted of 40,600,000 ordinary shares with a par value of €0.02 each and amounted to €812,000.

b) Additional paid-in capital

In thousands of euros	*Note*	December 31, 2006	December 31, 2005
At the beginning of the year		**879 485**	**842 193**
Exercise of stock options		945	61
Issuance of new shares	*(1)*	-	39 953
Related issuance costs		-	(2 722)
At the end of the year		**880 430**	**879 485**

(1) On July 27, 2005, the Company issued 1,176,470 shares at €34 each, before issuance costs, in the course of the financing of its expansion plan (see note 1).

c) Accumulated deficit

In thousands of euros	*Note*	December 31, 2006	December 31, 2005
At the beginning of the year		**(616 017)**	**(603 476)**
Movements in treasury shares	*(1)*	(15)	39
Net loss for the year		(37 714)	(12 580)
At the end of the year		**(653 746)**	**(616 017)**

(1) Net gains or losses realized under the liquidity contract provider.

d) Share based compensation reserve

In thousands of euros	*Note*	December 31, 2006	December 31, 2005
At the beginning of the year		**2 442**	**492**
Share-based compensation	*(1)*	4 430	1 950
At the end of the year		**6 872**	**2 442**

(1) Share-based compensation is described on Note 24

e) Treasury Shares

In thousands of euros	*Note*	December 31, 2006	December 31, 2005
At the beginning of the year		**(56)**	**(23)**
Movements in treasury shares	*(1)*	(48)	(33)
At the end of the year		**(104)**	**(56)**
Total number of Treasury shares		15 366	6 760

(1) Treasury shares are valued at cost as a reduction from shareholders' equity. These movements represent the net movements of Completel Europe NV shares under the liquidity contract.

19 Senior secured notes

In thousands of euros	December 31, 2006	December 31, 2005	*Note*
Gross amount	80 000	80 000	
Related issuance costs	(4 572)	(4 572)	
Net value at issuance date	75 428	75 428	
Accrued interest expenses at the beginning of the year	3 857	-	
Yearly interest expense	9 257	3 857	
Interest paid during the year	(8 899)	-	
Accrued interest at the end of the year	4 215	3 857	*(1)*
Balance at end of period	**79 643**	**79 285**	

Balance sheet classification:

In thousands of euros	December 31, 2006	December 31, 2005	*Note*
Short-term debt payable within 12 months	3 667	3 769	*(1)*
Non-current liabilities	75 976	75 516	
	79 643	**79 285**	

(1) Interest expense on the notes is calculated by applying an effective interest rate to the net value of the notes at issuance.

11% senior secured notes due August 1, 2012 were issued on July 27, 2005 by Completel SAS for a gross amount of €80 million. The bonds will mature at nominal value on August 1, 2012. Interest of 11% per year is paid semi-annually in cash on February 1 and August 1.

The notes are guaranteed on a senior secured basis by Completel Europe NV and certain of its direct and indirect subsidiaries, to wit: Completel ECC B.V., Completel Escrow B.V., Completel Holding I B.V., Completel Holding II B.V.

and Completel SPC. Certain of the guarantees are secured by first rank pledges on the shares of subsidiaries of Completel Europe NV held by the applicable guarantor.
The indentures governing the senior secured notes contain restrictive covenants with which Completel Europe NV, Completel SAS and other subsidiaries must comply. These include restrictions on the ability to incur additional indebtedness, guarantee debt, create certain pledges, enter into certain sale and leaseback transactions, pay dividends and make other distributions, make certain investments, use the proceeds from asset sales, and merge or consolidate.

The Company has the right to redeem all or some of the senior secured notes after August 1, 2009. In addition, during certain periods, prior to August 1, 2009, the Company is entitled to redeem up to 35% of the notes with the net proceeds of one or several equity offerings or sales of IRUs. The notes provide that they may be repaid in full at any time as a result of certain changes to tax regulations. Furthermore, the Company undertook to commence, within 30 days of the occurrence of a change of control, and consummate an offer to repurchase all senior secured notes then outstanding, at a purchase price equal to 101% of their principal amount, plus accrued interest (if any) to the payment date. In addition the Company undertook, unless the necessary consents are obtained, to repay all indebtedness then outstanding which by its terms would prohibit any repurchase of the senior secured notes, either prior or concurrently with the repurchase of the senior secured notes pursuant to the offer to repurchase all senior secured notes. The obligation to offer to repurchase all senior secured notes is subject to certain exceptions, more in particular in the event a third party makes an offer to purchase the senior secured notes in the manner, at the times and price and otherwise in compliance with the requirements of the indenture applicable to an offer to repurchase the senior secured notes pursuant to a change of control.

The related issuance costs of €4.5 million are amortized over the term of the notes.

The interest charge is comprised of:

	December 31, 2006	December 31, 2005
- amortization of the issuance costs	548	88
- accrued interest payable at 11%	3 667	3 769
	4 215	3 857

Debt maturity analysis :

	Within 1 year	Within 2 to 5 years	After 5 years	Total
- Principal	-	-	80 000	80 000
- Interest	8 800	35 200	8 800	52 800

20 Obligations under finance leases

Finance lease liabilities

The Company has finance leases for Indefeasible Right of Usage (“IRU”) for fibre. The net minimum lease payments are as follows :

	December 31, 2006		December 31, 2005	
In thousands of euros	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Amounts payable under finance leases:				
Within 1 year	883	551	606	413
Within 2 to 5 years inclusive	3 498	2 416	2 403	1 858
After 5 years	3 490	2 714	1 701	1 563
Total minimum lease payments (a)	7 871	5 681	4 710	3 834
Less amounts representing finance charges	(2 190)	n/a	(876)	n/a
Present value of minimum lease payments	**5 681**	**5 681**	**3 834**	**3 834**
Less amounts due for settlement within 12 months		(551)		(413)
Obligations under finance leases		**5 130**		**3 421**

The minimum lease payments given as amounts payable under finance leases within one year correspond to the actual charges for leases invoiced by the lessors.

Reconciliation between finance leases in tangible assets and corresponding liabilities:

	Dec 31, 2006	Dec 31, 2005
Network plant and equipment under finance leases (see note 12)	7 851	5 412
Finance leases already reimbursed	(2 170)	(1 578)
Present value of minimum lease payments	**5 681**	**3 834**

The net carrying amount is disclosed in note 12.

21 Retirement benefit obligations

Defined benefit plan

21.1 Amounts recognized in the balance sheet

In thousands of euros	Dec 31, 2006	Dec 31, 2005
Present value of unfunded obligations	572	398
Unrecognised actuarial losses	-	-
Unrecognised past service cost	-	-
Net liability recognized in the balance sheet	**572**	**398**

21.2 Amounts recognized in profit or loss

In thousands of euros	Dec 31, 2006	Dec 31, 2005
Current service cost	84	59
Interest on obligation	16	11
Actuarial losses recognized in the year	74	88
Past service cost	-	-
Expense of the period	**174**	**158**

21.3 Changes in the present value of the defined benefit obligation

In thousands of euros	Dec 31, 2006	Dec 31, 2005
Opening defined benefit obligation	**398**	**240**
Service cost	84	59
Interest cost	16	11
Actuarial losses	74	88
Obligation transferred on disposal of subsidiary	-	-
Obligation acquired on acquisition of a subsidiary	-	-
Benefits paid	-	-
Closing defined benefit obligation	**572**	**398**

21.4 Main actuarial assumptions used

	Dec 31, 2006	Dec 31, 2005
Discount rate	4.50%	4.00%
Expected rate of inflation and salary increases	3.20%	3.20%
Retirement age	65	65

22 Trade payables and Network vendor payables

In thousands of euros	Dec 31, 2006	Dec 31, 2005
Trade payables and accruals	41 545	35 168
Network vendor payables and accruals	48 082	31 141
Total Trade and Network vendor payables	**89 627**	**66 309**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

Network vendor payables and accruals comprise amounts outstanding for the purchases of property, plant and equipment and intangible assets.

23 Current provisions

Provisions break down for 2006:

In thousands of euros	Dec 31, 2005	Additional provisions for the year	Utilization of provision	Released provision	Dec 31, 2006
Provisions for claims and litigation	970	493	(236)	(132)	1 095
Total provisions	**970**	**493**	**(236)**	**(132)**	**1 095**

Provisions break down for 2005:

In thousands of euros	Dec 31, 2004	Additional provisions for the year	Utilization of provision	Released provision	Dec 31, 2005
Provisions for restructuring	401	-	(346)	(55)	-
Provisions for claims and litigation	926	407	(363)	-	970
Total provisions	**1 327**	**407**	**(709)**	**(55)**	**970**

Provisions for restructuring in 2005 are mostly related to disputed employees terminations pursuant to our 2002 restructuring.

Provisions for claims and litigation in 2005 and 2006 are mostly related to disputed employees terminations and to a disputed vendor claim.

24 Share-based compensation

Stock Option plans

In December 1999, the Company adopted the Completel Europe NV 2000 Stock Option Plan (the "2000 Option Plan"). Options granted under this plan between December 1999 and May 2002 are all vested, outstanding and exercisable. As of December, 31, 2006, outstanding and exercisable options under this plan are (i) 5 143 options expiring between December 2009 and March 2012, at a weighted average exercise price of €1,123.80.

In December 2002, the Company adopted the Completel Europe NV 2002 Stock Option Plan (the "2002 Option Plan"). The 2002 Option Plan provides for the grant of options to purchase ordinary shares of Completel Europe to approximately 25 of the Company's key employees (including management).
Options granted under the 2002 Option Plan are all vested, outstanding and exercisable. Options expire on December 2012.

At the Company's Extraordinary General Meeting in December 2002, the Company's shareholders approved the implementation of a remuneration plan for the Company's Supervisory Directors (the "Non-employee Director Option Plan "). Under the Non-employee Director Option Plan, each of the four independent Company's Supervisory Directors received options to purchase 20 000 ordinary shares, with a total of 80 000 options authorized to be issued to the Supervisory Directors as a Company under the Non-employee Director Option Plan.

Options granted under the Non-employee Director Option Plan are all vested, outstanding and exercisable. The options expire on May 2008.

Movements in the number of stock options outstanding and their related weighted average exercise price are as follows:

	December 31, 2006		December 31, 2005	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding at the beginning of the year	**635 870**	**23.07**	**645 639**	**23.37**
Exercised before the share split	(13 445)	20.10	-	-
Effect of the share split on the number of stock options	622 425	-	-	-
Granted during the period	-	-	-	-
Exercised after the share split	(118 889)	5.79	(9 600)	6.38
Cancelled during the period	(1 488)	621.30	(169)	2 111.75
Outstanding at the end of the year	**1 124 472**	**11.38**	**635 870**	**23.07**
Exercisable at the end of the year	**1 124 472**	**11.38**	**494 755**	**24.26**

The following table summarizes information about stock options outstanding, vested and exercisable as of December 31, 2006:

	Options Outstanding				Options Exercisable	
	Number of Options Outstanding	*Expiration date*		Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Price
Exercise price range € :		*from*	*to*			
0 - 5	360 965	*May 2008*	*Dec 2012*	3.19	360 965	3.19
5 - 25	758 364	*Dec 2012*	*Dec 2012*	7.74	758 364	7.74
25 - 250	-			-	-	-
> 250	5 143	*Dec 2009*	*March 2012*	1 123.80	5 143	1 123.80
Total	**1 124 472**			**11.38**	**1 124 472**	**11.38**

Only stock option plans established after November 7, 2002 and whose stock options are not yet fully vested at January 1, 2005 are restated according to IFRS 2 "Share-based payment". During 2005, the Company extended the exercise period of the 2002 stock option plans from 3 to 6 years for non-employee directors and from 6 to 10 years for employees. As a result, the fair values of the options were recomputed. Inputs for the calculations and impact on the income statement are explained in the paragraphs below.

The fair value of granted options was measured using the Black-Scholes option-pricing model. The inputs into the model were as follows:

	2005
Expected volatility	40%
Risk-free rate	2.6%
Expected dividend yield	0%

Conditional free shares plan

On April 3, 2006, the Supervisory Board of the Company approved a conditional free shares plan in order to develop the motivation and loyalty of approximately 80 key employees of the Company, including the members of the Board of Management. The actual number of conditional free shares to be issued pursuant to the plan, in 2008 and 2009 respectively, will be subject to certain performance criteria having been met, e.g. (i) achieving certain revenue targets for the financial year 2007, and (ii) achieving certain Adjusted EBITDA targets for the financial year 2008 or (iii) in the event of a change of control occurring prior to May 2009, the highest price paid for the Completel Europe NV ordinary shares in connection with the change of control. The shares issued upon expiration of the respective vesting periods shall be subject to a lock-up from trading for an additional two years as of the date of their issuance. A maximum number of 1 427 360 ordinary shares, after effect of the two-for-one stock split, can be granted pursuant to this plan.

Shares to be finally issued further to this plan shall be paid-up from the freely distributable reserves of Completel Europe NV.

1 200 680 conditional free shares were granted during the period pursuant to this plan. The Company estimated the associated share based compensation charge by comparing, inter-alia, the business plan of the Company against the performance criteria to be achieved under the plan in order to obtain the maximum number of shares conditionally granted. The Company estimated that, based upon its current plans, approximately 700 000 shares could finally be issued in 2008 and 2009, out of the 1 200 680 shares conditionally granted during the period.

Movements in the number of conditional free shares during the period:

Number of shares	December 31, 2006
Outstanding at the beginning of the year	**-**
Granted during the period	1 200 680
Cancelled during the period	(26 000)
Exercised during the period	-
Outstanding at the end of the period	**1 174 680**

Yearly breakdown of the share based compensation charge, in thousands of euros:

	2006	2007	2008	2009	Total
Estimated charge over the vesting period:	4 024	6 241	3 786	863	14 914

Impact on net loss of share based compensation

Compensation expense for share-based payments recognized in accordance with IFRS 2 is as follows:

In thousands of euros	**2006**	**2005**
Yearly recognition for stock options	406	177
Impact of the extension of the exercise period for stock options	-	1 773
Yearly recognition for free shares attribution	4 024	-
Total	**4 430**	**1 950**

These non cash transactions are presented on a separate line in the income statement.

25 Commitments and Contingencies

25.1 Operating lease arrangements and Rights-of-way agreements

At the balance sheet date, the Company has outstanding commitments under non-cancellable operating leases, which fall due as follows:

Maturities

In thousands of euros	Dec 31, 2006	Dec 31, 2005
Within 1 year	12 994	12 019
Within 2 to 5 years inclusive	36 645	49 768
After 5 years	33 308	44 120
Total	82 947	105 907

Operating leases payments represent rentals payable by the Company for certain of its office properties, switch locations, and vehicles. Leases are negotiated for an average of three years. In addition, the Company has entered into various rights of ways agreements and switch sites locations which have fixed terms over 10 years.

25.2 Commitments given for the acquisition of property, plant and equipment and IRUs purchases

In thousands of euros	Dec 31, 2006	Dec 31, 2005
Commitments given for the acquisition of property, plant and equipment purchases	6 963	30 242
Total commitments	6 963	30 242

25.3 Commitments received for the sale of IRUs

In thousands of euros	Dec 31, 2006	Dec 31, 2005
Commitments received for the sale of IRUs	30 940	15 000

25.4 Guarantees and Collaterals given to Note holders.

In thousands of euros	Dec 31, 2006	Dec 31, 2005
Pledges on shares capital of Completel Europe NV's subsidiary to note holders	-	-
Guarantees given by Completel Europe NV and all its direct or indirect subsidiaries jointly and severally to note holders	132 800	141 722

26 Related party disclosures

Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company have been eliminated on consolidation and are not disclosed in this note. There were no transactions between the Company and other related parties.

Members of the Supervisory and Management Boards of Directors are listed in the Corporate Governance section of the Annual Report. The Company's General Meeting of Shareholders held on April 24, 2006, approved the appointment of Mr Douwe H.J. Terpstra as Management Board member for a term commencing on 24 April 2006.

Compensation and related benefits attributable to directors recorded during the year are as follows:

In thousands of euros	**2006**	**2005**
Compensation & related benefits:		
Fixed remuneration	596	591
Variable remuneration *(1)*	540	573
Directors' fees	40	-
Termination benefits and retirement indemnities	-	-
Other benefits:		
Share-based compensation	1 972	778
Post-employments benefits	-	-
Total	**3 148**	**1 942**

(1) 540: estimated for 2006, pending Supervisory Board approval

27 Events after the balance sheet date

There were no subsequent events after the balance sheet date.

Dutch Statutory Accounts

The following information, together with the balance sheet as of December 31, 2006 and the profit and loss account for the year ended December 31, 2006, and the explanatory notes thereto (the "Financial Statements") constitute our Dutch statutory annual accounts for this period. This information is being included in order to comply with the financial reporting requirements included in Title 9 amended, Book 2 of the Netherlands Civil Code.

General principles

The consolidated financial statements of Completel Europe NV have been prepared in accordance with IFRS.

The consolidated financial statements include the financial data of:
the legal entity itself (the head of the group);
- its subsidiaries within the group;
- other group companies that fall under the legal entity and
- other legal entities over which it can exercise significant influence or where it performs central management.

The stand-alone financial statements of Completel Europe NV have been prepared in accordance with article 362 paragraph 8 of Title 9, Book 2 of the Netherlands Civil Code, applying the same IFRS accounting principles that the legal entity has applied in the consolidated financial statements, except for the valuation of participations where significant influence is exercised. These participations are valued at their net asset value determined in accordance with the IFRS accounting principles.

1. Company only Financial Statements under IFRS

Balance Sheets

(In thousands of euros, after appropriation of results for the year)	**As of December 31,**	
Assets:	**2006**	**2005**
Long term assets:		
Investments in and advances to affiliated companies	229,356	261,905
Current assets:		
Receivables	15,321	15,652
Cash and cash equivalents	814	587
Total current assets	16,135	16,239
Total assets	**245,491**	**278,144**
Liabilities and shareholders' equity:		
Shareholders' equity	233,812	266,211
Current liabilities	11,679	11,933
Total shareholders' equity and liabilities	**245,491**	**278,144**

Statements of Operations

In thousands of euros	**For the Years Ended December 31,**	
	2006	**2005**
Income from operations	87,235	118,022
Loss from affiliated companies	(124,949)	(130,602)
Net loss after taxes	**(37,714)**	**(12,580)**

General

The description of the Company's activities and the group structure, as included in the consolidated Financial Statements also applies to the Company-only financial statements. In accordance with article 402 Book 2 of the Netherlands Civil Code the statements of operations are presented in abbreviated form.

Accounting Principles

The accounting principles as described in the consolidated Financial Statements also apply to the Company-only financial statements, unless indicated otherwise. The stand-alone financial statements of Completel Europe NV have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code, applying the IFRS accounting principles that the legal entity has applied in the consolidated financial statements, except for the valuation of participations where significant influence is exercised. These participations are valued at their net asset value determined in accordance with the IFRS accounting principles.

Investments in and advances to Affiliated Companies

The movement in investments in and advances to affiliates is as follows (in thousands of euros):

	Loans to affiliates	Investments in affiliates	Total
Book value as of January 1, 2006	**1,231,962**	**(970,057)**	**261,905**
Interest to receive from affiliates	92,400	-	92,400
Result on investments	-	(124,949)	(124,949)
Book value as of December 31, 2006	**1,324,362**	**(1,095,006)**	**229,356**

	Loans to affiliates	Investments in affiliates	Total
Book value as of January 1, 2005 under IFRS	**1,073,156**	**(839,455)**	**233,701**
Additional loan	38,605	-	38,605
Interest to receive from affiliates	120,201	-	120,201
Result on investments	-	(130,602)	(130,602)
Book value as of December 31, 2005	**1,231,962**	**(970,057)**	**261,905**

Receivables

The receivables consists of the following items (in thousands of euros):

	As of December 31,	
	2006	**2005**
Group companies	14,840	14,840
Prepayments	481	652
Other receivables	-	160
Total	**15,321**	**15,652**

Shareholders' Equity

Two for one share split
Completel decided the division by 2 of the face value of the Company shares taking it from €0.04 to €0.02. Consequently, the number of shares making up the capital increased to 17,888,158 shares with a face value of €0.02 with the capital remaining unchanged. The share split took effect on 17 May 2006.

The movements in shareholders' equity are as follows (in thousand of euros):

	Issued Capital	Additional paid-in capital	Other Reserves	Total
Balance as of January 1, 2006	**357**	**847,735**	**(581,881)**	**266,211**
Exercise of stock-options	3	945	-	948
Movements in Treasury shares	-	(15)	(48)	(63)
Net loss	-	-	(37,714)	(37,714)
Share-based compensation	-	-	4 430	4 430
Balance as of December 31, 2006	**360**	**848,665**	**(615,213)**	**233,812**

	Issued Capital	Additional paid-in capital	Other Reserves	Total
Balance as of January 1, 2005	**310**	**810,443**	**(571,257)**	**239,496**
Issuance of new shares	47	39,953	-	40,000
Related issuance costs	-	(2,722)	-	(2,722)
Exercise of stock-options	-	61	-	61
Movements in Treasury shares	-	-	6	6
Net loss	-	-	(12,580)	(12,580)
Share-based compensation	-	-	1 950	1 950
Balance as of December 31, 2005	**357**	**847,735**	**(581,881)**	**266,211**

Current liabilities

The current liabilities consists of the following items (in thousands of euros):

	As of December 31	
	2006	2005
Group companies	11,476	11,037
Accrued expenses	177	93
Other current liabilities	26	803
Total	**11,679**	**11,933**

CompleTel Europe NV and its Dutch subsidiaries form a fiscal unity headed by Completel Europe NV. The companies are joint and several liable for tax liabilities arising in the period that they form part of that fiscal unity.

Board of Management and Supervisory Directors

Members of the Supervisory Board were not remunerated in 2006 and 2005.

The Company’s General Meeting of Shareholders held on April 24, 2006, approved the appointment of Mr Douwe H.J. Terpstra as Management Board member for a term commencing on 24 April 2006 and ending on the day of the General Meeting of Shareholders at which the annuals accounts 2009 are considered. Mr Terpstra shall receive a fixed remuneration of €15,000 per annum. Mr Terpstra shall not be entitled to any variable remuneration component, nor shall he be entitled to any redundancy scheme, pension arrangements and performance criteria.

Amounts charged to the Company and its subsidiaries for the remuneration of the other members of the Board of Management in 2006 and 2005 were respectively €1,196,292 and €1,324,595.

The 2006 remuneration of Management Board members of the Company and its subsidiaries is as follows, in euros:

Name	Position	Short-term benefits	Post-employment benefits *(a)*	Termination benefits	Profit sharing and bonus plans	Total
Jérôme de Vitry	Director & C.E.O.	411,548	30,348	-	430,500	872,396
Alexandre Westphalen	Director & C.F.O.	184,048	30,348	-	109,500	323,896
		595,596	60,696	-	540,000	1,196,292

(a) Post employment benefits correspond to obligations imposed by the French social security system

The above stated remuneration does not include any share based compensation for the members of the Board of Management or the Supervisory Board. For this, reference is made to the Notes to the “Consolidated Financial Statements”.

Payment of bonuses to statutory directors is entirely conditional upon the achievement of certain performance objectives set by the Supervisory Board, stating on a proposition from the Remuneration & Selection Committee. Performance objectives determined at the start of each year are based upon (i) achievement of financial targets based on each year’s budget, (ii) achievement of individual qualitative and quantitative objectives.

For the year ending December 31, 2006, 1/3 of the performance objective was based on achieving individual targets, and 2/3 on achieving financial targets derived from the operating result (before depreciation, amortization end exceptional elements), and the cash flow generated by operating and investing activities. Considering the financial results of the Company for the year 2006, 2006 bonuses have been accrued at December 31, 2006 at 100% of the objectives set for the year. 2006 bonuses will be paid in April 2007.

Rights for Subscribing for or Purchasing of Shares

The company operates long-term incentive schemes, which are disclosed in the Notes to the “Consolidated Financial Statements”. In addition to this information:

The movements in options per category under the stock options plans are as follows:

a) Shareholders (jointly): No stock options were granted to shareholders.

b) Supervisory directors (individually) :

Name	Issued in	Expiration in	January 1, 2006	Share split effect	Granted	Exercised	Lapsed	December 31, 2006	Exercise price
Duncan Lewis	2002	2008	20,000	20,000	-	-	-	40,000	€3.19
Jean-Pierre Vandromme	2002	2008	15,200	15,200	-	1,860	-	28,540	€3.19
Dominique Vignon	2002	2008	17,000	17,000	-	-	-	34,000	€3.19
Jean-Marie Descarpentries	2002	2008	15,200	15,200	-	1,860	-	28,540	€3.19
			67,400	67,400	-	3,720	-	131,080	

At the moment of granting the price of the underlying share was €6.38 (before share split). Members of the supervisory board have been granted share subscription rights as compensation for their Board duties. The Board of Supervisory Directors is of the opinion that the holding of share subscription rights by its members does not jeopardize its supervisory role and serves the short and long-term interest of the shareholders

c) Directors (individually):

Name	Issued in	Expiration in	January 1, 2006	Share split effect	Granted	Exercised	Lapsed	December 31, 2006	Exercise price (1)
Jérôme de Vitry	2002	2012	142,628	142,628	-	-	-	285,256	€6 68
Alexandre Westphalen	2002	2012	45,042	45,042	-	-	-	90,084	€6.68
			187,670	187,670	-	-	-	375,340	

(1) Weighted average exercise price.

The movements in conditional free shares per category under the conditional free shares plan are as follows:

The actual number of conditional free shares to be issued pursuant to the plan, in 2008 and 2009 respectively, will be subject to certain performance criteria having been met, e.g. (i) achieving certain revenue targets for the financial year 2007, and (ii) achieving certain Adjusted EBITDA targets for the financial year 2008 or (iii) in the event of a change of control occurring prior to May 2009, the highest price paid for the Completel Europe NV ordinary shares in connection with the change of control. The shares issued upon expiration of the respective vesting periods shall be subject to a lock-up from trading for an additional two years as of the date of their issuance.

a) Shareholders (jointly): No conditional free shares were granted to shareholders.

b) Supervisory directors: No conditional free shares were granted to Supervisory directors.

c) Management Board members (individually):

285,472 and 142,736 conditional free shares were granted in April 2006 to Messrs de Vitry and Westphalen, respectively, pursuant to this plan.

The Company estimated the associated share based compensation charge by comparing, inter-alia, the business plan of the Company against the performance criteria to be achieved under the plan in order to obtain the maximum number of shares conditionally granted. The Company estimated that, based upon its current plans, approximately 178,000 and 89,000 shares could finally be issued in 2008 and 2009, out of the 285,472 and 142,736 shares conditionally granted.

Other Information

Auditors' report

Reference is made to the auditors' report as included hereinafter.

Appropriation of Result

The Articles of Association of the Company provide that the appropriation of the net income (loss) for the year is decided upon at the Annual General Meeting of Shareholders. The Company only-financial statements include the net result as other reserves.

To the shareholders of Completel Europe NV

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2006 of Completel Europe NV, Amsterdam, as set out on pages 55 to 85. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at December 31, 2006, profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at December 31, 2006, the company profit and loss account for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Completel Europe NV as at December 31, 2006, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Completel Europe NV as at December 31, 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, March 8, 2007

Deloitte Accountants B.V.
J.G.C.M. Buné

Corporate Governance

General

Completel's management and supervisory structure is organized in a two-tier system, whereby the Board of Management is responsible for managing the business and activities of the company under the control of the Supervisory Board. The Supervisory Board provides the Management Board with advice and may decide that its approval is required for certain Management Board decisions. In carrying out their tasks, all members of the Supervisory Board must seek to serve the best interests of the company. The company seeks a balance of interests between all stakeholders and has invested substantial time and effort in open and clear communication with all interested parties.

Both boards are accountable to the General Meeting of Shareholders for the performance of their functions.

In connection with the corporate governance code which was adopted on January 1 2005, Completel annually presents the outline of its corporate governance structure in the Annual Report and report on the application of the Code. Corporate governance shall also be included in the Annual General Shareholders' Meeting to be held on April 24, 2007.

Last year, Completel discussed its corporate governance at the Annual General Shareholders' Meeting on April 24, 2006.

More information on corporate governance and on the related rules and regulations which Completel has implemented is available on Completel's website (www.completel.com) under corporate governance.

Supervisory Board

The Supervisory Board currently consists of the following six members:

Name	Age	Position	Member since	Term expires at the General Meeting approving annual accounts for year	Nationality
James C. Allen(1)	61	Supervisory Director	March 2000	2007	American
Lawrence F. DeGeorge(1-2)	62	Supervisory Director and Chairman of the Supervisory Board	March 2000	2007	American
Jean-Pierre Vandromme(1)	54	Supervisory Director	Dec. 2002	2007	Belgian
Duncan Lewis(1)	56	Supervisory Director	Dec. 2002	2007	English
Jean-Marie Descarpentries(3)	71	Supervisory Director	Dec. 2002	2006	French
Dominique Vignon(3)	60	Supervisory Director	Dec. 2002	2006	French

(1)Mr Allen, Mr DeGeorge, Mr Vandromme and Mr Lewis were re-elected by the Annual General Meeting of the company held on April 24, 2006.
(2)Mr DeGeorge was appointed Chairman of the Supervisory board on January 29, 2003.
(3)Mr Descarpentries and Mr Vignon were re-elected by the Annual General Meeting of the company held on April 29, 2005.

Since 2002, the Supervisory Board has been composed, on the one hand, of established shareholders (Mr James C. Allen and Mr Lawrence F. DeGeorge) and, on the other, of independent members (Mr Jean-Marie Descarpentries, Mr Duncan Lewis, Mr Jean-Pierre Vandromme and Mr Dominique Vignon).

No member of the Supervisory Board member has been elected by the employees.

The Supervisory Board members bring to the company the benefit of their experience as leaders of major international groups and top companies in the telecommunications sector.

List of the members of the Supervisory Board

James C. Allen

- Address: 3023 Club Drive, Destin, FL 32550, USA;

- Other functions or directorships outside the Group:
    - Investment Director, Meritage;
    - Director, Lipscomb University;
    - Director, Masergy, Inc.

Lawrence F. DeGeorge

- Address: c/o Completel, Tour Ariane – 5, place de la Pyramide, 92088 La Défense Cedex;

- Other functions or directorships outside the Group:
    - Chairman, LPL Investment Group Inc;
    - President, LPL Management Group, Inc;
    - President, DeGeorge Holdings Ltd;
    - Director, Advance Display Technologies, Inc;
    - Director, iPlan Networks;
    - Chairman, Cervalis LLC.

Jean-Marie Descarpentries

- Address: c/o Completel, Tour Ariane – 5, place de la Pyramide, 92088 La Défense Cedex;

- Other functions or directorships outside the Group:
    - Chairman of FONDACT (Association pour la gestion participative, l'épargne salariale et l'actionnariat de responsabilité);
    - Chairman, Ginger;
    - Director, Viel & company;
    - Member of Strategic Board, Bolloré;
    - Member of Strategic Board, Ernst & Young France;
    - Member of the Advisory Board, British Telecom Services (UK);
    - Director, Banque de Vizille;
    - Adviser, Parsys;
    - Director, Assurances Conseils Saint-Honoré (ACSH);
    - Director, Compagnie Financière Tradition (Suisse).

Duncan Lewis

- Address: c/o Completel, Tour Ariane – 5, place de la Pyramide, 92088 La Défense Cedex;

- Other functions or directorships outside the Group :
    - Senior Adviser, The Carlyle Group;
    - Non-Executive Director, Viridian Plc;
    - Director, Twelve Charles Street Tenants;
    - Director, Twelve Charles Street Freehold;
    - Chairman, Euphony Holdings plc;
    - Chairman, AlanDick Limited.

Jean-Pierre Vandromme

- Address: 27 Harman Drive , London, NW22 ED, England;
- Other function or directorship outside the Group:
  - Chief Executive Officer of Golden Telecom.

Dominique Vignon

- Address: 55, avenue Boileau, 78170 La Celle St Cloud;
- Other function or directorship outside the Group :
  - COO and Director, Gantois SA;
  - COO and Director, Tissmetal SA;
  - Director, Emil Hitz AG;
  - Permanent Officer of Gantois SA, Perfomat SA;
  - Director, CMR (Contrôle Mesure Régulation).

The members of the Supervisory Board are required to resign every two years at the end of the General Meeting called to approve the company's accounts. The resigning members may be re-elected immediately. The members of the Supervisory Board hold a position on the Supervisory Board for no more than a maximum of twelve years.

The Supervisory Board appoints a Chairman from among its members.

Governance

The Supervisory Board meets whenever desired by one or more of its members. It also meets at the request of the Management Board. Unless otherwise provided in the Articles of Association, resolutions are passed by a majority of the votes cast. The governance of the Supervisory Board is ruled by the provisions of the Articles of Association and is further governed by rules adopted on March 29, 2005. The Supervisory Board may establish rules relating to its decision-making process.

The annual accounts are signed by each member of the Management Board and the Supervisory Board.

During the past financial year, the Supervisory Board met ten times, with an average attendance rate of 87%.

The Supervisory Board is assisted in the discharge of its functions by a number of committees:

- The Executive Committee;
- The Audit Committee; and
- The Remuneration and Selection Committee.

The Executive Committee

The Executive Committee presently consists of three members: James C. Allen, Lawrence F. DeGeorge and Jean-Pierre Vandromme.

The Executive Committee is in particular responsible for regular consultation with the Management Board concerning the progress of the company's business. It communicates its conclusions to the Supervisory Board.

More particularly, the Executive Committee has the task of studying strategic issues for the Supervisory Board and, in general, any other matter requested by the Supervisory Board.

Its members remain in regular contact with the members of the Management Board, whether individually or collectively.

The Audit Committee

The Audit Committee presently consists of three members: Duncan Lewis (Chairman), Lawrence F. DeGeorge and Dominique Vignon. Mr Lewis serves as financial expert for the Audit Committee and the Supervisory Board.

During the course of the financial year 2000, the Supervisory Board adopted a written charter, amended on January 29, 2003, setting forth the Audit Committee's duties and responsibilities. The Audit Committee rules were further amended on March 29, 2005. The Audit Committee is responsible for advising the Supervisory Board and the Management Board on the integrity of the company's accounts, the company's compliance with the applicable laws and regulations, the selection of the statutory auditors, their independence and competences, and the quality of the company's audit, control and disclosure functions. The Audit Committee is therefore involved in the review of the documents and procedures drawn up by the company in these domains. It examines and approves transactions with persons and companies having connections with the company. The Audit Committee may appoint counsel to provide assistance in carrying out its tasks.

During 2006, the Audit Committee met five times with an attendance rate of 93%.

The main subjects dealt with by the Audit Committee during the financial year 2006 were:

- A review of the press releases announcing the quarterly and annual results;
- A review of the procedures for drawing up and validating the annual accounts with the Statutory Auditors, the Chief Financial Officer and the Corporate Controller;
- An analysis of current litigations;
- A review of the Code of conduct; and
- An examination of the work of the company's financial management team, particularly with regard to the evaluation of internal control procedures.

The Remuneration and Selection Committee

The Remuneration and Selection Committee presently has three members: James C. Allen, Jean-Marie Descarpentries and Dominique Vignon (Chairman).

The tasks of the Remuneration and Selection Committee, its methods of operation and the procedures for the appointment of its members are all laid down by rules, amended on March 29, 2005.

In 2006, the Remuneration and Selection Committee met once with an attendance rate of 100%.

The main subjects discussed by the Remuneration and Selection Committee were:

- Proposals for changes in the remuneration of the Officers;
- Evaluation of the performance of the Officers, against the financial and personal targets set during the previous year, and a proposal for the variable part of their remuneration;
- Proposal of financial and personal targets of the Officers for the new financial year; and
- Analysis of the financial targets set by the Management Board for calculation of the variable part of employees' remuneration, with the exception of the members of the Management Board.

Remuneration and Share Ownership of Supervisory Board

The company does not pay the members of the Supervisory Board any remuneration. No such member has concluded an agreement with Completel for compensation or remuneration in the event of termination of his mandate. The company pays the members of the Supervisory Board costs and expenses reasonably incurred in attending its board and committee meetings. In addition, the company maintains indemnity insurance for the members of the Supervisory Board and corporate officers. The members of the Supervisory Board participate in the company's stock option and subscription plans (see details in the "Dutch Statutory Accounts"" in the Financial Report).

Management Board

The Management Board presently consists of three members:

Name	Age	Position	Term began	Term expires
Jérôme de Vitry	46	Member of Management Board Chief Executive Officer	May 30, 2001	At the General Meeting approving 2008 annual accounts
Alexandre Westphalen	45	Member of Management Board Chief Financial Officer	May 15, 2003	At the General Meeting approving 2008 annual accounts
Douwe Terpstra	49	Member of Management Board	April 24, 2006	At the General Meeting approving 2009 annual accounts

Jérôme de Vitry

- Address: 16, rue de Lübeck, 75016 Paris;
- Chief Executive Officer since May 2002.

Alexandre Westphalen

- Address: 154, rue Perronet, 92200 Neuilly-sur-Seine;
- Chief Financial Officer since February 2003;
- Other functions exercised within the group: Finance Director of Completel SAS.

Douwe Terpstra

- Address: Cornelis Roelestraat 7, 1151 CA Broek in Waterland, the Netherlands;
- Executive Commercial Director, Fortis Intertrust.

Governance

The Management Board is responsible for the management of Completel Europe NV and its subsidiaries under the supervision of the Supervisory Board. It is composed of a maximum of three members, from among whom the Supervisory Board designates a Chief Executive Officer (CEO). The members of the Management Board are appointed by the General Meeting of Shareholders upon the binding proposal of the Supervisory Board, which designates at least two persons for each position to be filled. If the Supervisory Board does not make use of its power of proposal or fails to do so within the stipulated time limits, the General Meeting of Shareholders is free to proceed with the appointment. The General Meeting of Shareholders may at any time remove the binding nature of the proposal of the Supervisory Board by adopting a resolution to this effect with an absolute majority of the votes cast.

The General Meeting of Shareholders or the Supervisory Board may suspend any member of the Management Board for a period not exceeding three months. The General Meeting of Shareholders may dismiss any member of the Management Board. The remuneration and other conditions applying to the appointment of each member of the Management Board are determined by the Supervisory Board within the scope of the remuneration policy adopted by the General Meeting.

The Management Board meets whenever one of its members so requests. The decisions of the Management Board are taken by an absolute majority of its members.

The annual accounts are signed by each member of the Management Board and the Supervisory Board.

During the course of the last financial year, the Management Board met nine times, with an average attendance rate of 85%.

The Management Board has highlighted the importance of internal control and constantly seeks to improve procedures (see Internal Control section below).

In the exercise of its functions, the Management Board is assisted by the Disclosure Committee.

The Disclosure Committee

The Disclosure Committee is composed of five employees: the Chief Financial Officer, the Corporate Controller, the Accounting Director, the Investor Relations Director and the Legal Director.

The Disclosure Committee was established in 2002 under a charter specifying its tasks and rules of operation. Its purpose is to assist senior management — particularly the Chief Executive Officer and Chief Financial Officer — in drawing up and evaluating procedures and controls leading to market disclosures. The Disclosure Committee gathers all relevant financial and non-financial information and assesses the materiality, timeliness and necessity for disclosure of such information.

The Disclosure Committee works in close cooperation with the company's external legal counsel and auditors. It reports to the Management Board and, in particular, to the Chief Executive Officer and Chief Financial Officer.

In 2006, the Disclosure Committee met three times with an average attendance rate of 100%.

Authorizations placed on the powers of the Management Board

Issuance of shares

The Annual General Meeting of 24 April 2006 authorized the Board of Management to issue shares and/or to grant rights to subscribe for shares in the capital of the company and the granting of the right to limit or to exclude the pre-emptive rights of the existing shareholders. Pursuant to article 11.3 of the Articles of Association of the Company, such authorization requires a resolution of the General Meeting of Shareholders to be adopted with a two-thirds majority of the votes cast at such meeting.

The authorization will, inter alia, be used for autonomous growth, acquisitions, strengthening the company's balance sheet, to grant rights under the existing stock option plan, and such other reasons as the Management Board and the Supervisory Board deem in the interest of the company.

The authority of the Management Board shall pertain to a maximum of twenty percent (20%) of the total outstanding issued share capital of the Company on 24 April 2006. The authority of the Management Board shall end on October 24, 2007. The designation granted by the General Meeting to the Management Board may not be revoked by the General Meeting during this 18 months period.

In case the 20% maximum set forth above has been reached, any and all subsequent resolutions of the Board of Management to issue shares and/or to grant rights to subscribe for shares in the capital of the company and in connection thereto, to the extent applicable, to limit or to exclude the pre-emptive rights of the existing shareholders, shall be subject to the approval of the General Meeting of Shareholders of the company.

Acquisition of shares in its own capital by Completel Europe NV

Subject to the provisions of Dutch law and the Articles of Association, the company may acquire its own shares, whether gratuitously, by succession or for a consideration, only on condition (i) that the Management Board has received authorization to proceed to such an acquisition from the General Meeting of Shareholders, which cannot be granted for a period of more than 18 months, (ii) that the reserves available for distribution are at least equal to the purchase price and (iii) that the shares held by the company, as well as the shares pledged by the company and its subsidiaries, represent no more than 10% of the issued capital. The company may acquire or assign its own shares only at the proposal of the Management Board, approved by the Supervisory Board. The shares so acquired shall be deprived of voting and dividend rights.

The annual General Meeting of Shareholders of April 24, 2006 authorized the Management Board, for an 18 month period, to purchase, subject to the approval of the Supervisory Board, fully paid up shares in the capital of the company for a per share consideration of not less than the nominal value of these shares and not more than twice the highest stock exchange rate quoted on the Euronext Paris in the 30 day period preceding the date on which the shares are purchased by the Company.

This authorization was granted by the General Meeting in order to facilitate and ensure, among other things, the liquidity and regular quotation of the shares in the capital of Completel traded on the Euronext Paris.

Limitations placed on the powers of the Management Board by the Articles of Association

The Management Board has the general powers granted by the law to represent Completel Europe NV vis-à-vis third parties. In addition, the authority to represent the Company is vested in the CEO acting jointly with another member of the Board of Management.

In the current version of the Articles of Association, certain resolutions of the Management Board are subject to the prior consent of (i) the Supervisory Board or (ii) the General Meeting of Shareholders.

(i) The consent of the Supervisory Board, expressed in the form of a majority of two thirds of all the votes cast by its members in office, is required for Management Board resolutions relating to any of the following:

- Sale or proposal to liquidate the company or to sell practically all of the company's assets, other than within the framework of ordinary business management;
- Any proposal for a merger or consolidation in which the company is not the surviving entity or any proposal for a major acquisition;
- Any acquisition involving a total payment amounting to at least ten million euros (€10 million);
- Any indebtedness arising from loans, other than debts concerning working capital, amounting to twenty million euros (€20 million), and reduced to nil at least once every twelve (12) months; and
- Implementation of an addendum to any company stock option plan or other incentive systems.

Failure to obtain such consent from the Supervisory Board does not affect the Management Board or the power of its members to represent the company.

The Supervisory Board has the power to make certain other matters, clearly defined and notified to the Management Board, subject to its prior consent with a majority of two thirds in favor.

(ii) Similarly, the consent of the General Meeting is required for resolutions of the Management Board relating to any of the following matters:

- The sale or the direct or indirect disposal of all or almost all the assets of the company to a third party;
- The conclusion or the cessation of a long term agreement for the cooperation of the company or a subsidiary with another legal entity or partnership, or as a general partner in a partnership limited by shares or partnership, where such cooperation or termination of cooperation has long term implications for the company; and
- The participation of the company or a subsidiary in other legal entities or undertakings, involving an amount equivalent to at least one third of the assets of the company shown in the consolidated balance sheet and the notes to the last approved annual accounts of the company, as well as the assignment of such participation.

Failure to obtain such consent from the General Meeting does not affect the Management Board or the power of its members to represent the company.

Management Liability

In accordance with the Articles of Association, the members of the Management Board and the Supervisory Board, as well as the officers, managers and employees of Completel Europe NV shall be held harmless by the company for any liability they may incur through the exercise of their functions in good faith.

Remuneration Policy of Management Board

The compensation of the Management Board members is fixed by the Supervisory Board, at the proposal of the Remuneration and Selection Committee. For two members of the Management Board, this remuneration includes a variable part, determined by the Remuneration and Selection Committee on the basis of (i) achievement of the financial targets set after each year's budget presentation, (ii) achievement of individual qualitative and quantitative targets set by the Remuneration and Selection Committee.

In 2006, the Remuneration and Selection Committee decided that two thirds of the variable part would be based on the achievement of personal targets and one third on the achievement of financial targets based on the total revenue and on operating result (before depreciation, amortization end extraordinary items). Considering the financial results of the company for the year 2006, 2006 bonuses have been accrued at 100% of the targets set to Mr. de Vitry and Mr. Westphalen, pending for review by the Remuneration & Selection Committee and final approval by the Supervisory Board. 2006 bonuses will be paid in April 2007 (see details in "Board of Management and Supervisory Directors" in the company Financial Statements).

Management Board Report on Internal Control

The Dutch Corporate Governance Code recommends setting up an adequate internal risk management and control system. The company has implemented an internal risk management and control system, and on a regular basis review and, where necessary, modify its current risk management and control system.

In accordance with the Dutch Corporate Governance Code, the Management Board is responsible for the adequacy and effectiveness of the internal risk management and control system of the company. It reports on, and accounts for, the internal risk management and control systems to the Audit Committee and the Supervisory Board, and issues a statement on the system's effectiveness and adequacy.

Definition & targets of internal control

The Management Board of Completel perceives internal control as a set of procedures intended to provide reasonable assurance — though not certainty — of (i) effectiveness and efficiency of operations, (ii) reliability of the financial information produced, and (iii) compliance with applicable laws and regulations.

The overall objective of these internal control procedures is to control and prevent the general risks confronting the company, including those described in the "Risks" section of this Annual Report. These may relate to the nature of the company's business, such as risks of error or fraud in telecommunication flows.

A specific objective of the internal control procedures is to control and prevent risks of error or fraud of an accounting or financial nature, particularly in the preparation and processing of financial information.

The internal control standard adopted for implementation within the company is the one developed by the Committee of Sponsoring Organizations (COSO), a private sector American organization established in 1985. The COSO defines internal control as a process implemented by the governing bodies and general management to give reasonable assurance to meet the following objectives: smooth and efficient operations, reliable financial reporting and compliance with the applicable laws and regulations. The definition used by COSO makes reference to reasonable assurance and is not intended to provide absolute assurance that no material errors will occur.

The internal control environnement

The promotion of internal control within the company is provided and overseen by the Supervisory Board and its committees. The tasks carried out during the financial year by the Supervisory Board, the Audit Committee and the Remuneration and Selection Committee are described in greater detail in the Corporate Governance section of this Annual Report.

Early 2005, in order to promote and develop internal control in accordance with the Dutch Corporate Governance Code, the Supervisory Board has amended its Corporate Governance regulation, and adopted a new set of rules including:

- Rules governing the Supervisory Board;
- Rules governing the Management Board;
- Code of conduct;
- Whistleblower policy;
- Audit Committee charter; and
- Remuneration and Selection Committee charter.

These regulations are posted on the company's website.

The Management Board is the principal actor for the development and supervision of internal control procedures within the company. Risk management and internal control are an integral part of business management and thus embedded in the business planning and review cycle. Parts of the tasks are thus delegated to the operating departments and support departments within a framework of delegated responsibilities and monitored by the level that has extended the delegation.

The Management Board is assisted by the various operating departments of the company in the regions, as well as by the centralized Technical and IT departments. At the financial and legal level, it is assisted by the Accounting department, the Controlling department, the Legal department and the Disclosure Committee.

The Technical and IT departments play a key role in controlling compliance with the internal control procedures of operations. Various managers of these centralized departments monitor the compliance of the procedures by the decentralized operational teams.

The Accounting department is responsible for preparing the accounting and financial information, as well as for drawing up internal control procedures in the financial domain.

The Controlling department is responsible for the quality of the information produced for monthly closing of the accounts and, in cooperation with the Accounting department, the preparation of the quarterly and annual results. The Controlling department is also responsible for the control of the application of the procedures laid down for the various operating departments of the company. To this end, the Controlling department has decentralized its teams within the regional operating entities to assist and control the operating teams in charge of sales, customer connections, network maintenance and customer service.

The centralized Legal department assists the decentralized operating departments in the conduct of their operations. Each operating department is supported by a lawyer on the negotiation and the draft of contracts with third parties, such as customers or network infrastructure providers. Thus, the Legal department plays a key role in the prevention and control of the general risks facing the company.

Finally, the Disclosure Committee, which is composed of the company's main financial and legal managers, gathers and evaluates the necessary financial and other information and decides whether disclosure is necessary.

Internal Control Procedures

In order to achieve this objective, the Management Board has laid down and implemented a multi-facetted approach:

- The awareness of the whole workforce has been raised, particularly through the constant promotion of common values freely determined by the staff during the year 2000. It is the view of the management that these freely determined and shared ethical values constitute a basis of the company's internal control. The promotion of these ethical values has been strengthened by the adoption of a whistleblower policy early 2005. This whistleblower policy invites employees to contact their manager, members of the Management Board, and eventually the Chairman of the Supervisory Board when appropriate, to report on suspected irregularities, dysfunctions, or fraud. Financial managers are furthermore bound by a charter of ethics established during the financial year 2002. This charter commits the financial managers to contact the Audit Committee if they become aware of any significant dysfunction, irregularity or fraud;

- The general risks facing the Company have been mapped, thus enabling Completel to identify the areas of risk and the key processes permitting them to be reduced and brought under control;

- Completel has identified procedures for the control of operating risks, such as reconciliation of minutes switched by the Company with the minutes billed to customers and the minutes purchased from other operators. Another procedure is aimed particularly at controlling the relevance of revenue recognition accounting during the development phase of new products and services; and

- Regular tests are carried out successively on the various procedures of the company. These tests enables Completel to verify the relevance of the established procedures and, where applicable, to carry out improvements.

During 2005, the company analysed and tested its procedures for revenue assurance, treasury and payroll. Revenue assurance review primarily consisted in identifying manual and automated controls, and assessing if the identified controls adequately covered identified the risks for this activity. Treasury and payroll review primarily consisted in identifying manual and automated controls, and ensuring that sufficient internal controls had been implemented to guarantee reliable and accurate processed information. Results of these tests were taken into account to improve existing procedures or to establish new internal control procedures. Results of tests had been reported to and reviewed by the Audit Committee.

During 2006, the company analysed and tested its processes and procedures related to general computer controls, as well as further testing related to revenue assurance. Results of these tests were taken into account to improve existing procedures or to establish new internal control procedures. Results of tests have been reported to and reviewed by the Audit Committee.

Internal control procedures to prepare and process financial information

Internal control for financial information follows a set of procedures and controls organized by the Accounting department, the Controlling department and the Disclosure Committee.

The centralized Accounting department is in charge of:

- Developing and maintaining the accounting positions of the company under the applicable accounting standards;
- Developing and maintaining the financial information systems of the company;
- Producing the monthly, quarterly and annual financial reporting; and
- Producing the tax declarations of the company.

The Controlling department is centralized, and supported by decentralized Controllers in the regional operating entities. It is in charge of:

- Establishing the yearly budget, by consolidating budgets established within the various departments of the company;
- Establishing quarterly reforecast against the budget;
- Establishing monthly close and explaining the variances to budget; and
- Issuing key performance indicators.

The Accounting and Controlling departments have established and follow their own set of procedures and controls to perform their various tasks.

The Disclosure Committee, which is composed of the company’s main financial and legal managers, is in charge of:

- Gathering and reviewing the necessary financial and other information;
- Evaluating the quality and completion of the financial information before its submission to the Audit Committee.

Conclusion

All of the aforementioned measures and procedures are aimed at providing a reasonable level of assurance that the significant risks of the company are identified and managed and that the operational and financial objectives of the company are met in compliance with applicable laws and regulations.

In reference to the Dutch Corporate Governance Code ("the Code") and to the recommendation made by the Corporate Governance Code Monitoring Committee ("the Committee"), with respect to best practice II.1.4 of the Code, the Board of Management believes that (i) the risk management and control systems are appropriate for a company like Completel, and provide reasonable assurance that the financial reporting does not contain any material inaccuracies (ii) the risk management and control systems have worked properly in the year under review (iii) there are no indications that the risk management and control systems will not work properly in the current year (iv) during the year 2006, and up to the date of this report, no material weaknesses with respect to financial reporting, or important deficiencies with respect to other risks (operational / strategic and legislative / regulatory risks) have been discovered.

The Board of Management intends to continue to give high priority to improving the internal control environment and the integration thereof into the day-to-day operations for the company in the future.

Amsterdam, March 8, 2007.

The Board of Management,

/s/ Jérôme de Vitry	/s/ Alexandre Westphalen	/s/ Douwe Terpstra
Jérôme de Vitry, CEO	Alexandre Westphalen, CFO	Douwe Terpstra

Compliance with the Dutch Corporate Governance Code

An explanation is given below of the areas in which the principles and best practice provisions directed at the Board of Management and Supervisory Board are departed from. This relates to the following provisions in the Code:

II.2.5. Neither the exercise price nor the other conditions regarding the granted options shall be modified during the term of the options, except in so far prompted by structural changes relating to the shares or the company in accordance with established market practice.

The terms and conditions of the options granted to certain key employees (including two members of the Board of Management) under the 2002 Option Plan as further described in the Notes to Consolidated Financial Statements were amended in 2005 but only in respect to the exercise period which was extended from 6 to 10 years. The extension was deemed necessary in order to ensure that the employees to whom the options were granted could fully benefit from the value accretion.

The terms and conditions of the options granted to certain key employees (including two members of the Board of Management) under the 2002 Option Plan were also amended in 2006 but only in respect to the division by two of the nominal value of the shares executed by the Company in May 17, 2006.

II.2.6. (&III.7.3) The supervisory board shall draw up regulations concerning ownership of and transactions in securities by management board members, other than securities issued by their 'own' company. The regulations shall be posted on the company's website. A management board member shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the company has not appointed a compliance officer, to the chairman of the supervisory board. A management board member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.

The company has included in its Code of Conduct the possibility for the compliance officer to determine which securities members of the Board of Management and the Supervisory Board may not effect transactions. The company will however not follow the rule that provides periodic notification as set out above. The company is of the opinion that this is a private matter and is already adequately regulated by the relevant legislation and insider trading rules. Of course should ownership of securities constitute a material conflict of interest as set out in Rules II.3.2. and III.6.1., the relevant board member would have to comply with the concerning rules on conflicts.

II.2.7. The maximum remuneration in the event of dismissal is one year's salary (the 'fixed' remuneration component).

Although the employment contracts concluded prior to the introduction of the Code with two of the current members of the Board of Management Mr. de Vitry and Mr. Westphalen provide for approximately 12 months and 9 months remuneration respectively in the event of dismissal, other than dismissal for serious misconduct, it is not solely linked to the fixed component but also includes the variable remuneration component.

III.3.5. A person may be appointed to the supervisory board for a maximum of three 4-year terms.

In conformity with the Code Supervisory Board members may serve on the Supervisory Board for a maximum of twelve years. In deviation of this principle however members may be appointed for a maximum of six 2-year terms.

III.4.1. f. The chairman of the supervisory board shall see to it that the supervisory board elects a vice-chairman.

The position of the company is that the current functioning of the Supervisory Board is adequate and does not necessitate a Vice-Chairman position.

III.4.2. The chairman of the supervisory board shall not be a former member of the management board of the company.

The Chairman of the Supervisory Board, Mr. DeGeorge, stepped down from the Supervisory Board of the company in December 1999, to become a member of the Board of Management of the company from January 2000 up to the date of the company's IPO on March 30, 2000. He was then re-appointed to the Supervisory Board. Given the circumstance that the Code has only become effective as of January 2005 and that Mr. DeGeorge was only for a short period of time on the Board of Management prior to the company's IPO, the company does not believe this recommendation of the Code should apply in this respect.

III.4.3. The supervisory board shall be assisted by the company secretary. The company secretary shall see to it that correct procedures are followed and that the supervisory board acts in accordance with its statutory obligations and its obligations under the articles of association. He shall assist the chairman of the supervisory board in the actual organization of the affairs of the supervisory board (information, agenda, evaluation, training program, etc.). The company secretary shall, either on the recommendation of the supervisory board or otherwise, be appointed and dismissed by the management board, after the approval of the supervisory board has been obtained.

The company's position is that the costs that would be involved in appointing and maintaining the position of a company secretary cannot be justified given the size of the company.

III.5.4.d. The audit committee shall in any event focus on supervising the activities of the management board with respect to:
d) the role and functioning of the internal audit department;

V.3. The external auditor and the audit committee shall be involved in drawing up the work schedule of the internal auditor. They shall also take cognizance of the findings of the internal auditor.

The position of the company is that costs involved in maintaining an internal auditor and an internal audit department cannot be justified given the size of the company. Internal audit tasks are routinely performed by the company's accounting and controlling departments.

IV.3.1. Meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the company's website and by means of press releases.

Provision shall be made for all shareholders to follow these meetings and presentations in real time, for example by means of web casting or telephone lines. After the meetings, the presentations shall be posted on the company's website.

While strictly complying with the rules and regulations of fair and non-selective disclosure and equal treatment of shareholders, not all of the meetings with analysts and presentations to analysts and investors are announced in advance by means of a press release and on the company's website and can be followed in real time, in view of the number of meetings and presentations. One-on-one's with analysts and investors will not be webcasted or be followed by phone.

Shareholders' Meetings

Annual General Meetings

The Annual Meeting shall be held within six months after the close of the financial year, for the purpose of:

- The discussion of the Annual Accounts and of the other information referred to in article 2:392 Dutch Civil Code, except in case extension has been granted for the preparation of the Annual Accounts pursuant to article 2:101 Dutch Civil Code;
- Adoption of the Annual Accounts, unless an extension as referred to in paragraph a. of this Article has been granted;
- Delivery of the written report made by the Board of Management on the state of the company's affairs and the management conducted during the past financial year, unless an extension as referred to in a. above has been granted;
- Effecting all such things as furthermore prescribed by the law; and
- Dealing with all such further items of business as stated in the convocation of the meeting.

Convocation

All convocations for the General Meeting and all announcements, notifications and communications to shareholders and other parties with meeting rights shall be effected by means of letters sent to the addresses as recorded in the shareholders' register.

The convocation shall be effected no later than on the fifteenth day before the day of the meeting.

In the convocation the agenda shall be given or it shall be communicated that shareholders and other parties with meeting rights may inspect the agenda at the offices of the company, without prejudice to the relevant provisions of the law.

Insofar as all documents, which must be available for inspection by shareholders and other parties with meeting rights, have not been included in the convocation, these documents shall be made available at the offices of the company and the paying agent at no cost.

As of the listing of Completel, the shareholders' notice is done by any means authorized by the regulation applicable to the stock exchange on which the shares are listed, fifteen days before the date of the shareholders' meeting the latest.

The shareholders' notice details the agenda of the meeting and specifies that it is open for inspection at the offices of Completel Europe NV.

Shareholders must block their shares as specified in the shareholders' notice. It may be difficult for shareholders holding their shares through an intermediary to give their voting instructions.

Place, chairmanship

General Meetings shall be held in Amsterdam, Schiphol or The Hague, at a location to be stated in the convocation.

General Meetings shall be presided over by the chairman of the Supervisory Board; if the chairman is absent, the member of the Supervisory Board designated by the Supervisory Board shall preside and if such member is absent, the Meeting itself shall choose its chairman. Until that moment a member of the Board of Management designated by the Board of Management shall preside temporarily.

Access

All members of the Board of Management and of the Supervisory Board, shareholders and other parties with meeting rights or their authorized agents shall be entitled to attend the General Meeting, to address the meeting and, insofar as they have voting rights, to cast their vote thereat.

In order to exercise that right holders of ordinary registered shares, usufructuaries and pledgees of registered shares with the rights granted by law under article 2:88 casu quo article 2:89 Dutch Civil Code to holders of depositary receipts issued with the cooperation of a company must express their desire to do so to the company in writing, such no later than at the time and place mentioned in the convocation and also, to the extent it is applicable, stating the identifying number of the share certificate.

The time referred to in the previous paragraph cannot be set earlier than on the seventh day before the day of the meeting.

If the voting right on a share accrues to the usufructuary or the pledgee instead of to the shareholder, the shareholder shall also be authorized to attend the General Meeting and address it, provided that the company has been notified of the intention to attend the meeting in accordance with the paragraph above.

The chairman of the meeting shall decide on access to the meeting by others than those who are entitled thereto by law.

Power of attorney

Shareholders and other parties with meeting rights may have themselves represented by written power of attorney. The company shall be notified hereof in accordance with the provisions of the second paragraph described in the following section “Annual meetings/Access”.

Votes

Each share confers the right to cast one vote.

The Board of Management, subject to the prior approval of the Supervisory Board, is authorized to provide in the convocation notice for a meeting, that shareholders and other parties with meeting rights will only be considered as shareholders or parties with meeting rights if they are registered in a register designated for that purpose by the Board of Management at such time as determined by the Board of Management, irrespective of who at the time of the actual meeting is entitled to the shares or depositary receipts. The last day of registration may not be determined to be earlier than on the seventh day before the day of the meeting.

The convocation notice shall stipulate the day of registration as well as the manner in which the shareholders and other parties with meeting rights may have themselves registered and the manner in which those rights can be exercised.

Insofar as the law or these Articles of Association do not prescribe a greater majority, resolutions are passed by an absolute majority of the votes cast.

The Board of Management shall keep records of the resolutions passed. The notes shall be deposited at the offices of the company for inspection by shareholders and other persons with meeting rights who shall if so requested be furnished with a transcript or extract of these notes at no more than the cost price.

Mandatory Public Offer

A person who is required to disclose, in accordance with the Act on disclosure of holdings in listed companies 1996 (Wet melding zeggenschap in ter beurze genoteerde vennootschappen 1996), (hereafter 'WMZ'), that he acquired voting rights exercisable on the issued share capital of the company (all such terms as defined in the WMZ) in excess of twenty-five percent (25%), shall be under the obligation to bring out a public offer on all of the issued ordinary shares in the capital of the company, except for the ordinary shares held by the company and/or its Subsidiaries, unless prior to the fifteenth day after such disclosure requirement arises, that person ceases to hold voting rights in excess of such twenty-five percent (25%) threshold.

With due observance of the provisions set forth below, the public offer is to be made in accordance with the applicable regulations of the country and/or the stock exchange where the majority of the listed shares in the capital of the company are listed.

The price for which the public offer shall be made shall be equal to with regard to ordinary shares, the highest price paid by the shareholder required to make the offer for any ordinary shares in the capital of the company in the twelve-month period preceding the date pursuant to which the disclosure obligation has arisen.

The public offer has to be made within the period as shall be determined by the Board of Management, which shall not be set at a date earlier than thirty days after the party concerned has been notified of the period within which he has to bring out his public offer. The public offer may not be made subject to any conditions. The public offer may not be withdrawn.

During the period that the public offer has not been made the voting rights and distribution rights, to which the shares held by the person required to make the public offer are entitled, are suspended. These provisions above shall apply 'mutatis mutandis' to usufructuaries or pledgees with voting rights.

These provisions shall not apply to (i) the company holding shares in its own capital, or (ii) Subsidiaries of the company holding shares in the capital of the company, or (iii) the Investors or persons controlling, controlled by or under common control with the Investors, or (iv) a person who, because of the company modifying its share capital or the company or one of its Subsidiaries acquiring shares in the capital of the company, is required to disclose, in accordance with the WMZ, that he holds voting rights exercisable on the issued share capital of the company in excess of twenty-five percent (25%) of the total number of voting rights exercisable on the issued share capital of the company, unless such person subsequently acquires additional shares.

Information for Shareholders

Share capital

As of December 31, 2006, the capital was composed of 18,007,048 ordinary shares with a nominal value of 0.02 euro for each share. The total issued share capital was €360,140.97. All outstanding shares have been fully paid up.

Listing

Completel ordinary shares are listed in the foreign securities section of the Eurolist of Euronext Paris under the symbol CPT. Completel is a member of the following index of Euronext: CAC Small 90, CAC Mid & Small 190, SBF250, IT CAC and the Next Economy segment; Completel shares are eligible to the Deferred Settlement System or SRD (Service de Règlement Différé).

	ISIN Code	**Bloomberg Ticker**	**Reuters RIC**
Ordinary Shares	NL0000262822	CPT FP Equity	CPT.PA

Dividend Policy

In its General Annual Meeting held on April 29, 2004, the Board of Management formulated its dividend policy, subject to changes in the company's accounting policies pursuant to IFRS. Under its policy, Completel intends to introduce a reservation and dividend policy whereby a dividend pay-out to the holders of ordinary shares shall be realized of 30% of the net earnings and whereby the remainder shall be added to the general profit reserve.

Share Ownership

As of December 31, 2006, total voting rights 17,991,682 excluding shares owned by the company which are not entitled to exercise their voting rights.

The following table sets forth information based on the notification made to the company regarding the beneficial ownership of the equity securities as of December 31, 2006 by the shareholders that are the beneficial owners of 5% or more of the capital or voting rights:

	Ordinary shares		Voting rights (1)
As of December 31, 2006	Number of shares	%	%
Meritage (2)	4 568 572	25.4%	25.4%
Cyrte Investments (3)	2,037,158	11.3%	11.3%
Goldman Sachs Group Inc.	2,027,212	11.3%	11.3%
Lawrence F. DeGeorge	1,377,086	7.6%	7.7%
SISU Capital Limited	1,196,028	6.6%	6.6%
Public (4)	6,785,626	37.7%	37.7%
Treasury stocks	15,366	0.1%	-
Total number of shares	18, 007,048	100.0%	100.0%

(1) Each ordinary share is entitled to one vote, with the exception of treasury stocks which do not bear any voting rights.
(2) The Meritage Funds ("Meritage") own 4,568,572 ordinary shares in the aggregate. Mr. Allen, a member of the Supervisory Board, is the investment director of Meritage.
(3) Cyrte Investments was formerly Talpa Capital.
(4) Public includes all shareholders which have not disclosed any holding to the Dutch Authority for the Financial Markets.

On February 8, 2007, Goldman Sachs disclosed to the Dutch Authority for the Financial Markets (AFM) holding 1,775,855 ordinary shares, below the 10% of ownership threshold.

Internal Code in respect of Insider Information

The Company has adopted rules with regard to transactions which involve company securities or give access to them, the intention being to ensure compliance with the laws and regulations prohibiting insider trading. The rules apply to the members of the Management Board, the Supervisory Board and the Company's employees, as well as to persons having a close connection with such persons. They should help to avoid any liability being incurred by individuals or the company under the regulations governing dealings in securities, or any appearance of impropriety in such dealings on the part of board members or the managers or employees of Completel.

These rules prohibit members of the Supervisory Board and the Management Board and the executives and employees of the company, as well as persons having a close connection with them, from buying, selling, subscribing or exchanging securities, as well as carrying out transactions on such securities by means of futures before the expiry of a time limit of:

- 2 stock exchange business days after such information has been made available to the public;
- 1 month preceding the announcement of the quarterly financial results to 2 stock exchange business days after publication;
- 2 months preceding the announcement of the annual financial results to 2 stock exchange business days after publication; and
- 1 month preceding the announcement of a prospectus relating to a share issue or other transaction to 2 stock exchange business days after publication.

Employees are further prohibited from disclosing privileged information concerning the company to other employees or third parties and from buying or selling the securities of any other company while in possession of privileged information that has come to their knowledge in the discharge of their functions at Completel. Finally, it is prohibited for the members of the Management Board or the Supervisory Board or any other person designated by the Compliance Officer to buy or sell, during a period determined by the latter, securities of other companies designated by the Compliance Officer.

Moreover, executives and employees who, by virtue of their functions or responsibilities, may be presumed to have access to privileged information, may conduct transactions in or giving access to company securities only during periods of relative stability for the company and its securities. They are prohibited from conducting such transactions during defined periods.

Finally, insider employees and insider third parties must request a prior opinion from the CEO before any purchase or sale operation, with the understanding that the purchase or sale operations from the CEO shall require a prior opinion from a member of the Supervisory Board designated thereto. They may carry out the transaction within a period of 3 days following the approval. Any securities transaction must be notified to the company.

Financial Calendar

Here is a tentative schedule of our 2007 financial calendar:

Annual General Meeting	: April 24, 2007
1st Quarter 2007 Results	: May 4, 2007
2nd Quarter 2007 Results	: July 26, 2007
3rd Quarter 2007 Results	: November 8, 2007
4th Quarter 2007 and full year 2007	: March 13, 2008

Glossary

Access network: An access network is that part of a communications network which directly connects customers to their immediate service provider.

ADSL: Asymmetric Digital Subscriber Line. ADSL is part of xDSL technology, which allows for broadband communication over copper wire pairs used for phone lines in the Local Loop.

ARCEP: *Autorité de Régulation des Communications Electroniques et des Postes*, the French electronic communications and postal regulatory authority.

ASP: Application Service Provider. An ASP is a supplier of information technology applications on a rental basis. A software application is installed on the supplier's information system and can be accessed by the user through an Internet browser on customer-specific software. By outsourcing applications, companies no longer have to purchase and maintain them.

Backbone: A telecommunications core network, providing very high-speed transmission between the main network hubs and smaller sub-networks. A backbone network may be a national, regional or global network. In 2006, Completel completed its own national backbone linking 110 cities in France.

Bandwidth: The transfer capacity of a transmission link at a given point in time. Generally measured in bits per second.

Cable: A network comprising fibre optic and coaxial cables over which data used to carry voice, data and Internet services.

Call termination: A service that routes a call to the inter-connection point (usually the local exchange), at which point it is then carried by France Telecom (or another operator) on its network from the inter-connection point to the customer.

Churn: A measurement of customers' loss.

Collection: A call collection service consists of an operator's receipt of a call from a France Telecom subscriber who uses a prefix to select an operator. The call is carried by France Telecom from the subscriber terminal to the inter-connection point (generally a local exchange) and from this point onward by the new operator.

Collocation: The provision of space and technical resources required to host and connect technical equipment of alternative operators when unbundling the local loop.

Copper pair: Type of cable used for transmitting electrical signals, consisting of one or more pairs of metal conductors. The copper pair also refers to the local loop link between a customer and the local exchange.

Dark fibre optics: Fibre optic cables without equipment enabling their use.

Data: "Data" describes offers, including digital information exchanges, that use IP protocol or Ethernet technology.

DSL: Digital Subscriber Line. DSL technology enables high-speed data transfers on conventional telephone copper wires.

DSLAM: Digital Subscriber Line Multiplexer. DSLAMs are located in the incumbent operator's network where the local loop and the alternative operator's network connect, and they serve as part of the equipment used to transform a conventional telephone line into an DSL line for data transfer and, in particular, broadband Internet access. DSLAMs consolidate several DSL lines into a single transmission medium which routes data to and from these lines.

DWDM: Dense Wavelength Division Multiplexing, an optical technology used to increase bandwidth over existing fibre optic backbones.

800 numbers: Value added voice services such as free phone services and premium-rate services.

Electronic communication services: Services that transmit communications that are either entirely or primarily electronic. The term does not apply to services related to publishing or distributing communication services to the public by electronic means (Article 32-1 of the French Postal and Electronic Communications Code).

Electronic communications network: Any installation or system of facilities designed for the transportation, broadcasting or alternative delivery of electronic communications, in particular, through switching and routing. The following are considered electronic communications networks: satellite networks, land networks, systems using an electrical grid to forward electronic communications and networks used to distribute audiovisual communication services (Article 32-1 of the French Postal and Electronic Communications Code).

Ethernet: A dominant technology used by corporate customers for their local data networks, allowing speeds ranging from 10 Megabits per second to 10 Gigabits per second. Ethernet services can be delivered on fibre, coaxial cables and copper lines.

Ethernet switch: In Ethernet networks, a device that filters and forwards packets between LAN segments.

Exchange: A part of the telephone switch on the France Telecom network that connects customer's lines by transforming data into digital information.

Fibre optics: Transmission medium that routes digital data in the form of modulated pulses of light. It consists of an extremely thin glass cylinder (the core strand) surrounded by a concentric layer of glass (the duct). The potential bandwidth that can be passed through fibre optic cables, in conjunction with the corresponding equipment facilitating their use, is tremendous.

Fibre ducts: Completel's local access networks consist of fibre deployed in ducts. Generally, Completel installs duct systems with a capacity capable to hold six ducts in order to have sufficient capacity to support its future growth. Each duct is capable of holding between one and three cables, and each cable is capable of holding between 144 and 288 fibres. Completel currently uses either one or two ducts depending on the level of network security required:

- large capacities were installed when Completel deployed the network (civil constrains) to face forthcoming growth;
- wavelength multiplexing technologies are used to multiply the capacity of optical fibre.

Full IP: A network that uses the IP protocol exclusively to transport all voice, data, audio and video communications.

Full unbundling: Full unbundling allows a third party operator to control the entire local.

High-speed services: Services permitting data transfer speeds of 0.5 Mbps (512 Kbps) to 2Mbps.

Hosting services: Services which are complementary to Internet connectivity, such as web sites hosting, support for hardware or operating system maintenance, security services such as firewall and security tests, and application based services such as extranet/intranet and back-up (consumption control applications (through dedicated extranet) and advanced e-mail managed services).

Hubs or distribution nodes (DNs): Electronic equipment providing the ability to add and remove voice and data traffic from the fibre backbone destined to a customer or an interconnection point. Completel installed a high density of distribution nodes on its network route in order to expedite the connection of new customers and diminish further connections costs. These hubs and DNs are secured, environmentally-controlled, and continuously monitored stand-alone facilities.

Inbound calls: Direct connection allowing customers to dispense with the incumbent operator for all their voice services including number portability (allowing customers to retain their number from the incumbent operator) and monthly subscription fees (customers using Completel numbers).

Indirect voice services: Voice services to off-net sites of on-net customers, allowing them to access long-distance services using pre-selection.

IDC: Internet Data Centers; hosting centers allow customers to outsource part or all of their Internet based IT systems (servers, maintenance, security, tailored managed services.). Completel's Internet and data centers have been designed and are operated in order to provide a secure and controlled environment as well as high capacities to the Internet and our data network.

Interconnection: The physical and technical link between telecommunications networks within the same organization or between different organizations that enables users in one organization to communicate with users in the same or other organizations or to access services provided by another organization. Services can be provided by users in the organization or by other users with access to the network (European Directive 96/33/EC).

IP: The IP (Internet Protocol) telecommunications protocol is the set of standards used to carry data over the Internet by dividing the data into packets, assigning addresses to the various packets, carrying them independently of each other and recreating the initial message once the packets reach their destination.

IP PBX: A PABX using IP Technology.

IP Virtual Private Network Services (IP VPN): Allowing customers to connect all their sites and employees to their IT systems through our IP platforms and networks as if they were using their own private network. Completel's IP VPN is based on both MPLS or IPSec Protocols.

IRU: Indefeasible Rights of Use (also known as rights of way). A long-term contract that allows the installation of sheaths, fibre optic cables and bandwidth. Revenue derived from IRU are recognized over the duration of the contract.

ISP: An Internet Service Provider is a company that provides Internet access to private users, professionals and businesses.

LAN to LAN: Interconnection between two or more customer sites, allowing customers' Local Area Networks to operate as if they were located within the same building. Its fibre optic customer access and other advanced technologies significantly differentiate its LAN-to-LAN service from many competing services because of the intra-city and inter-city geographic availability that they provide, as well as the transparency, flexibility and high capacity that it offers. Capacity ranges from 10 Mega bit per second to 1 Gigabit per second, available through standard Ethernet LAN interfaces.

Layer 2 (of the OSI Reference Model): At this layer, data packets are encoded and decoded into bits. It furnishes transmission protocol knowledge and management and handles errors in the physical layer, flow control and frame synchronization. The data link layer is divided into two sub-layers: The Media Access Control (MAC) layer and the Logical Link Control (LLC) layer. The MAC sub-layer controls how a computer on the network gains access to the data and permission to transmit it. The LLC layer controls frame synchronization, flow control and error checking.

Layer 3 (of the OSI Reference Model)**:** This layer provides switching and routing technologies, creating logical paths, known as virtual circuits, for transmitting data from node to node. Routing and forwarding are functions of this layer, as well as addressing, internetworking, error handling, congestion control and packet sequencing.

Local Exchange (LE): France Telecom's telephone network switches to which customers are connected. (Commutateur à autonomie d'acheminement). With its extended network, Completel has access to 415 interconnection points with France Telecom.

Leased line or point-to-point bandwidth: Between two customer sites, allowing customers to operate their own private network for data and/or intra-company communications. Point-to-point bandwidth is provided either within one metropolitan area (intra-city) or between two different metropolitan areas (inter-city). Capacity ranges from 2 Mega bit per second to 2 Gigabit per second.

Local loop: A local loop is the physical link or circuit, that connects from the demarcation point of the customer premises to the edge of the carrier, or telecommunications service provider, network. The local loop can be supported by various technologies on the desired speed (such as xDSL, Ethernet services).

Local loop unbundling: Unbundling local loop or local network access refers to the opening up of the "last mile" of cable linking the subscriber to the landline network (pairs of copper wires).

Main distribution frame (MDF): Area located in the local Exchange where all network connections are made between customers of telecommunications operators and infrastructures (voice, data and video).

MAN: Metropolitan Area Networks. A data network designed for a town or city. In terms of geographic breadth, MANs are larger than local-area networks (LANs), but smaller than wide-area networks (WANs). MANs are usually characterized by very high-speed connections using fibre optical cable.

MPLS: Multi-Protocol Label Switching. Technology that supports Ethernet and IP protocols, the current dominant technologies for corporate networks. MPLS combines very high-speed IP packet switching and differentiated critical flow processing to guarantee the performance of vital applications for corporate customers (through different classes of services).

NGN: New Generation Network. Term given to describe a telecommunications packet-based network that handles multiple types of traffic (such as voice, data, and TV) and allow convergence of services.

NOC: Network Operation Center allows Completel to centralize and integrate the management of all the equipment deployed in its national and local networks. The NOC continuously monitors performance of the various equipment of transmission, switching and routing, and operating systems, as well as performance of customer transmission paths and circuits and customer premises equipment.

NRA: National Regulatory Authority. See ARCEP.

Outbond calls: Switched voice services such as local, national, international, mobile and via satellite calls.

PABX: Private Automatic Branch Exchange. A PABX is an equipment which enables a group of users to communicate internally and with outside networks (internal communications, in-coming and out-going calls).

Partial unbundling: In partial unbundling, an operator is provided with access to the France Telecom local loop for high frequency (non-voice) usage in the spectrum of frequencies available on copper wire; the local loop is still used by France Telecom to provide the subscriber with conventional telephony services (on lower local loop frequencies). The subscription fee continues to be paid by the customer to France Telecom.

POP: Point of Presence. Part of the network used to connect with other operators.

Portability: Possibility for a business customer to retain a telephone number when changing operators.

Pre-selection: Process of selecting an alternative operator for landline calls without dialing a prefix.

Remote management: The outsourcing by a company of part of its services, which may also include having a third party IT service provider manage all or part of its information system.

Rights of way: Telecommunications operators sign contracts granting rights of way in order to deploy their network (such as the right to install cables on public or private property).

Router: A router directs and carries data packets over telecommunications networks. It is designed to optimize data transfer and to provide customers with access to all resources available on the network.

SAN-to-SAN: Storage Area Network solutions based on specific protocols, such as Fibre Channel and Ficon, and on fibre-based infrastructure.

SDH: Synchronous Digital Hierarchy is a transmission technology. SDH systems based on self-healing concentric rings, a technology that routes traffic through an alternative path in the event there is a point of failure.

SDSL: Symmetric Digital Subscriber Line. DSL technology that uses a copper pair (conventional telephone cabling). DSL provides symmetrical transfers (uploads and downloads) primarily to corporations.

Switch: The equipment used to route calls to the recipient through a temporary link between two circuits on a telecommunications network or to forward data in packages. Switches are ranked on France Telecom's network hierarchy. The higher the switch in the hierarchy, the more customers it serves.

Switch Centers: A center hosting a switch. There is a switching center in the nine historical regions covered by Completel. Its switching centers are environmentally controlled, secure sites and connected through a dual direct connection to our city MAN backbone.

Switched Voice: Voice communication transmitted over the PSTN network (Public Switched Telephone Network), *i.e.,* traditional voice communication as opposed to VoIP (which uses the Internet network and converts vocal signals into data packets).

TDM: Time Division Multiplexing, a type of multiplexing that combines data streams by assigning each stream a different time slot in a set. TDM repeatedly transmits a fixed sequence of time slots over a single transmission channel.

Transmission: The number of basic information units (bits) that can be carried simultaneously by the communication channel.

Triple Play: "Triple Play" is an offer including broadband Internet access, VoIP and ADSL television.

Unbundling network: See Local Loop, unbundling.

- Physical unbundling. Alternative operators have access to the customer's phone line, through which they can provide their own DSL services. The operator installs and manages its own DSL equipment;
- Service unbundling. Alternative operators are connected to the incumbent operator's DSL equipment DSL Access or TDSL offers to provide a service to customers;
- DSL subscriber traffic is delivered to the Internet Service Provider directly on the main server center at France Telecom regional centers.

Very high speed Internet Connectivity: Allowing customers to access the Internet in a secure and flexible manner. Customers can manage in an effective way their employees' access to the Internet as well as large web sites and cutting edge IP applications. Optional complementary services to basic connectivity are often chosen by Completel's customers, including standard or advanced e-mail managed services.

Very High-speed services: Services permitting data transfer speeds above 2Mbps.

VDSL: An xDSL technology mainly used for the residential market that permits users to achieve upload and download speeds of approximately 50 Mbps but only for phone lines less than 300 meters away.

VOIP: Voice over IP. Managed services over Completel's network as opposed to unmanaged services over the public Internet.

VPN: Virtual Private Network. Provides a customer with the same level of access to a network that would be available if the customer owned it and permits several entities to share an existing communication infrastructure in a private and secure manner.

Wimax: Worldwide Interoperability for Microwave Access. Specification for fixed broadband wireless metropolitan access networks that use a point-to-multipoint architecture and allow broadband transfers.

xDSL: Family of technologies designed to transmit digital data over a copper pair at high-speeds (ADSL, SDSL and VDSL).