

### 3. BOUYGUES TELECOM

#### 3.1 COMPANY INFORMATION

##### Exhibit 11 – Bouygues Telecom at a glance

Shareholders (April 2001)	Bouygues Decaux Telecom	55.0%
	Bouygues Group	21.0%
	e.on	17.5%
	BNP Paribas	6.5%
Year established	1994	
CEO	Gilles Pélisson	
Operations	Bouygues Telecom Mobile (100%) 9Telecom (6%)	
Revenue 2001	€2.7 billion	
Investments 2000	€3,400 million	
Headquarters	Vélizy, France	
Customers 2001	6.6 million (6.1 million active) – 53% prepaid	
Employees 2001	7,100	

(Source: Paul Budde Communication, based on company data)

Founded in 1994, Bouygues Telecom is a French telecommunications company with a national mobile network. It also operates a fixed network, through an interest in 9Telecom. However, most of its activities are related to mobiles. It has reduced its interest in 9Telecom from 51% to 6%. It was granted an operating licence in 1995, and commenced operations in May 1996. Bouygues Telecom was originally 54% owned by the Bouygues Group – 21% directly and 33% through a holding company, Bouygues Decaux Telecom (BDT). The Bouygues group originally owned 59.5 % of BDT, which in turn owns 55% of Bouygues Telecom. Other holders of BDT are Telecom Italia and Jean- Claude Decaux.

In February 2002, Bouygues undertook to acquire Telecom Italia's stake in BDT for €750 million. As JC Decaux International decided not to exercise its proportional right of pre-emption, on conclusion of the transaction Bouygues will directly or indirectly own 64.5% of Bouygues Telecom.

In early 2000, the Bouygues Group indicated it was interested in purchasing the 17.5% stake in Bouygues Telecom owned by Veba. Deutsche Telekom was also interested in the stake. In June 2000, the 17% interest passed on to e.on, the German utilities group formed by the merger of Viag and Veba.

The operator has a GSM1800 mobile licence in France and offers voice and data services, including WAP and GPRS services. In January 2001 it withdrew from the French third generation mobile service beauty contest however.

The Bouygues Telecom Enterprises brand name was created in 1998 and the company launched a chain of shops later in 1998.

Bouygues Telecom Caraïbe, a wholly owned subsidiary, began operations in the French Caribbean in December 2000, initially marketing Bouygues Telecom services. It became a full network operator in August 2001, when it was granted a licence to operate mobile phone services in Martinique, Guadeloupe and Guiana.

Bouygues Telecom has four subsidiaries:

- Télécîel – cell phone and audiovisual equipment wholesaler;
- Distribution Réseau Boutiques – Bouygues' own network of 120 stores;
- Bouygues Telecom Caraïbes – French West Indies and French Guiana;
- Mobile Direct – mail-order sales of Bouygues Telecom products.

For more information about the French telecommunications market, including fixed and mobile networks and services, see separate reports: *France* at [www.budde.com.au](http://www.budde.com.au) for the relevant country reports.

### 3.1.1 Year 2001 results

Revenue increased by 25%, leading to an operating profit of €28 million (a loss of €105 in 2000) and a net loss of €37 million (€149 million in 2000).

By the end of the year, Bouygues Telecom serviced 7,800 transmission sites in France (9,100 internationally), and its network covered:

- 98.5% of the French population;
- 84% of the territory;
- 99% of highways;
- 6,500 km of coastline;
- 800 beach resorts;
- 120 mountain resorts.

**Table 8 – Revenue for years ending December – 1999-2001**

Year	Revenue (€ billion)
1999	3.67
2000	2.28
2001	2.87

(Source: Paul Budde Communication, based on company data)

### 3.1.2 Performance

**Table 9 – Mobile operations overview – 1998-2001**

Year	Customers (millions)	Market share
1998	1.4	n/a
1999	3.2	16%
2000	5.2	17%
2001	6.6	18%

(Source: Paul Budde Communication, based on company data)

### 3.1.3 The Bouygues Group

Founded by Francis Bouygues in 1952, Bouygues is a diversified industrial group focused on two main business sectors and six major activities:

- construction, the group's traditional business, which embraces building and civil works, roads and property development; and
- services, covering public utilities management, media and telecommunications.

Telecommunications activities are performed through Bouygues Telecom, and the media activities by TF1.

Established in 80 countries, the Bouygues group has a total workforce of 125,000. In 2001, its sales amounted to €20.5 billion, of which €7.6 billion was generated outside France. In December 2001, its market capitalisation was €12.7 billion.

#### 3.1.3.1 TF1

TF1 is a major player in the European audiovisual field. The broadcast television channel, which is the company's core business, airs general interest and exclusive programs, as well as major events. TF1 develops and distributes audio-visual products, including the acquisition and the sale of audio-visual rights, edition and the distribution of cassettes videos, DVD and musical CD, telematics, armchair shopping and marketing of programs and interactive services by cable, satellite and the Internet.

In association with major partners, TF1 launched the digital platform Télévision Par Satellite (TPS) in December 1996. TF1 operates through three channels, Eurosport, LCI and Odyssée.

- Eurosport – a pan-European channel with reception in 47 countries, covering more than 100 sports and international sporting events. It is 100% owned by FT1 since January 2001;
- LCI – a 24-hour news channel created in 1994;
- Odyssée – a documentary channel created in 1994.

The digital TV operation, TPS (25% owned), was founded in 1996 by TF1. In June 2000, it had more than one million subscribers (900 000 directly and 110 000 by cable).

**Table 10 – TF1 operations – 2000**

Audience	Figures
Market share	36.4%
Eurosport viewers	87.0 million
LCI subscribers	3.4 million
TPS subscribers	1.2 million

(Source: Paul Budde Communication, based on company data)

In 1998, TF1 formed Interactive TF1. This is a producer and supplier of on-line audio-visual content. Thanks to the Internet and the development of the services on-line, TF1 became a multi-media content producer, using the brand name e-TF1. Products include:

- TF1 News;
- Tfou – for young people;
- Plurielles – for women;
- Stock market information;
- Sport.

In December 1999, TF1 joined with Carlton Communications, a private UK television operator, to create a new company, @lliance, aimed at developing Internet and interactive services in Europe. A few days later, it formed a partnership between Printemps-Pinault-Redoute, through its company PPR Interactif, and e-TF1 to develop *mageos.com*, to provide free access to audio-visual services.

In July 2000, TF1 created *TF1 DIGITAL*, a holding company which gathers the content for the channels LCI, Odyssée, Shopping Avenue, TV Breizh and the planned financial and stock exchange chain, LCFI. In December 2000, TF1, in partnership with M6, launched TF6, a channel which is available on cable and satellite and which distributes series, films, talk-shows and music.

## 3.2 THE NETWORK

### 3.2.1 The fixed network

Bouygues Telecom was one of 33 fixed-line operators to be issued a licence. It operates its network under the 9Telecom name. Capacity is leased from the fibre optic network operated in the Paris Underground.

Through 9Telecom, the company has a contract with RATP's Telcite (Paris Underground) to use its fibre optic network. It is anticipated that utility company, Lyonnaise des Eaux, whose media subsidiary Lyonnaise Communication is a cable TV operator, might join the group to form the second global challenger to France Telecom. The company aimed to become the third national carrier, operating under its new 9Telecom subsidiary, named after the prefix customers used to access it.

See separate report: *France – Key Statistics and Telecommunications Market Overview* at [www.budde.com.au](http://www.budde.com.au).

### 3.2.2 *The mobile network*

Bouygues Telecom's mobile network, deployed in under four years, is one of the densest in the world. The company was the first in France to use the DCS1800 standard with Enhanced Full Rate (EFR) digital sound quality. Designed for 10 million customers, the system minimises saturation problems and can now handle 100,000 calls at once. The company has indicated that it would float its mobile operation in 2000.

In 1998, Bouygues sold its Specialised Mobile Radio (SMR) operation (S3RP, marketed under the name Orbicom) to Regiocom, a subsidiary of Canada's TIW.

The company covered 98% of the French population and 75% of the country by the end of 2000, merely four years after its launch. Its network included 8200 base stations in March 2001. Nortel provides the technical network support for Bouygues.

By March 2001, it offered roaming in 115 countries. It is also trialing virtual private networks over Wireless Local Loop (WLL), and introduced General Packet Radio Services (GPRS) technology in January 2000. The company launched its first Internet service over the mobile network in 1998.

Bouygues Telecom's WAP service portal, 6e sens, was launched in November 2000. By year-end, it offered over 200 services. In January 2001, the company partnered with Microsoft France to develop a platform for 6e sens based on Windows 2000 technologies and Microsoft's .Net business servers. The .Net strategy aims to provide users with access to a complete software package, enhanced with services which can be accessed via the Internet.

In January 2001, Bouygues Telecom withdrew its bid for a third generation Universal Mobile Telephone Service (UMTS) licence, deeming the conditions imposed by France's telecommunications regulatory body excessively expensive and the requirements imposed unrealistic. The company plans to develop alternative avenues for mobile multimedia, using digital compression through GSM and its evolved GPRS and EDGE technologies. Bouygues Telecom believes that it will be able to develop offers for the general public more quickly, at competitive and attractive prices. It expects to be able to offer mobile multimedia services through GPRS by the end of 2001.

Future plans for the company include a Virtual Private Network (VPN) over WLL. In January 2002, the company's first GPRS connection went live for business customers.

## 3.3 PRODUCTS AND SERVICES

- Fixed-line services;
- Mobile services:
  - ⇒ WAP:
    - Express mail;
    - e-mail;
    - chat rooms;
    - contact directory;
    - SMS.
  - ⇒ Pre-paid cards;
  - ⇒ Cohesys – a Virtual Private Network (VPN) for mobiles;
- Mobile phone sales.

6e sens, Bouygues Telecom's WAP service portal, offers over 200 services, organised around eleven main topics, arranged by keywords in a user-friendly tree menu for intuitive browsing. 6e sens services include: traffic jam reports, news and weather updates, chemist shops on duty, restaurants, petrol stations, stock transactions. Users can customise these services on the [www.6esens.com](http://www.6esens.com) website.

### **3.4 CONTACT DETAILS**

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