

# #Q1\_2015

## Orange financial results

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Deputy CEO, Chief Financial and Strategy Officer

28th April 2015



## disclaimer

This presentation contains forward-looking statements about Orange. Although we believe these statements are based on reasonable assumptions, they are subject to numerous risks and uncertainties, including matters not yet known to us or not currently considered material by us, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could cause actual results to differ from the results anticipated in the forward-looking statements include, among others: the success of Orange's strategy, particularly with respect to customer relations when facing competition with OTT players, Orange's ability to withstand intense competition in mature markets and business activities, its ability to capture growth opportunities in emerging markets and the risks specific to those markets, the poor economic conditions prevailing in particular in France and in Europe and in certain other markets in which Orange operates, the effectiveness of Orange's action plans for human resources, and the success of Orange's other strategic, operational and financial initiatives, risks related to information and communications technology systems resulting in particular from cyber-attacks, technical failures of or damage caused to networks, loss or theft of data and fraud, health concerns surrounding telecommunications equipment and devices, fiscal and regulatory constraints and changes, and the results of litigation regarding regulations, competition and other matters, the success of Orange's French and international investments, joint ventures and strategic partnerships in situations in which it may not have control of the enterprise, and in countries presenting additional risk, Orange's credit ratings, its ability to access capital markets and the state of capital markets in general, exchange rate or interest rate fluctuations, and changes in assumptions underlying the carrying amount value of certain assets and resulting in their impairment. More detailed information on the potential risks that could affect our financial results will be found in the Registration Document filed with the French Autorité des Marchés Financiers (AMF) on April 7, 2015 and in the annual report on Form 20-F filed with the U.S. Securities and Exchange Commission on April 14, 2015. Forward-looking statements speak only as of the date they are made. Other than as required by law (in particular pursuant to sections 223-1 and seq. of the General Regulations of the AMF), Orange does not undertake any obligation to update them in light of new information or future developments.

1

Q1 2015 highlights

# Q1 2015 achievements

revenue  
**€9.7bn**

-0.9% yoy  
-0.3% ex reg yoy

EBITDA\*  
**€2.9bn**

-1.9% yoy  
30.1% of revenues

Capex  
**€1.2bn**

12.3% of  
revenues

mobile net adds  
**+2.9m**

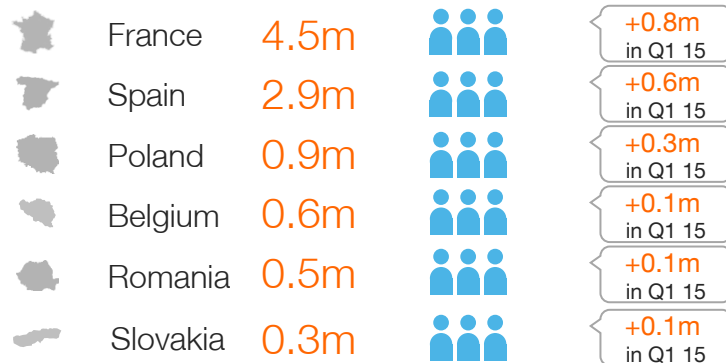
qoq  
of which +0.7m  
contract

yoy : comparison with the same period of the previous year, on a comparable basis  
qoq : comparison with the previous quarter, on a comparable basis

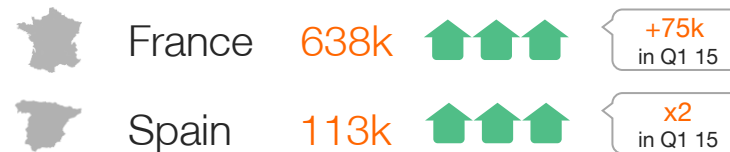
\* in this presentation, EBITDA stands for restated EBITDA unless otherwise specified, see slide 25 for EBITDA restatements

# Sustained commercial performance across the Group

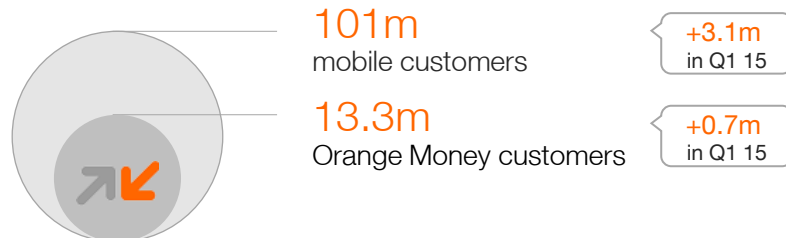
## 4G customers in millions



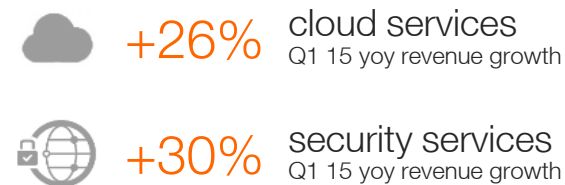
## FTTH customers in thousand



## Africa & Middle East

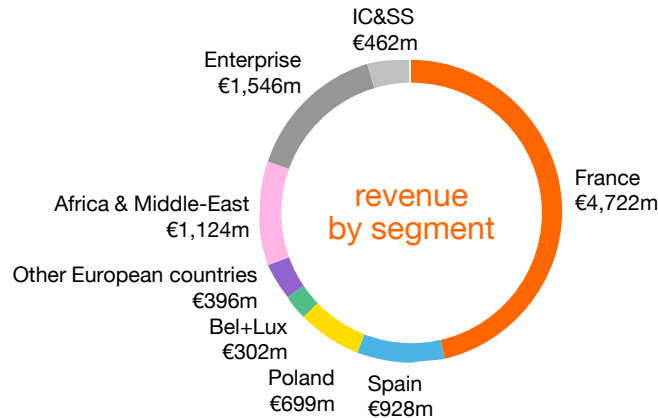


## Enterprise

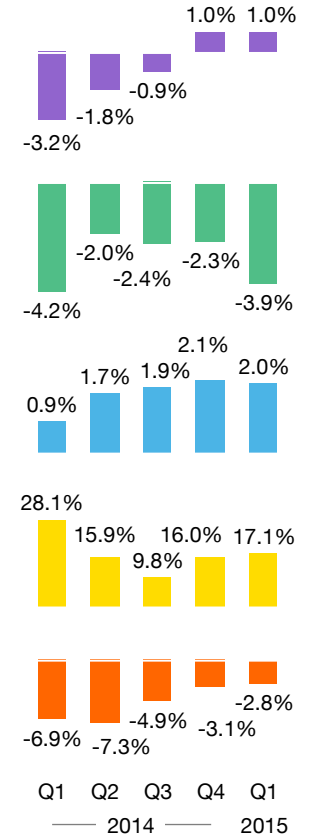
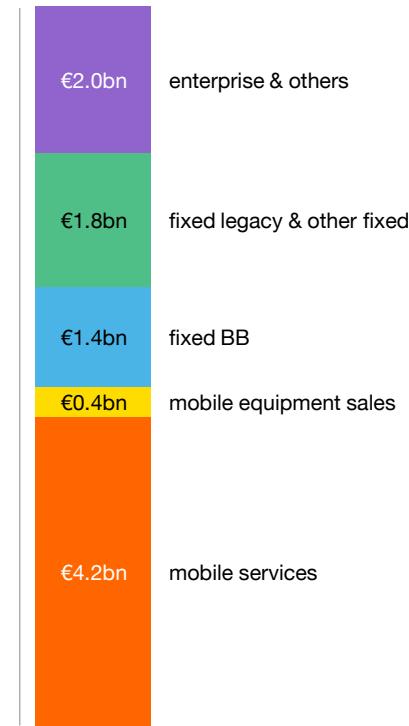


# Confirmed improved revenue trend in Europe & sustained growth in Africa and the Middle-East

|                                       |                            |                            |
|---------------------------------------|----------------------------|----------------------------|
| <b>Q1'15 revenue</b><br><b>€9.7bn</b> | Q1 2015<br>-0.9%<br>yoy cb | Q1 2014<br>-3.8%<br>yoy cb |
|                                       | -0.3%<br>ex. reg.          | -3.0%<br>ex. reg.          |



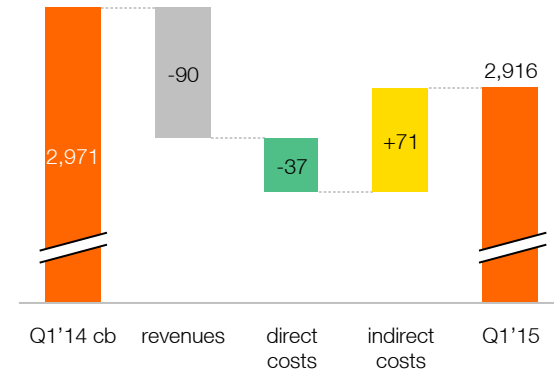
## by activity



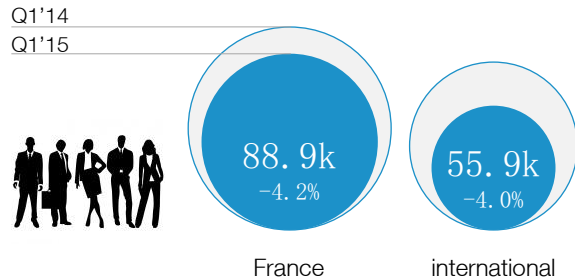
# EBITDA decrease halved in absolute value with maintained efforts on cost savings

|  |                 |                  |
|--|-----------------|------------------|
| <b>Q1'15 EBITDA</b><br>€2.9bn<br>30.1% of rev. | Q1 2015         | Q1 2014          |
|  | -1.9%<br>yoy cb | -3.8%<br>yoy cb  |
|  | -€55m<br>yoy cb | -€120m<br>yoy cb |

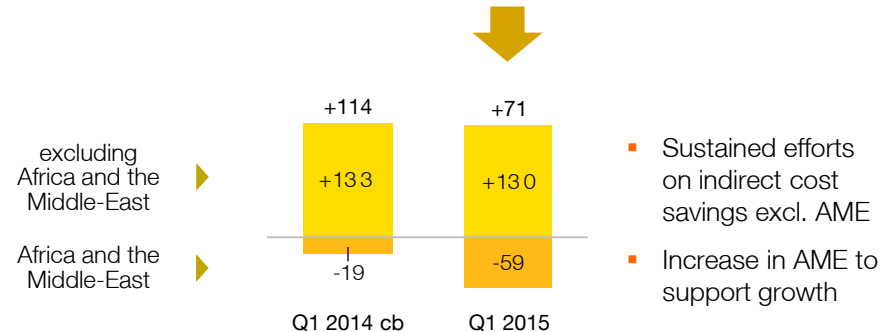
**EBITDA evolution**  
(in €m)



**Group average FTE\* down -4.1%\*\* yoy**



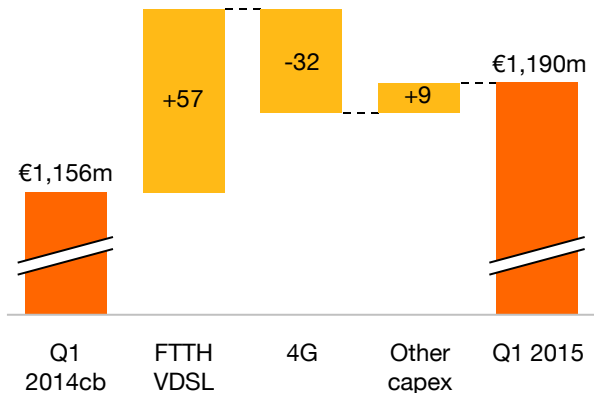
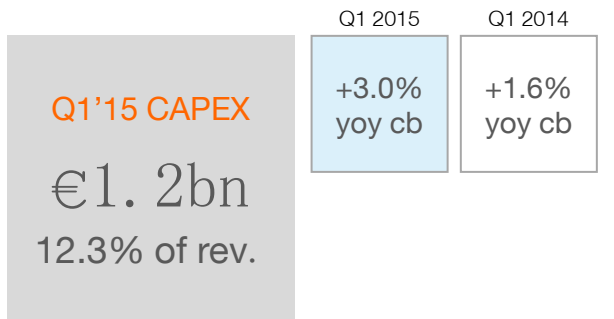
**focus on indirect cost savings**  
(yoy change in €m)



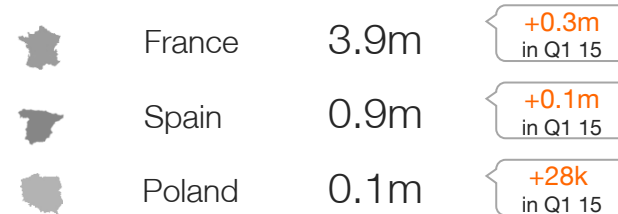
\* Full Time Equivalent

\*\* comparable basis; -6.6% historical basis, mainly due to Kenya and the Dominican Republic

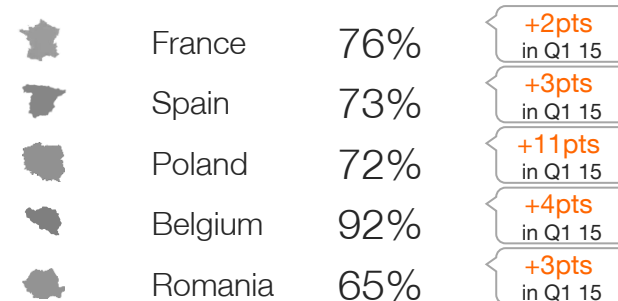
# Increased CAPEX on FTTH to support future growth



## FTTH homes connectable



## 4G coverage in % of pop.





2

business review

# Q1 2015 France financials

## Better revenue trend with fixed and mobile ARPU decrease slowing down

| in €m            | Q1 14<br>cb  | Q1 15<br>actual | change<br>yoy cb |
|------------------|--------------|-----------------|------------------|
| <b>revenues</b>  | <b>4,810</b> | <b>4,722</b>    | <b>-1,8%</b>     |
| excl. regulation |              |                 | -1,6%            |
| mobile services  | 1,948        | 1,854           | -4,8%            |
| mobile equipment | 119          | 149             | +24,9%           |
| fixed services   | 2,608        | 2,578           | -1,1%            |
| other revenues   | 136          | 141             | +4,1%            |

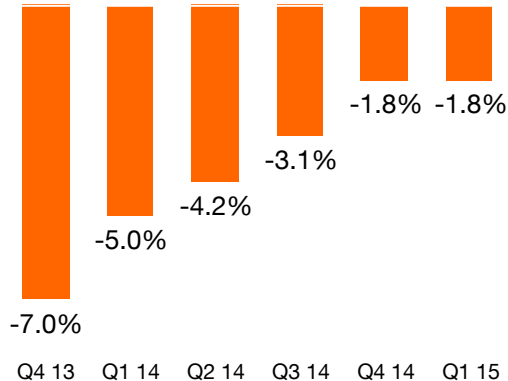
### better mobile revenues trend confirmed in Q4

- customer base mix continued to improve supported by 4G/4G+ network coverage
- improved customer loyalty with the lowest contract churn rate since 2010 (14.2%)
- European roaming tariffs cut negatively impacted revenues and EBITDA
- mobile equipment revenues growth

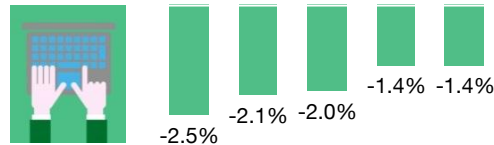
### fixed services benefiting from VHBB dynamism

- growing BB customer base (+2.8% yoy) supported by FTTH (+75% yoy)
- convergent offers success continued, negatively impacting BB ARPU (-1.4% yoy)
- wholesale increase due to volume effect of unbundled lines and fiber growth
- -1.3m PSTN lines lost (-12.5% yoy) vs. 1.5m in 1Q14 yoy

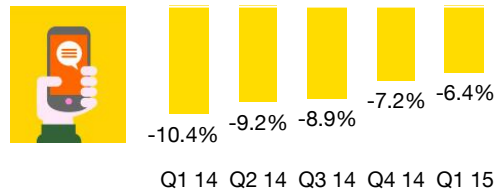
Quarterly revenues evolution (% yoy)



Broadband ARPU evolution (annual rolling, % yoy)



Mobile ARPU evolution (annual rolling, % yoy)



Fixed BB revenues  
+1.1% yoy (+€11m)



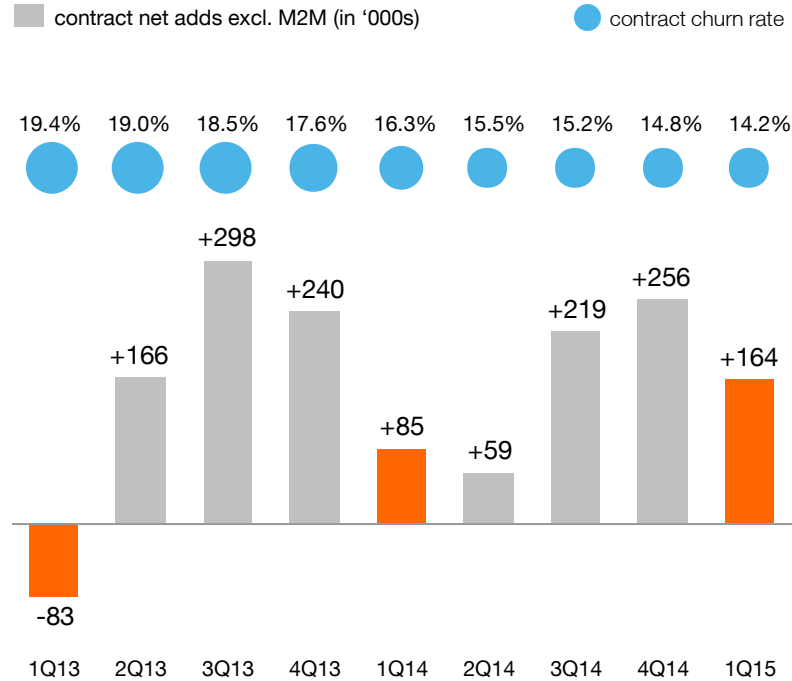
Fixed wholesale revenues  
+5.1% yoy (+€48m)



Mobile services revenues decrease  
divided by 2 in Q1'15  
(-€94m vs. -€209m in Q1'14)

# Q1 2015 France mobile KPIs

## Strong mobile contract momentum with improving loyalty



yoy

+16 pts

**91%** of customers repriced on post April 2013 tariff plan

+3 pts

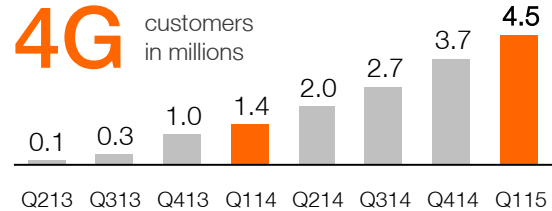
**61%** of consumer voice contract are on premium\* offers

+7 pts

**42%** of consumer voice contract are on Open offers

+12 pts

**39%** of consumer voice contract are on SIM-only offers



**7,262**  
4G activated sites

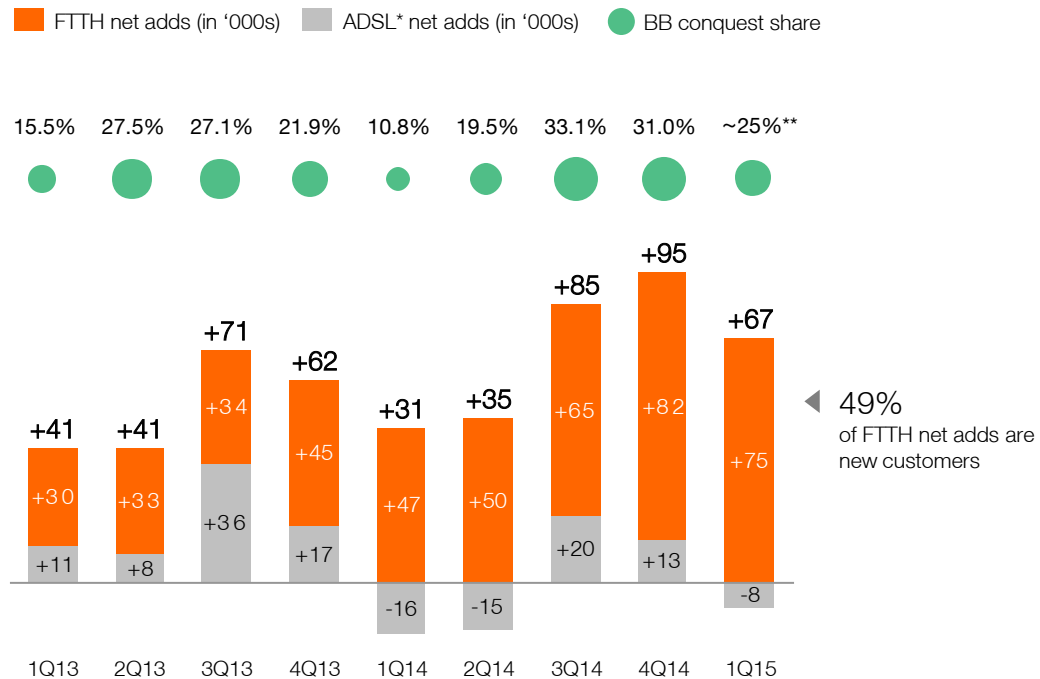
**75.5%**  
coverage in % of pop.

**17**  
towns covered with 4G+

\* Origami & Open

# Q1 2015 France fixed KPIs

## FTTH accelerating BB customer base growth



10.421m ↑ +2.8% yoy

broadband customers

FTTH ▶ 638k customers ↑ +74.8% yoy

▬ +7 pts yoy  
 47% of BB customers have a 4P offer

▬ +7 pts yoy  
 37% of BB customers are on premium\*\*\* offers



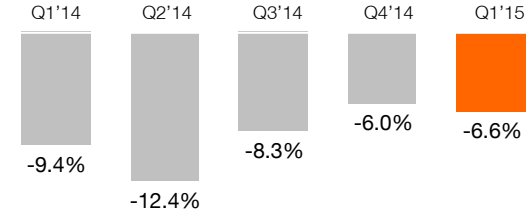
3.932m ↑ +1.2m yoy

FTTH homes connectable

# Q1 2015 Europe

| in €m            | Q1 14<br>cb  | Q1 15<br>actual | change<br>yoy cb |
|------------------|--------------|-----------------|------------------|
| <b>revenues</b>  | <b>2,408</b> | <b>2,324</b>    | <b>-3.5%</b>     |
| excl. regulation |              |                 | -1.5%            |
| mobile services  | 1,575        | 1,471           | -6.6%            |
| mobile equipment | 192          | 219             | +13.8%           |
| fixed services   | 611          | 593             | -2.9%            |
| other revenues   | 30           | 40              | +34.0%           |

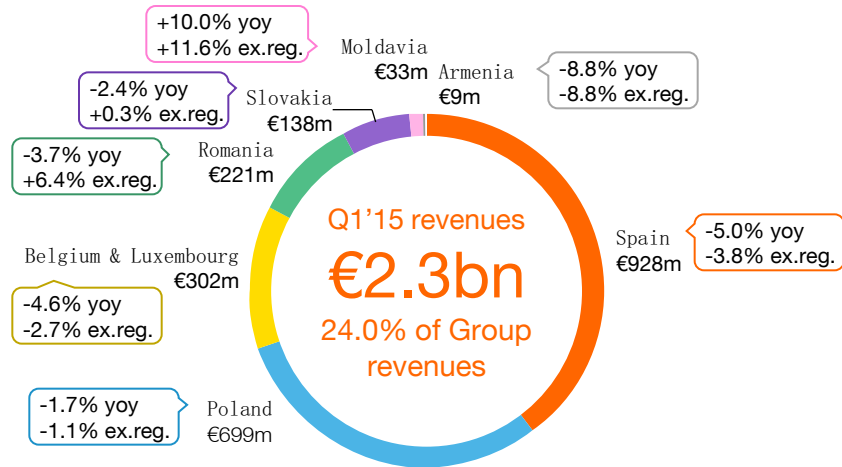
## Mobile services revenues (yoy growth)



## Postpaid net adds in Q1



## TV customer base



# Q1 2015 Spain

## Convergence and 4G driving positive commercial performance

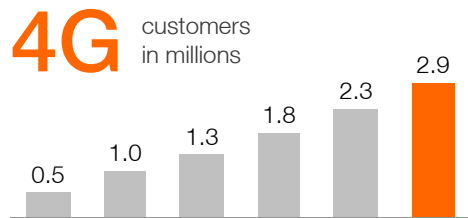
| in €m            | Q1 14<br>cb | Q1 15<br>actual | change<br>yoy cb |
|------------------|-------------|-----------------|------------------|
| <b>revenues</b>  | <b>977</b>  | <b>928</b>      | <b>-5.0%</b>     |
| excl. regulation |             |                 | -3.8%            |
| mobile services  | 630         | 569             | -9.6%            |
| mobile equipment | 125         | 127             | +2.0%            |
| fixed services   | 220         | 230             | +4.6%            |
| other revenues   | 2           | 1               | n.s              |

### customer base continues to grow driven by positive commercial momentum

- contract customer base growth (+5.8% YoY) with 2.9 million 4G customers
- double-digit FBB customer base growth (+13.4%) in Q1 pushed by convergent tariffs and FTTH

### repricing of customer base almost completed

- mobile ARPU trend improving along last 4 quarters
- fixed revenues keep growing thanks to fixed broadband growth (+9.4% YoY)



**73%**

coverage in % of pop.



**2.015m**  
broadband customers



+2.5% qoq

**FTTH** ▶  
customers

**113k**



x2 qoq



yoy



+30 pts  
**92%** of mobile B2C contract customers on **SIMO**

+8 pts  
**80%** of fixed broadband customers on **convergent offers**

# Q1 2015 Poland

## Sequentially improving revenue trends in both mobile and fixed

| in €m            | Q1 14<br>cb | Q1 15<br>actual | change<br>yoy cb |
|------------------|-------------|-----------------|------------------|
| <b>revenues</b>  | <b>711</b>  | <b>699</b>      | <b>-1.7%</b>     |
| excl. regulation |             |                 | -1.1%            |
| mobile services  | 343         | 326             | -4.9%            |
| mobile equipment | 10          | 33              | +218.6%          |
| fixed services   | 339         | 312             | -8.1%            |
| other revenues   | 19          | 28              | +52.2%           |

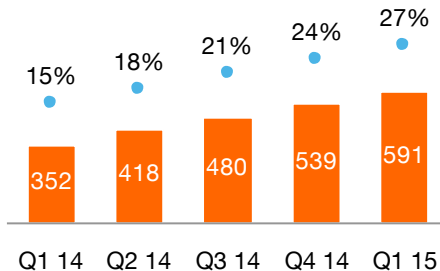
mobile services revenues improving sequentially at -4.9% in Q1 15 after -5.3% in Q4 14

- prepaid ARPU up +1.7%
- postpaid base up +5%

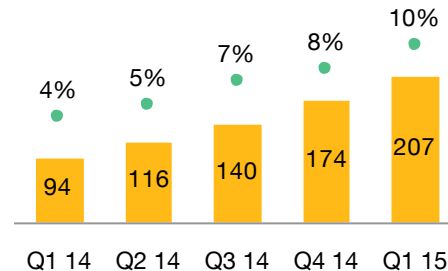
fixed revenues improving sequentially at -8.1% in Q1 15 after -10.0% Q4 14

- continuous growth in VHBB base, with main effort on migration from ADSL
- continued effectiveness of convergence strategy, with +52k Q1 15 net adds in Open customers, resulting in 27% penetration in xDSL base
- +0.5% upturn in broadband ARPU reflecting better customer mix

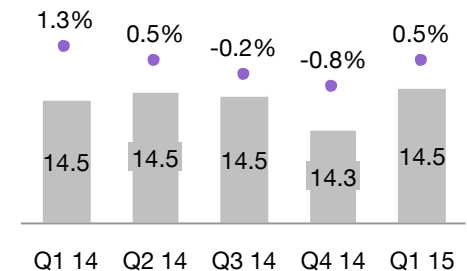
convergence: continuous momentum in open customers in '000s and in % of BB base



fixed: steady growth in VHBB customers in '000s and in % of xDSL base



fixed: upturn in broadband ARPU in €/month and in % yoy evolution



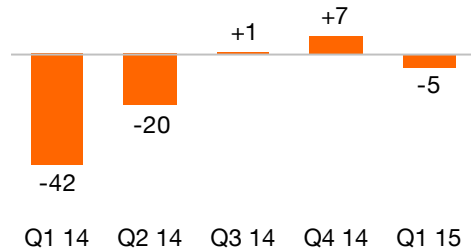
# Q1 2015 Belgium & Luxembourg

Revenue trend improving again for the 5<sup>th</sup> quarter in a row

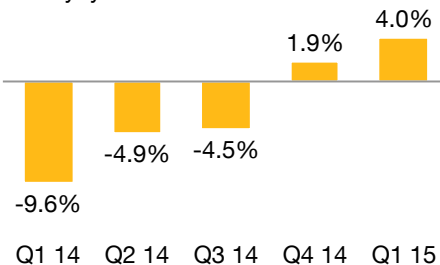
| in €m            | Q1 14<br>cb | Q1 15<br>actual | change<br>yoy cb |
|------------------|-------------|-----------------|------------------|
| revenues         | 317         | 302             | -4.6%            |
| excl. regulation |             |                 | -2.7%            |
| mobile services  | 252         | 247             | -1.9%            |
| mobile equipment | 38          | 32              | -15.5%           |
| fixed services   | 25          | 21              | -15.7%           |
| other revenues   | 2           | 2               | n.s              |

- trend in consolidated revenues ex-reg. improving at -2.7% vs. -9.2% last quarter
- mobile services ex-reg. slightly positive at +0.5% in 1Q15 vs. +0.7% last quarter
  - ex-M2M postpaid net adds : stabilised in B2C, trend further improving in B2B
  - Belgium postpaid ARPU up +4.0% vs. +1.9% in 4Q14
- progress on strategy to create levers for future growth
  - Belgium's leader in 4G coverage with 92% outdoor and 72% indoor
  - Mobistar's 4G postpaid base up +19%, reaching 1 out of 4 postpaid subs

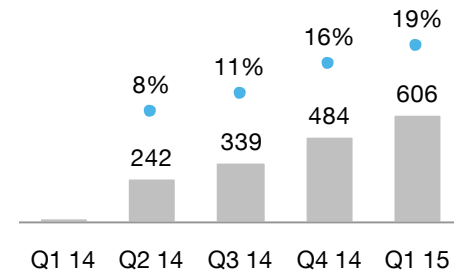
mobile: stabilization in postpaid net-adds (ex. M2M)  
in 000s



mobile: improvement in Belgium quarterly postpaid ARPU  
in % yoy evolution



mobile: rapid growth in active 4G base  
in 000s and in % of total subs





# Q1 2015 Other European countries

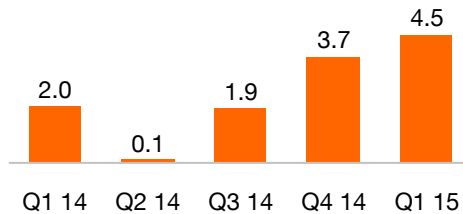
## Positive revenues growth ex-reg in Romania, Slovakia and Moldova

| in €m            | Q1 14<br>cb | Q1 15<br>actual | change<br>yoy cb |
|------------------|-------------|-----------------|------------------|
| revenues         | 405         | 396             | -2.2%            |
| excl. regulation |             |                 | +4.5%            |
| mobile services  | 351         | 330             | -6.0%            |
| mobile equipment | 19          | 26              | +40.2%           |
| fixed services   | 27          | 30              | +12.0%           |
| other revenues   | 8           | 9               | n.s              |

- improving ex-reg. revenue growth performance
  - +6.4% in Romania (56% of sub-segment), vs. +4.5% last quarter
  - +0.3% in Slovakia (35% of sub-segment), vs. +1.6% last quarter
  - +11.6% in Moldova (8% of sub-segment), vs. +8.4% last quarter
- trend in mobile services revenues sequentially improving for the 3<sup>rd</sup> quarter in a row
- churn improving in 3 out of 4 countries

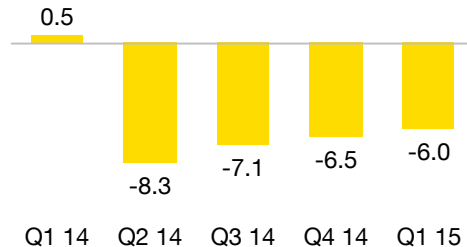
### improving ex-reg trend in overall revenues

YoY change (%)



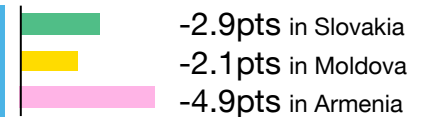
### improving trend in mobile services revenues

YoY change (%)



### mobile: improving churn in 3 countries out of 4

YoY change (pts)



# Q1 2015 Africa & Middle East

## Solid revenue growth driven by mobile customer base and data usage

| in €m            | Q1 14<br>cb  | Q1 15<br>actual | change<br>yoy cb |
|------------------|--------------|-----------------|------------------|
| <b>revenues</b>  | <b>1,053</b> | <b>1,124</b>    | <b>+6.8%</b>     |
| excl. regulation |              |                 | +6.9%            |
| mobile services  | 824          | 899             | +9.2%            |
| mobile equipment | 17           | 17              | 0.0%             |
| fixed services   | 189          | 185             | -2.1%            |
| other revenues   | 24           | 24              | n.s              |

### Sustained revenues growth

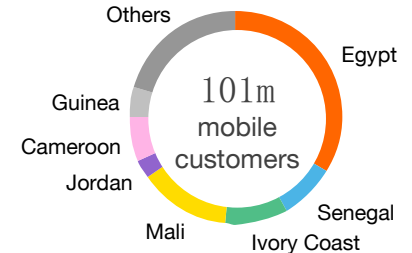
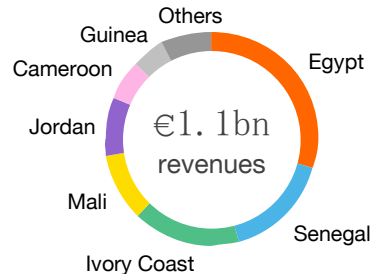
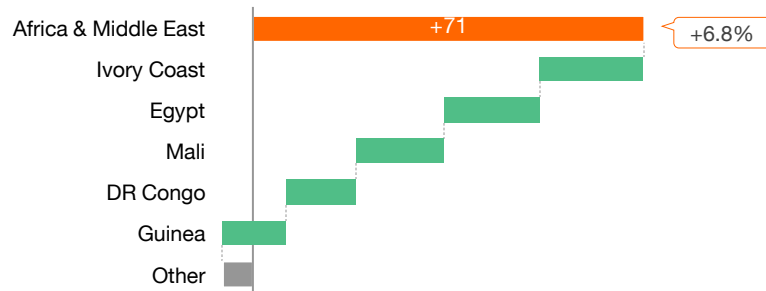
- 6 out of 13 countries with double digit growth
- driven by Ivory Coast, Egypt, Mali, Congo and Guinea
- half of the mobile services yoy growth is coming from data

### Commercial

- Thanks to +3.1m mobile customers in Q1'15, >10% yoy mobile customer base at 100.6m with significant growth in Mali, Congo, Ivory Coast, Guinea and Cameroon
- 4G launched in Botswana in February ; 2 countries with 4G end of Q1
- 13.3m Orange Money customers (+48% yoy) generating +84% revenues yoy

### Key contributors to revenue growth

Q1 yoy revenue growth in % and €m



# Q1 2015 Enterprise

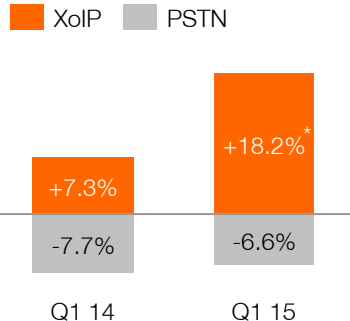
## Legacy activities in line with overall 2014 trends

| in €m                     | Q1 14<br>cb  | Q1 15<br>actual | change<br>yoy cb |
|---------------------------|--------------|-----------------|------------------|
| <b>revenues</b>           | <b>1,600</b> | <b>1,546</b>    | <b>-3.4%</b>     |
| voice                     | 415          | 386             | -7.0%            |
| data                      | 750          | 724             | -3.5%            |
| IT & integration services | 435          | 436             | +0.3%            |

- **voice** revenues were in line with overall 2014 trend as migrations towards VoIP solutions maintained pressure on the topline
- **data services** revenues were also in line with overall 2014 trends, with price pressure on IPVPN partially compensated by slightly higher volumes
- Growth in **IT & Integration services** slowed down due to deliverables phasing. Security and Cloud services continued to perform well

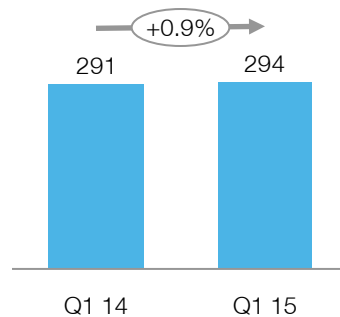
### voice services

yoy access growth in France



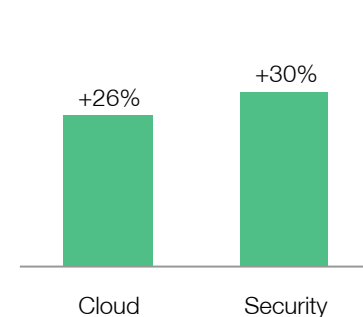
### data services

IPVPN accesses in France in thousands



### IT services (cloud and security)

Q1 2015 yoy revenue growth



3

2015 guidance

# 2015 guidance confirmed

2015 Restated  
EBITDA  
€11.9bn - €12.1bn

net debt / EBITDA\*  
around 2x in the  
medium term

2015 dividend  
€0.60\*\*  
  
interim payment  
€0.20 in December  
2015

selective M&A  
policy, focus on  
existing footprint

2014 dividend balance of €0.40

subject to the Annual General Meeting of Shareholders approval  
ex-date June 8<sup>th</sup>, record date June 9<sup>th</sup>, payment date June 10<sup>th</sup>

\* 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

\*\* subject to shareholders' approval

# #Q1\_2015

## Orange financial results

Ramon Fernandez  
Deputy CEO, Chief Financial and Strategy Officer

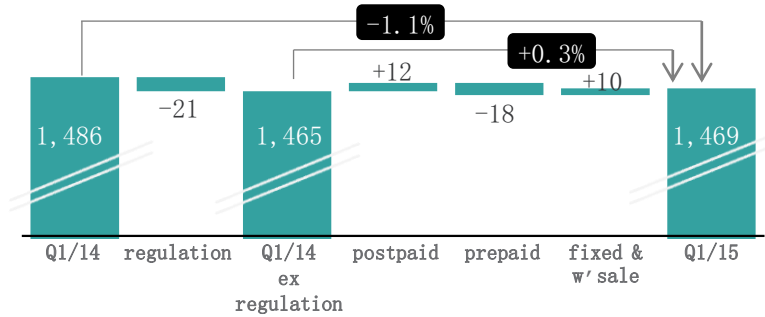
28th April 2015



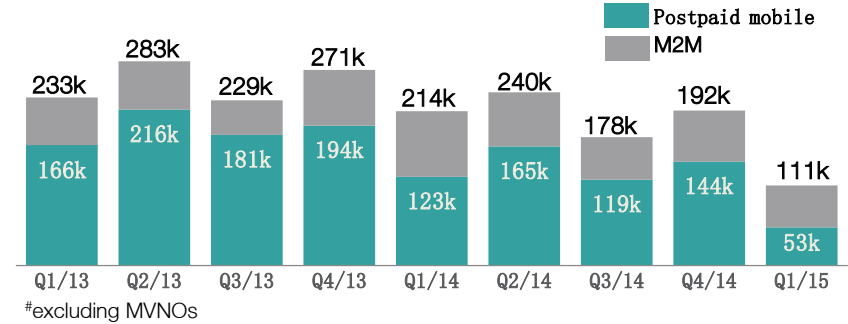
appendices

# EE: improving underlying operating revenue and continued strong customer retention

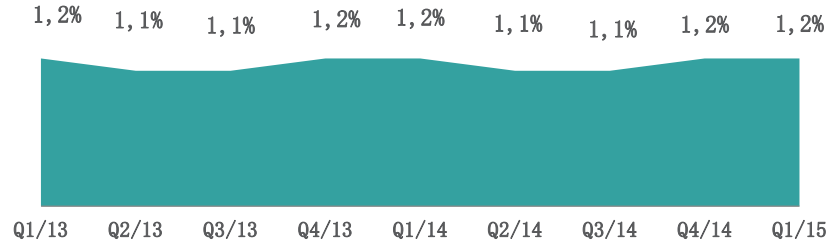
Q1 operating revenue +0.3% ex. regulation, £m



Continued postpaid growth#



Sustained low postpaid churn<sup>a</sup>



<sup>a</sup> monthly average (3 month rolling)

## Insights

- Q1 underlying operating revenue +0.3% yoy, with postpaid and fixed growth offsetting prepaid decline
- 4G base of 9.3m; addition of 1.7m 4G customers in Q1
- Strong customer retention; churn 1.2%, 16<sup>th</sup> quarter at 1.2% or below

Q1 fixed-line 50k net adds, best ever since formation of EE

## Initiatives

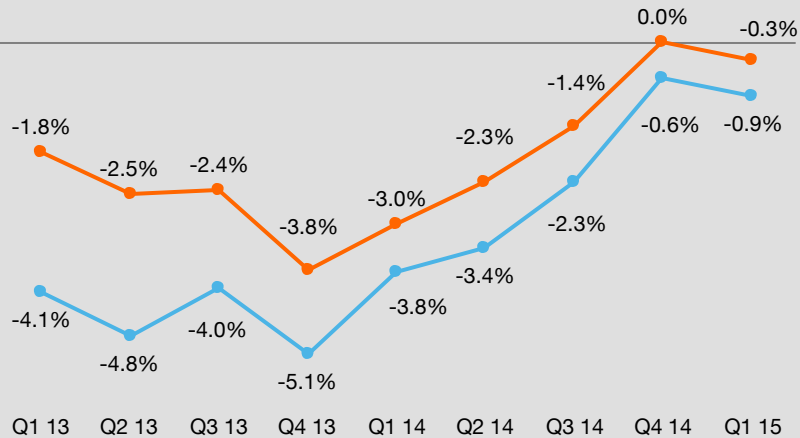
- Announced 3 year £1.5bn investment programme to further improve coverage
- 4G pop. coverage 87%, double-speed 4G of 67%
- Launched WiFi calling to improve in-building coverage



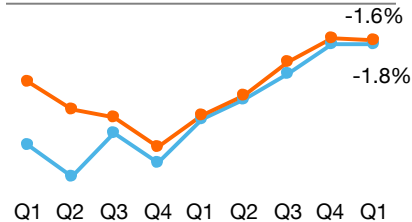
# Revenues yoy evolution

Group

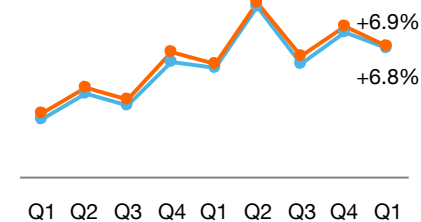
organic ex reg



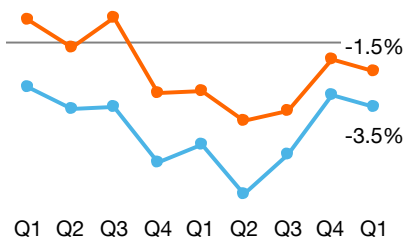
France



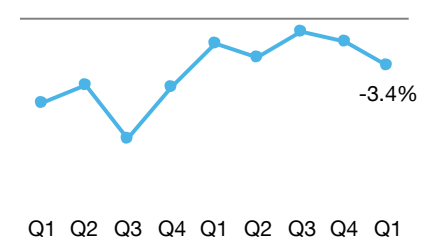
Africa & the Middle-East



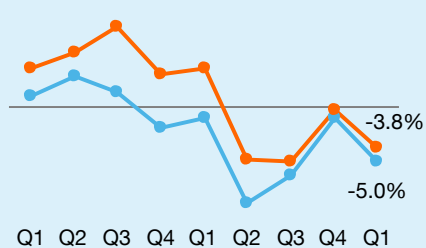
Europe



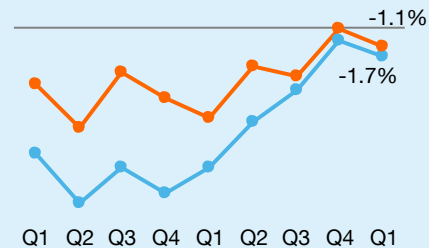
Enterprise



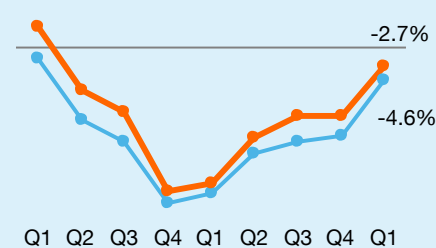
Spain



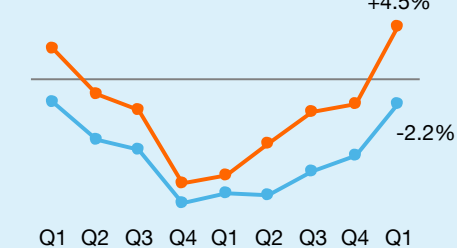
Poland



Belgium & Luxemburg



Other European countries



# EBITDA restatements

| in €m                  | Q1'14<br>cb  | Q1'15<br>actual  |
|------------------------|--------------|------------------|
| <b>EBITDA restated</b> | <b>2,971</b> | <b>2,916</b>     |
| restructuring          |              | -14 <sup>①</sup> |
| litigations            | -300         | -23              |
| labour related         | -36          | -71              |
| o/w Senior Part Time   | -36          | -38              |
| o/w Holiday pay        |              | -34 <sup>②</sup> |
| <b>EBITDA reported</b> | <b>2,635</b> | <b>2,808</b>     |

① mainly related to distribution network restructuring and to departure plans

② related to new calculation methods on Holiday pay