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Bouygues press release

Bouygues brings merger discussions with Orange to an end

On 5 January 2016, Orange and Bouygues announced they had opened discussions to look at the possible options for a merger between Bouygues Telecom and Orange.

During these negotiations Bouygues attributed great importance to the following points:

- the interests of Bouygues Telecom's employees and the social guarantees provided to them by such an operation;
- the level of Bouygues' equity stake in Orange, and the related governance, that would enable it to become a significant shareholder capable of supporting Orange's growth over the long term;
- the execution risk;
- Bouygues Telecom's valuation.

After three months of discussions with Orange, it was not possible to find agreement on all of these points. As a result, at its meeting of 1 April 2016, Bouygues' Board of Directors decided unanimously to bring these negotiations to an end.

In a market where the possibility of consolidation is now ruled out for the long term, Bouygues Telecom will continue its standalone strategy, which has already resulted in a return to growth in sales and EBITDA^a in 2015. Bouygues firmly believes the telecoms market exhibits strong growth potential, driven by the exponential development of digital uses, and that Bouygues Telecom is particularly well positioned on this market to benefit from this momentum. It enjoys a strong and long-term competitive edge afforded by its portfolio of frequencies and 4G network, which is recognised as being one of the best in the market, and it will continue to vigorously stimulate the fixed market.

In this context, Bouygues confirms an EBITDA margin^b target of 25% for 2017 and 35% longer term for Bouygues Telecom.

(a) EBITDA = current operating profit + net depreciation and amortisation expense + net provisions and impairment losses - reversals of unutilised provisions and impairment losses.

(b) The EBITDA margin is calculated on the basis of sales from network.

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