

## © Telecommunications and Information Highways

# Orange SA

## 1. SYNOPSIS

Orange provides a broad range of communications services, its core activities being the operation of the Orange digital wireless network in France, the United Kingdom and 18 other countries. In the second quarter of 2000, Orange plc was taken over by France Telecom, and its wire-free interests integrated with France Telecom's Itineris and other wireless activities to form the new Orange SA group. In February 2001, Orange SA was listed on the EuroNext Paris with a secondary listing in London. It has since been awarded UMTS licences in the Sweden, UK, the Netherlands, Germany, Italy, Austria, Switzerland, Portugal, Belgium, France and Luxembourg.

## 2. COMPANY INFORMATION

### Exhibit 1 – Orange SA at a glance

Shareholders	France Telecom
CEO	Solomon Trujillo
Year established	1994
Revenue 2002	€17.1 billion
Export markets	UK, France, Germany, Italy, Europe, Australia
Headquarters	Bristol, UK
Customers Dec 2002	13 million (UK) 44 million total

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

Orange provides a broad range of communications services, its core activities being the operation of the Orange digital wireless network in the United Kingdom and marketing Orange products and services in France, the UK and Europe.

Orange operates a digital wireless GSM 1800 network covering 99% of the UK population.

Orange initially entered the UK market in 1994 as the last entrant in a field of four, with the aim of becoming the first choice in wireless communications. In 1996, it was listed on the London and Nasdaq markets.

Orange began to expand internationally, with interests in Austria, Belgium and Switzerland. By the end of 1999, Orange had also licensed its brand to operators in Hong Kong, Australia, Israel and India.

In October 1999, Mannesmann acquired Orange plc for the equivalent of £19.8 billion. The offer was completed in February 2000 and Orange was delisted from the London and Nasdaq stock exchanges. Almost immediately, Mannesmann was bought by Vodafone. As part of the deal, the European Commission required that Vodafone divest itself of Orange plc.

In August 2000, France Télécom acquired Orange plc from Vodafone for a total consideration of £25.1 billion.

Orange plc's wire-free interests were merged with the majority of those of France Télécom to form the new Orange SA group. In February 2001, Orange SA was listed on the EuroNext Paris with a secondary listing in London.

### 2.1 FRANCE TELECOM TAKEOVER

In the second quarter of 2000, Orange SA was taken over by France Telecom, integrating with France Telecom's Itineris and other wireless activities. France Telecom paid approximately €39.5 billion for

Orange Plc, and Orange became the global brand for the New Orange group which owns the existing and future wireless businesses under France Telecom.

New Orange has a presence in 18 European and Mediterranean countries including the four major European mobile markets, Italy, UK, Germany and France. The group intends to have a presence in 50 countries worldwide by the end of 2005. Analysts believe that the deal provides France Telecom and Orange with strong potential for rapid expansion throughout Europe and puts them in a much better position to compete with Vodafone, the world's largest mobile group.

With France Telecom behind it, New Orange has greater financial capacity to exploit Third Generation Mobile Technologies (3G) and acquire further licences throughout Europe.

France Telecom released the prospectus for a 20% public offering of Orange SA in January 2001. However towards the end of 2001, plans for floating the business had been shelved given the market conditions at that time, and no new date has been given for floating the company.

For more information on Orange's parent company, see separate reports: [France Telecom](#) and information about [Vodafone AirTouch plc](#) is also available.

## 2.2 YEAR 2002 RESULTS

Revenue increased 13% to €17.1 billion. Recurring network revenues accounted for 91% of total revenue, and increased 14% over 2001, to €15.5 billion. Other sources of revenue include handset and equipment sales, plus a couple of non-core product areas.

Of the Group's recurring network revenues, the largest portion (almost 90%) relates to traditional voice usage, and rose 10% to €13.8 billion. Revenues from non-voice data services also grew strongly, increasing by 51% to €1.7 billion.

Revenue growth was strong across all regions. Of these, the largest business (after France and the UK) is Mobistar in Belgium, where turnover grew 14% to just over €1 billion, while revenue in Orange Switzerland approached €700million, up 18%.

Profitability also grew, driven by greater efficiency, economy of scale benefits from the group integration programme, and lower costs to acquire new customers. As a consequence, the company achieved its first full year net profit, a profit of €633 million before exceptional impairment charges, an improvement of €1.5 billion over 2001.

**Table 1 – Orange revenue – 1997 - 2002**

Year ends Dec	Revenue (billions)
1997	£0.9
1998	£1.2
1999	€4.7
2000	€8.7
2001	€15.1
2002	€17.1

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

**Table 2 – Revenue by region – 2002**

Region	Proportion	Annual growth
France	44%	+11%
UK	35%	+12%
Rest of World	21%	+15%

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

### 2.2.1 Operating performance

The Orange Group added more than 3.6 million customers in 2002, including 1.4 million in France and 0.9 million in the UK. In France, where there are three mobile operators, Orange won 88% of net market growth in the year, driven by very strong underlying performance and a contraction in a competitor's reported customer base. In the UK, where there are a total of five competing brands, Orange won 18% of market growth. Orange's other businesses added 1.3 million new customers. The growth took the total Orange customer base to 44.4 million, 9% higher in the year.

In France, Orange's market share was 49.8%, in the UK, it was 27.2%.

**Table 3 – Orange customer base and ARPU by country – December 2002**

Country	(thousands)		Percent data sales
	Customers	ARPU (€)	
France	19,216	377	8.9%
UK	13,312	£259	14.3%
Belgium	2,305	402	12.3%
Romania	2,211	202	2.3%
Slovakia	1,713	198	9.2%
Egypt	1,626	281	3.2%
Netherlands	1,024	333	10.3%
Switzerland	963	721	11.6%
Denmark	509	339	10.7%
Other	1,488		
<b>Total Orange Group</b>	<b>44,367</b>		

One feature of Orange's customer growth was the focus on adding higher value customers. During the year, Orange changed its tariffing and customer investment strategies, and strengthened its customer retention activities, all to target the higher value customers. Contract customers provide higher value than prepaid, and the success of the strategy saw the proportion of contract customers added in France increase to 89% of net customer growth. In the UK it was 52% while across the Group as a whole, 61.4% of the 3.6 million net new customers added were on contract tariffs. In total, 42.5% of Orange's 44 million customers are now on contract tariffs.

## 3. WIRELESS DATA SERVICES

### 3.1 SMS

The strong market demand for data services is evidenced by the take-up of Short Messaging Services (SMS). Figures provided by the Mobile Data Association show that the total of SMS messages sent in the UK rose from almost 40 million at the beginning of 1999 to over 300 million just 12 months later. On the Orange network alone, the daily volume of SMS is at a peak of 7 million messages.

### 3.2 WAP

In November 1999, Orange was the first company in the UK to offer mobile phones that support Wireless Application Protocol (WAP) applications.

The services target business customers, and the Nokia card allows wireless access over a PC to the Internet, e-mail, fax, SMS, corporate intranets and audio streaming, with speeds of 28.8Kb/s.

### 3.2.1 Mobile banking

NatWest was the first bank in the UK to demonstrate the potential of WAP mobile phones with mobile banking via WAP technology launched in April 2000.

Customers could perform standard banking operations, such as checking balances, funds transfers, and bill payments.

Orange and NatWest are also working with Razorfish, NatWest's strategic digital partner, to develop the strategy and branding of the mobile banking service.

### 3.3 HSCSD AND GPRS

Orange designed its network to provide high capacity and wide coverage, which allowed it to be the first operator in the UK to provide High Speed Circuit Switched Data (HSCSD) services (under the brand Orange Data Access in the UK).

HSCSD employs a channel coding scheme that increases the channel bit rate from the existing 9.6Kb/s to 14.4Kb/s. It also allows channels to be combined so that users can obtain data rates of up to 28.8Kb/s. The services are compatible with Orange's existing wireless applications, support video-streaming, and are available throughout the UK.

Orange was the only UK operator to opt for HSCSD as well as General Packet Radio Service (GPRS), where it offers both services simultaneously. Customers do not have to choose between HSCSD and GPRS as the appropriate technology for the application is automatically selected. Each technology has different strengths and will offer different and complementary services.

Orange sees HSCSD and GPRS as the preferred high-speed solution until 3G technology is more proven, and it has been conducting GPRS trials with Ericsson and commercial services were initially expected to launch in France in 2001. By November 2001 no commercial launch had taken place in France.

### 3.4 EDGE

The next step will be the Enhanced Data rates for Global Evolution (EDGE) services, which are scheduled for launch 12 months before third generation mobile applications. Preliminary trials were planned for Christmas 2001.

Much of the Orange product range is linked to the third generation of mobile telecommunications, Universal Mobile Telecommunications Services (UMTS).

### 3.5 UMTS

Orange SA and France Telecom share the results of the UMTS trials they have been conducting at their respective 3G facilities. UMTS technology was to be introduced commercially in the UK from quarter one 2002. Orange has trialled the technology in its UMTS test-bed in Bristol since 1998. In June 1999, Orange was the first UK mobile operator to make a live UMTS video call, and France Telecom research and development has been testing 3G multimedia services with integrated voice, data and full-motion video.

#### Exhibit 2 – UMTS licences – January 2003

Country	Company	Awarded
UK	Orange 3G Limited	April 2000
Netherlands	Dutchtone Multimedia	July 2000
Germany	MobilCom	August 2000

Italy	Wind	October 2000
Austria	Connect Austria	November 2000
Switzerland	OCSA	December 2000
Sweden	Orange Sverige	December 2000 (exit Dec 2002)
Portugal	Optimus	December 2000
Belgium	Mobistar	March 2001
France	France Telecom Mobiles	March 2001
Luxembourg	Orange	May 2002

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

During 2002, Orange decided to withdraw from 3G operations in Sweden and Germany when it became apparent that a reasonable return could not be achieved in the required timeframe.

### 3.6 WIRELESS INTERNET

Orange has unveiled a range of mobile services for data-enabled phones, ranging from banking and shopping to remote health monitoring and voice recognition.

The services operate under the OrangeWorld banner and combine the operator's Orange.net mobile e-mail service with news provider Ananova, which it acquired in July 2000. It acquired a 25% stake in mobile content designer NewsTakes for £4.2 million, and bought voice recognition firm Wildfire for £95 million.

Mobile banking is a priority for the organization and services are provided with NatWest. Use of voice-recognition software is expected to be added to services by 2002.

Orange Entertainment will provide audio and video news to Orange handsets, as well as mobile games being developed by Rage Software.

## 4. INTERNATIONAL ACTIVITIES

The mobile international operations of France Telecom are controlled by Orange SA since the latter's takeover by France Telecom in 2000. The key players are Itineris and Orange UK and Orange France. KPN Orange Belgium was sold in early 2001, though activities are increasing in the Nordic region and Asia.

**Table 4 – Summary of international operations – December 2002**

Country	Company	Ownership	Network	Customers
Austria	Connect	17.5%	UMTS	1.37 million
Belgium	Mobistar	50.7%	GSM900/1800	2.58 million
Denmark	Orange Denmark	53.6%	UMTS	597,000
France	Orange France	100%	GSM900/1800	18.3 million
Germany	MobilCom	28.5%	UMTS	5 million
Italy	Wind	26.6%	GSM900/1800 UMTS	8.14 million
Netherlands	Dutchtone	100%	GSM900/1800	1.15 million
Portugal	Optimus	20%	UMTS	1.97 million
Romania	Orange Romania	67.8%	GSM900	1.72 million
Slovakia	Orange Slovensko	64%	GSM900/1800	1.43 million
Switzerland	Orange CH	99.9%	GSM1800	960,000
Sweden	Orange Sweden	100%	UMTS	n/a
UK	Orange UK	100%	GSM1800/UMTS	12.7 million
Botswana	Vista Cellular	51%	GSM900	91,000
Cameroon	SCM	70%	GSM900	240,000
Dominican Rep	Orange Dominica	86%	GSM900	336,000
Ivory Coast	Ivoiris	85%	GSM900	382,000
Madagascar	SMM	33.6%	GSM900	108,000

Thailand	TA Orange	48.9%	GSM1800	16,000
India	BPL Mobile	26%	GSM900	390,000

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

#### 4.1 AUSTRIA

Orange has a non-controlling interest in the Connect Austria consortium, which in 1997 was awarded the third Austrian wireless licence. Other members of the consortium include the German conglomerate E.on, Telenor Mobil, the Austrian Industrial group RHI, the Austrian bank, Constantia, and TeleDanmark.

Connect Austria launched its digital GSM1800 service in October 1998 under the brand name 'one'. By June 2001, it estimated that its network covered 97% of the Austrian population with a market share of 19%.

In November 2000, Connect Austria received one of six UMTS licences awarded following an auction held by the Austrian Government. The licence has a term of 20 years and covers two 5Mhz of paired spectrum.

#### 4.2 BELGIUM

In August 2000, France Telecom obtained a 50% stake in KPN Orange Belgium when it acquired all Orange activities from Vodafone. Pursuant to the acquisition of Orange, France Telecom had undertaken to the European Commission to divest its interest in KPN Orange because of its controlling interest in Mobistar, a major Belgian mobile operator. This was completed in February 2001.

KPN Mobile will retain the right to use the Orange brand in Belgium until October 2002 when this right will end and return to the Orange group.

Orange now provides mobile services in Belgium through its 50.79% shareholding in the Mobistar group. Mobistar was the second entrant in the Belgian wireless market. Its GSM network covers approximately 99% of Belgium's population.

Mobistar was successful in gaining one of the three UMTS licences from the Belgian Government in March 2001.

The other shareholders in Mobistar are financial investors (28.1%) and the public (21.9%).

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

#### 4.3 DENMARK

Orange provides wireless services in Denmark through its subsidiary Orange Denmark. Orange Denmark was formed in 1997, was awarded its GSM1800 licence in the same year, launched its network in 1998 which now covers approximately 89% of Denmark's population. It was awarded one of the four UMTS licences in the Danish auctions in September 2001 with a 20 year duration.

#### 4.4 FRANCE

Orange has a 100% shareholding in Orange France. Orange France estimates that at 30 June 2001 its network reached 98% of the French population (excluding the overseas territories). In addition to operations in metropolitan France, Orange France owns Orange Caraibe, which operates a GSM

network in Guadeloupe, Martinique and French Guyana. It also controls Orange La Reunion which first launched its GSM services in December 2000.

In July 2001, Orange France was awarded one of two UMTS licences for €4.95bn for a duration of 15 years. The licence was for 2x15Mhz paired and 1x5Mhz unpaired spectrums. The second licence was awarded to SFR. In May 2002 bids for two further licences will take place and licences are expected to be awarded in October 2002.

See separate reports: [France](#).

#### **4.5 GERMANY**

Orange provides wireless services in Germany through its non-controlling shareholding in MobilCom. The remaining interest was held by MobilCom founder, Gerhard Schmid, with 36.3% and the public with 35.2%. France Telecom has recently forced Schmidt to sell his shares. (See separate report: [MobilCom](#)).

MobilCom is a service provider, which does not currently own a GSM network. It was formed in 1991 and has been listed on the Neuer Markt of Frankfurt since 1997. In August 2000, MobilCom was granted one of six UMTS licences following an auction held by the German Government. The licence has a term of 20 years and covers 2x 10Mhz of paired spectrum and one 5Mhz of unpaired spectrum.

#### **4.6 INDIA**

Orange has a non-controlling shareholding in BPL Mobile, which launched a wireless network at the end of 1995 to cover the Mumbai (Bombay) metropolitan area. The remaining interest is held by BPL Cellular Holdings, which has interests in wireless, Internet and broadband services throughout India.

In Mumbai, BPL Mobile competes with Hutchison Telecom Max, which is owned by Hutchison Whampoa, and has the exclusive right to the Orange brand in the market.

#### **4.7 ITALY**

Orange provides wireless services in Italy through its non-controlling interest in Wind, which was formed in 1997 and was awarded a GSM licence in 1998. Wind launched its GSM network in March 1999, and was awarded one of five Italian UMTS licences in October 2000. The licence has a term of 20 years and covers two 10Mhz of paired spectrum and one 5Mhz of unpaired spectrum.

Wind also provides direct and indirect fixed-line voice telephony services in Italy. By June 2001, Wind's GSM network covered 83% of Italy's population and it had a market share of approximately 14%.

During 2001 Wind and Infostrada merged and the new company became effective in January 2002. The new entity, called Wind is owned 26.6% by Orange with the remainder being held by ENEL. It is expected that there will be an IPO of approximately 25% of the new company during 2002.

#### **4.8 THE NETHERLANDS**

Orange provides wireless services in the Netherlands through its wholly owned subsidiary Dutchtone NV. Its network covers approximately 98% of the Dutch population and Dutchtone had a market share of 10%. Dutchtone NV is the third wireless operator in the Netherlands in terms of numbers of customers.

Dutchtone NV holds one of five Dutch UMTS licences. The licence runs for a period of 15 years and covers 2x 10Mhz of paired spectrum and one 5Mhz of unpaired spectrum.

#### **4.9 PORTUGAL**

Orange provides wireless services in Portugal through its minority shareholding in Optimus. Orange holds 20% of Optimus with 10% voting rights. The other shareholders are Sonae.com with 45%, Telecomunicações Celulares with 25%, Maxistar Comunicações Pessoais with 5% and Investimentos e Participações Empresariais, with 5%.

Optimus was formed in July 1997, was awarded its GSM900 and GSM1800 licences the same year and launched its network in 1998. In December 2000 Optimus was awarded one of four UMTS licences. The licence is valid for a period of 15 years.

#### **4.10 ROMANIA**

Orange provides wireless services through its subsidiary Mobil Rom, in which Orange has a majority holding. A consortium led by AIG holds 15.5% and the remainder is held by a number of minority shareholders.

By June 2001, Mobil Rom's network covered approximately 92% of the population and it had a market share of 44%. It was the fourth wireless operator to enter the Romanian market and is currently first in terms of market share.

Mobil Rom was formed in 1996 and was awarded a GSM900 licence that same year. It intends to submit a proposal for a UMTS licence when the Romanian Government opens the process, anticipated to be in 2003.

#### **4.11 SLOVAKIA**

Orange provides wireless services through its subsidiary, Globtel, in which Orange has a majority holding. The remaining share capital is held by several State-owned companies.

Globtel was formed in 1996 and was awarded its GSM licence in the same year. It was the second wireless operator to enter the Slovakian market. In August 2000, its licence was extended to GSM1800.

#### **4.12 SWEDEN**

Orange owns 98% of Orange Sverige with the remaining 2% being held by Schibsted. In December 2000, Orange Sverige received a UMTS licence in Sweden which runs for 15 years. Orange announced in December 2002 that it was leaving the Swedish 3G market after regulatory refusals to revise roll out obligations. It coincided with France Telecom's decision to delay all 3G activity outside of the UK.

#### **4.13 SWITZERLAND**

At the end of 2000, Orange agreed with E.On, the German utilities group formed by the merger of Viag and Veba, on the acquisition of the latter's shareholding in Orange Communications SA Switzerland (OCSA).

Orange acquired E.on's 42.5% stake in OCSA, increasing its stake from 42.5% to 85%, for the sum of €1.11 billion. The payment consisted of cash and shares in the enlarged Orange group.

Orange Communications SA launched its service in June 1999. At the end of October 2000, the company had already acquired 754,000 customers, and provided coverage to 99% of the Swiss population. It overtook its competitor DiAx to become the number two operator in the Swiss market. Switzerland is one of the most attractive markets in Western Europe, with high penetration rates.

Orange Communications SA intends to take part in the Swiss UMTS licence auction.

The telecommunications market in Switzerland is covered in another report, for which see separate reports: [Switzerland](#).

#### 4.14 THAILAND

Orange has a shareholding in Bangkok Inter Teletech Co Ltd (BITCO), which owns 99.8% of CP Orange Co Ltd, which holds an operating licence for a GSM1800 network in Thailand.

See separate reports: [Thailand](#) for more information on the local market.

#### 4.15 AFRICAN OPERATIONS

Orange has:

- a 51% shareholding in Vista Cellular, which started to operate its GSM900 network in June 1998.
- a 70% shareholding in Société Camerounaise de Mobiles (SCM) in Camaroon, which launched its GSM900 service in January 2000 under the name Mobilis.
- an 86% shareholding in France Telecom Dominicana in the Dominican Republic, which launched its GSM900 network in November 2000.
- an 85% shareholding in Société Ivoirienne de Mobiles (Ivoiris), which launched its GSM network in the Ivory Coast in 1996.
- a 51.0% interest in Telsea, which owns a 65.9% interest in Société Malgache de Mobiles (SMM) in Madagascar, which launched GSM services in March 1998 under the name Antaris GSM.

### 5. BRAND LICENSING

Since the takeover by France Telecom, the Orange brand is the global brand of New Orange. New Orange owns most of the existing and future mobile interests in Europe under France Telecom. Some international brand agreements are outlined below.

#### 5.1 AUSTRALIA

Hutchison Telecommunications (Australia) Ltd (HTAL) provides Orange services and products in Australia. HTAL currently provides GSM mobile, paging, messaging, information, long-distance and Internet services under the Orange brand. Orange paging, messaging and information services are provided over HTAL's own paging networks. HTAL began operations as a paging company in 1989 in Queensland before developing a national service.

See separate reports:

- [Hutchison Whampoa Ltd](#);
- [Hutchison Telecommunications \(Australia\) Ltd](#)

#### 5.2 GERMANY

In March 1996, Orange launched its roaming service in Germany, in conjunction with the E-Plus networks, covering more than 75% of the German population. Orange customers can use Orange

Global Calling Card to receive calls and data in any major city in Germany. The roaming agreement is facilitated by the common use of PCN technology by Orange and E-Plus.

See separate reports: [Germany – Wireless Communications](#).

### 5.3 HONG KONG

The Orange brand launched in Hong Kong in September 1998. The launch meant that Hutchinson Telecom's GSM services would be rebranded as Orange services. Hutchison Telecom is a subsidiary of Hutchison Whampoa.

### 5.4 ISRAEL

In Israel, the Orange brand launched in September 1998 under licence to Partner Communications, a consortium which has operated the county's first GSM network since February 1998.

There are four partners in the consortium: Hutchison Telecom (46.7%), a wholly owned subsidiary of Hutchison Whampoa; Matav (20.3%), a cable TV provider to Israeli homes, Elbit (16.5%), a global technology company, and Tapuz (16.5%), itself comprised of Poalim Investments and Eurocom Communications).

See separate reports: [Israel](#) for information on the local market.

## 6. CONTACT DETAILS

### Orange SA

50 George Street  
London W1U 7DZ  
UNITED KINGDOM

Tel: +44 20 7984 1600  
Fax: +44 20 7984 1601  
Website: [www.orange.com](http://www.orange.com)

## 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: [pbcc@budde.com.au](mailto:pbcc@budde.com.au) Web: [www.budde.com.au](http://www.budde.com.au)