

3. France Telecom Plans Overhaul

France Telecom SA's big restructuring announcement is still about two weeks away, but the likely outlines are becoming clear, according to people close to the debt-burdened carrier and the French government. Among the measures they expect: a sizable cash injection within roughly the next three months and a recentralization of some of its decision making and operations in the name of cost cutting.

New Chief Executive Thierry Breton is expected to announce his plans for solving France Telecom's woes following a Dec. 4 meeting of the company's board. But a broad inquiry into the company's health, conducted with the help of about 100 consultants and external advisers handpicked by Mr. Breton and expected to inform his plans, is basically complete and in his hands and at the French Treasury, according to people familiar with the matter. The report of the inquiry with all of its annexes stretches to about 1,500 pages and the executive summaries alone are about 100 pages, these people say.

Meanwhile, discussions have continued about measures to address France Telecom's financial state. Its €12.2 billion net loss for the first half and €70 billion in debt initiated the departure of Mr. Breton's predecessor, Michael Bon. The company has €3.1 billion in bonds exchangeable for shares in its Orange SA wireless affiliate that mature Feb. 16 and, if Orange's share price is below €12.70 then, they would have to pay out the €3.1 billion in cash. In Paris trading Thursday, Orange closed at €7.

People familiar with the situation still expect the company to launch a massive share issue to pay down its debt, but don't expect any such issue to take place before French Telecom's 2002 accounts are finalized, in March or April. The size and timing of any issue are far from decided, but France Telecom's advisers had previously laid the groundwork for an issue as large as €15 billion. The French government is working on the possibility of creating a special ad hoc vehicle to hold its France Telecom stake, which would then borrow money to participate in any rights issue.

Any such plan would have to be carefully structured in order to avoid invoking the wrath of the European Commission. The commission says it has received no formal notification of France Telecom plans, but other people familiar with the matter said there are informal discussions.

„Thierry Breton is still working on his in-depth study of the company. No decisions have been finalized.”

On the operational side, one of the central themes to emerge from discussions Mr. Breton has held with staff in recent weeks is the need to recentralize aspects of its decision making and operations for cost-cutting reasons, say people familiar with the carrier. Former CEO Mr. Bon had given its regional units greater autonomy to decide on things ranging from how they marketed and sold individual products to elements of their information-technology spending.

Mr. Breton likely will unify decision making across the regions and operational units as a way to greater exploit economies of scale. That is similar to a strategy he pursued as part of his restructuring plan for French consumer-electronics maker Thomson SA, where he was CEO just before joining France Telecom.

For the moment, Mr. Breton is keeping his cards close to his chest. Managers at Orange, for example, are wondering what Mr. Breton has in store for the wireless unit. With headquarters in London, Orange so far hasn't gotten any instructions from Mr. Breton to change course according to people familiar with the situation.

People close to the situation say costcutting-related initiatives will form the bulk of Mr. Breton's initial operational plans. But they also have described broadband access as one of the central strategic axes of his new strategy for the company. France Telecom is ahead of its year-end target for the rollout of asymmetric digital subscriber line services, with more than one million customers as of the end of last month.

The French government is pushing for measures to support the rollout of ADSL more broadly. Financial support behind such a measure, from the government and also possibly the European Union, could indirectly help boost France Telecom's revenue in this area.

Első feladat

Olvassa el a szöveget és egészítse ki a táblázatot a példa (0) szerint!

| | |
|---|--------------------------|
| France Telecom's restructuring include | 0. cash injection |
| | 1. |
| 2. | cost-cutting |
| The present financial picture of the company contains (without figures) | 3. |
| For paying the debts the company plans to | 4. |
| Mr. Bon's recentralisation plan gave | 5. |
| 6. | unifies decision-making |
| Mr. Breton used a kind of restructuring strategy in | 7. |
| The financial support of the government will come through | 8. |

Második feladat

Olvassa el újból a szöveget és egészítse ki a táblázatot a hiányzó adatokkal a példa (0) szerint!

| | Numbers | Data |
|-----------|-------------------------|-------------------------------------|
| 0. | 70 billion Euros | Debts of the company |
| 9. | | The company has this money in bonds |
| 10. | € 7 | |
| 11. | € 15 billion | |
| 12. | | Customer subscribers |