

© Telecommunications and Information Highways

Colt Telecom Group plc

1. SYNOPSIS

Colt is a recent competitive telecommunications company that is based in the UK and operates in Europe. It operates an integrated IP based pan-European network linking the financial and business centres of Europe, providing the full range of telecommunications services to high value corporate and carrier customers. It operates in 32 European cities in 13 countries, and has a wholly owned long-distance network running across Europe. It is listed on the London Stock Exchange and NASDAQ in the USA.

2. COMPANY INFORMATION

Exhibit 1 – Colt at a glance

Shareholders	Public since 1996
CEO	Steve Akin
Year established	1992
Revenue 2002	£1.03 billion
Headquarters	London
Countries served	Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Portugal, Spain, Sweden, Switzerland, Netherlands, United Kingdom.
Customers 2002	15,500 (+36%)
Employees Dec 2002	4,680 (-15%)

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

Colt (City Of London Telecommunications) is a telecommunications company operating in Europe. Founded in 1992, it operates fibre optic networks in the major financial and business centres of Europe, providing the full range of telecommunications services to corporate and carrier customers.

Colt's strategy is to operate metropolitan-area networks in Europe's major financial centres, and connect them all using a high-speed fibre backbone.

By the end of 2002, Colt operated Metropolitan Area Networks (MANs) in 32 European cities across 13 countries, with a further 27 other-network cities and 11 Internet Solution Centres.

Colt is a FTSE 100 company and is listed on the London Stock Exchange and NASDAQ.

In October 2002, Highberry LTD, a New York-based hedge fund and a Colt bondholder, attempted to appoint an administrator to run the company. It claimed that Colt will not be able to repay or refinance \$1.86 billion of bonds when they mature from 2005 to 2009. The action was dismissed in court.

2.1 YEAR 2002 RESULTS

During 2002, Colt completed the building of its network, and established its long-distance and e-business operations.

Revenue increased 14% to £1.03 billion in 2002, excluding infrastructure sales, despite the industry slowdown. The infrastructure sales were ignored because they were only minor in 2001 (£4 million) and not repeated in 2002. The increase was mainly due to growth in buildings, voice grade equivalents and racks, and improved mix and prices. Highlights were:

- switched revenues increased 17% due to improved product mix. Although switched minutes decreased 1%, revenue per minute increased by 18%;

- carrier revenues represented 34% of total switched revenue in 2002 (36% in 2001) and wholesale (carriers, resellers and Internet Service Providers – ISPs) switched revenues represented 53% (57% in 2001);
- non-switched revenues increased 9%. This was mainly due to the growth in demand for local, national and international bandwidth services from retail customers, partially offset by circuit cancellations from carriers either exiting the market or rationalising their networks;
- voice grade equivalent private wires increased 33% to 20.4 million;
- e-Business revenue increased 21% 2002, largely due to the purchase of Fitec in July 2001. This was partly offset by the impact of the mothballing of a number of ISCs announced in February 2002;

EBITDA increased almost three-fold to £71.5 million.

Capital expenditure on network, services and systems infrastructure declined 49%, mainly due to the completion of the network.

Operating loss was £425 million (£37 million in 2001), largely due to impairment charge of £508 million was incurred relating to the write down of certain parts of the network, equipment and electronics. Net loss was £718 million compared with £361 million in 2001.

Year end cash equivalents were £935 million.

Table 1 – Colt revenue – 1997 - 2002

Year ends Dec.	Revenue (£ million)
1997	82
1998	215
1999	402
2000	687
2001	906
2002	1,027

(Source: Paul Budde Communication base on company data.)

Table 2 – Revenue by segment – 2002

Segment	Proportion	Annual change
Switched	61%	+17%
Unswitched	34%	+9%
e-business	5%	+21%

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

Table 3 – Revenue by region – 2002

Region	Proportion	Annual change
Northern	32%	+6%
Central	42%	+13%
Southern	26%	+25%

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

Table 4 – Operating statistics – 2002

Operation (December)	Unit	Annual Growth
Route kilometers	20,000	n/a
Buildings connected	9,238	39%
Switched minutes	20.0 billion	-1%
Private wire VGEs	20.4 million	33%

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

2.2 COMPANY REORGANISATION, SEPTEMBER 2002

Following the completion of the construction of its core network infrastructure, Colt commenced a move towards a pan-European organisational structure. This is expected to improve pan-European sales and operating efficiency while reducing employee numbers by up to 800, yielding full year cost savings of up to £60 million.

2.3 COMPANY HISTORY

1992

- Colt founded by Fidelity Investments, the largest privately-held mutual fund and investment company in the world.

1993

- Granted a Public Telecommunications Operator (PTO) licence and the first 15km of network completed in the City of London.

1994

- Colt signs interconnect agreements with both BT and Energis.

1995

- The Department of Trade & Industry grants a national UK Telecoms Operators licence, allowing expansion beyond London.
- Colt begins the European expansion with a telecom licence for Frankfurt.
- The initial phase of the fibre optic network in the West End is completed.

1996

- Colt Telecom GmbH opens for business in Frankfurt with over 50km of network.
- Colt France awarded a licence to operate in Paris.
- Colt Telecom Group plc is floated on the London Stock Exchange, and on NASDAQ in the US.

1997

- New networks operational in Munich, Hamburg and Berlin. Receives approval to construct networks in Zurich and Brussels. Interconnect agreements are signed with France Telecom, Hermes and Deutsche Telecom. Colt Internet services are launched in the UK.

1998

- Acquires ImagiNet, France's independent corporate ISP, and Telecom Noord West NV in Amsterdam, renamed Colt Telecom NV.
- Obtained a switched voice licence in Spain and a licence for Milan.
- Colt added Dusseldorf and Zurich to the list of operational cities.

1999

- Colt further expands the European network with Stuttgart, Geneva, Barcelona, Cologne, Vienna and Lyon coming on line by mid-year.
- Network construction underway in Rotterdam and Marseilles. Work begins on the German inter-city network.
- Signed cost-sharing network construction agreements with Level(3) and interconnect agreements with Telefonica.
- Colt announced four new city networks, Hannover, Rome, Turin and Stockholm;
- Colt Internet becomes available in Belgium, France, Germany, Italy, The Netherlands, Spain, Switzerland and the UK.

2000

- In the UK, a new National Operation Centre is opened.
- New networks launched in Rome, Antwerp, Hanover, Stockholm, Turin, Birmingham and Dublin.
- Digital Subscriber Line (DSL) services launched in France, Netherlands, UK and Germany.
- Internet Protocol/Virtual Private Network (IP/VPN) service launched in France and Germany.
- The 1,000km UK inter-city link to the EuroLAN is in place.
- German inter-city network in service.
- UK-France-Belgium-Netherlands section of the inter-city network in service.

2001

- Opened new Internet Solution Centres in Brussels and Hamburg.
- The Southern European leg of Colt's inter-city communications network became operational.
- Colt acquired Fitec, a French value added services integrator for approximately £11.9 million.

- Colt launched its DSL based services in Italy.
- Colt launched its city networks in Copenhagen and The Hague.
- Colt completed the Western France and Spanish Sections of its Pan-European network.
- Colt completed its planned expansion in Dublin, London and Paris.
- Colt's Manchester fibre optic city-network became operational, completing its 32 city network.

3. OPERATIONS

In February 2002, the Group reorganised into three geographic regions and two pan-European businesses, European Network Services and eBusiness. The e-Business sector is managed within the geographic regions but reported separately. The geographic regions are:

- North Region comprising Belgium, Denmark, Ireland, The Netherlands, Sweden and UK;
- Central Region comprising Austria, Germany and Switzerland;
- South Region comprising France, Italy, Portugal and Spain.

3.1 UNITED KINGDOM

London was the home of Colt's first city network, launched in 1993 to provide corporate users in the City of London with high quality, reliable services based on a range of products.

At December 2001, there were four operational city-networks, London, Birmingham, Manchester and Dublin, with Manchester having come into service during the fourth quarter.

Colt's London network covers 277km and extends from the City to the West End, Docklands, Westminster, Hammersmith, Camden and Park Royal. The network provides switched and non-switched services to nearly 1,500 buildings.

For more information about the UK telecommunications market, see separate report: [United Kingdom – Key Statistics and Telecommunications Market Overview](#).

3.2 EUROPE

Colt is one of Europe's leading providers of high bandwidth data, Internet and voice services to corporate and public sector customers. It operates networks in 32 cities across 13 countries, and has developed a 15,000km continental network, called the EuroLAN.

See separate report: [Europe - Major Market Players](#).

3.2.1 Austria

Colt Telecom Austria was founded in 1998 in Vienna. Voice and data services commenced in Vienna in June 1999, and activities have expanded since then. By September 2000, Vienna had its own Internet Solutions Centre supporting activities.

For more information about the Austrian telecommunications market, see separate reports: [Austria](#).

3.2.2 Belgium

Colt Telecom Belgium launched its commercial operations in 1998. Its services range from telephony and intelligent network services to high bandwidth private wires and video transmission. New services were launched in Antwerp in September 2000.

Owning both a voice and an infrastructure licence, Colt Belgium constructed an initial 50km fibre optic network that covers the key administrative, commercial and financial places of the Brussels region. Colt expanded this network to over 80km in 1999, and operations to other key Belgian regions began in 2000. The Colt network in Brussels uses fibre optics end-to-end, 100% based on Synchronous Digital Hierarchy (SDH) technology.

Further information about the Belgian telecommunications markets is available, for which see separate reports: [Belgium](#).

3.2.3 France

Colt obtained an operating licence in 1996, and began operations in 1997 in the Ile de France. By 1999, it had established operations in Lyon and the Marseilles construction was nearly completed. By the end of 2000, the France network elements of a pan-European inter-city network were fully functional. In July 2000, IP/VPN services were launched by Colt in France, not long after DSL services began operations in April 2000.

More information about the French telecommunications market is available, see separate reports:

- [France – Key Statistics and Telecommunications Market Overview](#);
- [France](#).

3.2.4 Germany

Operations in Germany started in Frankfurt in late 1995. They have been extended to Berlin, Dusseldorf, Hamburg, Cologne, Munich and Stuttgart. More than 3000 German companies use these services and an inter-city network and services began in June 2000. The very next month, IP/VPN services were launched in Germany.

DSL service offerings also began in Germany in September 2000, the same time as Berlin's Internet Solutions Centre began services.

The country reports for Germany contain more information on the country's telecommunications market, see separate reports:

- [Germany – Key Statistics and Telecommunications Market Overview](#);
- [Germany](#).

3.2.5 Italy

Colt obtained an operating licence in March 1998, and began construction of its network in December 1998 in Milan. The success of the Milan network saw the company construct a similar network in Turin in January 2000, and operations commenced in March 2000. In September, Colt began services in Rome. Complementary Internet Solution Centres began services in Milan in June the same year.

See separate reports: [Italy](#).

3.2.6 Spain

Colt began operating in Madrid in September 1998. Barcelona operations began in June 1999. By mid-2000, Madrid also had its own Internet Solutions Centre.

See separate reports: [Spain](#).

3.2.7 Switzerland

In 1997, Colt was granted a licence to build infrastructure and operate in Zurich Switzerland. Colt Telecom AG was established during the following August. Construction work began at the end of December 1997 and, after just five months, the first 15km of network were completed in the city of Zurich. In January 1999, the network spanned 36km. In April 1998, an interconnection agreement with Swisscom was signed, allowing the exchange of voice and data traffic between the two networks. By November 2000, Colt's Internet Solutions Centre was operational in Zurich.

Colt Telecom opened its office in Geneva in September 1998. The first network ring was fully operational in 2000.

See separate reports: [Switzerland](#) for information about the Swiss telecommunications market.

3.2.8 The Netherlands

Operations in Amsterdam commenced in July 1998. This was extended to Rotterdam in December 1999. By late 2000, activities had expanded considerably, with operations beginning in Stockholm in October, including the Stockholm Internet Solutions Centre, and DSL operations across the country.

See separate reports: [the Netherlands](#) for further information about the country's telecommunications market.

4. EUROPEAN NETWORK

Colt has a pan-European network comprising city networks in 22 European business centres across 13 countries. This network represents the continent's first seamless fibre optic IP network, the Colt EuroLAN. With this fully Colt owned and managed pan-European Wide Area Network (WAN), the Group offers end-to-end voice, data, video and Internet service delivery over a single network. The total EuroLAN network is 15,000 km in reach.

The Internet and eBusiness operations are supported by 11 Internet Solutions Centres.

Table 5 – European networks – 2002

Network	Cities connected	Ownership	Length (km)	Operational
Germany	Hamburg, Hanover, Berlin, Munich, Stuttgart, Frankfurt, Cologne, Essen, Düsseldorf, Leipzig, Nuremburg, Karlsruhe	Colt	3,070	2000
N. France	Antwerp, Amsterdam, Düsseldorf, Rotterdam, Den Hague, Frankfurt, London, Strasburg, Brussels, Paris	Colt	2,271	2000
S. France	Geneva, Lyon, Paris, Zurich, Milan, Turin, Marseille, Strasburg, Basel, Bern	Colt	2,586	2001
UK	London, Manshester, Birmingham	Colt	1,152	2001
Spain	Madrid, Valencia, Barcelona, Bordeaux, Marseille	Colt	1,867	2002
Scandinavia	Hamburg, Copenhagen, Stockholm	Colt	1,589	2001
Austria	Munich, Vienna	Colt	1,310	2001
Portugal	Madrid, Lisbon	Leased		2001
Italy	Milan, Rome	Leased		2002
Ireland	London, Dublin	Leased		Incomplete

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

In May 2000, the Consortium of European Research Networks officially launched the world's most powerful network of its kind, called GÉANT. The network, which is co-funded by the European Commission and managed by DANTE, uses a number of suppliers, including Colt's pan-European network to connect 3,000 universities and research centres across 32 countries with network speed up to 10Gb/s.

5. SERVICES

5.1 MANAGED NETWORK SERVICES

- Colt IPCorporate – provides a range of IP/VPN and managed router services that addresses internal and external communication needs for data.
- Colt EuroData (ATM and Frame Relay) – flexible data solutions and global connectivity.
- Colt InterAccess – provides permanent connection to the Internet at speeds from 64Kb/s to a Gigabit and beyond.
- Colt Intertransit – provides high volume resellers and ISPs with fast, scaleable access to the Internet.

5.2 E-BUSINESS

Colt's e-business solutions include:

- custom designs with tailored Service Level Agreements (SLAs) and support;
- a range of e-business services including solution and architecture design, build migration and integration, testing and optimisation and ongoing operational management;
- pre-engineered hosting modules;
- financing and consolidation solutions to reduce capital and operational cost.

5.3 BANDWIDTH SERVICES

Colt offers both its EuroLANLink and CityLANLink networks to provide flexible solutions for Local Area Network (LAN)-LAN service requirement between its European cities. It is a scaleable service with variable speed connections to meet customers' bandwidth needs.

5.4 VOICE

- **COLT Line** – core telephony service, providing direct connection to the COLT network;
- **COLT Connect** – voice telephony service, providing indirect access to the COLT network via a third party provider;
- **COLT IntelligentServices** – portfolio of inbound call products with advanced call routing and reporting options;
- **COLT EuroContact** – voice services that provides a local presence anywhere in Europe without actually having to set up an office in each local country.

6. CONTACT DETAILS

Colt Telecom Group plc
Beaufort House
15 St Botolph Street
London EC3A 7QN
UNITED KINGDOM

Tel: +44 20 7863 5000
Fax: +44 20 7390 3701
Website: www.colt.net

7. RELATED REPORTS

For information relating to:

- worldwide activities in the telecommunications industry, see [Global Overviews](#).
- the global telecommunications industry, see [Technologies, Terminology and Glossary](#).
- telecommunication companies in Europe, see [Companies in Europe](#).
- activities in Europe, see [Europe](#).

Copyright Paul Budde Communication Pty Ltd, 2003. All rights reserved.

This material is subject to the laws of copyright and is restricted to registered licence-holders who have entered into a Corporate, a Multi-User or a Single-User licence agreement with BuddeComm. It is an offence, punishable by AU\$250,000, for the licence-holder to make the material available to any unauthorised person, either via e-mail messaging or by placing it on a network. We offer very attractive multi-user and Intranet services. To arrange for additional user licences please contact us.

2643 George Downes Drive, BUCKETTY NSW 2250 AUSTRALIA

Telephone: +61 2 4998 8144 Fax: +61 2 4998 8247

E-mail: pbcb@budde.com.au Web: www.budde.com.au