

# France Telecom's loss may be Belgian gain

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Buying or being bought out seemed to be the way of life of European telecommunication groups in 2005, as a slew of carriers both big and small either gobbled up rivals or were eaten up themselves.

Yet the merger-and-acquisition binge that dominated the European scene last year may be cooling off, or at least taking a breather, as France Telecom announced Thursday it would withdraw its interest in taking over Belgian group Telindus because it would not outbid rival Belgacom.

The French giant had put in an offer for the company Dec. 14 for 15.80 euros, or about \$13.30, per share, a tender that seemingly was supported by the founding family and major shareholders of Telindus. Certainly, it was a friendly offer that was above the hostile bid that came from Belgacom at 13.50 euros, or \$16.04, a share.

The following day, Belgacom, which is also an operator in Belgium, increased its offer to 16.60 euros, or about \$13.97, which led Belgacom and Telindus to forge an alliance and left France Telecom out.

Many industry analysts had, however, expected France Telecom to improve its offering above that of Belgacom and ultimately win the bid as it seeks to gain further ground in the neighboring Belgian as well as Dutch and Luxembourg markets. But only days after the arrival of the New Year, France Telecom stated that it has "decided not to increase its initial bid and to withdraw its offer as the strategic and financial criteria of France Telecom's industrial project for the acquisition of Telindus are no longer met."

In other words, it would have been a good deal for France Telecom, but not at any price, even though Telindus owns 4.6 percent of Belgium's second-largest mobile carrier Mobistar, in which France Telecom already has a 50.2-percent stake.

For Belgacom, however, outbidding France Telecom to gain Telindus is seen by many as a much-needed move to ensure its survival and dominance in the Belgian market. At the same time, in announcing its latest tender offer Belgacom stated that it would "preserve Telindus as a separate company with its own brand, identity, culture and values within the Belgacom group."

Belgacom itself, meanwhile, is 50-percent owned by the Belgian government and has majority rights over the company. Meanwhile, France Telecom is 41-percent owned by the French government, so regardless of which company had bought it up, Telindus would have become a quasi-government held entity, but through Belgacom it will remain a distinctly Belgian carrier that has considerable name recognition in the domestic market.

Outside of Belgium, Telindus operates in 13 countries, most of which are in Western Europe, but also in Israel, China and Thailand.

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