



Paris, 6 March 2014

**Proposal to merge Bouygues Telecom and SFR to create
a major French digital communications group**

- **The merger: a new stage after the strategic partnership between Bouygues Telecom and SFR**
- **An ambitious industrial project in a reconfigured market**
- **A development project that will stimulate investment and jobs**
- **Value of synergies estimated at €10bn**
- **An attractive operation for Vivendi shareholders that values SFR at €14.5bn pre-synergies and €19bn post-synergies**
- **The generation of synergies is estimated to represent additional value of at least €15 per Bouygues share**

On Wednesday 5 March, Bouygues submitted an offer to Vivendi to start negotiations with a view to merging Bouygues Telecom and SFR.

An ambitious industrial project in a reconfigured market

A merger between Bouygues Telecom and SFR would lead to the creation of a major French digital communications group that would be the benchmark provider of technologies in the home, with the best indoor and outdoor coverage nationwide and with a high performance mobile network on a par with the most advanced in the world:

- The No. 1 mobile network and No. 2 fixed network in France,
- Present in both the retail and business segments,
- 7th biggest sector player in Europe.

After the operational partnership to share mobile networks in less-densely populated areas announced last July, this new development between Bouygues Telecom and SFR is aimed at sharing the investment required to satisfy the need to expand and modernise networks in France, in a context of strong growth in the very-high-speed fixed and mobile markets and in consumer demand for high-quality services at competitive prices.



A development that will stimulate investment

Thanks to the positive momentum created by this development, the new entity would be able to commit to a high level of investment.

The new entity would be in a position to increase its contribution to rolling-out optical fibre in the main urban centres and less-densely populated areas. With €400 million of investment per year in optical fibre, double the current rate, it would be fully in line with the targets of the French government's very-high-speed broadband plan (*Plan France Très Haut Débit*).

A project with no compulsory redundancies and that would revitalise employment

By maintaining high standards in terms of innovation and by improving quality of service for its 32 million mobile and 7 million fixed customers, the new entity would be able to avoid any compulsory redundancies and revitalise employment in the sector.

The merging of the activities of Bouygues Telecom and SFR in France would take place within Bouygues, a group that has always promoted a respectful and constructive approach to labour relations, and has a high level of employee share ownership (with a stake of almost 25%, employees are Bouygues' largest shareholder).

Value of synergies estimated at €10 billion⁽¹⁾ by the operational teams

The operation would generate a particularly high level of annual synergies of €1.4 billion at the run rate:

- 80% opex synergies and 20% capex synergies;
- 80% of synergies to be achieved in 3 years;
- implementation costs of around €800 million over 5 years.

These synergies would only represent 9% of the opex and 12% of the capex of the new entity.

The similarity between the business cultures of both companies and the trusting relationship built up between the senior management teams during the shared mobile network agreement negotiations guarantees the success of the merger and the smooth generation of the identified synergies.

⁽¹⁾ The net present value of €10 billion has been calculated based on a discount rate of 8% and perpetual annual growth rate of 0.5%.

IPO of the new entity

The new entity would be floated as soon as the merger is completed.

An attractive deal for Vivendi shareholders, which values SFR at €14.5 billion pre-synergies and at €19 billion post-synergies

Bouygues is offering Vivendi €10.5 billion in cash and 46% of the new entity, thus enabling Vivendi shareholders to fully benefit from the potential value creation of this merger. At the time of the IPO of the new entity, Vivendi would be offered the opportunity to monetise a further 15% of the capital. Vivendi will then be free to sell its remaining interest when it sees fit to do so.

Factoring in all these synergies, the terms of the offer would value SFR at nearly €19 billion.



The generation of synergies is estimated to represent additional value of at least €15 per Bouygues share

Bouygues would remain the core shareholder of the new entity, in which it would have a 49% stake at the moment of its creation and which it would fully consolidate. Given the synergies estimated at €10 billion, the value creation for Bouygues shareholders would be higher than €15 per share.

This operation would allow Bouygues to strengthen its position as a long-term player in the telecoms sector and extend its leadership position to all its business areas.

The financial structure of the new entity will be robust and sustainable

The debt of the new entity, to be fully underwritten by HSBC, will cover the financing of the acquisition (€10.5 billion) and its operating needs. It has been structured to give the new entity the means for its development and Investment Grade status. Furthermore, a capital increase is planned at the time of the IPO in order to bolster the entity's investment capacity even further. The new entity would benefit from the Bouygues group's financial strength.

Martin Bouygues said the following: "We have presented a proactive French industrial project that will be beneficial to the economy, investment and consumers whilst saving jobs at the same time. It is a project with the best value creation potential for the shareholders of Vivendi and Bouygues. The deal would generate a high level of synergies that would allow us to invest in order to provide the most innovative technologies for customers. This operation should also enable Bouygues, a long-term player in the telecoms sector, to become a leader in all its business areas."

A conference call will be organised today for financial analysts and investors at 9.30am and can accessed live on our website (www.bouygues.com) or at the following link:

<http://event.onlineseminarsolutions.com/r.htm?e=763295&s=1&k=E89E5745B189141AA52FEE3B0C387826>

Bouygues SA contacts:

Press office: +33 (0) 1 44 20 12 01

[*presse@bouygues.com*](mailto:presse@bouygues.com)

Image Sept contacts:

Anne Méaux: +33 (0) 6 89 87 61 76

Grégoire Lucas: +33 (0) 6 71 60 02 02

Roxanne Planas: +33 (0) 6 37 05 84 42