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JAZZTEL

# acquisition of Jazztel

creating a key convergent player in Spain

Stéphane Richard, Chairman and CEO

Gervais Pellissier, Deputy CEO and EVP European Operations

Ramon Fernandez, Deputy CEO and CFO

September 16, 2014

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# acquisition of Jazztel

1  
Spain is a key  
successful asset  
for Orange group

2  
appropriate timing  
to increase  
exposure to Spain

3  
gain immediate  
scale in VHBB and  
high value creation  
with €1.3bn  
synergies

4  
value creative  
transaction

# creating a key convergent player in Spain

1  
Spain is a key successful asset for Orange group

- close to 10% of Group revenues
- 11% EBITDA CAGR between 2008 and 2013
- top performer in mobile portability and FBB customer acquisition

2  
appropriate timing to increase exposure to Spain

- positive macro outlook
- restored business environment
- telecom market transformation well advanced
- opportunity to position for recovery in B2B and B2C consumption

3  
gain immediate scale in VHBB and high value creation with €1.3bn synergies

- combination of 2 market winners to reach greater scale and conquer #2 position
- accelerate the move to VHBB and strengthen convergence position
- €1.3bn synergies potential (incl. integration costs), excluding any potential revenue synergies
- low operational execution risk

4  
value creative transaction

- accretive to OpCF<sup>(1)</sup> from full integration, including synergies
- enterprise value of €3.8bn or 8.6x EV / 2015E<sup>(2)</sup> EBITDA post-synergies
- cash offer for 100% of the share capital at €13 per share
- transaction closing expected by H1 2015

# Spain is a key successful asset for Orange group



## revenues

FY'13

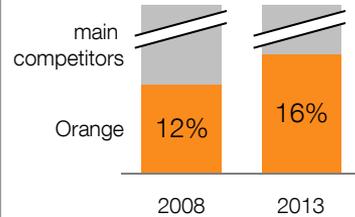


+0.6%  
yoy cb

+4.4%  
ex. reg.

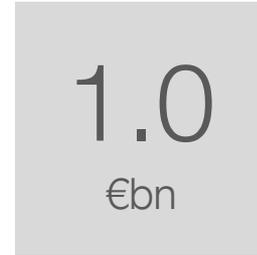
9.8% of Group

### revenue market share



## EBITDA\*

FY'13

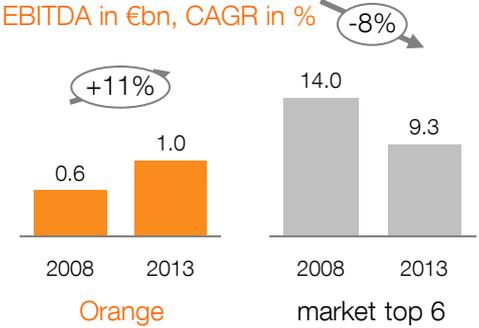


+9.2%  
yoy cb

25.6%  
of rev.

7.9% of Group

### EBITDA in €bn, CAGR in %



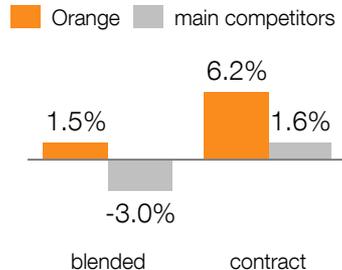
## mobile customers

end of H1 2014

12.4 m

6.9% of Group

### yoy evolution



4G

>50% coverage of pop.



1.4m customers

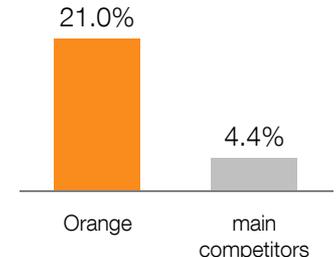
## broadband customers

end of H1 2014

1.8 m

11.5% of Group

### yoy evolution



75% convergent

FTTH



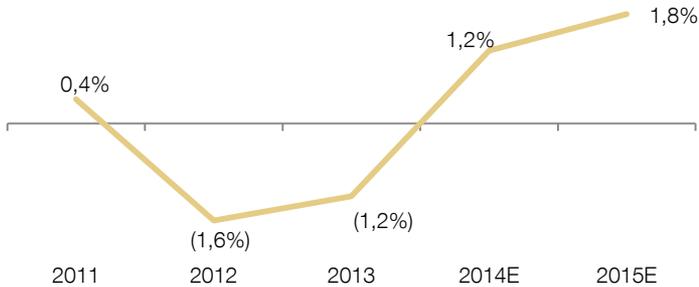
800k homes connectable



# macro environment in Spain is improving

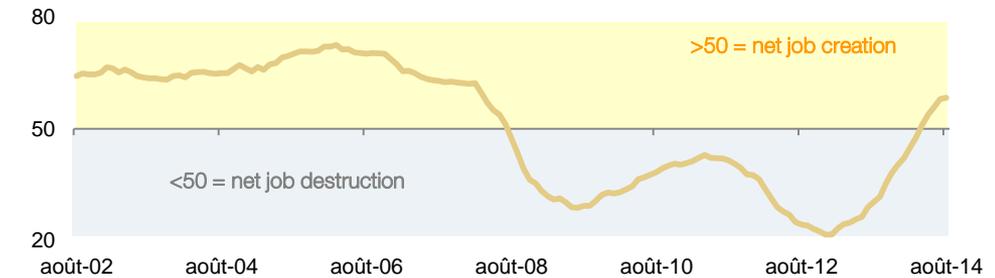


## real GDP growth\*



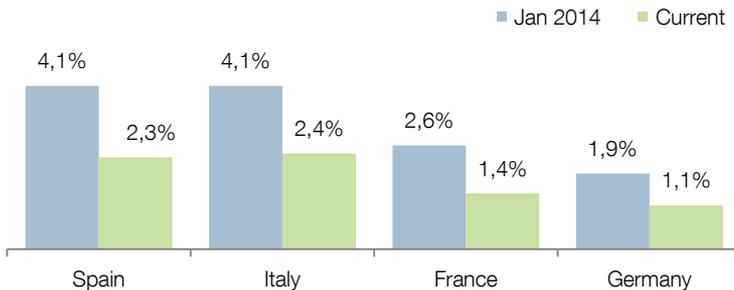
## unemployment declining

12-month rolling index of affiliations to the Spanish Social Security



## investor support

10yr. bond yield



- positive macro outlook, GDP growth is being led by significant recovery in private consumption
- restored business environment
- opportunity to position for recovery in B2B and B2C consumption
- appropriate time to increase exposure to Spain

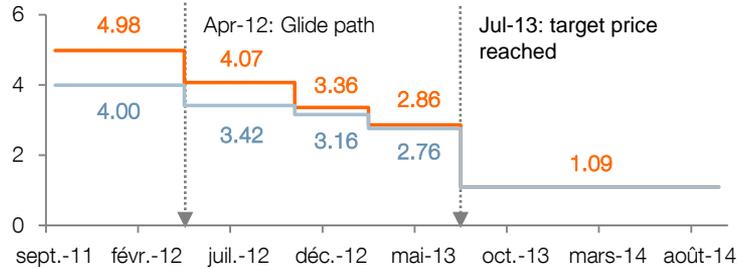
# Spanish telco market deeply transformed over the last years



## MTR decrease is over

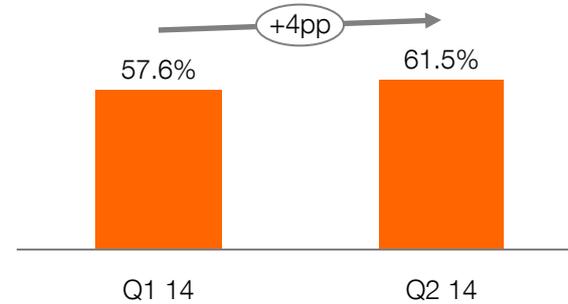
€ cents / min

Orange / Telefonica / Vodafone Yoigo



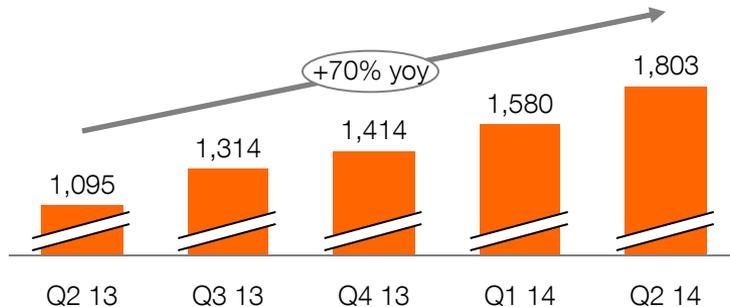
## convergence continues to gain traction

convergent market customers as % of FBB subscribers <sup>(1)</sup>



## growing demand for VHBB <sup>(2)</sup>

market customers with FTTH or VHBB cable ('000 subs)



- MTR amongst lowest in the EU
- no upcoming spectrum auctions
- significant upside due to low data penetration

right timing to reinforce local footprint

(1) excludes Vodafone as did not report Q2 14 number  
 (2) source: operators data (excl. regional players)



# Jazztel is an attractive asset



revenues

FY'13



+15%  
yoy

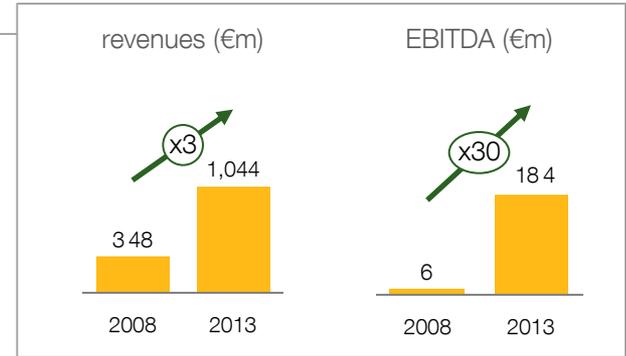
EBITDA

FY'13



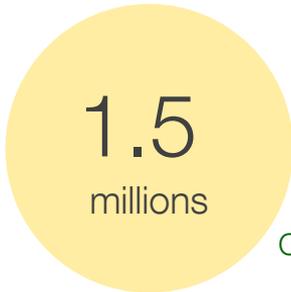
+7%  
yoy

18%  
of rev.



mobile customers

end of H1 2014

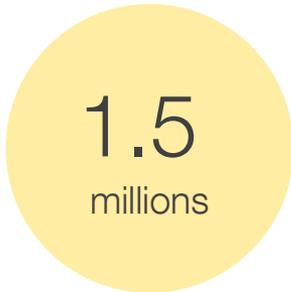


+93%  
yoy

MVNO on  
Orange network

broadband customers

end of H1 2014



+8%  
yoy

74%  
convergent

FTTH deployment



2.2m homes passed



60k FTTH customer base



Coverage:

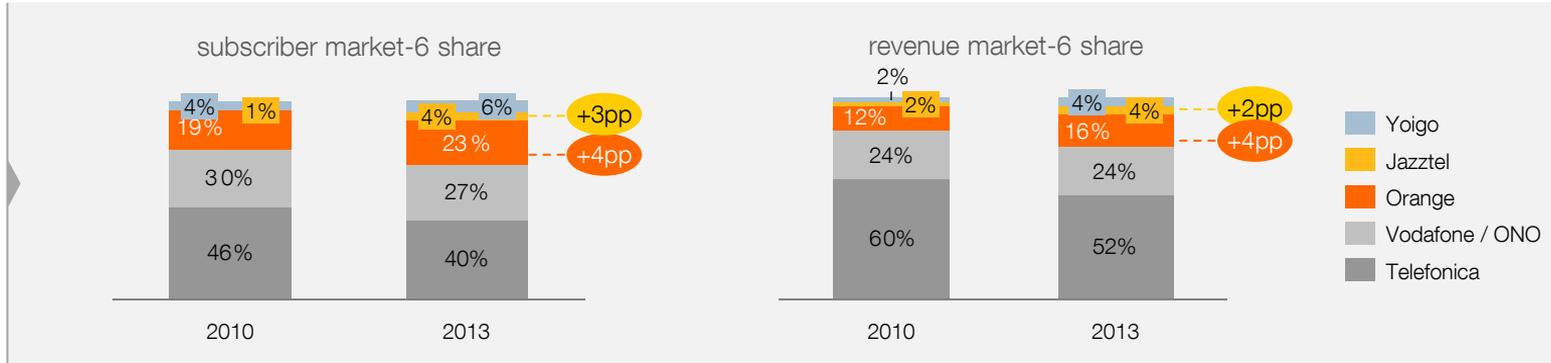
- more than 80%
- 70% - 80%
- 50% - 70%
- 40% - 50%
- 25% - 40%



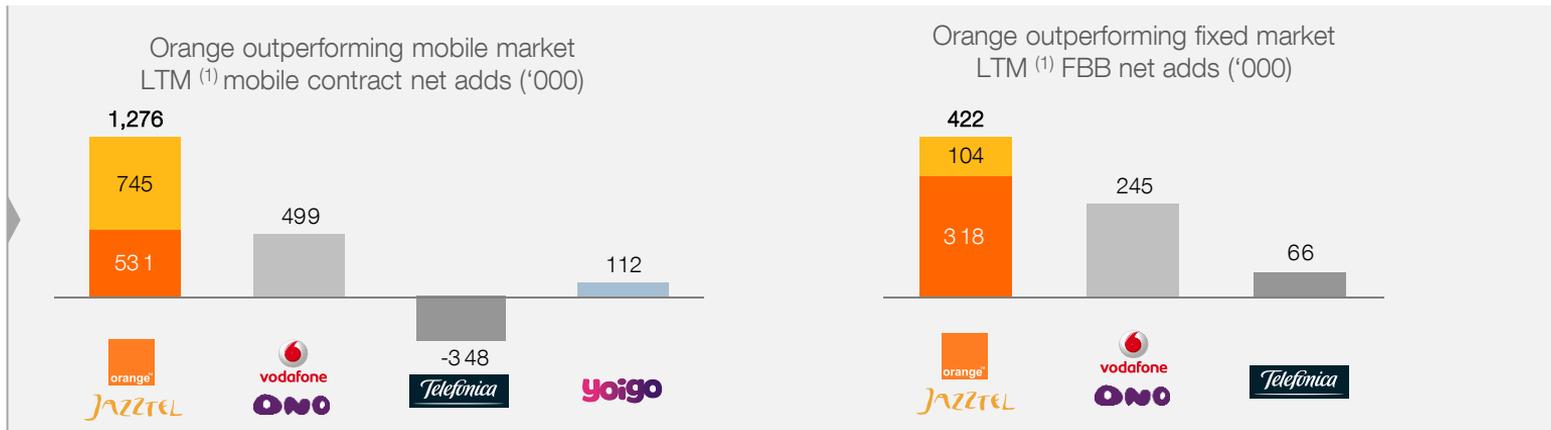
# combination of the two Spanish market outperformers aiming to become #2



market share gains



commercial excellence



\*company and competitors published data; subscribers include mobile and FBB subscribers; note: ONO reports RGUS (1) LTM as of Q2 14 (June 2013 - June 2014)

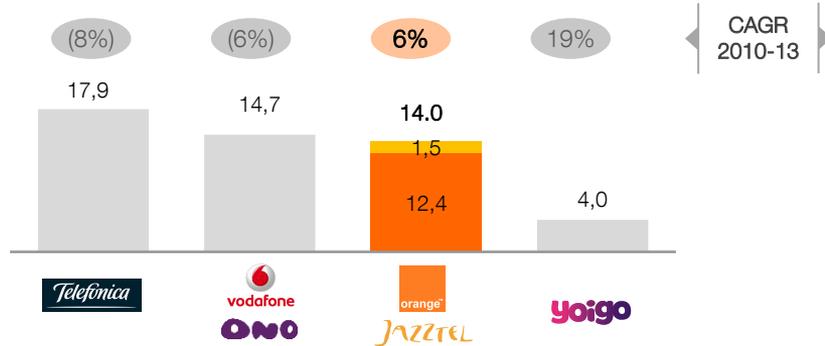


# creating the most dynamic convergent operator



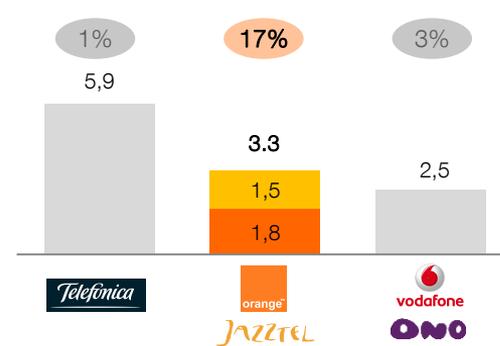
## mobile subscribers

H1 2014, million



## FBB subscribers

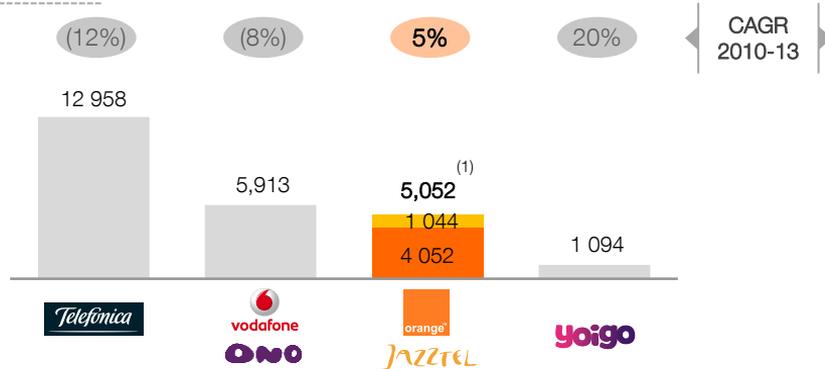
H1 2014, million



75%  
of combined FBB customer base is convergent

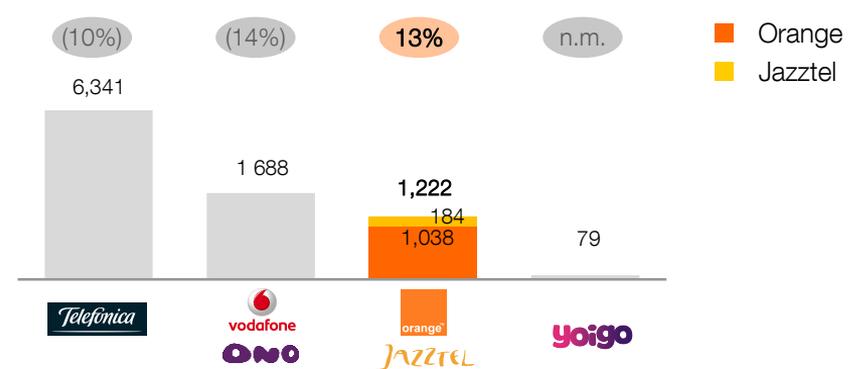
## revenue

FY 2013, m€



## EBITDA

FY 2013, m€



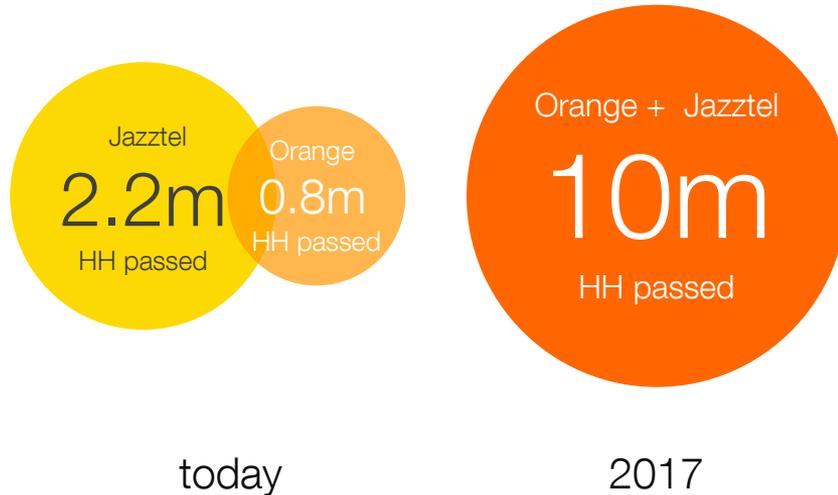
Orange  
Jazztel



# complementary footprint to boost VHBB coverage

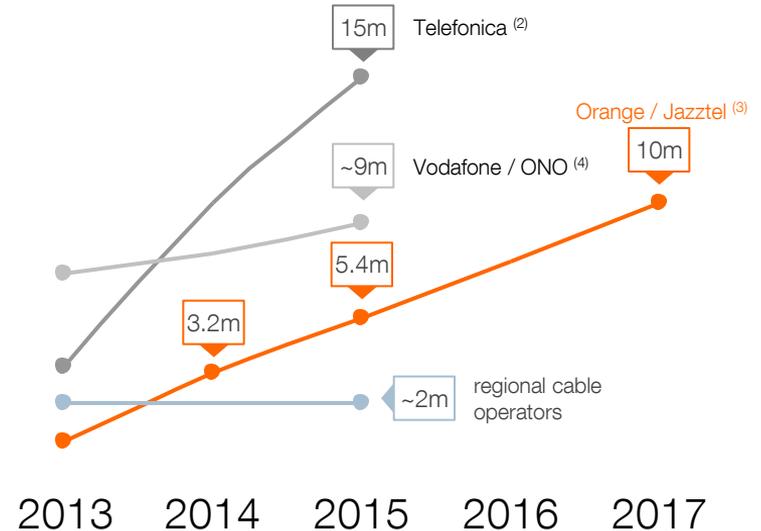


## complementary FTTH footprint (1)



## accelerated growth plan (2)

HH VHBB coverage in million



# to develop a superior proposal for Spanish customers



## best of both worlds

- simple and fast integration
- successful management teams
- scale
- high quality networks
- comprehensive and segmented offers
- customer relationship champions

## network

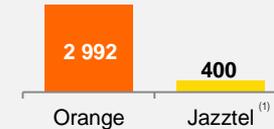
- Jazztel customers already hosted on Orange network
- FTTH rollout to the best technology standards (10 MHH target by 2017)
- >50% 4G pop. coverage



## distribution

- most efficient retail network
- shops in best locations
- no overlap in distribution

### # of retail stores



## brand strategy

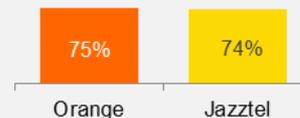
- attractive brand portfolio
- a proposal for each Spanish customer



## reinforced convergent strategy

- convergence is the norm in Spain
- strong track record in convergent services
- cross selling

### share of convergent FBB subs (%)



## Orange global capabilities

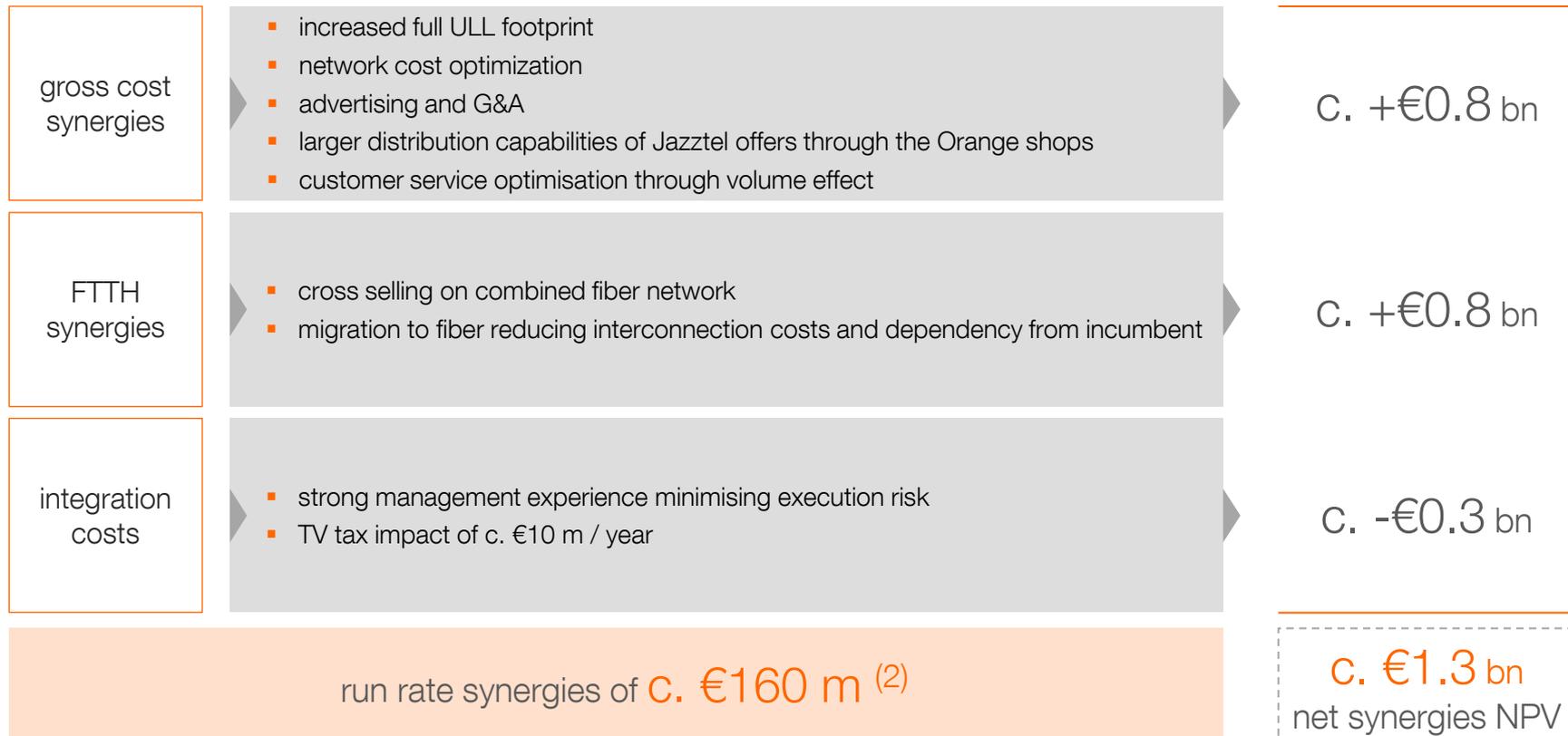
- large group with strong resources
- global R&D and innovation program



# significant cost synergies with limited integration costs



NPV <sup>(1)</sup>



# strong value creation



## value creation for Orange group stakeholders

- €3.8bn Enterprise Value - multiple of 8.6x 2015 EBITDA\* adjusted for run-rate synergies
- OPCF/share accretive from full integration, including run-rate synergies
- high growth profile in recovering market
- c. €1.3bn synergies (NPV post-tax)

## summary transaction conditions

- €13 offer price in cash, a premium of 34% compared to the volume weighted average closing price over the last 30 trading days\*\*
- all cash offer for 100% of Jazztel share capital
- irrevocable undertaking from chairman, CEO and general secretary, representing close to 15% of the capital
- subject to 50% free float acceptance of the offer, regulatory and antitrust approval

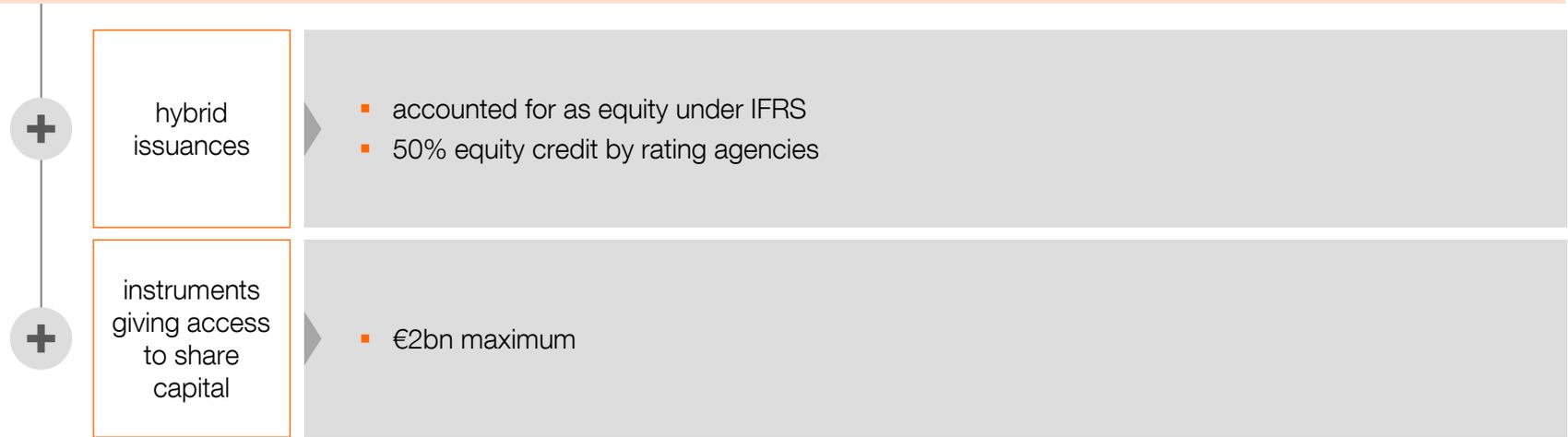
## next steps / timetable

- regulatory process to start as soon as possible with both companies fully cooperating
- closing expected in H1 2015

# Orange group financing strategy



- offer not subject to any financing condition
- Orange group to keep its balance sheet and financial strength
- issuance of a combination of financial instruments, sized so that equity credit as granted by rating agencies will equal the equity consideration paid to Jazztel shareholders



# 2014 guidance unchanged

2014 restated  
EBITDA\*  
€12.0bn - €12.5bn

stabilised EBITDA\*  
margin rate

net debt / EBITDA\*\*

closer to 2x by year-  
end 2014

around 2x in the  
medium term

2014 dividend  
€0.60

interim payment  
€0.20 in December  
2014

selective M&A  
policy, focus on  
existing footprint

\*\* calculated by dividing (A) net financial debt, including 50% of the net financial debt of the EE JV in the U.K., by (B) restated EBITDA including 50% of the EBITDA of EE JV

\* restated EBITDA and after Orange Dominican Republic disposal from Q2 2014

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# Q&A