equant℠

MULTI|TALENTED PEOPLE FOR A MULTI|NATIONAL WORLD

Annual Report 2002

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Equant N.V. ('Equant') is a leading provider of global IP and data services to multinational corporations ('MNCs'). Operating on a single platform using mainly Nortel and Cisco technology, Equant offers a broad range of voice and data solutions to MNCs in a variety of industries, with help desk and customer support available in 220 countries and territories around the world. As a single integrated global network, services are fully managed from end-to-end. Offered on an unrivaled international scale, these services include business Intranet and Internet solutions, high performance remote access services over local fixed or dial-up lines, and many other Wide Area Network services.

Equant's business mix is characterized by a significant Network Services line, which accounts for over 70% of current revenues. The remaining 30% encompass Integration Services including Fulfillment, Messaging, Hosting and Security, and Convergence Solutions which includes Circuit-Switched Voice.

Equant defines its addressable market as the telecommunications spend of the top 5,000 MNCs for international networks and extensions of these networks into large domestic networks. Equant estimates that this is a $27.5 billion market. Equant already has a broad and highly stable base of customers across all industries in this market: our 3,700 business customers include two thirds of the top 1000 global companies. Our focus on building long-term relationships with blue-chip organizations has resulted in both extremely high levels of customer retention and ongoing expansion of the level of business that these customers do through Equant. For its Network Services products, Equant also operates through major distributors including SITA, Sprint, Deutsche Telekom and France Telecom.

Equant operates in a very dynamic, highly competitive market that is undergoing a period of unprecedented change. It is characterized by a handful of global service providers: Equant, AT&T, WorldCom, Infonet and Cable & Wireless. In addition, there are a large number of more regional incumbents such as BT Ignite and Telefonica. These companies together constitute more than 50% of the market as a whole. This marketplace is undergoing a transition with many of the above companies recently announcing falls in revenues. The wave of recent bankruptcy filings highlights this transitionary phase. Equant believes that its broad and stable customer base, its solid balance sheet and its strong cash position are distinct advantages in this marketplace. Equant is clearly a top-tier performer among the global service providers.

Equant differentiates itself from its competitors through its global reach, the scope of its product portfolio, and its network integration skills. We believe our ability to provide these services in locations our competitors cannot is a key selling point.

Results of Operations

Revenues rose by 24.4% to $2,973 million for 2002. This increase reflects the inclusion of the results of Global One for the entire year compared to six months in 2001. Equant measures its operating performance based on earnings before interest, taxes, depreciation and amortization ('EBITDA'), which also excludes share plan costs and non-recurring items. EBITDA increased by 42.2% to $192 million in 2002. As a percentage of revenue, this represented an increase from 5.6% in 2001 to 6.5% in 2002. This increase is due to higher gross margins and lower selling costs as a percentage of revenue.

Gross margins improved from 28.9% in 2001 to 30.3% in 2002 largely as a result of the Company's focus on cost reduction, the network integration and the reduction in duplicate transmission capacity. Selling costs as a percentage of revenue fell from 12.3% in 2001 to 11.2% in 2002 reflecting the continuing consolidation of the sales force and a reduction in back office costs. The Company was able to increase order-based productivity by 41% despite a drop of 15% in the number of quota-based salespersons. The Company will continue to optimize sales costs in 2003. General and administrative costs as a percentage of revenue rose from 10.9% to 12.6% following the acquisition of Global One. It should be noted that on a pro forma basis the general and administrative costs fall from 13.3% to 12.6%. The Company expects significant reductions in general and administrative expenses in 2003 as our efforts to integrate the back office processes and systems during the past eighteen months deliver the anticipated efficiencies.

The Company incurred an operating loss of $384 million in 2002, compared to $267 million in 2001. The increased loss is attributable to higher depreciation and amortization of $165 million reflecting a full year's impact from the former Global One business, which was only partially mitigated by the $57 million increase in EBITDA. However, on a pro forma basis the operating loss fell from $564 million in 2001 to $384 million in 2002.

Management Board Report continued

Non-operating expenses rose from $109 million in 2001 to $206 million in 2002. In light of the current stock market uncertainties and the resetting of telecoms valuations, the Company recognized an exceptional amortization charge of $155 million against the goodwill on all of its investments, reducing goodwill on investments to zero. Partially offsetting this increase was a $30 million reduction in our tax charge from $42 million in 2001 to twelve million dollars in 2002. This was due to higher deferred taxes in 2001 and a $31 million increase in financial income to thirteen million dollars from an expense of eighteen million dollars in 2001, reflecting the cash received from France Telecom as part of the Global One transaction.

As a result the reported net loss for 2002 was $590 million inclusive of non-recurring charges of $122 million and exceptional goodwill amortization of $155 million compared to a loss of $376 million in 2001, leading to a net loss per share in 2002 of $2.01 compared to a net loss per share in 2001 of $1.52.

On a pro forma basis (assuming the acquisition of Global One and the integration of the SITA Equant network Joint Venture took place on January 1, 2000 – see Note 5 for pro forma details) revenues fell by 3% from $3,065 million in 2001. Growth of 6% in direct network services revenue was offset by declines in other revenue lines.

On a pro forma basis, EBITDA improved by some $200 million from a loss of nine million dollars in 2001, despite a decline in revenue of $92 million. This improvement was driven by cost reductions in all cost categories. Costs of services and products sold, net of cost recoveries from France Telecom, fell by $189 million from $2,263 million in 2001; selling costs decreased by $69 million from $402 million in 2001; and general and administrative costs dropped by $35 million from $409 million in 2001.

On a pro forma basis, the net loss fell from $715 million or $2.44 per share in 2001 to $590 million or $2.01 per share in 2002.

Research and Development Activities

Equant does not engage in basic research. The Company engages in a measure of technical research focused principally on monitoring emergent technologies and the manner in which they can be adapted for commercial use. These research and development activities are focused on new applications and product development using industry-wide protocols.

Outlook

Capital expenditure

In 2002, the Company invested $369 million in capital expenditures of which $301 million was incurred to expand and enhance the capabilities of the Network. We expect to reduce our capital expenditure in 2003 and will only incur expenditure to support revenue growth or to support operational efficiencies.

Financing

Our cash balances at December 31, 2002, including cash on deposit with France Telecom, amounted to $452 million, an increase of $66 million during the year. We expect to be cash positive during 2003, and believe that our cash resources, and funds to be generated from operations, are sufficient to fund our operations for at least twelve months from the dating of these financial statements.

Restructuring

The Company has continued the process of restructuring and integrating the operations of Equant and Global One. The costs incurred to date amount to $366 million, of which $193 million were incurred in 2002. The Company has accrued recovery of $173 million from France Telecom of which $141 million had been received before year-end. We expect to incur further restructuring and integration costs of over $150 million in 2003 before reimbursement from France Telecom.

Staffing

We had approximately 10,100 employees (full-time and full-time equivalents) at December 31, 2002, compared with approximately 11,300 at December 31, 2001. The reduction reflects the ongoing reorganization of the businesses, and we expect our headcount to fall further in 2003 as duplicate positions are identified and eliminated, following integration of back office processes and systems.

Future strategy

During 2002, the Company saw a full year benefit from the rationalization of the sales organizations that was begun in 2001. The Company primarily focused on network integration in 2002 and received substantial savings in access and transmission costs, and site closures. A full year's benefit should flow through to 2003. In 2003, we expect significant general and administrative savings as we complete the process and system-dependent back office integration.

Our mission is to provide multinational corporate customers with fully integrated telecommunications solutions that extend data and IP and the related convergence solutions to the global network of their employees, partners and customers. Our strategy is to achieve this mission by:

- Focusing on the top 5,000 multinational companies within our addressable market.
- Differentiating ourselves through our global reach, international business experience, scope of our product portfolio and value added network integration and convergence services.
- Better understanding our customers' needs to provide high quality, reliable, value for money products and services that meet their expectations. Improving customer satisfaction is critical to achieving customer loyalty.
- Balancing the mix of our direct and indirect sales channels, to ensure diversity of risk and reduce our reliance on any single source of income.
- Continuing to focus on our cost base to reduce our access and transmission costs, optimize our sales organization, and ensure a lean, yet efficient and effective back office support organization.

We are confident that this strategy will enable us to improve our already strong position in the market and drive increased profitability in the future.

Amsterdam, February 28, 2003

Didier J Delepine
President and CEO

Reports of the Independent Auditors

Auditors' Report to the Supervisory Board and Shareholders of Equant N.V.
We have audited the accompanying consolidated balance sheets of Equant N.V. and its subsidiaries (the Company) at December 31, 2002 and 2001 and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Equant N.V. and its subsidiaries at December 31, 2002 and 2001 and the consolidated results of their operations and their cash flows for each of the years then ended in conformity with accounting principles generally accepted in France.

Ernst & Young LLP
London, United Kingdom

February 28, 2003

PricewaterhouseCoopers LLP
London, United Kingdom

February 28, 2003

Auditors' Report to the Supervisory Board and Shareholders of Equant N.V.
We have audited the accompanying consolidated balance sheet of Equant N.V. and its subsidiaries (the Company) at December 31, 2000 and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Equant N.V. and its subsidiaries at December 31, 2000 and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in France.

PricewaterhouseCoopers
London, United Kingdom

March 27, 2002

Consolidated Statements of Operations

(US dollars millions, except per share data, unless otherwise stated)

Years ended December 31	Note	2000	2001	2002
Sales of services and products		$ 1,473.4	$ 2,390.7	**$ 2,973.1**
Cost of services and products sold		(989.0)	(1,847.0)	**(2,269.9)**
Other operating income	3	–	146.4	**196.1**
Gross profit		484.4	690.1	**899.3**
Selling[1]		(182.9)	(293.6)	**(333.3)**
General and administrative[1]		(124.4)	(261.2)	**(374.0)**
EBITDA[2]		177.1	135.3	**192.0**
Depreciation and amortization, excluding goodwill	14	(166.8)	(299.2)	**(463.6)**
Share plan	21	24.1	7.1	**9.9**
Non-recurring charges	6	(18.9)	(110.2)	**(122.2)**
Operating profit/(loss)		15.5	(267.0)	**(383.9)**
Financial income/(charges)	7	(10.7)	(17.9)	**13.3**
Reversal of/(loss on) impairment of investments accounted for at cost	15	(22.1)	(13.1)	**0.3**
Income taxes	8	(4.4)	(41.6)	**(11.9)**
Employee profit sharing	9	–	–	**(0.6)**
Equity in loss of affiliate	15	(9.5)	(25.3)	**(27.3)**
Net loss from continuing operations, before minority interests and goodwill amortization		(31.2)	(364.9)	**(410.1)**
Goodwill amortization	13	(16.1)	(21.7)	**(24.1)**
Exceptional amortization of goodwill	13	–	–	**(154.8)**
Minority interests	25	(0.3)	(0.6)	**(0.7)**
Net loss from continuing operations		(47.6)	(387.2)	**(589.7)**
Net loss of discontinued operations	5	(0.3)	(2.6)	**–**
Gain on disposal of discontinued operations	5	–	13.4	**–**
Net loss		$ (47.9)	$ (376.4)	**$ (589.7)**
Per share data – basic and diluted				
Net loss from continuing operations		US$ (0.24)	US$ (1.56)	**US$ (2.01)**
Discontinued operations		–	0.04	**–**
Net loss per share		US$ (0.24)	US$ (1.52)	**US$ (2.01)**
Basic weighted average number of shares (thousands)	4	201,503.3	247,985.6	**292,706.0**

[1]The prior year amounts have been reallocated for comparative purposes (see Note 3).

[2]EBITDA: operating profit/(loss) before Depreciation and amortization, Share plan and Non-recurring charges.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

(US dollars in millions)

At December 31	Note	2001	2002
ASSETS			
Cash and cash equivalents	2	$ 385.8	**$ 452.2**
Trade accounts receivable from SITA, Radianz and France Telecom	23	688.4	**581.5**
Trade accounts receivable, other	10	578.9	**422.9**
Short-term lease receivables	11	14.1	**13.7**
Inventories[1]	12	12.0	**17.1**
Sales and other taxes recoverable		90.4	**115.0**
Other current assets and prepaid costs		163.5	**127.3**
Total Current Assets		1,933.1	**1,729.7**
Goodwill and other intangible assets (net of amortization of $47.8 and $228.0 in 2001 and 2002)[1]	13	180.2	**–**
Indefeasible rights of use, net[1]	14	197.2	**151.9**
Property, plant and equipment, net[1]	14	1,193.3	**1,154.4**
Investments accounted for under the equity method	15	133.6	**101.4**
Investments at cost	15	6.2	**5.1**
Long-term lease receivables	11	25.6	**4.6**
Other non-current assets		49.9	**47.1**
Total Non-current Assets		1,786.0	**1,464.5**
Total Assets		$ 3,719.1	**$ 3,194.2**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets continued

(US dollars in millions)

At December 31	Note	2001	2002
LIABILITIES AND SHAREHOLDERS' EQUITY			
Bank loans	16	$ 1.6	**$ 0.7**
Current portion of long-term debt	16	7.2	**6.8**
Trade accounts payable to SITA, Radianz and France Telecom	23	451.4	**344.6**
Trade accounts payable, other		127.8	**303.0**
Accrued liabilities		349.2	**238.5**
Deferred income		75.6	**78.3**
Employee liabilities		80.7	**95.2**
Taxation liabilities		91.2	**134.8**
Other current liabilities		121.1	**89.9**
Total Current Liabilities		1,305.8	**1,291.8**
Provisions for liabilities and charges	17	29.6	**39.8**
Long-term debt, less current portion	16	4.0	**0.7**
Other non-current liabilities	18	101.8	**83.9**
Total Non-current Liabilities		135.4	**124.4**
Minority interests	25	0.4	**0.7**
Shareholders' Equity			
Ordinary shares	26	3.2	**3.2**
Convertible preference shares	26	0.1	**0.1**
Additional paid-in capital		2,912.4	**2,912.4**
Accumulated deficit		(148.2)	**(524.6)**
Net loss for the year	3	(376.4)	**(589.7)**
Statutory reserves		0.8	**0.8**
Cumulative foreign currency translation adjustment		(114.4)	**(24.9)**
Shareholders' Equity		2,277.5	**1,777.3**
Total Liabilities and Shareholders' Equity		$ 3,719.1	**$ 3,194.2**

(1) The prior year amounts have been reallocated for comparative purposes (see Note 3).

The Consolidated Balance Sheet is stated before appropriation of the Net loss for the year.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

(US dollars in millions)

Years ended December 31	Note	2000	2001	2002
OPERATING ACTIVITIES				
Net loss		$ (47.9)	$ (376.4)	**$ (589.7)**
Adjustments to reconcile net loss to funds generated from operations				
Minority interests	25	0.3	0.6	**0.7**
Loss on sale and impairment of long-lived assets	6	0.4	14.2	**24.1**
Depreciation and amortization	13,14	182.9	320.9	**642.5**
Share plan	21	–	(7.1)	**(0.1)**
Non-cash restructuring expense	6	2.6	3.1	**74.2**
Gain on disposal of discontinued operations		–	(13.4)	**–**
Non-operating finance charges		–	2.1	**–**
Impairment/(write back) of investments carried at cost	15	22.1	13.1	**(0.3)**
Equity in loss of unconsolidated affiliate	15	9.5	25.3	**27.3**
Deferred income taxes	8	(10.7)	41.3	**–**
Funds generated from operations		159.2	23.7	**178.7**
Changes in operating assets and liabilities		(90.0)	(141.1)	**204.4**
Net cash provided by/(used in) operating activities		69.2	(117.4)	**383.1**
INVESTING ACTIVITIES				
Purchase of property, plant and equipment[1]	14	(330.9)	(346.8)	**(332.3)**
Proceeds from disposal of equipment		0.9	6.1	**–**
Purchase of intangible assets[1]	14	(21.2)	(65.4)	**(36.9)**
Proceeds from disposal of intangible assets		–	7.4	**–**
Net cash effect of acquisitions (including cash in acquired companies in 2000 and 2002 $nil, in 2001 $295.3)		–	265.9	**–**
Proceeds from disposal of discontinued operations		–	3.6	**–**
Net cash invested in investments accounted for under the equity method		(229.0)	–	**–**
Net cash proceeds from/(invested in) investments accounted at cost	15	(40.2)	–	**1.4**
Net cash used in investing activities		$ (620.4)	$ (129.2)	**$ (367.8)**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows continued

(US dollars in millions)

Years ended December 31	Note	2000	2001	2002
FINANCING ACTIVITIES				
Proceeds from issuance of shares		$ 1.4	$ 1,000.0	**$ –**
Increase/(decrease) in bank overdrafts	16	2.5	–	**(0.9)**
Increase/(decrease) in short-term borrowings	16	18.7	–	**(0.4)**
FT Reimbursement of amounts due under Contribution Agreement		–	–	**18.0**
Net repayment of short-term borrowings and bank overdrafts		(3.4)	(24.7)	**–**
Proceeds from the settlement of foreign exchange contracts	7	–	–	**37.0**
Proceeds from long-term borrowing		400.0	202.0	**–**
Repayment of long-term borrowing	16	(17.8)	(602.5)	**(3.3)**
Dividends paid by subsidiaries to minority shareholders		(0.5)	–	**–**
Net cash provided by financing activities		400.9	574.8	**50.4**
Effect of changes in exchange rates on cash and cash equivalents		(2.1)	4.1	**0.7**
(Decrease)/increase in cash and cash equivalents		(152.4)	332.3	**66.4**
Cash and cash equivalents at beginning of the year		205.9	53.5	**385.8**
Cash and cash equivalents at end of the year		$ 53.5	$ 385.8	**$ 452.2**

(1)The prior year amounts have been reallocated for comparative purposes (see Note 3).

The table below provides supplemental cash flow information:

Years ended December 31	Note	2000	2001	2002
Income taxes paid		$ (9.3)	$ (6.8)	**$ (18.2)**
Interest paid		(19.1)	(30.4)	**(0.4)**
Interest received		10.0	20.9	**7.1**
Cash acquisitions		(269.2)	–	**–**
Non-cash investing activities		(90.0)	(1,484.5)	**–**
Cash spend on restructuring and integration of Equant, Global One and SITA Equant network Joint Venture		–	(85.9)	**(134.5)**
France Telecom reimbursement of restructuring and integration of Equant, Global One and SITA Equant network Joint Venture		–	–	**140.9**
		$ (377.6)	$ (1,586.7)	**$ (5.1)**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(US dollars in millions, unless otherwise stated)

	Notes	Number of shares	Ordinary and preference shares	Additional paid-in capital
Balance at January 1, 2000		201,477,046	$ 2.4	$ 957.2
Transfer of prior year result				
Net loss for the year 2000				
Exercise of stock options	21	81,509		1.4
Unrealized translation adjustments				
Transfers				
Balance at December 31, 2000		201,558,555	$ 2.4	$ 958.6
Transfer of prior year result				
Net loss for the year 2001				
Issuance of common shares	5	80,617,348	0.8	1,454.3
Issuance of preference shares	5	10,000,000	0.1	999.9
Exercise of stock options	21	528,246		–
Difference on acquisition of Global One	5			(500.4)
Unrealized translation adjustments				
Transfers				
Balance at December 31, 2001		292,704,149	$ 3.3	$ 2,912.4
Transfer of prior year result				
Net loss for the year 2002				
Exercise of stock options	21	**4,908**	**–**	**–**
Unrealized translation adjustments				
Balance at December 31, 2002		**292,709,057**	**$ 3.3**	**$ 2,912.4**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Shareholders' Equity continued

(US dollars in millions, unless otherwise stated)

	Accumulated deficit	Net profit/ (loss) for year	Statutory reserves	Cumulative foreign currency translation adjustment	Total Shareholders' Equity
Balance at January 1, 2000	$ (116.1)	$ 12.0	$ 1.2	$ (43.3)	$ 813.4
Transfer of prior year result	12.0	(12.0)			–
Net loss for the year 2000		(47.9)			(47.9)
Exercise of stock options					1.4
Unrealized translation adjustments			(0.1)	(25.2)	(25.3)
Transfers	0.2		(0.2)		–
Balance at December 31, 2000	$ (103.9)	$ (47.9)	$ 0.9	$ (68.5)	$ 741.6
Transfer of prior year result	(47.9)	47.9			–
Net loss for the year 2001		(376.4)			(376.4)
Issuance of common shares					1,455.1
Issuance of preference shares					1,000.0
Exercise of stock options					–
Difference on acquisition of Global One					(500.4)
Unrealized translation adjustments				(42.4)	(42.4)
Transfers	3.6		(0.1)	(3.5)	–
Balance at December 31, 2001	$ (148.2)	$ (376.4)	$ 0.8	$ (114.4)	$ 2,277.5
Transfer of prior year result	**(376.4)**	**376.4**			**–**
Net loss for the year 2002		**(589.7)**			**(589.7)**
Exercise of stock options					**–**
Unrealized translation adjustments				**89.5**	**89.5**
Balance at December 31, 2002	**$ (524.6)**	**$ (589.7)**	**$ 0.8**	**$ (24.9)**	**$ 1,777.3**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(US dollars in millions, unless otherwise stated)

1. Organization and Description of Business

Equant N.V. (the 'Company' or 'Equant') has its statutory seat in Amsterdam, The Netherlands, and is one of the world's leading providers of seamless international data network services to multinational businesses. As a single source for global communications, the Company's network may be connected directly to the desktop, or it may be accessed remotely from portable computers or other network access interfaces. In addition, the Company provides ancillary services to complement data and voice network including project management and technology consulting as well as managed services including security, groupware and hosting.

Initial Public Offering and Secondary Offerings

In July 1998, Equant sold 30,048,486 ordinary shares through a public equity offering on the New York Stock Exchange in the United States and on the Bourse de Paris in France.

On February 17, 1999, the Company completed a secondary public equity offering of 48,300,000 ordinary shares on behalf of Stichting 'The SITA Foundation' (the 'Foundation'), certain investment funds which Morgan Stanley Dean Witter Capital Partners managed (the 'MSDWCP Funds') and Company employees. The Foundation consists of the members of Société International de Télécommunications Aéronautiques S.C. ('SITA S.C.' or 'SITA') that had a shareholding in Equant and is separately constituted and managed from SITA.

On December 3, 1999, the Company sold 46 million ordinary shares to the public on behalf of the Foundation and the MSDWCP Funds.

As a result of these offerings, public ownership of the Company increased to 62.1% at December 31, 1999.

All shares held by the Foundation until December 2, 1999, formed a class of shares (the 'Class A shares') separate from the issued shares held by other shareholders, as a result of certain additional rights (the 'Foundation Rights') granted. The formation of the Class A shares and the accompanying Foundation Rights terminated on that date. As a result all issued ordinary shares are of a single class.

France Telecom Transactions

In November 2000, the Foundation, then the largest shareholder of the Company, announced that its Board had entered into a Share Purchase Agreement (the 'Share Purchase Agreement') with France Telecom S.A. ('France Telecom') to sell its entire shareholding of approximately 68 million ordinary shares in Equant. France Telecom would also acquire ten million new Equant convertible preference shares for $1 billion in cash. Additionally, France Telecom would issue to the Company's public shareholders one Contingent Value Right ('CVR') in respect of each Equant ordinary share held by the Company's shareholders. A CVR entitles shareholders, except France Telecom and the Foundation, up to €15 in cash per CVR held immediately following the third anniversary of the closing of these transactions, depending upon market conditions of Equant ordinary shares at such time. Concurrent with this announcement, and subject to completion of the Share Purchase Agreement, the Company announced that its Board had approved a Contribution Agreement (the 'Contribution Agreement') with France Telecom and Atlas Telecommunications S.A. ('Atlas') – a wholly-owned subsidiary of France Telecom and holding company for both Global One Communications Holdings B.V. and Global One Communications World Holdings B.V. (collectively referred to as 'Global One'). Pursuant to the Contribution Agreement, Equant would acquire 100% of the share capital of Global One from Atlas in exchange for 80,617,348 newly issued Equant ordinary shares. In addition, the Company also announced that it had entered into an agreement with France Telecom and SITA to replace the Company's joint venture with SITA with a new agreement whereby, among other things, the Company would assume full control of the network of SITA Equant S.C. (the 'SITA Equant network Joint Venture').

Under the Contribution Agreement, the Calling Card and Voice Carrier Services businesses of Global One were to be transferred out of Global One to France Telecom within twelve months of completion of the transactions described above. The Calling Card and Voice Carrier Services businesses are collectively referred to as 'Excluded Businesses' (see also 'Calling cards and voice carrier services' in Note 23). The Company is currently negotiating a new agreement with France Telecom.

1. Organization and Description of Business continued

The above transactions, collectively referred to as 'France Telecom Transactions', were completed under the conditions specified above on June 29, 2001. As a result, the Company merged the operations of Equant, Global One and the SITA Equant network Joint Venture, and France Telecom became the majority shareholder of the combined Company with an approximate ownership of 54.3%. As a result of the above transactions, Equant is consolidated in the financial statements of France Telecom. These financial statements can be obtained from France Telecom, 6 Place d'Alleray, 75505 Paris Cedex, France.

2. Future Funding Requirements

Net cash flows from operating activities less capital expenditures are set out below:

Years ended December 31	2000	2001	**2002**
Net cash provided by/(used in) operating activities	$ 69.2	$ (117.4)	**$ 383.1**
Purchase of property, plant and equipment	(330.9)	(346.8)	**(332.3)**
Purchase of intangible assets	(21.2)	(65.4)	**(36.9)**
	$ (282.9)	$ (529.6)	**$ 13.9**

At December 31, 2002, Equant had $452.2 of cash and cash equivalents, including amounts deposited with France Telecom of $307.8. In addition, under the terms of the Contribution Agreement between France Telecom and the Company, France Telecom committed to meet certain costs of integrating Equant, Global One and the SITA Equant network Joint Venture, subject to certain limits (see Note 6).

The Company has available a $250.0 revolving credit facility and a $50.0 treasury management agreement with France Telecom. Drawdowns will be available in a variety of currencies during the period June 3, 2002 until September 30, 2003 (see note 16).

Management considers that its existing cash resources are sufficient to fund its operations for at least twelve months from the date of these Financial Statements.

3. Significant Accounting Policies

Basis of preparation

The Company is registered in the Netherlands. As allowed under article 362.1, Part 9 of Book 2 of the Netherlands Civil Code ('Dutch regulations'), the Company has adopted generally accepted accounting principles in France ('French GAAP'). The Company's statutory accounts are filed with the Amsterdam Chamber of Commerce and include additional supplemental disclosures, where required by Dutch regulations.

These consolidated financial statements have been prepared in accordance with French GAAP and Rule 99-02 of the Comité de la Réglementation Comptable ('CRC').

Presentation of the Consolidated Financial Statements

Assets and liabilities are classified based on liquidity or maturity dates, with short-term balances (due within one year) shown separately from long-term balances. Unless indicated otherwise, assets and liabilities are stated at face value.

The Consolidated Statements of Operations includes additional disclosure of 'Share plan' and 'Non-recurring charges' as separate line items. The results arising from discontinued operations are separately disclosed after results from continuing operations. These additional line items are defined in the accounting policies for 'Stock-based compensation', 'Non-recurring charges' and 'Discontinued operations', respectively.

Certain items in prior years have been reallocated for comparative purposes: Bad debt expenses have been reallocated from 'General and administrative' to 'Selling' expense; Software has been reallocated from 'Intangible assets' to 'Property, plant and equipment'; and maintenance spare parts have been reallocated from 'Inventories' to 'Property, plant and equipment'. Software and maintenance spare parts were reclassified to Property, plant and equipment as they primarily relate to Network assets.

Notes to the Consolidated Financial Statements continued

(US dollars in millions, unless otherwise stated)

3. Significant Accounting Policies continued

The principal accounting policies, which have been applied consistently in all periods presented in these financial statements, are stated below:

Consolidation principles

Companies which are fully owned, or which the Company controls, are fully consolidated. Investments in businesses over which Equant N.V. does not have control, but has the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method. All significant inter-company accounts and transactions have been eliminated.

Translation of foreign currencies

Translation of financial statements of foreign subsidiaries

All assets and liabilities of foreign subsidiaries are translated into US dollars at the exchange rates in effect at the balance sheet date. Income and expense items of foreign subsidiaries are translated at the average exchange rates for the period. Net exchange gains or losses resulting from such translation are included in 'Cumulative foreign currency translation adjustment' within Shareholders' Equity.

Transactions in foreign currencies

Gains and losses from foreign currency transactions are included in 'Financial income/(charges)', in the Consolidated Statements of Operations in the period during which they arise.

Exchange gains and losses on foreign currency investments and loans of a long-term nature are reported as 'Cumulative foreign currency translation adjustments' in Shareholders' equity.

The Company maintains its financial records in US dollars. All amounts stated in these Consolidated Financial Statements are in millions of US dollars unless otherwise stated, or prefixed US$ in which case the amounts stated are single units. Approximately 64% of the Company's revenues were accounted for in US dollars in 2002.

Purchase accounting

Earnings for acquired companies are included for the period subsequent to the acquisition date.

The acquisition of Global One has been accounted for under the purchase method of accounting under paragraph 215 of CRC Rule 99-02. Under this method, the historical carrying value of the acquired business is carried over in the acquirer's financial statements if a company acquires over 90% of the shares of the acquired business in a single transaction, settled through a share issue by the acquiring company. These conditions were fulfilled in Equant's acquisition of Global One. In acquisitions where the requirements of paragraph 215 of CRC Rule 99-02 are not fulfilled, the excess of the cost over the fair value of the net assets acquired is recorded as Goodwill.

Revenue recognition

Equant's principal sources of revenue are recognized as follows:

Sale of services

Revenues for sale of data transmission, voice and value added services, collectively referred to as 'Services', including sales of equipment under operating type leases, are recognized when services are rendered. Revenues are billed in accordance with the customers' contracts, and accordingly may represent both a period fee and usage component. Payments received from customers before the relevant criteria for revenue recognition are satisfied, are included in deferred revenue in the Consolidated Balance Sheet. One off connection fees related to multi-year customer contracts are deferred and recognized over the life of the contract. For other product sales and services, revenues are recognized when products are delivered or services are rendered to customers and all significant obligations have been satisfied. Certain maintenance services are billed in advance in accordance with contractual arrangements and related revenues are initially deferred and recognized as services are provided. Certain costs incurred on behalf of and recovered from France Telecom are excluded from revenues and included in 'Other operating income'.

3. Significant Accounting Policies continued

Sales-type leases

Revenues from sale of equipment to customers that meet the criteria of sales-type lease accounting are recognized in the period that the rights and obligations of ownership transfer to the purchaser.

Other operating income

Certain services have been provided to affiliates of France Telecom (the 'affiliates') in respect of switched voice and network IP services totaling $196.1 (2000: $nil, 2001: $146.4 which relates wholly to the period after the France Telecom Transactions). These services are provided by Equant in those locations in which it has infrastructure that is utilized by, and recharged to, the affiliates in accordance with contractual agreements. This reimbursement of services is recorded as 'Other operating income'.

Equant also utilizes the equivalent network capacity of the affiliates in certain countries providing service to its customers and recognizes these network costs as a 'Cost of services and products sold'. The related billing to customers is recorded as 'Sales of services and products'.

Research and development costs

The Company does not engage in basic research. The Company engages in a measure of technical research focused principally on monitoring emergent technologies and the manner in which they can be adapted for commercial use. The research and development activities are focused on new applications and product development using industry-wide protocols and are expensed as incurred.

Advertising

Advertising costs are expensed as incurred. Advertising costs incurred in the years ended December 31, 2000 2001 and 2002 were $4.5, $4.6 and $6.7, respectively. In the year ended December 31, 2001, the Company also incurred costs of $6.7 relating to branding the new organization which were included within 'Restructuring and integration of Equant, Global One and SITA Equant network Joint Venture', a component of 'Non-recurring charges'.

Stock-based compensation

'Share plan' relates to the income or expense arising from the repurchase of shares on the open market, the issue of shares held in treasury, and social charges payable by the Company on share option and share award plans.

Share option and share award plans are excluded from the balance sheet until such time the grant or award is vested. If the Company issues new shares to satisfy the exercise, then the difference between the par value and the exercise price is recorded as an addition to 'Additional paid-in capital', a component of 'Shareholders' equity', with no impact to the Consolidated Statements of Operations. If the Company repurchases shares on the open market or issues shares held in treasury, then the difference between the repurchase price of the shares and the exercise price is recorded as a charge in the Consolidated Statements of Operations, within 'Share plan'.

Social charges payable by the Company on the fair value of shares granted are accrued based on estimates of the likely payments to be made over the period between the dates of granting and vesting, and on the expected exercise rates, and charged to 'Share plan'.

Non-recurring charges

Non-recurring charges are shown as a separate line in the Consolidated Statements of Operations and include amounts arising from significant reorganizations of the Company and significant asset impairments due to non-recurring circumstances. Amounts recoverable from France Telecom in respect of reimbursement of expenses incurred due to the restructuring and integration of Equant, Global One and the SITA Equant network Joint Venture in accordance with the Contribution Agreement (see Note 6) are shown as a reduction to non-recurring charges.

Notes to the Consolidated Financial Statements continued

(US dollars in millions, unless otherwise stated)

3. Significant Accounting Policies continued

Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized reflecting the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in future years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period enacted. Deferred tax assets are recognized to the extent that their recovery is considered probable.

Extraordinary items

Extraordinary items are material items possessing a high degree of abnormality which arise from events or transactions that fall outside the ordinary activities of the reporting entity and which are not expected to recur. There were no extraordinary items in the years presented in these financial statements.

Discontinued operations

Results of discontinued operations are aggregated into a single line and the results for all periods presented in the Consolidated Statements of Operations are restated. The results of discontinued operations are stated net of income taxes.

Cash and cash equivalents

Cash and cash equivalents are defined as highly liquid investments with original maturity of 90 days or less. Cash and cash equivalents include amounts on deposit with France Telecom of $237.5 and $307.8 at December 31, 2001 and 2002, respectively.

Trade accounts receivable

Trade accounts receivable are reduced to net realizable value by credit note provisions and allowances for doubtful accounts. The allowances are based on an individual or statistical assessment of this risk.

Inventories

Inventories are stated at the lower of cost (determined principally on the first-in, first-out basis) or market value. Provisions for potentially obsolete or slow-moving inventory are determined through management's analysis of inventory levels and future sales or usage forecasts.

Intangible assets

Intangible assets are stated at historical cost less amortization calculated on a straight-line basis over the expected useful lives of the relevant assets. Intangible assets include goodwill and indefeasible rights of use ('IRU').

An IRU is a right to use a specified amount of capacity on fiber optic cables and related equipment for a specified time period. The rights that the Company acquires from the IRU cannot be revoked or voided. IRUs are capitalized as intangible assets, as part of long-lived assets, and are amortized over the shorter of ten years or the contract term.

Goodwill

The excess of the cost over the fair value of the net assets of purchased businesses, including unconsolidated affiliates, is recorded as goodwill and is amortized on a straight-line basis over periods of twenty years or less. The amortization period is determined by taking into account the specific nature of each acquisition and has ranged from five to twenty years on historic acquisitions.

Goodwill is subject to an impairment review when events or circumstances occur indicating that an impairment might exist. Such events or circumstances include significant adverse changes, other than temporary, in the assumptions or expectations considered at the time of the acquisition. The need to recognize an impairment is assessed with reference to cash flows arising from the economic and operating assumptions used by the management of the Company. The impairment charge is recorded as exceptional amortization of goodwill. Impairment, where necessary, is recorded as the difference between book value and fair value. Fair value is determined based on estimates of future cash flows discounted at appropriate rates and on publicly available information, where appropriate.

3. Significant Accounting Policies continued

Long-lived assets

The Company defines long-lived assets as property, plant and equipment and indefeasible rights of use.

Long-lived assets are stated at historical cost less depreciation calculated on a straight-line basis over the expected useful lives of the relevant assets. Major renewals and improvements are capitalized while maintenance and repairs are expensed when incurred.

Depreciation/amortization is calculated with reference to expected useful lives, which are generally as follows:

Owned buildings	10 to 40 years
Leasehold improvements	10 to 40 years
Network assets	3 to 10 years
IRUs	Up to 10 years
Tools, test and demonstration equipment	3 to 5 years
Computer equipment	3 to 5 years
Office equipment, furniture and motor vehicles	3 to 10 years
Software	3 to 5 years
Maintenance spare parts	3 years

Assets acquired under capital lease arrangements are depreciated in accordance with the expected useful lives detailed above or the lease terms if shorter. In addition, network assets acquired under the SITA Equant network Joint Venture agreement are capitalized and depreciated (see Note 14).

Amounts recoverable from France Telecom in respect of capital expenditure eligible for reimbursement under the Contribution Agreement are deferred within 'Other non-current liabilities' and amortized through the Consolidated Statements of Operations over the life of the related assets.

Equant develops internal-use software, which is defined as software acquired or internally developed or modified solely to meet the internal needs of Equant. Internal and external costs incurred during the preliminary project stage are expensed as incurred. Capitalization of such costs begins upon completion of the preliminary project stage and upon management's authorization and commitment to fund the software project, and capitalization ceases at the point at which the computer software project is substantially complete and ready for its intended use. Internal and external costs for data conversion, training and maintenance are expensed as incurred, and overhead costs are not capitalized.

Long-lived assets are written down when, as a result of events or changes in circumstances, their recoverable value appears to be permanently less than their carrying value. For assets to be held and used, the need for impairment is principally determined for each group of assets by comparing their carrying value with fair value. Fair value is determined by reference to discounted future cash flows that are expected to be generated based upon management's expectations of future economic and operating conditions. At the time such evaluations indicate that future cash flows are insufficient to recover the carrying value of such assets, the assets are adjusted to their fair value. The write down is recorded as accelerated depreciation, or as a non-recurring charge if material and due to non-recurring circumstances. Network assets are reviewed on a collective basis.

Assets to be disposed of are written down to their fair value, less costs of disposal, when such value is lower than their carrying value.

Other investments

Other Investments consist of 'Investments accounted for under the equity method' and 'Investments at cost'. Under the equity method, the investment is initially recorded at Equant's share of the net assets of the affiliate and is increased or decreased by Equant's proportionate share of the entity's respective profits or losses. Dividends received from these investees reduce the carrying value of the investments. The difference between the cost of the investment and Equant's share of net assets at the date of acquisition is recorded as goodwill.

Notes to the Consolidated Financial Statements continued

(US dollars in millions, unless otherwise stated)

3. Significant Accounting Policies continued

Investments that are less than 20% owned, or where Equant does not have significant influence, are stated at cost. Provisions for impairment in value are recognized where management has estimated that net realizable values are lower than cost.

Statutory reserves

In certain countries in which the Company operates, local regulations require a proportion of the net earnings to be classified as statutory reserves. Where this is applicable, retained earnings have been set aside at the stipulated rate. These reserves are for the most part not available for distribution, except on closure of operations. Statutory reserves are reviewed annually in conjunction with the preparation of the annual reports of relevant subsidiary companies, and are separately disclosed in the Consolidated Statements of Shareholders' Equity.

Provisions for liabilities and charges

The Company implemented CRC Rule 2000-06 on provisions and reserves with effect from January 1, 2000.

Provisions for identified risks and liabilities of uncertain timing or amount are recorded when the Group has a present obligation to a third party as a result of a past event and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

The implementation did not result in any significant impact on the financial results of the Company.

Employee retirement benefit plans

The Company operates a mixture of defined benefit and defined contribution pension plans. Such benefit plans vary according to the customary benefit plans prevailing in the country concerned. In some countries the amount of provision is determined in accordance with the obligations under statutory (post-employment) benefit schemes. The contribution to the defined contribution schemes, and the net periodic cost under the defined benefit schemes as actuarially determined, are charged to the Consolidated Statements of Operations.

The liability for end-of-service indemnities is accrued in accordance with labor legislation in each country where such benefits are required.

Equipment on operating leases

Equant purchases equipment that is subsequently leased to customers under operating leases. Income from operating leases is recognized over the term of the lease. Each of the assets is depreciated to the estimated residual value, determined at the lease inception date, on a straight-line basis over a period consistent with the term of the lease.

Financial instruments

The Company uses derivative financial instruments for the purpose of hedging currency risks, which exist as part of ongoing business operations. As a policy, the Company does not engage in speculative or leveraged transactions, nor does the Company hold or issue financial instruments for trading purposes.

Forward exchange contracts are generally used to hedge exposure to currency fluctuations on certain short-term transactions denominated in a currency other than the Company's functional currency. Gains and losses on these contracts generally offset the foreign exchange gains and losses on the underlying hedged transactions. The discount or premium on these contracts is recorded in the Consolidated Balance Sheet and amortized through the Consolidated Statements of Operations over the life of the contract, or immediately if the underlying hedged instrument is settled. Losses which are not expected to be recovered upon completion of the hedged transaction are expensed.

Use of estimates in the preparation of financial statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses in the reporting period. Actual results could differ from those estimates.

4. Basic and Diluted Net Loss per Share

The basic and diluted net loss per share is calculated by dividing net loss by the combined weighted average number of shares outstanding during the year.

The ten million convertible preference shares issued as part of the France Telecom Transactions are included in the calculation of the weighted average number of ordinary shares outstanding, as their conversion into ordinary shares is unconditional and will occur automatically on June 29, 2006.

The impact of unexercised stock options on weighted average number of ordinary shares outstanding amounted to 3,640,270, 3,944,786 and 7,015,034 for the years ended December 31, 2000, 2001 and 2002, respectively. These amounts were not included in the diluted earnings per share calculation in 2000, 2001 and 2002 as they would have been anti-dilutive.

5. Acquisition and Disposal of Businesses and Investments

Acquisition of Global One

On June 29, 2001, the Company completed the acquisition of 100% of the share capital of Global One in exchange for 80,617,348 new ordinary shares of the Company, as referred to in Note 1. The transfer of the Global One business from France Telecom to the Company in exchange for newly issued shares of the Company has been accounted for under the purchase method of accounting under paragraph 215 of CRC Rule 99-02. The excess of the cost of acquisition over the net book value of Global One assets acquired was taken to 'Additional paid-in capital'.

The total cost of acquisition for Global One paid by the Company was as follows:

Issue of 80,617,348 new ordinary shares in the Company	$ 1,455.1
Transaction costs, net of tax	29.4
Total cost of acquisition	$ 1,484.5

The cost of acquisition has been allocated to the following identifiable assets and liabilities:

Total cost of acquisition		$ 1,484.5
Identifiable assets and liabilities acquired (unaudited)		
Cash and cash equivalents	$ 295.3	
Accounts receivable (net of provisions of $97.7)	541.0	
Other intangible assets	2.9	
Indefeasible rights of use	79.0	
Property, plant and equipment	629.3	
Accounts payable	(207.6)	
Accrued liabilities	(176.3)	
Overdraft and short-term debt	(1.7)	
Non-current liabilities	(20.4)	
Other assets and liabilities	(157.4)	
		984.1
Excess of cost of acquisition over net book value of assets acquired		$ 500.4

At the date of acquisition of Global One, Global One had $79.0 capitalized in Software applications, included in Property, plant and equipment.

The unaudited pro forma condensed Consolidated Statements of Operations present the effect of the acquisition of Global One and other effects of the France Telecom Transactions as if they had occurred on January 1, 2000. The unaudited pro forma condensed Consolidated Statements of Operations are based on the historical financial statements of Equant and Global One and are prepared in accordance with French GAAP. The unaudited pro forma financial information does not purport to represent the results of operations that actually would have resulted had the France Telecom Transactions occurred on the date indicated. It should not be taken as indicative of the future results of the operations of the combined entities.

Notes to the Consolidated Financial Statements continued

(US dollars in millions, unless otherwise stated)

5. Acquisition and Disposal of Businesses and Investments continued

The pro forma results for the years ended December 31, 2000 and 2001 include twelve months each of Equant and Global One. The pro formas also assume that the new SITA contractual arrangements were in place for the period from January 1, 2000. Certain contractual arrangements with Global One for product development and the transfer of a hosting business from France Telecom took place on January 1, 2001 and consequently have not been included in the 2000 pro formas. The income and expenses derived from Excluded Businesses have been removed from the pro forma Consolidated Statements of Operations.

The unaudited pro forma condensed Consolidated Statements of Operations were as follows:

Years ended December 31	2000 Unaudited	2001 Unaudited
Sales of services and products	$ 2,733.8	$ 3,064.8
Gross profit[1]	577.0	802.0
EBITDA	(179.0)	(8.7)
Operating loss	(509.6)	(564.0)
Financial charges	(47.1)	(32.9)
Loss on impairment of investments accounted at cost	(22.1)	(13.1)
Income taxes	(13.1)	(57.2)
Equity in loss of affiliate	(9.5)	(25.3)
Net loss from continuing operations, before minority interests and goodwill amortization	(601.4)	(692.5)
Goodwill amortization	(16.1)	(21.7)
Net loss from continuing operations, before minority interests	$ (617.5)	$ (714.2)
Earnings per share, basic and diluted	US$ (2.11)	US$ (2.44)

[1]Certain reallocations of costs have been made to the unaudited pro forma results to conform the presentation to the current accounting basis. The main reallocations are moving sales staff and support costs from 'Selling' costs to 'Costs of services and products sold', and moving information system cost from 'Costs of services and products sold' to 'General and administrative' costs. The net impact of these reallocations was to reduce Gross profit by $56.0 and $28.0 in the years ended December 31, 2000 and 2001, respectively.

Disposal of Equant Application Services ('EAS') Division

On October 1, 2001, the Company disposed of the EAS division for cash and loan notes totaling $15.6 recognizing a gain of $13.4 (net of taxes of $0.3). The net losses of EAS for the years ended December 31, 2000 and the nine months ended September 30, 2001 were as follows:

Years ended December 31	2000	2001
Sales of services and products	$ 25.5	$ 14.2
Gross profit	9.4	4.1
Operating loss	(0.6)	(3.7)
Financial charges	(0.1)	(0.3)
Income tax benefit	0.4	1.4
Net loss	$ (0.3)	$ (2.6)

No material assets or liabilities were transferred as a result of the disposal of EAS.

5. Acquisition and Disposal of Businesses and Investments continued

Local network operations transfers

As referred to in Note 23, 'Related party transactions and cost sharing agreement', in certain countries, Local Network Operations groups ('LNO groups') are transferred by SITA to the Company upon fulfillment of certain conditions. During 2002, SITA transferred to the Company 23 LNO groups including Brazil, Australia, Russia and Switzerland. These transfers included a total of 1,461 employees.

During 2001, SITA transferred to the Company the LNO groups for Puerto Rico, Singapore, Hungary, Portugal, US Virgin Islands, Guam, Luxembourg, Spain and Japan. These transfers included a total of 237 employees.

During 2000, SITA transferred to the Company the LNO groups for Germany, Norway, Iceland, the United Kingdom and the Netherlands. These transfers included a total of 394 employees.

Pursuant to the transfers of the LNO groups, the assets and liabilities associated with each LNO group were purchased at net book value for cash by the Company.

Investment in Radianz

On February 3, 2000, the Company announced its participation in a joint venture with Reuters Group PLC ('Reuters') forming Radianz Limited ('Radianz'), a company offering a secure Internet Protocol network to the financial services industry. Radianz is owned 49% by the Company and 51% by Reuters and started operations on July 1, 2000. The excess of consideration over the Company's share of the fair value of the net assets of Radianz at formation of approximately $160.5 was included in 'Goodwill' and amortized over ten years.

In light of the continuing difficult economic environment in the telecoms sector, during the year ended December 31, 2002, the Company has recognized an exceptional amortization charge against the carrying value of the remaining goodwill in Radianz in accordance with the Company's stated accounting policies.

Acquisition of investments in iPass, STSN and Tripeze

During 2000, the Company acquired non-controlling interests of 18.0% in Tripeze.com, Inc., 7.1% in STSN, Inc. and 5.5% in iPass, Inc., for cash considerations of $5.1, $30.1 and $5.1, respectively. These investments are accounted for at cost, net of provisions for impairments in value (see Note 15, 'Other investments').

Tripeze was sold in the year ending December 31, 2002 for $0.3, and the Company's stakes in STSN and iPass were diluted to 1.2%, and 1.7%, respectively.

Acquisition of TechForce, Inc.

On August 17, 1999, the Company acquired TechForce, Inc. for an aggregate purchase price of $73.4. The acquisition was accounted for as a purchase and the excess of the purchase price over the estimated fair value of the net assets acquired was recorded as goodwill of $50.5 and amortized over eight years.

In light of the continuing difficult economic environment in the telecoms sector, during the year ended December 31, 2002, the Company has recognized an exceptional amortization charge against the carrying value of the remaining goodwill in TechForce in accordance with the Company's stated accounting policies.

Acquisition of Rhône-Poulenc Telecom S.A.

On May 28, 1998 the Company acquired 100% of the outstanding shares of Rhône-Poulenc Telecom S.A., a company registered in France, which owned and operated the internal telecommunications network of Rhône-Poulenc Group of companies. The acquisition was accounted for as a purchase and the excess of the purchase price over the estimated fair value of the net assets acquired, totaling $9.2 was recorded as goodwill and amortized over seven years.

In light of the continuing difficult economic environment in the telecoms sector, during the year ended December 31, 2002, the Company has recognized an exceptional amortization charge against the carrying value of the remaining goodwill in Rhône-Poulenc Telecom S.A in accordance with the Company's stated accounting policies.

Notes to the Consolidated Financial Statements continued

(US dollars in millions, unless otherwise stated)

6. Non-recurring Charges

Non-recurring charges comprise:

Years ended December 31	2000	2001	2002
Restructuring and integration of Equant, Global One and SITA Equant network Joint Venture	$ –	$ 173.4	**$ 193.3**
SITA Equant network Joint Venture restructuring	14.0	5.1	**–**
Impairment of IRU	–	–	**24.1**
Divisional reorganization	4.9	0.4	**–**
EIS division restructuring	–	–	**–**
Other	–	10.5	**(0.8)**
	18.9	189.4	**216.6**
Reimbursement due from France Telecom	–	(79.2)	**(94.4)**
Non-recurring charges	$ 18.9	$ 110.2	**$ 122.2**

Restructuring and integration of Equant, Global One and SITA Equant network Joint Venture

Following the France Telecom Transactions, the Company commenced integrating the operations of Equant, Global One and the SITA businesses acquired. The nature of restructuring and integration costs incurred during the period as a result of these transactions comprise:

	Liability at December 31, 2001	**Additions/ (releases)**	**Reserves utilized**	**Other**	**Liability at December 31, 2002**
Employee termination	$ 8.4	**$ 43.9**	**$ (35.7)**	**$ –**	**$ 16.6**
Write-down of assets	–	**74.2**	**–**	**(74.2)**	**–**
Integration teams	–	**24.9**	**(24.9)**	**–**	**–**
Lease exit costs	25.4	**32.2**	**(35.0)**	**–**	**22.6**
Critical staff retention plan	–	**3.8**	**(3.8)**	**–**	**–**
Legal, consulting and other	–	**14.3**	**(14.3)**	**–**	**–**
	$ 33.8	**$ 193.3**	**$ (113.7)**	**$ (74.2)**	**$ 39.2**

$22.6 and $21.5 of the balances at December 31, 2001 and 2002, respectively, are included in long-term 'Provisions for liabilities and charges'. The remainder is included in 'Accrued liabilities'.

Under the terms of the Contribution Agreement between France Telecom and the Company, the two companies agreed to share certain restructuring and integration costs, as set out below:

Personnel restructuring costs

For a period of two years following June 29, 2001, France Telecom shall reimburse Equant for half the financial costs of employment and termination of the Excess Equant Employees, being the first 2,500 employees of Equant (including employees to be transferred from SITA to Equant pursuant to the SITA Equant network Joint Venture) or Global One that Equant management identifies as not necessary for the long-term operation of Equant.

6. Non-recurring Charges continued

Non-personnel integration and restructuring costs

For a period of two years following June 29, 2001, France Telecom shall also reimburse Equant for non-personnel related integration and restructuring costs (the 'Integration Costs') with respect to the integration of Equant, Global One and the SITA Equant network Joint Venture, as follows:

i) with respect to the first $240 of Integration Costs, each of France Telecom and Equant shall pay half on an equal basis; and,

ii) France Telecom shall bear the next $90 of Integration Costs.

Accrued cost recovery from France Telecom for restructuring and integration costs incurred by Equant totaled $79.2 and $94.4 in the years ended December 31, 2001 and 2002, respectively. At December 31, 2001 and 2002, the amounts due for reimbursement by France Telecom but not yet paid amounted to $79.2 and $31.8, respectively.

In the year ended December 31, 2002, the Company also incurred $21.0 of capital expenditure that is eligible for reimbursement under the Contribution Agreement. The reimbursable amount of $10.5 has been deferred within 'Other non-current liabilities' and will be amortized over the life of the related assets.

The Company expects to incur further costs to restructure and integrate Equant, Global One and the SITA Equant network Joint Venture. Recovery from France Telecom of part of these costs will be available until June 2003.

SITA Equant network Joint Venture restructuring

During the third and fourth quarters of 2000, Equant and SITA initiated the restructuring of the SITA Equant network Joint Venture. The purpose of this restructuring was to create a process driven organization, better aligned to customer requirements. In the fourth quarter of 2000, this led to plans to rationalize certain global operations such as Help Desks and Network Control Centers. The rationalization began in the fourth quarter of 2000 and continued during 2001.

As described in Note 1, one of the agreements within the France Telecom Transactions resulted in Equant assuming full control of the SITA Equant network Joint Venture. As the benefits of this restructuring were expected to accrue principally to Equant's future operating results, Equant agreed to absorb 100% of the charges recorded before June 29, 2001. The Company recorded within non-recurring charges, a restructuring charge of $14.0 in 2000 and $5.1 in 2001 primarily for severance costs and other costs related to headcount reduction and consolidation of operations.

Costs of restructuring and integrating the SITA Equant network Joint Venture after June 29, 2001 are included under 'Restructuring and integration of Equant, Global One and SITA Equant network Joint Venture'.

Impairment of IRU

As a result of the continuing difficult economic environment in the telecoms market, a number of IRU providers entered bankruptcy or similar arrangements during 2002. The Company has recognized an impairment in the carrying value of its IRUs where capacity providers have confirmed to the Company that the Company's rights under the IRUs will not be honored.

Divisional reorganization

During the fourth quarter of 2000, the Company initiated a plan to integrate two of its divisions – Equant Network Services and Equant Integration Services – into a single organization. This integration became effective on January 1, 2001. As a result of this reorganization, the Company recorded a restructuring charge of $4.9, primarily for severance costs and other costs related to headcount reduction in 2000 and a charge of $0.4 in 2001.

Notes to the Consolidated Financial Statements continued

(US dollars in millions, unless otherwise stated)

6. Non-recurring Charges continued

Equant Integration Services ('EIS') Division restructuring

In the year ended December 31, 1998, the EIS division reviewed its service and product offerings and its selling and administrative processes in an effort to strengthen its competitive position and to better align its operations in the Europe, Middle East and Africa region in response to market conditions. As a result, the Company recorded a restructuring charge of $6.2, primarily for severance and other costs related to headcount reductions.

Of the total restructuring provision of $6.2 relating to the EIS division restructuring activities, $2.5 was utilized in 1999, $1.4 was utilized in 2000 and $0.1 was utilized in 2001. No provision remained at December 31, 2001.

Other non-recurring charges

Other non-recurring charges in 2001 include costs incurred on advisory fees arising from transactions that were abandoned during the year. There were no provisions in respect of these charges at December 31, 2001.

7. Financial Income/(Charges)

Financial income/(charges) consists of the following:

Years ended December 31	2000	2001	**2002**
Foreign exchange gain/(loss)	$ 2.3	$ (6.4)	**$ 8.2**
Costs of early termination of financing arrangements	–	(2.1)	**–**
Interest income	10.0	20.9	**7.1**
Interest expense	(23.0)	(30.3)	**(2.0)**
Total	$ (10.7)	$ (17.9)	**$ 13.3**

During the year ended December 31, 2001, the Company recognized a charge of $2.1 as a result of early repayment fees and expensing of previously deferred arrangement fees on the outstanding borrowings under the Company's main credit which was mandatory on completion of the France Telecom Transactions.

In the years ended December 31, 2000, 2001 and 2002, interest expense included amounts in respect of unwinding the discount on the Radianz soft credits of $0.1, $0.9 and $1.6, respectively.

During the year ended December 31, 2002, the Company ended its practice of entering into foreign exchange contracts to hedge certain inter-company foreign currency balances, and instead designated these items as long-term inter-company funding balances. The unwinding of the contracts in place resulted in a $37.0 cash inflow, which was not matched by a corresponding cash movement on the inter-company balances.

8. Income Taxes

The income tax charge/(benefit) consists of the following:

Years ended December 31	2000	2001	**2002**
Current income taxes			
The Netherlands	$ 16.1	$ (11.4)	**$ (0.1)**
Other	(0.9)	23.7	**12.0**
Total current	15.2	12.3	**11.9**
Deferred income taxes			
The Netherlands	(7.7)	6.2	**–**
Other	(3.1)	23.1	**–**
Total deferred	(10.8)	29.3	**–**
Total tax charge	$ 4.4	$ 41.6	**$ 11.9**

8. Income Taxes continued

The source of net loss from continuing operations before minority interests and income taxes for the years ended December 31, 2000, 2001 and 2002 is as follows:

Years ended December 31	2000	2001	**2002**
The Netherlands	$ (7.3)	$ (54.4)	**$ 64.5**
Other countries	(35.6)	(290.6)	**(641.6)**
Net loss from continuing operations before minority interests and income taxes	$ (42.9)	$ (345.0)	**$ (577.1)**

The tax charge for the year has been reconciled to the standard tax rate applicable in The Netherlands for corporate income. A reconciliation of Equant's statutory and effective income tax rate for the years ended December 31, 2000, 2001 and 2002 is as follows:

Years ended December 31	2000 %	2001 %	**2002 %**
Statutory rate applicable in The Netherlands	35.0	35.0	**34.5**
Jurisdictional differences in tax rates	(16.2)	(15.6)	**(19.3)**
Goodwill write off and amortization	(13.1)	(0.8)	**(10.7)**
Change in valuation allowance	5.4	(27.1)	**(9.1)**
Equity in loss of affiliate	(7.7)	(4.6)	**(1.6)**
Operational expenses disallowed for tax purposes	(7.2)	2.9	**(1.5)**
Valuation adjustment on integration	–	(12.0)	**–**
Loss on impairment of investments accounted at cost	(17.9)	(1.3)	**–**
Transaction-related expenses	–	0.5	**–**
Share plan costs	11.4	2.9	**–**
Reimbursement of restructuring costs	–	8.0	**5.6**
Effective tax rate	(10.3)	(12.1)	**(2.1)**

The deferred tax assets and liabilities by nature of temporary difference are analyzed as follows:

At December 31	2001	**2002**
Deferred tax assets		
Operating losses carried forward	$ 374.1	**$ 495.2**
Other temporary differences	60.1	**59.3**
Total deferred tax asset	434.2	**554.5**
Less: valuation allowances	(434.2)	**(554.5)**
Total deferred tax asset, net	$ –	**$ –**

Deferred tax assets before valuation allowances at December 31, 2001, relating to Global One amounted to $298.6 and $58.7 arising from Operating losses carried forward and Other temporary differences, respectively.

Following completion of the France Telecom Transactions, and as a result of the Company's decision to integrate Equant and Global One entities on a country by country basis, the substantially larger amounts of deferred tax assets in the Global One entities required that the valuation allowances against deferred tax assets in Equant entities be increased to 100%. As a result, $41.3 of deferred tax balances as at June 30, 2001 were provided against.

Notes to the Consolidated Financial Statements continued

(US dollars in millions, unless otherwise stated)

8. Income Taxes continued

The estimated net operating losses carried forward at December 31, 2001 and 2002 and their expiration dates are as follows:

Country of tax jurisdiction	Expiration dates at December 31, 2002	Net operating losses at December 31, 2001	**2002**
The Netherlands	No expiration	$ 104.0	**$ 110.2**
United Kingdom	No expiration	217.1	**152.5**
United States	2009 to 2015	396.6	**239.2**
Ireland	No expiration	273.0	**706.4**
Belgium	No expiration	62.4	**196.2**
Australia	No expiration	47.6	**68.4**
Switzerland	2002 to 2008	57.1	**60.8**
Other	Various	350.3	**375.4**
		$ 1,508.1	**$ 1,909.1**

Certain jurisdictions apply laws or procedures which attempt to restrict or eliminate the carry-forward of tax losses on amalgamations or where there is a change of ownership in conjunction with a change in business operations. Certain of the country amalgamations could give rise to such restrictions or eliminations. The figures stated above are without regard to such possible restrictions or eliminations on the basis that they will be resisted.

Equant operates in a large number of countries, governed by changing tax regulations on both national and international levels, giving rise to potential tax exposures against which provisions have been made.

At December 31, 2002, no deferred income taxes have been provided on undistributed earnings of foreign subsidiaries as they are not expected to be remitted in the foreseeable future.

9. Personnel Costs and Staff Numbers

Set out below is an analysis of personnel costs:

Years ended December 31	2000	2001	**2002**
Salaries and wages	$ 317.2	$ 556.5	**$ 671.6**
Social security contributions	33.9	79.9	**117.1**
Pension costs	13.1	21.1	**24.2**
	364.2	657.5	**812.9**
Seconded in and temporary staff	19.1	67.3	**104.1**
	$ 383.3	$ 724.8	**$ 917.0**

Set out below is an analysis of staff numbers by function:

	2000	2001	**2002**
Direct	$ 2,808	$ 7,159	**$ 6,405**
Selling	847	1,905	**1,662**
General and administrative	745	2,194	**2,065**
	$ 4,400	$ 11,258	**$ 10,132**

As a result of the acquisition of Global One, 6,255 employees joined the Company on June 29, 2001. As a result the personnel costs for the year ended December 31, 2001 include six months of the combined entities, whilst those for the year ended December 31, 2002 include a full year.

9. Personnel Costs and Staff Numbers continued

The employees of majority owned French subsidiaries of France Telecom are eligible to participate in a profit sharing program, the amount of which is dependent on France Telecom's overall group performance. In the years ended December 31, 2001 and 2002, the Company incurred $nil and $0.6, respectively, in respect of this program.

At December 31, 2000, 2001 and 2002, the Company had the benefit of the services of 3,280, 2,456 and 811 SITA employees to support the network. The number of staff for 2001 and 2002 is as at December 31. The number of staff for 2000 are monthly averages.

10. Trade Accounts Receivable

A summary of accounts receivable is as follows:

At December 31	2001	**2002**
Trade accounts receivable from SITA, Radianz and France Telecom	$ 688.4	**$ 581.5**
Trade accounts receivable, other	578.9	**422.9**
	$ 1,267.3	**$ 1,004.4**

At December 31	2001	**2002**
Trade accounts receivable	$ 1,152.7	**$ 857.9**
Unbilled receivables	227.2	**247.5**
Total receivables	1,379.9	**1,105.4**
Less: provisions against trade receivables	(112.6)	**(101.0)**
Trade accounts receivable, net	$ 1,267.3	**$ 1,004.4**

The majority of unbilled receivables represent revenues earned in the year, not yet invoiced. Such amounts are generally billed in the next month.

The charge for doubtful accounts now included in 'Selling' expenses totaled $8.0, $38.5 and $28.1 for the years ended December 31, 2000, 2001 and 2002, respectively. Accounts receivable are reported net of accrued credit notes to be issued to customers.

'Accounts receivable from SITA, Radianz and France Telecom' are further described in Note 23 'Related party transactions and cost sharing agreement'.

11. Lease Receivables

Lease receivables consists of the following:

At December 31	2001	**2002**
Gross finance lease receivables	$ 41.9	**$ 18.7**
Unearned income	(2.2)	**(0.4)**
Net lease receivables	39.7	**18.3**
Less: current portion	(14.1)	**(13.7)**
Long-term lease receivables	$ 25.6	**$ 4.6**

Gross finance lease receivables represent sales-type and direct financing leases. These receivables have remaining lease terms ranging from one to four years.

Notes to the Consolidated Financial Statements continued

(US dollars in millions, unless otherwise stated)

11. Lease Receivables continued

Maturities of lease payments due to Equant for equipment on rentals under non-cancelable finance leases at December 31, 2002 are as follows:

2003	$ 13.9
2004	2.2
2005	1.6
2006	1.0
Total lease receivables, gross	18.7
Less: Unearned finance charges	(0.4)
Total lease receivables, net	$ 18.3

12. Inventories

Inventories consist of the following:

At December 31	2001	2002
Finished goods for resale	$ 12.9	$ 20.1
Provision for obsolete and slow-moving inventory	(0.9)	(3.0)
Total inventories, net	$ 12.0	$ 17.1

Finished goods for resale consist of computer products.

During the year, the Company changed its accounting policy for maintenance spare parts (see Note 3) and as a result, $14.6 and $12.8 at December 31, 2001 and 2002, respectively, has been reclassified from inventory to property, plant and equipment.

13. Goodwill and Other Intangible Assets

Goodwill and other intangible assets, stated at cost less accumulated amortization, consist of the following:

At December 31	2001	2002		
	Net book value	Cost	Accumulated amortization	Net book value
Goodwill	$ 177.5	$ 225.1	$ (225.1)	$ –
Other intangible assets	2.7	2.9	(2.9)	–
	$ 180.2	$ 228.0	$ (228.0)	$ –

Changes in the net book value of Goodwill and other intangible assets are as follows:

Years ended December 31	2001	2002
Balance at beginning of the year	$ 199.2	$ 180.2
Effect of acquisitions (see Note 5)	2.9	–
Amortization expense	(21.7)	(24.1)
Exceptional amortization	–	(154.8)
Translation adjustment	(0.2)	(1.3)
Balance at end of the year	$ 180.2	$ –

In light of the continuing trading difficulties in the telecoms market, and significant declines in telecoms valuations, during the year ended December 31, 2002, the Company has recognized an exceptional amortization charge against the carrying value of all goodwill in accordance with the Company's stated accounting policies (see Note 5).

14. Long-lived Assets

Long-lived assets are defined as Property, plant and equipment plus IRUs. Long-lived assets, stated at cost less accumulated depreciation, consist of the following:

At December 31	2001	2002		
	Net book value	Cost	Accumulated depreciation	Net book value
Owned land and buildings	$ 1.0	$ 1.3	$ (0.1)	$ 1.2
Leasehold improvements	94.8	212.0	(103.8)	108.2
Network assets	751.8	1,942.1	(1,190.5)	751.6
Tools, test and demonstration equipment	0.4	18.7	(17.7)	1.0
Computer equipment	91.3	249.1	(182.6)	66.5
Office equipment, furniture and motor vehicles	64.9	90.3	(55.9)	34.4
Assets in course of construction	87.8	64.9	–	64.9
Software applications	101.3	268.3	(141.7)	126.6
Property, plant and equipment	1,193.3	2,846.7	(1,692.3)	1,154.4
IRUs	197.2	185.5	(33.6)	151.9
Total long-lived assets	$ 1,390.5	$ 3,032.2	$ (1,725.9)	$ 1,306.3

Changes in the net book value of Long-lived assets are as follows:

Years ended December 31	2001	2002
Balance at beginning of the year	$ 665.7	$ 1,390.5
Additions of property and equipment	346.8	332.3
Additions to IRUs/reclassifications	75.5	36.9
Effect of acquisitions (see Note 5)	708.3	–
Retirement of assets	(78.7)	(98.3)
Depreciation and amortization, excluding goodwill	(299.2)	(463.6)
Translation adjustment	(27.9)	108.5
Balance at end of the year	$ 1,390.5	$ 1,306.3

The net book value of assets held under capital leases amounted to $16.1 and $9.7 at December 31, 2001 and 2002, net of accumulated depreciation of $14.6 and $23.1, respectively. The Company has capital leases on all classes of Property, plant and equipment except Owned land and buildings and Assets in the course of construction.

The Network assets balance includes equipment purchased by the Company which is subsequently leased to customers under operating leases. Income from operating leases is recognized over the term of the lease. Each of these assets is depreciated to the estimated residual value, determined at the lease inception date, on a straight-line basis over a period of time consistent with the economic life of the asset (see Note 11, 'Lease receivables'). Although realization is not assured, management believes that it is more likely than not that the estimated residual values will be realized.

At December 31, 2001 and 2002, equipment under operating leases to customers amounted to $1.2 and $1.6, respectively, net of accumulated depreciation of $10.7 and $11.0, respectively. Depreciation expense on equipment under operating leases to customers totaled $1.1, $0.6 and $0.4 for the years ended December 31, 2000, 2001 and 2002, respectively. Expenditures for maintenance and repairs are the responsibility of the lessee.

Notes to the Consolidated Financial Statements continued

(US dollars in millions, unless otherwise stated)

14. Long-lived Assets continued

Under the terms of Equant's relationship with SITA for the management of the network, both under the former SITA Equant network Joint Venture agreement and the current Network Services Agreement, Equant is required to fund all capital expenditures on the network, except for those assets that are to be used solely for SITA's customers. Although Equant is responsible for management of the entire network and approves all network capital spending, it does not legally own SITA's Local Network Operators ('LNOs'), where some of these assets are deployed. Therefore, Equant has applied the concept of 'substance over form' for these assets, in order to reflect properly the economic reality of the transactions. Under such accounting, Equant accounts for these expenditures as equipment purchases. If this treatment had not been adopted, $95.7 of the Company's network assets at net book value as at December 31, 2002 (2001: $125.9) would have been classified as loans to SITA (gross book value $238.6, 2001: $243.0). There would be no change in the Consolidated Statements of Operations nor the Consolidated Statements of Cash Flows as the Company is charged for the related depreciation expense by the SITA LNOs, the liability for which is offset by a reduction to the SITA loan.

15. Other Investments

Other Investments, net of provisions for impairment, consist of the following:

At December 31		2001		**2002**
Investments accounted for under the equity method	$	133.6	**$**	**101.4**
Investments at cost		6.2		**5.1**
Total Investments	$	139.8	**$**	**106.5**

Investments accounted for under the equity method

Investments accounted for under the equity method represents Equant's non-controlling equity interest of 49% in Radianz. In 2000, Equant entered into a joint venture with Reuters to provide Internet Protocol ('IP') network to the financial services community. A new entity ('Radianz') was created into which Equant contributed $225 in cash, a number of employees, and certain customer contracts. Equant also agreed to provide $125 in services to Radianz over ten years and agreed not to pursue new customers in the financial services industry for the provision of extranet network services. Reuters contributed to Radianz network assets and employees responsible for the operations and maintenance of the Reuters internal network. Reuters purchases network services from Radianz.

Radianz has been accounted for under the equity accounting method as management considers the Company's ability to invoke joint control is not currently achieved because Reuters remains both the dominant supplier and customer of Radianz, and accordingly is in a position to affect significantly the operations of Radianz without the prior approval of Equant.

As at December 31, 2001 and 2002, the carrying value of the Intangible assets includes goodwill of $138.4 and $nil, respectively, representing the excess of the purchase price over Equant's share of the contributed capital of Radianz net of amortization (see Notes 5 and 13).

Radianz prepares its financial statements under generally accepted accounting principles in the United States. The 2002 financial statements of Radianz have not yet been audited. The audited 2001 statements of Radianz differ from those initially presented in the 2001 financial statements of Equant which were based on estimates. The difference between the estimated 2001 share of net losses and the actual share was an additional loss of $2.2, which has been recognized in the year ended December 31, 2002.

Included in the accumulated deficit of the Company at December 31, 2001 and 2002 are retained deficits relating to Radianz of $65.3 and $227.9, respectively.

15. Other Investments continued

The summarized Balance Sheet and Statement of Operations of Radianz as of and for the years ended December 31, 2000, 2001 and 2002 are set out below.

At December 31	2000 audited	2001 audited	**2002 unaudited**
Current assets	$ 343.2	$ 308.1	**$ 257.1**
Non-current assets	107.0	155.4	**193.4**
Current liabilities	(140.6)	(206.2)	**(250.6)**
Non-current liabilities	(6.0)	(17.6)	**(26.3)**
Net assets and Shareholders' equity	$ 303.6	$ 239.7	**$ 173.6**

Years ended December 31	2000 audited	2001 audited	**2002 unaudited**
Net revenues	$ 192.5	$ 421.4	**$ 496.1**
Operating loss	$ (33.3)	$ (83.0)	**$ (70.0)**
Net loss	$ (26.8)	$ (69.5)	**$ (72.2)**

The Company's share of the losses of Radianz accounted for under the equity method was $27.3 for 2002, $25.3 for 2001, and $9.5 for the six months ended December 31, 2000. The Company has made adjustments, where considered significant, to the Radianz unaudited financial information to align their basis of preparation to the Company's French GAAP accounting policies, and to eliminate the Company's deferred service obligations that Radianz recognizes as an expense.

Investments at cost

In 2000, the Company invested $30.1 for a non-controlling interest of 7.1% in STSN, $5.1 for a 5.5% non-controlling interest in iPass and $5.1 for a non-controlling interest of 18.0% in Tripeze. Management believes that it is more likely than not that its initial investments may not be fully recovered. These investments have been written-down to what management believes to be realizable value. In the year ended December 31, 2000, this resulted in an impairment loss of $17.0 related to STSN and $5.1 related to Tripeze. A further amount of $13.1 was provided against the remaining carrying value of STSN in the year ended December 31, 2001. The write-downs are included in the Consolidated Statements of Operations as 'Loss on impairment of investments accounted for at cost'.

In 2001, the Company's share of iPass was diluted to 1.8% as a result of equity issues in which the Company did not participate. In 2002, the Company's share in STSN and iPass were diluted to 1.2%, and 1.7%, respectively.

In the year ended December 31, 2002, the Company disposed of its investment in Tripeze for $0.3. This gain has been recognized as a write back to 'Loss on impairment of investments accounted for at cost'.

In 2001, the Company purchased marketable securities of $1.1, which were disposed of in 2002 at their net book value.

Investments at cost were neither purchased nor held primarily for trading. Equant does not control and cannot exercise significant influence on these companies. No dividends were received from these investments in 2001 or 2002.

Notes to the Consolidated Financial Statements continued

(US dollars in millions, unless otherwise stated)

16. Debt and Borrowing Arrangements

Debt and borrowing arrangements consist of the following:

At December 31, 2001	Current maturity	Long-term maturity	Total maturity
Bank overdrafts	$ 1.6	$ –	$ 1.6
Term borrowings	6.6	1.0	7.6
Capital leases	0.6	3.0	3.6
Debt and borrowings	$ 8.8	$ 4.0	$ 12.8

At December 31, 2002	**Current maturity**	**Long-term maturity**	**Total maturity**
Bank overdrafts	**$ 0.7**	**$ –**	**$ 0.7**
Term borrowings	**6.3**	**–**	**6.3**
Capital leases	**0.5**	**0.7**	**1.2**
Debt and borrowings	**$ 7.5**	**$ 0.7**	**$ 8.2**

The denominations of current and long-term borrowings by currency at December 31, 2002 are as follows:

Currency	Amount loaned[1]	Maturity	Interest rate	**At December 31, 2002**
Brazilian real	2,665	2003	31.20%	**$ 0.7**
Japanese yen	800,000	2003	0.48%	**6.2**
Other currencies				**0.1**
				$ 7.0

[1]Amount loaned stated in thousands of local currency.

Short-term borrowings

The carrying value of short-term bank loans and overdrafts, mainly denominated in Japanese yen at December 31, 2002 and 2001, approximated fair value. The weighted average interest rates charged on short-term loans and the overdrafts for the years ended December 31, 2001 and 2002 were 3.8% and 3.5%, respectively.

Long-term borrowings

At January 1, 2001, the Company had available a revolving credit facility pursuant to a facility agreement among Equant, certain of its subsidiaries and a syndicate of fifteen banks named therein, entered into on October 23, 1998. The facility agreement provided a $400 unsecured revolving credit facility. The facility agreement had a final maturity on October 23, 2003. The Company and certain of its subsidiaries were able to borrow funds under the facility agreement. The Company (with certain subsidiaries) guaranteed all amounts borrowed under the facility. The Company had drawn down the full amount under the facility agreement as of January 1, 2001. The interest rate was 37.5 basis points above LIBOR. The facility agreement was fully repaid and terminated as a result of the France Telecom Transactions.

On January 9, 2001, the Company entered into a $300 unsecured revolving credit facility pursuant to a facility agreement among Equant, certain of its subsidiaries and three banks. The revolving credit facility had a final maturity on January 8, 2002 with an option to convert borrowings or amounts outstanding at maturity into term loans for an additional period of 180 days. With the exception of the margin, which was 75 basis points over LIBOR until June 30, 2001 and 90 basis points over LIBOR thereafter until final maturity, all other terms and conditions were substantially the same as those of the $400 revolving credit facility dated October 23, 1998. At June 29, 2001, the Company had drawn down $202.5 of this facility agreement. The facility agreement was fully repaid and terminated as a result of the France Telecom Transactions.

16. Debt and Borrowing Arrangements continued

At January 1, 2001, Equant's subsidiary in France had entered into a $20 multi-currency revolving credit and bank guarantee facility available until December 31, 2001. The interest rate applicable to amounts drawn down under the facility was at a variable margin over the applicable interbank rate. As at January 1, 2001, $17.2 of the facility – mainly denominated in pounds sterling and Euros – was drawn down. The entire amount was repaid in 2001 and the facility was canceled.

On May 2, 2002, the Company entered into a $250 revolving credit facility agreement and a $50 treasury management agreement with France Telecom. Under the revolving credit facility, France Telecom will make available to the Company a maximum of $250. Drawdowns will be available in a variety of currencies during the period June 3, 2002 until September 30, 2003. Interest will be charged at 120 basis points above the interbank offering rate on the amount drawn down under the facility. The facility will have a final maturity on September 30, 2007. Under the treasury management agreement, France Telecom will make available to the Company a maximum of $50 in a variety of currencies. Interest will be charged at LIBOR plus 40 basis points on the net balance outstanding under the agreement. The terms of the agreement will be subject to renewal on December 31 each year.

Equant's subsidiary in Japan has a facility totaling 1 billion Japanese yen ($8.7), of which 0.8 billion Japanese yen ($6.2) was utilized at December 31, 2001 and 2002.

Equant's subsidiary in Brazil has a facility totaling 3.4 million Brazilian reals ($0.9), of which 2.7 million Brazilian reals ($0.7) was utilized at December 31, 2002.

In addition, the Company has on-demand bank lines of credit that are unsecured. The total unutilized element of these facilities at December 31, 2002 amounted to $28.6.

Capital leases

The Company leases certain items of Property, plant and equipment under long-term capital leases. At December 31, 2001 and 2002, the present value of minimum lease payments was $3.6 and $1.2, respectively. Future minimum lease payments for assets held under capital lease arrangements at December 31, 2002 are as follows:

2003	$ 0.5
2004	0.3
2005	0.3
2006	0.1
2007	0.1
2008 and thereafter	0.1
Total minimum lease payments	1.4
Less: amount representing interest	(0.2)
Present value of minimum lease payments	1.2
Less: capital lease obligations included in current portion of long-term debt	(0.5)
Long-term capital lease obligations	$ 0.7

Notes to the Consolidated Financial Statements continued

(US dollars in millions, unless otherwise stated)

17. Provisions for Liabilities and Charges

Provisions for liabilities and charges consist of the following:

At December 31		2001		2002
Pension and retirement provisions	$	6.9	$	18.3
Restructuring and integration		22.6		21.5
Share plan		0.1		–
	$	29.6	$	39.8

Movements in these provisions are disclosed in Notes 20, 6 and 21, respectively. Provisions related to pension and retirement provisions are released over the expected service lives of employees, which are greater than twelve months.

18. Other Non-current Liabilities

Other non-current liabilities consist of the following:

At December 31		2001		2002
Future services to Radianz (see Notes 15 and 23)	$	59.7	$	51.2
Long-term deferred revenues		15.7		13.1
Other non-current liabilities		26.4		19.6
	$	101.8	$	83.9

19. Financial Instruments

Derivative financial instrument risk

The Company uses derivative financial instruments to reduce exposures to market risks resulting from fluctuations in interest rates and foreign exchange. The Company does not enter into financial instruments for trading or speculative purposes.

The Company has a policy of only entering into contracts with financial institutions that have at least an 'A' (or equivalent) credit rating. The Company does not have significant exposure to any one financial institution. Management believes that risk of loss is remote and in any event would be immaterial.

Interest rate risk management

At December 31, 2001 and 2002, the Company had no interest rate derivative instruments outstanding.

The Company is not exposed to material interest rate risks as the Company has no material borrowing requirements, and amounts on deposit with France Telecom and third parties bear interest at market rates (Note 23).

Exchange risk management

The Company enters into forward exchange contracts maturing within one year to hedge certain costs and revenues that are denominated in foreign currencies. These hedging instruments are classified in a consistent manner with the item being hedged. The portion arising from the retranslation of long-term inter-company funding balances is recorded within 'Cumulative foreign currency translation adjustment' and amounted to decreases of $6.7, $9.5 and $0.2 in Shareholders' equity for the years ended December 31, 2000, 2001 and 2002. Foreign exchange gains and losses actually recorded in the Consolidated Statements of Operations for the years ended December 31, 2000, 2001 and 2002, were a net gain of $2.3, a net loss of $6.4 and a net gain of $8.2, respectively.

19. Financial Instruments continued

The Company had forward exchange contracts outstanding at December 31, 2001 and 2002 in various currencies, principally against US dollars. The Company has recognized the net unrealized losses in its accounts. Gains and losses, based on dealer-quoted prices, from marking these contracts to market are as follows:

			Impact of marking contracts to market			
		Notional amounts		Gains		Losses
Forward exchange contracts at December 31, 2001	$	187.8	$	1.6	$	0.5
Forward exchange contracts at December 31, 2002	**$**	**227.0**	**$**	**–**	**$**	**3.8**

Fair value of financial instruments

The carrying amount of Cash and cash equivalents approximates fair value due to the short-term maturities of these instruments. The fair value of foreign currency contracts (used for hedging purposes) was estimated based on quoted market prices at year-end. The fair value of long term debt, including current portion, is estimated based on the current rates offered to the Company for debt of the same maturities.

The estimated fair values of the Company's financial instruments at December 31, 2001 and 2002 are as follows:

At December 31				2001				**2002**
		Carrying amount		Fair value		**Carrying amount**		**Fair value**
Non-derivatives								
Long-term lease receivables	$	25.6	$	25.6	**$**	**4.6**	**$**	**4.6**
Radianz liabilities	$	(72.2)	$	(72.2)	**$**	**(61.3)**	**$**	**(61.3)**
Long-term debt and borrowings	$	(4.0)	$	(4.0)	**$**	**(0.7)**	**$**	**(0.7)**
Derivatives								
Forward exchange contracts	$	–	$	1.1	**$**	**–**	**$**	**(3.8)**

Accounts receivable, accounts payable and accrued expenses are reflected in the financial statements at cost which approximates fair value due to the short-term maturity of these instruments.

Concentration of credit risk

The Company invests its excess cash in deposits with France Telecom under a centralized cash management program and with major banks throughout the world. When making investments with banks, the Company has a policy that they must have at least an 'A' (or equivalent) credit rating. These deposits generally mature within three months and, to date, the Company has not incurred any related losses. Cash deposits held with France Telecom are further described in 'Related party transactions and cost sharing agreement', Note 23.

Concentrations of credit risk, excluding related parties, with respect to trade receivables are limited due to the large number of independent customers comprising the Company's customer base. Accounts receivable due from related parties are further described in Note 23. Ongoing credit evaluations of customers' financial condition are performed and, generally, no collateral is required. The Company maintains reserves for potential credit losses and such losses, in the aggregate, have not exceeded management's expectations.

Notes to the Consolidated Financial Statements continued

(US dollars in millions, unless otherwise stated)

20. Employee Benefits

Pension plans

The Company sponsors various retirement and pension plans including defined benefit and defined contribution schemes that cover the majority of worldwide employees.

Defined contribution plans

Defined contribution plans cover the majority of Company employees where defined benefit plans are not in operation. In addition, employees in the United States are eligible to participate in a voluntary 401(k) savings plan. The Company matches a percentage of each employee's contributions. In certain territories the Company contributes a fixed percentage of each employee's salary based on local requirements in that country. Total Company contributions charged to income for defined contribution plans were $7.4, $9.8 and $13.7 for the years ended December 31, 2000, 2001 and 2002, respectively.

Defined benefit plans

Plan benefits are primarily based on the employee's compensation during the last three to five years before retirement and the number of years of service. The three largest defined benefit arrangements at December 31, 2002 were in the United Kingdom, United States and France. The cost to the Company of the defined benefit plans for the years ended December 31, 2000, 2001 and 2002 can be analyzed as follows:

Years ended December 31	2000	2001	**2002**
(Cost)/benefit			
Service cost for benefits earned during year	$ (4.3)	$ (8.1)	**$ (10.2)**
Interest cost on projected benefits	(1.3)	(4.1)	**(5.6)**
Expected return on plan assets	2.0	3.7	**5.6**
Recognized actuarial (gain)/loss	–	–	**(0.4)**
Net amortization and deferral	–	–	**(0.7)**
Net periodic pension costs	$ (3.6)	$ (8.5)	**$ (11.3)**

The following assumptions were utilized in determining the funded status of the Company's defined benefit pension plans:

Years ended December 31	2000	2001	**2002**
Weighted average discount rate	5.88%	5.70%	**5.52%**
Weighted average rate of compensation increase	4.69%	3.30%	**3.44%**
Expected long-term rate of return	7.78%	8.20%	**8.06%**

The changes in the actuarial assumptions reflect movements in interest rates, salary increases, and expected rates of return in the respective local countries where the defined benefit plans reside. These assumptions are used in the actuarial calculation of the benefit obligation and components of the net periodic pension cost for the following year.

20. Employee Benefits continued

The status of the Company's post-retirement benefit plans, both funded and unfunded, at December 31, 2001 and 2002 is reported in the tables below.

Years ended December 31		2001		**2002**
Benefit obligation at beginning of year	$	(34.9)	**$**	**(84.4)**
Service cost		(8.1)		**(10.2)**
Interest cost		(4.1)		**(5.6)**
Employees' contributions		(2.4)		**(2.8)**
Acquisition		(43.1)		**(7.8)**
Actuarial increase/(decrease)		6.0		**(10.4)**
Benefits paid		3.0		**4.2**
Currency translation adjustment		1.9		**(9.8)**
Other		(2.7)		**–**
Actuarial present value of benefit obligation at end of year	$	(84.4)	**$**	**(126.8)**

Years ended December 31		2001		**2002**
Fair value of plan assets at beginning of year	$	28.7	**$**	**58.5**
Actual return on plan assets		(6.1)		**(7.4)**
Employer's contributions		5.4		**10.7**
Employees' contributions		2.4		**2.8**
Acquisition		29.6		**0.1**
Benefits paid		(3.0)		**(4.2)**
Currency translation adjustment		(1.0)		**5.6**
Other		2.5		**–**
Fair value of plan assets at end of year	$	58.5	**$**	**66.1**

The increase in the benefit obligation and the net periodic pension cost for the fiscal year ending December 31, 2002 is mainly attributable to the impact of the transfer of the LNO group in France and Belgium and poor investment experience on plan assets in the year.

The funded status of the defined benefit plans and amounts recognized in the Consolidated Balance Sheets consist of the following:

Years ended December 31		2001		**2002**
Funded status	$	(25.9)	**$**	**(60.7)**
Unrecognized net asset		–		**(0.3)**
Unamortized prior service cost		2.2		**2.3**
Unrecognized net actuarial loss		14.0		**32.2**
Net defined benefit pension accrued liability	$	(9.7)	**$**	**(26.5)**

In the years ended December 31, 2001 and 2002, the return on plan assets in the UK has not met the assumptions used by the actuaries. Under French GAAP, the difference between the minimum liability and the funded status has not been recognized in the balance sheet, and will be recognized in the income statement over the expected service lives of employees. The amounts not recognized amounted to $3.9 and $12.3 at December 31, 2001 and 2002, respectively.

Notes to the Consolidated Financial Statements continued

(US dollars in millions, unless otherwise stated)

20. Employee Benefits continued

Other programs

As required in most European countries by labor legislation, an accrual for end of service indemnities has been provided for a portion of employees' annual salaries, indexed for inflation. At December 31, 2001 and 2002, the indemnity accruals were $3.0 and $2.7, respectively. The total charge to income during the years ended December 31, 2000, 2001 and 2002 were $2.0, $0.7 and $1.0, respectively. The expected cost of such agreements is accrued over the period of the expected employee service based on actuarial assumptions.

Other post-retirement benefit plans

As a result of the acquisition of Global One, the Company has assumed a number of unfunded post-retirement benefit plans. At December 31, 2001 these covered 840 employees in the United States and the accrued benefit liability was $1.4. At December 31, 2002 these covered 70 employees in the United States and the accrued benefit liability was $0.3.

The unrecognized net loss at December 31, 2001 and 2002 was $0.4 and $0.1, respectively. The charge in the Consolidated Statements of Operations for the years ended December 31, 2001 and 2002 in respect of these plans was $0.1 and $0.1, respectively.

Amounts recognized in the balance sheet

A reconciliation of the employee benefits shown above to the balance sheet is shown below:

At December 31		2001		**2002**
End of service accrual	$	3.0	**$**	**2.7**
Unfunded post-retirement benefit plans		1.4		**0.3**
Accrued liability for defined benefit obligation		9.7		**26.5**
	$	14.1	**$**	**29.5**

At December 31		2001		**2002**
Short-term employee liabilities	$	7.2	**$**	**11.2**
Provisions for liabilities and charges (see Note 17)		6.9		**18.3**
	$	14.1	**$**	**29.5**

Compensation of the members of the Supervisory Board and Management Board

The aggregate amount of compensation paid to members of the Supervisory Board of the Company, as a result of their position on that Board and excluding reimbursement of expenses incidental to their attendance at such Board meetings, amounted to $0.6, $0.5 and $0.3 in the years ended December 31, 2000, 2001 and 2002, respectively.

Members of the Management Board of the Company receive no incremental compensation as a result of their position on that Board, other than reimbursement of expenses incidental to their attendance at such Board meetings. A portion of their remuneration is payable and subject to taxation in The Netherlands.

21. Stock-based Compensation

Employee share award plan

Background

Under the terms of an agreement between SITA and the Company, 850,000 certificates in the SITA Foundation (which was, until the France Telecom Transactions, the largest holder of ordinary shares in the Company), were transferred to an Employee Trust for the benefit of eligible employees of SITA, the SITA Equant network Joint Venture, the Company and their respective subsidiary companies (the 'Participating Employers'). Each certificate represents the right to obtain twenty ordinary shares. The independent trustees of the SITA/Equant Employee Trust are empowered to use these certificates under the Deferred Share Award Plan (the 'Award Plan') for the granting of Ordinary and Discretionary Awards.

All permanent employees who work on a full-time or part-time basis are eligible to participate, subject to being employed by one of the Participating Employers on the eligibility date.

The award of certificates to eligible employees is free of charge. The number of certificates included in Ordinary Awards to each eligible employee is calculated as a proportion of his/her annual salary to the total annual salary cost of all Participating Employers at each award date. The selection of participants and the number of certificates or shares for the grant of Discretionary Awards is discretionary. In the case of Discretionary Awards, the Employee Trust retains the right to the first US$77.78 per certificate (where the certificate represents the right to obtain twenty ordinary shares) or share of the ultimate sale proceeds of each certificate or share.

In general, the vesting of both Ordinary Awards and Discretionary Awards requires certificates either to convert into shares, or become transferable, both of which were firstly contingent upon the Company attaining an IPO, and then upon exercise of the discretion of the Board of the SITA Foundation. Full vesting also requires that at least three years have passed from the relevant Eligibility Date (unless this vesting period is reduced by the trustees of the Employee Trust) during which time those granted awards must remain with the Participating Employers. The life of the awards is ten years.

On June 29, 2001, all awards with eligibility dates of November 30, 1997 and November 30, 1998 (Awards 3 and 4 Ordinary and Discretionary Awards) were subject to vesting as a result of the completion of the France Telecom Transactions. As a result of these transactions the SITA Foundation sold the Equant shares that related to the unvested awards from the SITA/Equant Employee Trust prior to June 29, 2001 (8.5 million Equant shares) to France Telecom in exchange for France Telecom shares. Every 2.2 Equant shares were exchanged for 1 France Telecom share. In the case of Discretionary France Telecom shares, the Employee Trust retains the right to the first US$8.556 (or Euro equivalent) per share of the ultimate sale proceeds of each share.

On November 15, 2001, as a result of the closing of the France Telecom Transactions, Equant and SITA terminated the SITA/Equant Employee Trust and established their own company specific employee trusts to govern the disposition of all Awards granted after November 30, 1998. Coincident with the formation of the Equant Employee Trust, the Company resolved to vest all Awards granted between December 1, 1998 and December 31, 2000.

On December 21, 2001, as a result of a Management Board resolution, an Award of 40,000 Equant Discretionary shares granted on January 17, 2001, was subject to early vesting.

At December 31, 2002, the Equant Employee Trust held 568,586 shares in France Telecom, 36,116 shares in Equant N.V., and $4.9 of cash. These assets are held for the benefit of eligible employees.

Notes to the Consolidated Financial Statements continued

(US dollars in millions, unless otherwise stated)

21. Stock-based Compensation continued

Vesting details

In February 1999, all Award 1 Ordinary and Discretionary Awards, granted in 1996, vested. This resulted in a payment of $10.8 of social charges by the Company during 1999. A further payment of $0.7 was made in 2000. Award 2 Ordinary and Discretionary Awards, granted in 1997, vested in January 2000. This resulted in a payment of $15.7 of social charges by the Company during 2000.

In July 2001, all Award 3 and 4 Ordinary and Discretionary Awards, granted during 1997 and 1998, vested. This resulted in a payment of $6.3 of social charges by the Company during 2001.

In November 2001, all other Awards granted between December 1, 1998 and December 31, 2000 vested. Further, all Awards granted between December 1, 1998 and December 31, 2000 in respect of LNO groups that SITA transferred to the Company in November and December 2001 vested. In addition, in December 2001 an Award of 40,000 Equant Discretionary shares was subject to early vesting. This resulted in a payment of $0.1 of social charges by the Company during 2001.

Shares granted since November 30, 1998

In 1999, a further 1,300 Discretionary Awards were awarded to existing and at hire employees. The grant date and fair value per share of these awards ranged from September 13, 1999 at a fair value of US$82.00 to December 7, 1999 at a fair value of US$97.81. These shares vested in November 2001.

In 2000, a further 9,625 Discretionary Awards were awarded to existing and at hire employees. The grant date and fair value per share of these awards ranged from February 22, 2000 at a fair value of US$116.75 to December 7, 2000 at a fair value of US$29.88. These shares vested in November 2001.

In 2001, a further 58,910 Equant Discretionary shares were awarded to existing and at hire employees. The grant date and fair value per share of these awards ranged from January 17, 2001 at a fair value of US$30.50 to September 12, 2001 at a fair value of US$11.20. Of these 58,910 shares granted a total of 40,410 vested during the year leaving a balance of 18,500 shares unvested. These have now been converted to the equivalent number of unvested France Telecom shares of approximately 8,409 unvested France Telecom shares.

Unvested awards as at December 31, 2001

In addition to the 8,409 France Telecom shares granted above, a further 28,034 France Telecom shares in respect of LNO groups that SITA has transferred to the Company remained unvested. Therefore, as at December 31, 2001, a total of 36,443 France Telecom shares granted to eligible employees of Equant remained unvested.

Unvested awards as at December 31, 2002

As at December 31, 2002 a total of 79,421 France Telecom shares granted to eligible employees of the Equant Group remain unvested. This represents an increase of 42,978 France Telecom shares in respect of LNO groups that SITA transferred to Equant during 2002.

Share Option Plan

The Company adopted a Share Option Plan (the 'Option Plan') in June 1998. The Option Plan provided that the Company may grant options and restricted share awards covering up to five per cent of its shares outstanding after the IPO. As of December 31, 2002, the Company has granted options and awards under the Option Plan covering 11,651,268 shares at exercise prices ranging from US$2.54 to US$117.81 and vesting periods from July 21, 2000 to October 23, 2006. The first of these grants was made effective July 21, 1998 to all eligible employees at an exercise price of US$27.00 (the IPO price). Since then, the Company has granted further options to its employees, including its managing directors and other executive officers, and its supervising directors. Under the terms of the Option Plan, the exercise price of options can be no less than the average price of the Company's shares on the New York Stock Exchange on the date of grant. However, with respect to newly hired employees, including employees of LNO groups that SITA transfers to the Company or of any business the Company acquires, the exercise price for options granted is generally set during a specific period. In certain circumstances the exercise price may be specified within the terms of the hiring agreement for a newly hired employee.

21. Stock-based Compensation continued

In some countries, the Company has adopted a phantom plan rather than an actual share option plan. The phantom plan is designed to approximate for certain Company employees the incentives of owning share options without involving the actual transfer of options or shares.

On May 25, 2001 the Company offered to purchase outstanding options ('Option Buyback') that were granted under the 'Option Plan' on or before November 19, 2000 with an exercise price greater than or equal to US$88.00 per share in exchange for a cash payment of US$2.00 per option. This was subject to the completion of the France Telecom transaction, which occurred on June 29, 2001. As a result of the 'Option Buyback' the Company paid $1.9 to employees in respect of 947,153 options and 10,731 phantom options during the year ended December 31, 2001.

On June 29, 2001 all options and restricted shares that were granted under the 'Option Plan' on or before November 19, 2000 were subject to accelerated vesting as a result of the completion of the France Telecom transaction. This resulted in a payment of $0.5 of social charges by the Company during the year ended December 31, 2001.

On March 27, 2002 the Company awarded 25,000 restricted shares to a member of the management team. These awards are included in the total granted options and awards covering 11,651,268 shares as described above.

The table below provides details of unexercised options granted and weighted average exercise price as of December 31, 2000, 2001 and 2002.

	Number of shares	Weighted average exercise price	
Unexercised options granted – December 31, 2000	4,598,694	US$	49.35
Options granted			
At exercise price range of US$nil to US$50.00	233,809	US$	15.58
Options exercised	(528,246)		0.06
Options forfeited			
At exercise price range of US$nil to US$50.00	(160,746)		26.11
At exercise price range of US$50.01 to US$100.00	(981,753)		90.09
At exercise price range of US$100.01 to US$150.00	(32,961)		106.51
Total options forfeited in year	(1,175,460)		81.80
Unexercised options granted – December 31, 2001	3,128,797	US$	42.96
Options granted			
At exercise price range of US$nil to US$50.00	**6,512,698**	**US$**	**13.49**
Options exercised	**(4,908)**		**–**
Options forfeited			
At exercise price range of US$nil to US$50.00	**(899,284)**		**32.72**
At exercise price range of US$50.01 to US$100.00	**(79,697)**		**85.10**
At exercise price range of US$100.01 to US$150.00	**(1,964)**		**107.78**
Total options forfeited in year	**(980,945)**		**37.13**
Unexercised options granted – December 31, 2002	**8,655,642**	**US$**	**21.47**

The exercise dates of the number of options outstanding at December 31, 2002 are as follows:

At December 31, 2002	**2,187,826**
2003	**2,032,799**
2004	**2,033,284**
2005	**2,024,344**
2006	**377,389**
2007	**–**
	8,655,642

Notes to the Consolidated Financial Statements continued

(US dollars in millions, unless otherwise stated)

21. Stock-based Compensation continued

Of the options exercised in 2002, 4,908 related to the early vesting of restricted shares. Of the options exercised in 2001, 527,020 related to the early vesting of restricted shares. Of the options forfeited in 2001, 947,153 related to the Option Buyback.

Amounts expensed

The Company will pay social security contributions and other charges related to the Share Awards and Share Option Plans in the years in which the awards vest or the options are exercised. These contributions and charges will depend on various factors, including the employees' tax jurisdiction, local laws in these countries and the share price at the time of vesting. The social charges credit totaling $9.9 in the year ended December 31, 2002 is due to the receipt of $9.8 from the settlement of litigation in regards to social charges and the release of a $0.1 surplus provision as a result of the actual share price at the date of vesting being lower than the estimated fair value of December 31, 2001.

	Liability December 31, 2001	**Additions/ (releases)**	**Reserves utilized**	**Other**	**Liability at December 31, 2002**
Social charges	$ 0.1	$ (0.1)	$ –	$ –	**$ –**
Option buyback	–	–	–	–	**–**
	$ 0.1	$ (0.1)	$ –	$ –	**$ –**

22. Contingent Liabilities and Commitments

Set out below is a summary of Contingent liabilities and commitments at December 31, 2002:

		Timing of obligation/commercial commitment			
	Note reference	Less than one year	One to five years	More than five years	**Total**
Contractual commitments					
Long-term debt	16	$ 6.9	$ –	$ –	$ 6.9
Capital lease commitments	16	0.5	0.8	0.1	1.4
Operating lease commitments	22	768.4	726.5	247.8	1,742.7
Irrevocable purchase commitments	22	34.4	19.2	–	53.6
Commitments to SITA in respect of the network	23	–	–	–	–
Other long-term commitments	n/a	–	–	–	–
Total		**$ 810.2**	**$ 746.5**	**$ 247.9**	**$ 1,804.6**
Other commercial commitments					
Credit lines	16	$ 88.2	$ 250.0	$ –	$ 338.2
Letters of credit	n/a	–	–	–	–
Guarantees	22	4.5	–	–	4.5
Repurchase obligations	n/a	–	–	–	–
Defined benefit schemes	20	–	–	60.7	60.7
Radianz commitments	15	12.5	50.0	31.2	93.7
Radianz cost savings	22	–	–	–	–
Other commercial commitments	n/a	–	–	–	–
Total		**$ 105.2**	**$ 300.0**	**$ 91.9**	**$ 497.1**

22. Contingent Liabilities and Commitments continued

Operating lease commitments

Operating lease expense for office space, equipment and motor vehicles, amounted to approximately $41.9, $101.9 and $156.9 in the years ended December 31, 2000, 2001 and 2002, respectively. Operating lease expense for circuits and operating and maintenance obligations on IRU contracts, amounted to approximately $926.0 and $1,001.6 in the years ended December 31, 2001 and 2002, respectively.

At December 31, 2002, the approximate future minimum lease payments under non-cancelable operating leases are as follows:

	Office space, equipment and motor vehicles	IRU operating and maintenance commitments	Circuit leases	Total
2003	$ 96.5	$ 7.7	$ 664.2	$ 768.4
2004	79.6	8.2	183.0	270.8
2005	72.9	8.1	150.0	231.0
2006	65.1	7.7	87.1	159.9
2007	57.3	7.5	–	64.8
2008 and thereafter	204.8	43.0	–	247.8
	$ 576.2	**$ 82.2**	**$ 1,084.3**	**$ 1,742.7**

Access circuit leases which account for over 60% of circuit lease expense, are usually entered into solely to support specific customer contracts and therefore the financial risks associated with these leases are specifically mitigated by offsetting revenues from the customer contracts. Furthermore, historically the Company has been able to exchange access circuit leases for alternative routes with the same supplier without incurring penalties. The financial risks associated with the IRU commitments and other circuit leases are expected to be offset by long-term customer contracts for at least the next three years.

Of the Company's total cash and cash equivalents at December 31, 2001 and 2002, $0.3 and $3.5, respectively, related to restricted cash. These amounts relate primarily to commitments provided to third party for facilities rental agreements.

Irrevocable purchase commitments

In the ordinary course of business the Company enters into purchase contracts with network equipment manufacturers and into supply contracts with suppliers. Management believes that there is no significant risk of financial loss from these contracts.

The Company has entered into commitments lasting over one year to purchase IRUs that will result in payments by the Company of $34.4 and $19.2 in the years ended December 31, 2003 and 2004, respectively. Of these IRU purchase commitments, $29.2 and $19.2 relating to the years ended December 31, 2003 and 2004, respectively, are purchase commitments with France Telecom.

Defined benefit pension schemes

As described in Note 20, the Company sponsors defined benefit pension schemes in a number of countries. At December 31, 2001 and 2002, the present value of the Company's obligations exceeded the fair value of plan assets by $25.9 and $60.7, respectively.

Contingent liabilities

The Company and its subsidiaries are involved in legal proceedings, claims and litigation arising in the ordinary course of business. Management does not believe that there are currently any asserted or unasserted claims that will have a material adverse effect on the financial position, results of operations or cash flows of the Company.

Notes to the Consolidated Financial Statements continued

(US dollars in millions, unless otherwise stated)

22. Contingent Liabilities and Commitments continued

The agreement with Radianz obligates the Company to migrate portions of the Radianz backbone network onto the Company's own network by July 2003. The Company has agreed to deliver cost savings on the operation of the migrated network. The Company is required to compensate Reuters if the cost saving targets are not met. It is not possible to quantify this contingent liability. The Company is in negotiation with Reuters regarding the technical requirements of the Reuters applications as these applications prevent this cost saving commitment being achieved.

The Company and its subsidiaries have provided guarantees to non-consolidated entities, totaling $4.3 and $4.5 at December 31, 2001 and 2002, respectively.

23. Related Party Transactions and Cost Sharing Agreement

SITA and SITA Equant network Joint Venture

The Company held a 50% interest in the SITA Equant network Joint Venture (the 'Joint Venture'), a co-operative registered in Belgium, in which SITA, also registered in Belgium, held the remaining 50% interest. Under a separate agreement, the Company and SITA shared the costs of the jointly owned and operated telecommunications network according to an agreed formula linked to network usage. The cost sharing arrangement had been applied from January 1, 1996. Under the agreement, the Company funded future expansion of this common network on the basis of an annual jointly agreed budget. SITA also provided various services to the Company, which included the provision of technical services, equipment purchases, secondment of staff and provision of office space.

The Company recorded its allocated share of the Joint Venture network costs in the Consolidated Statements of Operations. The Joint Venture network costs included network circuits and the related costs, and also equipment and maintenance costs, personnel costs and costs of central services (including the SITA Equant network Joint Venture management, product development, bookkeeping and accounting functions). The Joint Venture network costs were incurred by Equant, SITA and the Joint Venture and until June 29, 2001 each parent party was allocated its share according to the cost sharing formula set out in the Joint Venture agreement, or by negotiated agreement. Non-Joint Venture costs included access circuits, the costs of customer premises equipment, selling costs and general and administrative costs. The Joint Venture network costs did not include Share plan. For the year ended December 31, 2000 and the period ended June 29, 2001, the Company's total network cost was $498 and $187, respectively, of which $272 and $168, respectively was the Company's share of the Joint Venture network costs.

As a result of the France Telecom Transactions, Equant and SITA terminated the existing SITA Equant network Joint Venture and replaced it with a series of new agreements (see Note 1). The resultant relationship is one where Equant assumed operational control and management of the network and now provides telecommunications services to SITA to support the air transport community.

Under the revised agreements with SITA that came into effect on June 29, 2001 the Company is responsible for operating and managing the network. However, in certain countries SITA continues to operate the network locally. The Company is charged all the costs of operating in such countries by SITA. SITA will continue to operate locally in certain countries until the Company can assume full ownership of all of the local network assets. The Company will assume ownership as soon as it becomes possible in each of the affected countries (see Note 5). The Company invoices SITA for use of the Company's global network. For the period from July 1, 2001 to June 30, 2003, the invoicing to SITA is subject to minimum revenue commitments.

In the normal course of business, the Company engages in transactions with SITA. The Company received revenues from SITA for providing goods and services to its customers of $442.1, $654.0 and $714.0 for the years ended December 31, 2000, 2001 and 2002, respectively. The Company was also charged $279.3, $512.8 and $475.2, respectively, related to goods and services provided by SITA in the years ended December 31 2000, 2001 and 2002.

Trade receivables from SITA at December 31, 2001 and 2002 were $297.4 and $188.0, respectively. In addition, at December 31, 2000, $10.8 had been pre-paid by the Company to SITA in respect of circuit costs for 2001. Trade payables to SITA at December 31, 2001 and 2002 were $235.9 and $109.6, respectively.

23. Related Party Transactions and Cost Sharing Agreement continued

Radianz and Reuters

As described in Note 15, on February 3, 2000, the Company set up a joint venture with Reuters called Radianz. Equant contributed approximately $225 in cash at the incorporation of the joint venture, in June 2000. In addition, Equant has agreed to provide approximately $125 in services to Radianz over a period of up to ten years, of which $6.3, $12.5 and $12.5 were provided during the years ended December 2000, 2001 and 2002, respectively. At December 31, 2001 and 2002, the Company has recorded the net present value of the outstanding liability totaling $72.2 and $61.3, respectively, of which $59.7 and $51.2, respectively, is the long-term element reported within 'Other non-current liabilities'.

In the normal course of business, the Company earned revenues from Radianz for providing core-bandwidth and other network and integration services totaling approximately $39.7, $85.2 and $109.4 during the years ended December 31, 2000, 2001 and 2002, respectively.

Trade receivables from Radianz at December 31, 2001 and 2002 were approximately $67.0 and $37.0, respectively.

In the normal course of business, the Company earned revenues from the Reuters Group of companies for providing network services totaling approximately $4.5 and $3.9 during the years ended December 31, 2001 and 2002. The Company was also charged $45.6 and $60.4 by Reuters in the years ended December 31, 2001 and 2002 related to the costs of network transmission capacity which has yet to be migrated over to the Company's network. These costs are included in the revenue of $85.2 and $109.4 charged to Radianz during the years ended December 31, 2001 and 2002.

France Telecom

In 2001 the Company acquired Global One from France Telecom, and receives reimbursement for restructuring and integration expenses (see Notes 1, 5 and 6). The Company also entered into trading transactions with France Telecom during the year ended December 31, 2002, which are set out below:

	Income		Expense	
	Amount	Classification	Amount	Classification
Commercial relationships with respect to end user customers and the network				
Equant sales to France Telecom	**$296.3**	Revenue		Not applicable
France Telecom sales to Equant		Not applicable	**$221.2**	Cost of Services
Ancillary support services with respect to the network	**$65.0**	Other income		Not applicable
Switched voice services	**$131.1**	Other income		Not applicable
Pre-paid and Post-paid calling cards and voice carrier services	**$65.3**	Shown net	**$65.3**	Shown net

Commercial relationships between the Company and France Telecom with respect to end user customers and the network

On June 29, 2001, the Company and France Telecom, through its France-based subsidiary, Transpac S.A. ('Transpac'), entered into numerous agreements, three of which (Umbrella, Affiliation and Reseller) together govern the commercial relationship between the Company and France Telecom in France. These agreements establish the terms and conditions that govern the joint business planning and monitoring process between the Company and Transpac as well as the sale and support of each other's products and services (except voice carrier and calling card services) in their respective markets. Transpac has agreed to minimum revenue guarantees to the Company of $185 for 2003. Revenues from these sales will be included in revenues as accrued. For 2004 and subsequent years the minimum revenue guarantees will be negotiated between the parties. Various ancillary agreements establish the terms and conditions for support services including trademark licensing and product development. These commercial relationships will continue under varying terms so long as France Telecom continues to own at least 34% of the Company's outstanding shares.

Notes to the Consolidated Financial Statements continued

(US dollars in millions, unless otherwise stated)

23. Related Party Transactions and Cost Sharing Agreement continued

France Telecom supplies transmission capacity and IP services to the Company in certain geographic regions where France Telecom has competitive prices and services. The Company provides transmission capacity and IP services to France Telecom in countries where France Telecom does not have a presence. Pricing for these services is based on market price.

Ancillary support services with respect to the network

The Company may also supply ancillary support services on a cost recovery basis. These commercial relationships will continue under varying terms so long as France Telecom continues to own at least 34% of the Company's outstanding shares. Revenues for these ancillary support services are included within 'Other operating income'.

Switched voice services

The Company and France Telecom have agreed to transfer the operation, management and financial responsibility for the Company's switched voice business and switched voice platform (most of which was acquired in the merger with Global One) to France Telecom. The Company and France Telecom have planning and financial arrangements in place to ensure that the switched voice business does not materially affect the Company's profitability. The Company expects to migrate gradually its voice business to a voice over IP platform by the end of 2005. Revenues earned by the Company from France Telecom in relation to these arrangements for voice services are shown within 'Other operating income'.

Calling cards and voice carrier services

The Company acts as France Telecom's agent on a limited risk basis for its pre-paid and post-paid calling cards in various countries. The Company is also the distributor for France Telecom's voice carrier business outside France. In light of this limited risk to the Company of providing these services, the Company earns a fee of 0.5%. The amounts invoiced are passed through to France Telecom less the Company's fees. In view of the limited risk, the revenues from this activity of $51.3 and $65.3 for the years ended December 31, 2001 and 2002, respectively, are netted against costs. Both of these commercial relationships derive from distribution agreements originally executed by France Telecom and Global One. Agreements in most of the countries should terminate by June 2003.

Trade receivables from France Telecom at December 31, 2001 and 2002 were $324.0 and $356.5, respectively. Trade payables to France Telecom at December 31, 2001 and 2002 were $215.5 and $235.0, respectively.

At December 31, 2001 and 2002, respectively, the Company had deposited $237.5 and $307.8, of surplus funds with France Telecom under a centralized cash management program. These funds bear interest at market rates and are repayable on demand by the Company. Interest earned on amounts on deposit with France Telecom totaled $5.6 and $3.8 in the years ended December 31, 2001 and 2002, respectively.

Other related party transactions

Included in 'Accounts receivable' at December 31, 2001 was a receivable from a former Management Board member of $0.4 due to taxes paid on his behalf following his departure from the Company ($nil at December 31, 2002).

In 2001, the Company generated revenue from iPass, Tripeze and STSN of $3.3, $nil and $1.0, respectively. Accounts receivable from these companies at December 31, 2001 were $0.3, $nil and $0.9, respectively.

In 2002, the Company generated revenue from iPass, Tripeze and STSN of $4.1, $nil and $0.5, respectively. Accounts receivable from these companies at December 31, 2002 were $nil, $nil and $0.3, respectively.

24. Segmental Information

During the fourth quarter of 2000, the Company initiated a plan to integrate its two larger divisions – Equant Network Services and Equant Integration Services – into a single organization. This integration became effective on January 1, 2001.

On June 29, 2001, concurrent with the France Telecom Transactions, Equant assumed management of the entire network previously under joint management between Equant and SITA (see Notes 1 and 23). This resulted in the elimination of the cost sharing agreement and the signing of new commercial arrangements with SITA for their use of the Company's network.

On October 1, 2001, the Company disposed of its Equant Application Services division.

The effect of these three events when combined with the Company's reorganization of its management according to function and specialization, rather than geographic or divisional reporting lines, resulted in the Company having a single reportable segment for the period subsequent to June 29, 2001, although revenues continue to be measured by lines of business.

Revenues by lines of business

Years ended December 31	2000	2001	**2002**
Network services	$ 717.0	$ 1,258.5	**$ 1,567.1**
Integration services	434.7	447.1	**453.4**
Other services	10.3	142.3	**238.9**
SITA network contract	311.4	542.8	**713.7**
	$ 1,473.4	$ 2,390.7	**$ 2,973.1**

Geographic information

The following table presents revenue by country, based on country of invoice origin, and Long-lived assets by country, based on the location of the assets:

	Ireland	The Netherlands	United States	United Kingdom	Other countries	Total
December 31, 2002						
Revenues from external customers	**$ 1,079.7**	**$ 20.6**	**$ 608.0**	**$ 576.5**	**$ 688.3**	**$ 2,973.1**
Long-lived assets[1]	**$ 4.6**	**$ 92.5**	**$ 262.6**	**$ 157.9**	**$ 788.7**	**$ 1,306.3**
December 31, 2001						
Revenues from external customers	$ 573.0	$ 52.7	$ 636.5	$ 609.8	$ 518.7	$ 2,390.7
Long-lived assets[1]	$ 12.3	$ 152.6	$ 339.4	$ 183.2	$ 703.0	$ 1,390.5
December 31, 2000						
Revenues from external customers	$ 68.5	$ 88.1	$ 528.7	$ 455.7	$ 332.4	$ 1,473.4
Long-lived assets[1]	$ 3.8	$ 155.2	$ 115.2	$ 111.8	$ 279.7	$ 665.7

[1] Long-lived assets are defined as Property, plant and equipment and IRUs.

The Company is in the process of centralizing the invoicing of global customers, including SITA, in Ireland.

Notes to the Consolidated Financial Statements continued

(US dollars in millions, unless otherwise stated)

24. Segmental Information continued

Reliance on major customers

The following table presents sales of services and products to major customers:

	SITA	France Telecom[1]	Other	Total
December 31, 2002	**$ 714.0**	**$ 296.3**	**$ 1,962.8**	**$ 2,973.1**
As a percentage of total revenues	**24.0%**	**10.0%**	**66.0%**	
December 31, 2001	$ 654.0	$ 134.7	$ 1,602.0	$ 2,390.7
As a percentage of total revenues	27.4%	5.6%	67.0%	
December 31, 2000	$ 442.1	$ –	$ 1,031.3	$ 1,473.4
As a percentage of total revenues	30.0%	0.0%	70.0%	

[1]Revenues from France Telecom in 2001 are for the period from June 29 to December 31, 2001.

25. Minority Interests

Changes in minority interests are as follows:

Years ended December 31	2001	**2002**
Balance at beginning of the year	$ 0.4	**$ 0.4**
Charge for the year	0.6	**0.7**
Other changes	(0.6)	**(0.4)**
Balance at end of the year	$ 0.4	**$ 0.7**

Other changes in the year ended December 31, 2001 include the acquisition of Global One subsidiaries that were not wholly owned.

26. Shareholders' Equity

Authorized share capital

The composition of authorized and issued share capital as at December 31, 2002 is as follows:

	Nominal value per share	Number of shares		Issued and fully paid share capital	
	Euro	Authorized	Issued	Euro '000	US$ '000
Ordinary shares	**0.01**	**989,000,000**	**282,709,057**	**2,827**	**3,257**
Convertible Preference shares	**0.01**	**11,000,000**	**10,000,000**	**100**	**85**

During the year ended December 31, 2001, the composition of the share capital was changed as follows: the denomination of the share capital was changed to Euros resulting in ordinary shares with a nominal value of NLG 0.02 being converted to shares with a nominal value of Euro 0.01; the Company increased the authorized share capital by 469 million ordinary shares and eleven million preference shares; and the Company issued 80,617,348 ordinary shares and ten million convertible preference shares to Atlas as a part of the France Telecom Transactions. On June 29, 2006, the fifth anniversary of their issue, the preference shares will automatically convert into ordinary shares.

During the year ended December 31, 2002, the Company issued 4,908 ordinary shares, relating to the vesting of restricted shares.

Under the Articles of Association of the Company, if preference shares are outstanding on the date of termination of the Company, all that remains after paying all debts of the terminated company will be divided equally amongst all shareholders, based on the number of shares held at that time, regardless of the type of shares.

26. Shareholders' Equity

Statutory reserves

In certain countries in which the Company operates, the local regulations require a proportion of the net earnings to be classified as statutory reserves. Where this is applicable, accumulated reserves have been set aside at the stipulated rate. These reserves are for the most part not available for distribution, except on closure of operations.

27. Subsequent Events

There have been no events subsequent to December 31, 2002, which require disclosure in these financial statements.

28. Publicly Available Financial Information

The Company files financial information with the Securities and Exchange Commission in the United States on form 20-F. A copy of this document can be obtained from the Company's website, 'www.equant.com'.

29. List of Subsidiaries and Affiliates

The main changes in the scope of consolidation in 2002 are stated in Note 5. The subsidiaries and affiliates of the Company at December 31, 2002 are stated below:

Fully consolidated subsidiaries

Country	Name of company	Control (%)	Interest (%)
Argentina	Equant Argentina S.A.	100	100
Austria	Equant Austria Telekommunikations Dienste GmbH	100	100
Belgium	Global One Communications S.A.	100	100
Bermuda	Equant (Bermuda) Ltd.	100	100
Bermuda	Equant (Bermuda) II Ltd.	100	100
Brazil	Equant Holding Brasil Ltda	100	100
Brazil	Equant Integration Services, Ltda.	100	100
Brazil	Global One Comunicacoes, Ltda.	100	100
British West Indies	Equant Proton Holdings Ltd.	100	100
Bulgaria	Equant Bulgaria Ltd.	100	100
Canada	Equant Canada, Inc.	100	100
Chile	Equant Chile S.A.	100	100
China	'Equant Ltd' (Chinese Name : Yu Guang)	100	100
Colombia	Equant de Colombia	100	94
Colombia	Global One Communications S.A.	100	100
Cyprus	Equant Telecomunications Cyprus Ltd.	100	100
Czech Republic	Equant Czech Republic s.r.o.	100	100
Denmark	Equant Denmark A/S	100	100
Egypt	Equant Egypt	100	57.5
El Salvador	Equant El Salvador, S.A. de C.V.	100	100
Finland	Equant Finland OY	100	100
France	Equant S.A.	100	100
France	Equant Telecommunications S.A.	100	100
France	Equant Holdings France S.A.S.	100	100
France	Global One Communications S.A.	100	94
Germany	Equant Germany GmbH	100	100
Ghana	Equant Ghana Ltd.	100	100
Gibraltar	Equant Gibraltar Ltd.	100	100
Greece	Equant Telecomunications, Hellas S.A.	100	100
Guam	Equant Guam LLC	100	100
Guatemala	Equant, S.A. de C.V.	100	100
Honduras	Equant Honduras S.A.	100	100
Hong Kong	Equant Integration Services Limited	100	100
Hong Kong	Equant Hong Kong, Ltd.	100	100

Notes to the Consolidated Financial Statements continued

(US dollars in millions, unless otherwise stated)

29. List of Subsidiaries and Affiliates continued

Country	Name of company	Control (%)	Interest (%)
Hungary	Equant Hungary Telecommunications Services Ltd.	100	100
Iceland	Equant Iceland Ehf	100	100
India	Equant India Pte. Ltd.	100	100
India	Global One Private (India) Ltd.	100	99.99
Indonesia	Global One Communications Ltd.	100	100
Ireland	Equant Network Services International Ltd.	100	100
Ireland	Equant Network Systems Ltd.	100	100
Ireland	Global One Communications Limited	100	100
Israel	Global One (Telecommunications World Group) Ltd.	100	100
Italy	Global One Communications SpA.	100	100
Japan	Equant Co. Ltd.	100	100
Korea	Equant Network Services (Korea) Ltd.	100	100
Korea	Equant Integration Services Co. Ltd.	100	100
Latvia	Equant Latvia Ltd.	100	100
Luxembourg	Equant S.A.	100	100
Malaysia	Equant Services (Malaysia) Sdn. Bhd.	100	100
Malaysia	Equant Integration Services Sdn. Bhd.	100	99.99
Malaysia	Equant Malaysia Sdn. Bhd.	100	30
Mauritius	Equant Mauritius Holdings Ltd.	100	100
Mexico	Equant S.A. de C.V.	100	99.9
Mexico	Equant Mexico S.A. de CV	100	98
Mexico	Equant Holdings Mexico S.A. de CV	100	100
Mexico	Equant Operations Mexico S.A. de C.V.	100	99.99
Morocco	Equant Morocco Inc	100	100
The Netherlands	Equant Finance B.V.	100	100
The Netherlands	EGN B.V.	100	100
The Netherlands	Equant European Networks B.V.	100	100
The Netherlands	Equant Netherlands B.V.	100	100
The Netherlands	NOVUS International B.V.	100	100
Norway	Equant Norway A.S.	100	100
Panama	Equant Panama Inc.	100	100
Peru	Equant Peru, S.A.	100	100
Poland	Equant Poland Sp.z.o.o.	100	100
Poland	Equant Communications Poland Sp.z.o.o.	100	100
Portugal	Global One Communicaçoes S.A.	100	99
Puerto Rico	Equant Puerto Rico	100	100
Romania	Equant Romania S.A.	100	99.5
Russia	Equant LLC	51	51
Russia	Equant O.O.O.	100	100
Russia	Global One Networks JSC	100	100
Russia	Equant JSC	79.8	79.8
Saudi Arabia	Equant Co. Ltd. Saudi Arabia	100	100
Singapore	Equant Pte. Ltd.	100	100
Singapore	Equant Integration Services Pte. Ltd.	100	100
Slovak Republic	Equant Slovakia s.r.o.	100	100
South Africa	Equant South Africa Pty. Ltd.	100	100
Spain	Equant Spain S.A.U.	100	100
Sweden	Equant Sweden A.B.	100	100
Sweden	F.T. Nordphone A.B.	100	100
Switzerland	Equant Integration Services S.A.	100	99.7
Switzerland	Equant (Switzerland) S.A.	100	100

29. List of Subsidiaries and Affiliates continued

Country	Name of company	Control (%)	Interest (%)
Switzerland	Equant Communications Service S.A.	100	100
Switzerland	Lablaq S.A	100	100
Tanzania	Equant Tanzania Ltd.	100	100
Thailand	Equant Integration Services Co. Ltd.	100	30
Thailand	Equant (Thailand) Ltd.	100	99.9
Turkey	Equant Telekomünikasyon Ltd. Sirkati	100	99.9
Ukraine	Equant Ukraine Ltd.	100	100
UK	Equant Holdings UK Ltd.	100	100
UK	Equant Security Services Ltd.	100	100
UK	Equant Network Services Ltd.	100	100
UK	Equant Network Services (Europe) Ltd.	100	100
UK	Equant Integration Services, Ltd.	100	100
UK	Equant UK Ltd.	100	100
UK	Global One Communications Holding Ltd.	100	100
UK	Global One Communications Operations	100	100
UK	Global One Communications Ltd.	100	100
UK	Global One Communications Services	100	100
UK	Global One (UK) Limited	100	100
UK	UK SPC	100	100
US	Equant Holdings US, Inc.	100	100
US	Equant Network Services International Corp.	100	100
US	Equant Inc.	100	100
US	Global One Communications Central America Inc.	100	100
US	Global One Communications East, Inc.	100	100
US	Global One Communications Technical Operation & Management Services Co.	100	100
US	Global One Communications Services, Inc.	100	100
US	Global One Communications (Australia), Ltd.	100	100
US	Global One Communications (New Zealand) Ltd.	100	100
Uruguay	Equant Telecommunications Uruguay S.A.	100	100
Uzbekistan	Equant Global Networks Uzbekistan	100	100
Venezuela	Global One Telecomunicaciones S.A.	100	100
Venezuela	Equant Venezuela S.A.	100	100
Venezuela	Equant Integration Services S.A.	100	99.99
US Virgin Islands	Equant US Virgin Islands Inc.	100	100
Zambia	Equant Zambia Limited	100	100
Affiliates accounted for under the equity method			
UK	Radianz Ltd.	50	49
US	Radianz Inc.	50	49

Shareholder Information

Stock Information
Shares of Equant are traded on the New York Stock Exchange (ticker symbol 'ENT') and Euronext Paris (ticker symbol 'EQU').

As of December 31, 2002 Equant had 282,709,057 ordinary shares and 10,000,000 preference shares outstanding.

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