

# #Q1\_2018

## Orange financial results

**Ramon Fernandez**

Deputy CEO, Chief Financial and Strategy Officer

26 April 2018

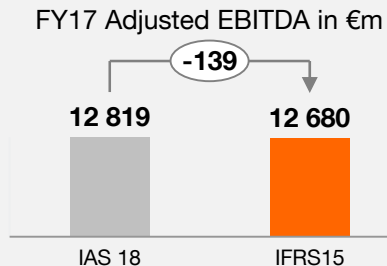
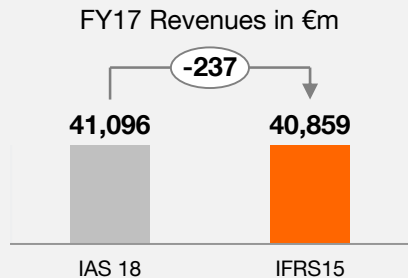


# Disclaimer

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: disclosure or inappropriate modification of the personal data of Orange's customers, risks relating to the development of its banking activities and of mobile financial services, Orange's exposure to geopolitical, macroeconomic, regulatory and corruption risks, the risk of not being able to maintain control over customer relations when facing competition with the OTT players, the success of Orange's strategy of diversification to find new sources of growth, network or software failures as a result of cyber-attacks, various frauds that may target the Company or its customers, its dependence on a limited number of critical suppliers, damage caused to its installations and infrastructures due to natural disasters or intentional damage, risks relating to its brand strategy, its ability to retain the necessary skills due to numerous employee retirements and changes in its businesses, possible adverse health effects from exposure to electromagnetic fields from telecommunications equipment, various human factors related to psycho-social risks and to personal safety, fiscal and regulatory constraints and changes, the results of litigation regarding in particular regulations and competition, the terms of access to capital markets, interest rate or exchange rate fluctuations, Orange's credit ratings, changes in assumptions underlying the carrying value of certain assets and resulting in their impairment, and credit risks and/or counterparty risks on financial transactions. More detailed information on the potential risks that could affect our financial results is included in the Registration Document filed on April 4, 2018 with the French Autorité des Marchés Financiers (AMF) and in the annual report on Form 20-F filed on April 4, 2018 with the U.S. Securities and Exchange Commission. Forward-looking statements speak only as of the date they are made. Other than as required by law, Orange does not undertake any obligation to update them in light of new information or future developments.

# Q1 2018 changes in financial reporting

## IFRS15 full retrospective approach



## Revenues split per offer

### Old presentation

#### Revenues

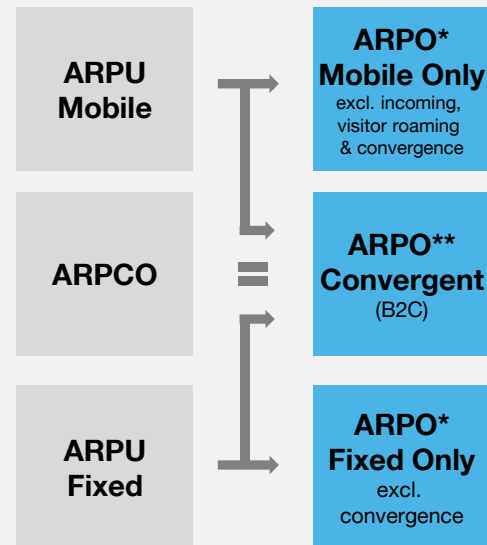
Mobile services
Mobile equipment sales
Fixed services
Other revenues
Voice services
Data services
IT and integration services
International Carriers
Shared services



### New presentation

<b>Revenues</b>
<b>Retail services (B2C+B2B)</b>
Convergent services**
Mobile services only*
Fixed services only*
IT and integration services
<b>Equipment sales</b>
<b>Wholesales revenues</b>
<b>Other revenues</b>

## ARPO : Average Revenue Per Offer



\* B2C and B2B

\*\* B2C only

**Section one**

**Q1 2018 highlights**

# Q1 2018 Group achievements

yoy : comparison with the same period of the previous year, on a comparable basis unless otherwise specified

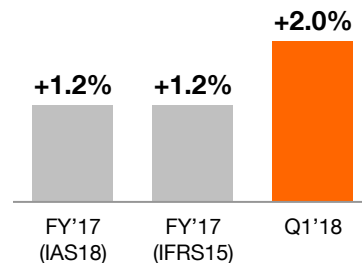
All Group level mentions include both telecom and banking activities. Conversely, all mentions excluding Orange bank are explicitly called "Telecom"

\* see slide 23 for EBITDA adjustments



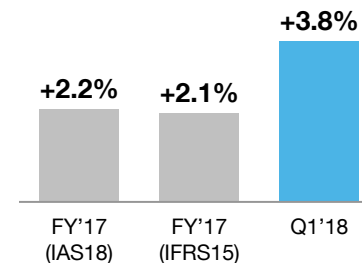
## Revenue

€ **10.1** bn



## Adjusted EBITDA\*

€ **2.6** bn



Adj. EBITDA  
telecom

**+4.4%**  
yoy

Adj. EBITDA  
telecom margin

**+0.6pt**  
yoy

CAPEX

**1.5**  
€ billion

OpCF

**+4.0%**  
yoy

# Sustained investment efforts to keep our competitive advantage in connectivity

Q1 2018 CAPEX (telecom)	yoy
<b>€1.5bn</b>	<b>+3.6%</b> <b>+€52m</b>
	As % of rev.
	<b>15.1%</b> <b>+0.2pt yoy</b>



## 4G coverage

Population covered in %, yoy evolution in pp



99.8%

+0,6pt  
Poland



99.7%

+0,1pt  
Belgium



97%

+8pt  
France



96%

+5pt  
Spain



93%

+10pt  
Romania



90%

+10pt  
Slovakia



## VHBB connectable homes\*

yoy

Spain



**12.2 m**

**+22%**

France



**9.6 m**

**+31%**

Poland



**2.7 m**

**+60%**

\* VHBB > 100 Mbps

# Solid commercial momentum driven by VHBB and 4G

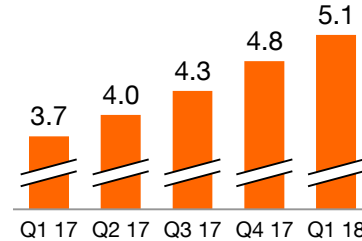
VHBB > 100 Mbps



**VHBB customers**  
in million

# 5.1m

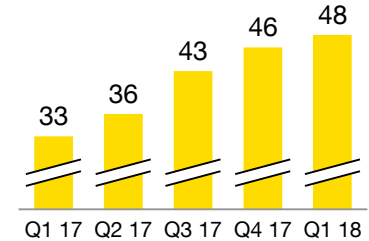
**+39% yoy**



**4G customers\***  
in million

# 48m

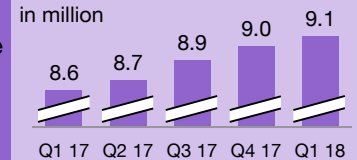
**+45% yoy**




Broadband  
customer base  
yoy growth  
**+4.1%**

Mobile contract  
customer base  
yoy growth  
**+7.5%**

TV  
customer base  
yoy growth  
**+6.1%**



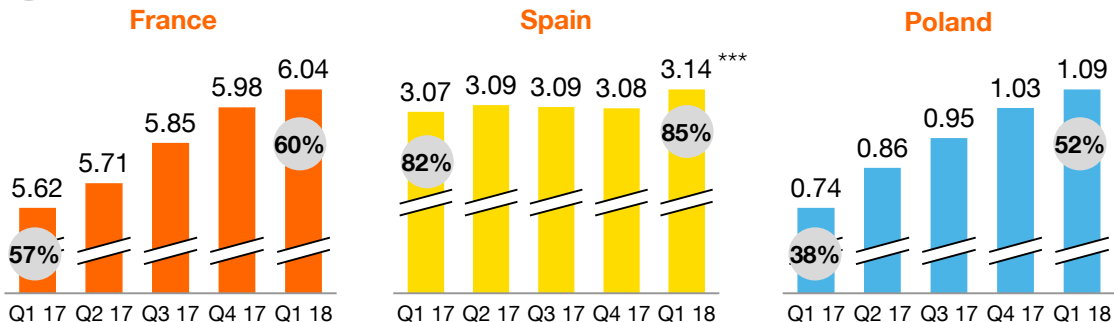
# Convergence, the bedrock of our strategy

**€1.7 bn** Convergent services revenues  
 **+14.1% yoy**



## Convergent B2C customer base in million

 % of broadband B2C customer base



## Churn improvement with convergence in Q1\*



**-2pts**



**-6pts**



**-5pts**

## Quarterly convergent ARPO, in €/month in Q1



**€64.8**  
+5.3% yoy



**€57.1**  
+3.8% yoy



**€24.1**  
-10.4% yoy\*\*

## Number of mobile lines per convergent offer ( Q1 yoy growth)



**1.56**  
+3.3% yoy



**1.86**  
+0.7% yoy



**1.91**  
+3.4% yoy

\* Churn differential between convergent B2C customers and total fixed BB B2C customers

\*\* YoY evolution calculated in local currency

\*\*\* Incl. the changes in customer base accounting



**Section two**

**Business review**

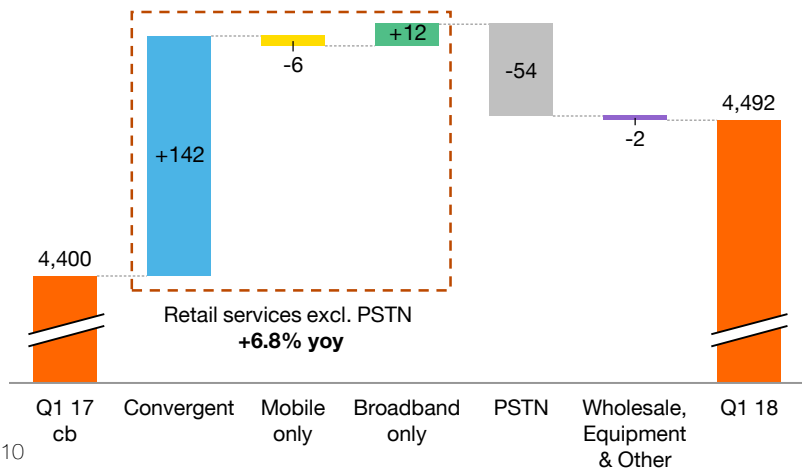
# Q1 2018 France

4<sup>th</sup> consecutive quarter of total revenues growth, driven by convergent services

in €m	Q1 18	Q1 17 cb	yoy cb
<b>Revenues</b>	<b>4,492</b>	<b>4,400</b>	<b>+2.1%</b>
<b>Retail services (B2C+B2B)</b>	<b>2,761</b>	<b>2,667</b>	<b>+3.5%</b>
Convergent services*	1,100	959	+14.8%
Mobile only services	599	605	-1.0%
Fixed only services	1,061	1,103	-3.8%
Fixed only broadband services	643	630	+2.0%
Fixed only narrowband services	418	473	-11.5%
<b>Wholesale</b>	<b>1,293</b>	<b>1,331</b>	<b>-2.9%</b>
<b>Equipment sales</b>	<b>317</b>	<b>284</b>	<b>+11.7%</b>
<b>Other revenues</b>	<b>121</b>	<b>118</b>	<b>+2.4%</b>

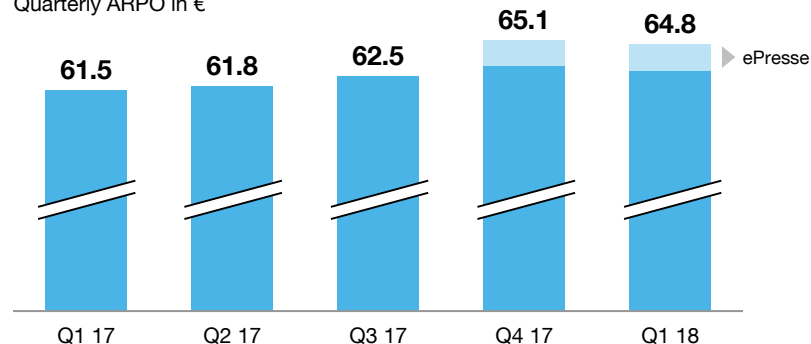
\*B2C only

## Revenue evolution (in €m)



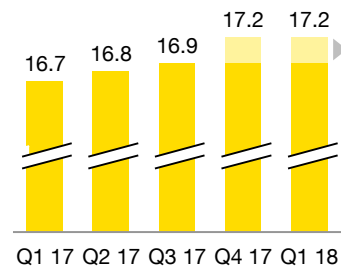
## Convergent B2C ARPO

Quarterly ARPO in €



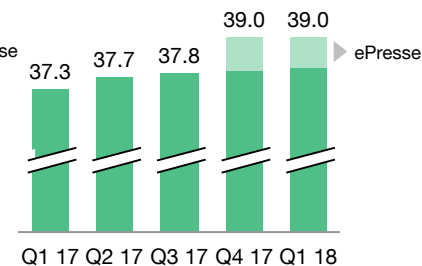
## Mobile only ARPO

Quarterly ARPO in €



## Broadband only ARPO

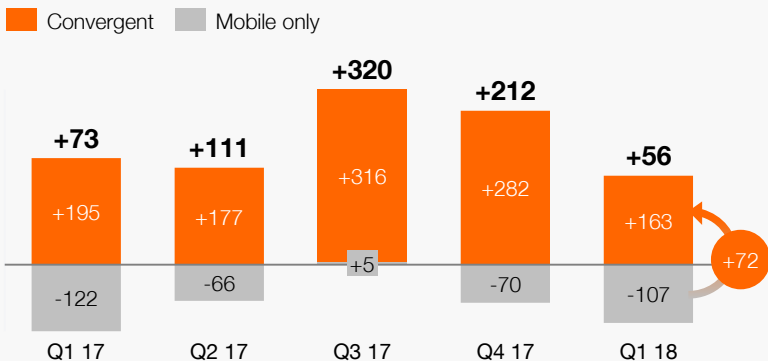
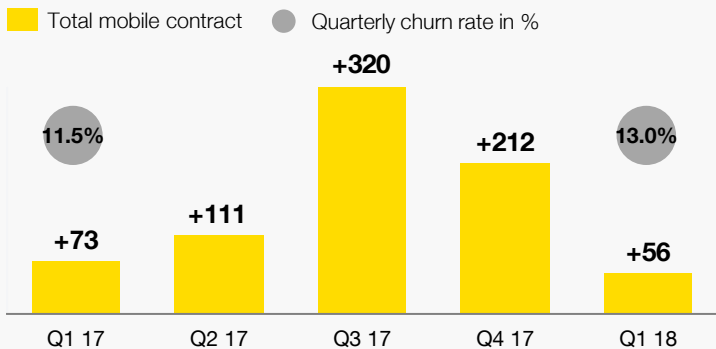
Quarterly ARPO in €



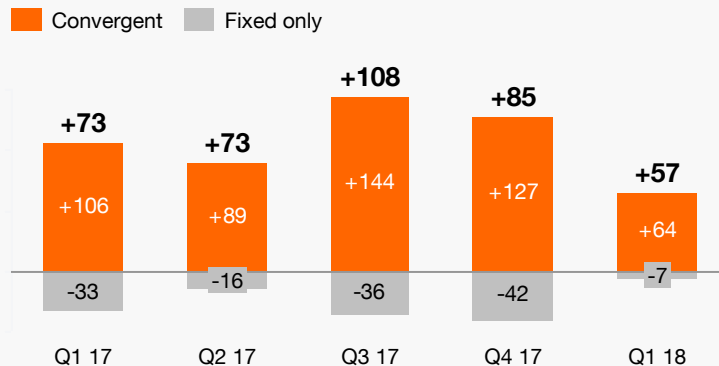
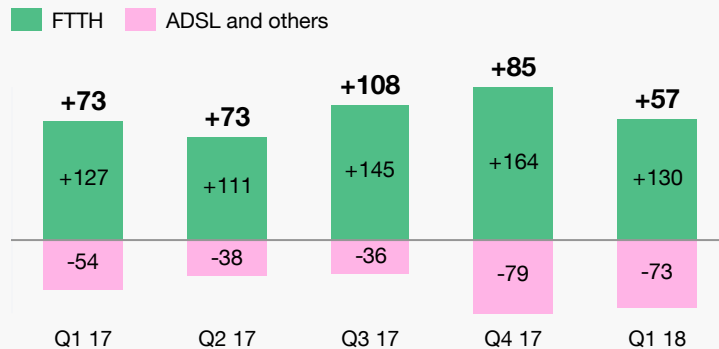
# Q1 2018 France : commercial performance

Strong high-end mobile and broadband net adds in a very promotional environment

## Mobile contract net adds (in '000s, excl. M2M)



## Fixed Broadband net adds (in '000s)



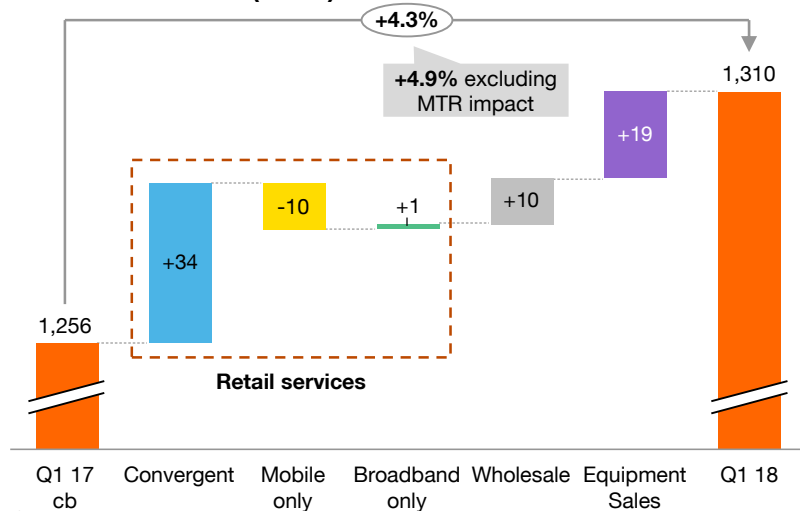
# Q1 2018 Spain

Another quarter of revenue growth, thanks to retail services, wholesale and equipment

in €m	Q1 18	Q1 17 cb	yoy cb
<b>Revenues</b>	<b>1,310</b>	<b>1,256</b>	<b>+4.3%</b>
<b>Retail services (B2C+B2B)</b>	947	922	+2.7%
Convergent services*	526	491	+7.0%
Mobile only services	299	309	-3.2%
Fixed only services	122	121	+0.9%
<b>Wholesale</b>	180	170	+5.7%
<b>Equipment sales</b>	183	165	+11.3%

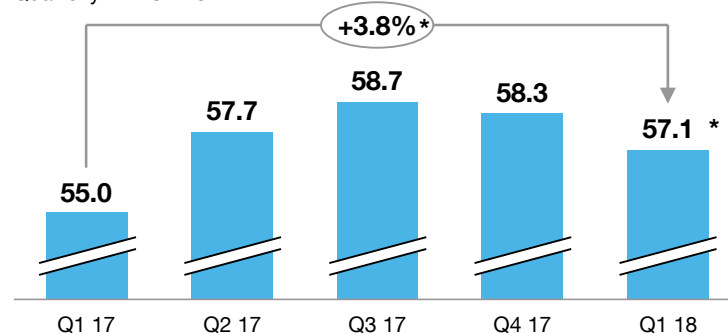
\*B2C only

## Revenue evolution (in €m)



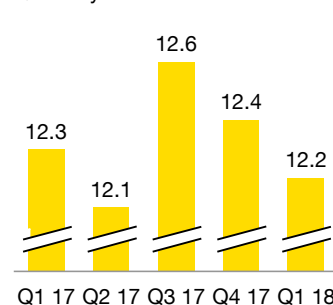
## Convergent B2C ARPO

Quarterly ARPO in €



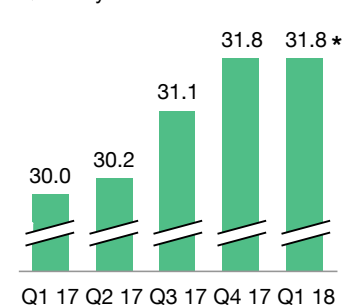
## Mobile only ARPO

Quarterly ARPO in €



## Broadband only ARPO

Quarterly ARPO in €

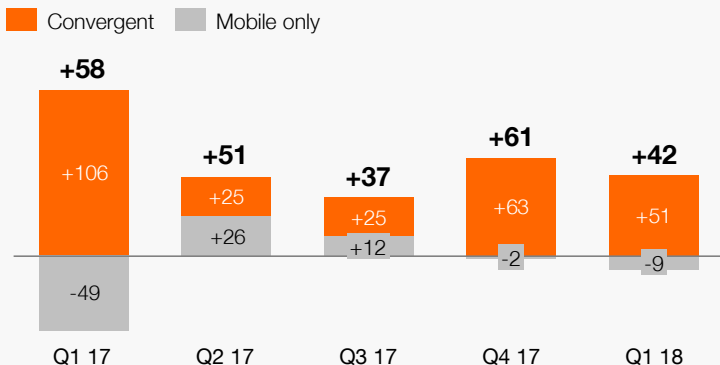
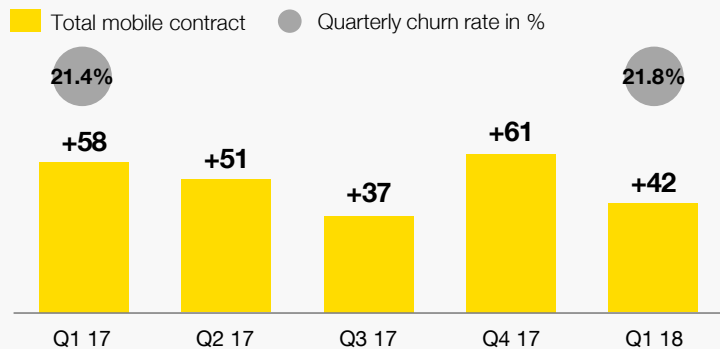


\* Impact of reclassification of a pool of customers from Fixed only broadband customer base to B2C Convergent customer base in 1Q 2018.

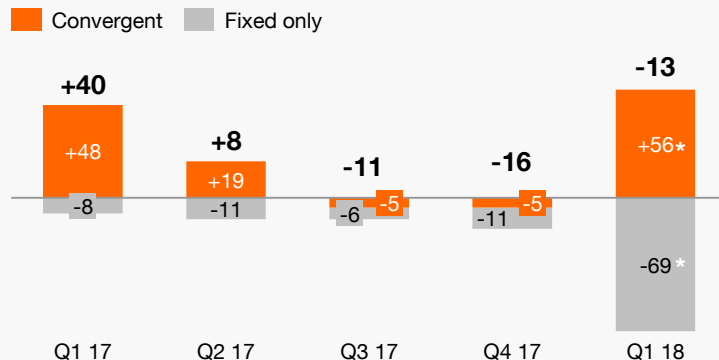
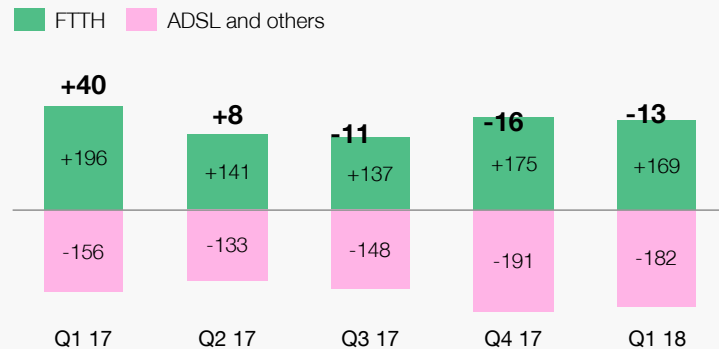
# Q1 2018 Spain : commercial performance

A value driven approach in a very competitive environment

## Mobile contract net adds (in '000s, excl. M2M)



## Fixed Broadband net adds (in '000s)



\* Impact of reclassification of a pool of customers from Fixed only broadband customer base to B2C Convergent customer base in 1Q 2018.

# Q1 2018 Poland

Fixed broadband performance reflects the relevance of VHBB and convergent strategy

in €m	Q1 18	Q1 17 cb	yoy cb
<b>Revenues</b>	<b>648</b>	<b>652</b>	<b>-0.6%</b>
<b>Retail services (B2C+B2B)</b>	<b>411</b>	<b>415</b>	<b>-1.0%</b>
Convergent services*	70	49	+42.9%
Mobile only services	165	175	-6.0%
Fixed only services	150	169	-11.4%
IT & integration services	27	22	+22.1%
<b>Wholesale</b>	<b>139</b>	<b>122</b>	<b>+13.2%</b>
<b>Equipment sales</b>	<b>84</b>	<b>96</b>	<b>-12.0%</b>
<b>Other revenues</b>	<b>15</b>	<b>20</b>	<b>-23.8%</b>

\*B2C only



2.7m

FTTH connectable homes

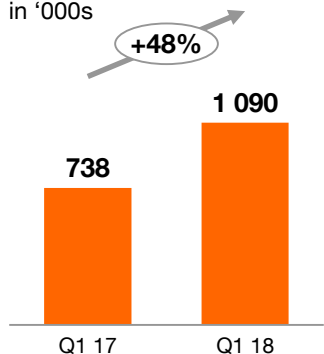


52%

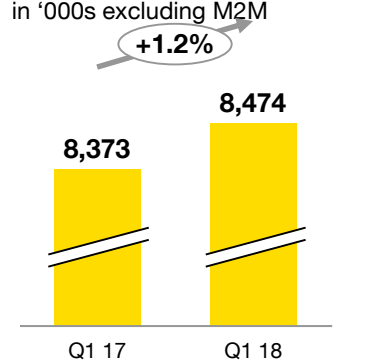
% of broadband B2C convergent customers



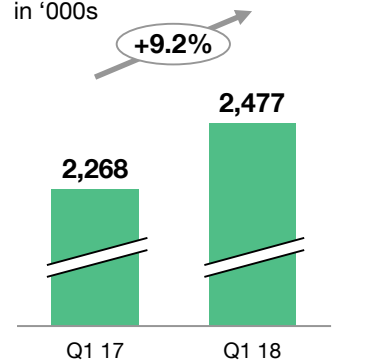
B2C convergent customers in '000s



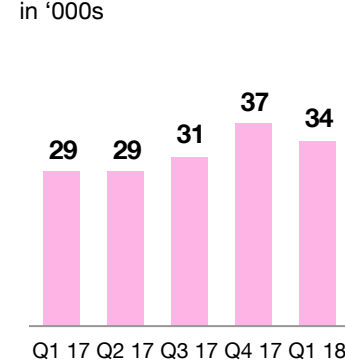
Mobile contract customer base in '000s excluding M2M



Fixed broadband customer base in '000s



FTTH net-adds in '000s



# Q1 2018 Belgium & Luxembourg

Solid customer net adds driven by convergence and unlimited offers

in €m	Q1 18	Q1 17 cb	yoy cb
<b>Revenues</b>	<b>307</b>	<b>304</b>	<b>+0.9%</b>
<b>Retail services (B2C+B2B)</b>	<b>181</b>	<b>171</b>	<b>+6.2%</b>
Convergent services*	21	8	+158.4%
Mobile only services	150	151	-1.0%
Fixed only services	10	10	-6.2%
IT & integration services	1	1	+5.4%
<b>Wholesale</b>	<b>77</b>	<b>90</b>	<b>-14.2%</b>
<b>Equipment sales</b>	<b>32</b>	<b>29</b>	<b>+9.9%</b>
<b>Other revenues</b>	<b>16</b>	<b>14</b>	<b>+15.3%</b>

\*B2C only



2.4m

Mobile contract customers in excl. M2M

+3.8%

yoy

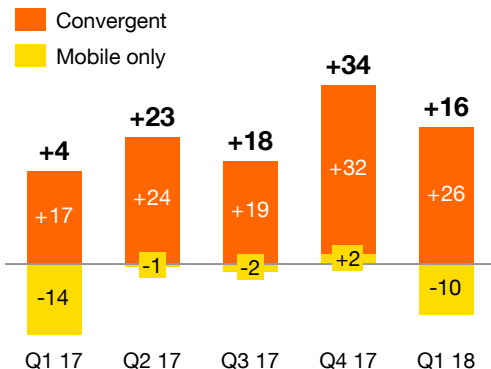


126k

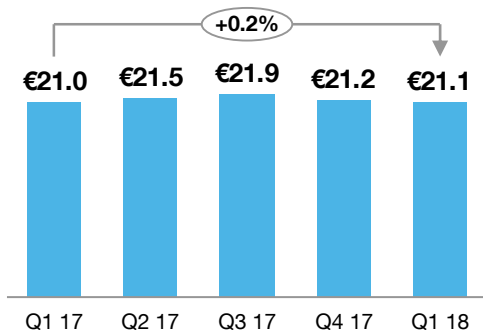
TV customers

x2

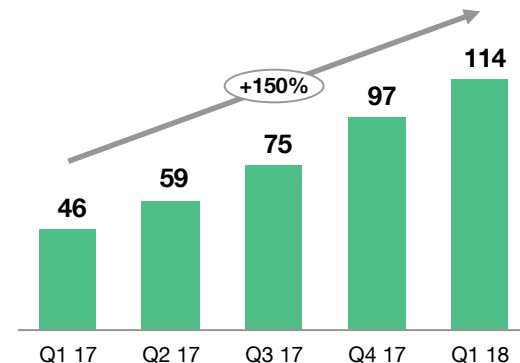
**Mobile contract net adds**  
in '000s excluding M2M



**Belgium mobile only contract ARPO**



**Convergent B2C customer base**  
in '000s, yoy growth in %



# Q1 2018 Central European countries

Strong level of revenues growth maintained thanks to 4G penetration and wholesale

<i>in €m</i>	Q1 18	Q1 17 cb	yoy cb
<b>Revenues</b>	<b>435</b>	<b>405</b>	<b>+7.3%</b>
<b>Retail services (B2C+B2B)</b>	<b>263</b>	<b>260</b>	<b>+1.2%</b>
Convergent services*	11	7	+67.6%
Mobile only services	229	232	-1.3%
Fixed only services	20	19	+1.3%
IT & integration services	3	2	+59.1%
<b>Wholesale</b>	<b>73</b>	<b>65</b>	<b>+12.8%</b>
<b>Equipment sales</b>	<b>91</b>	<b>74</b>	<b>+24.0%</b>
<b>Other revenues</b>	<b>7</b>	<b>7</b>	<b>+8.5%</b>

\*B2C only



4.8m

4G customers

+36%

yoy



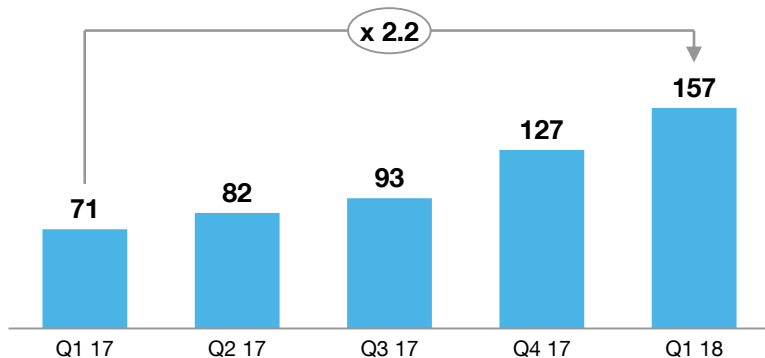
179k

Fixed VHBB\*\* customers

+37%

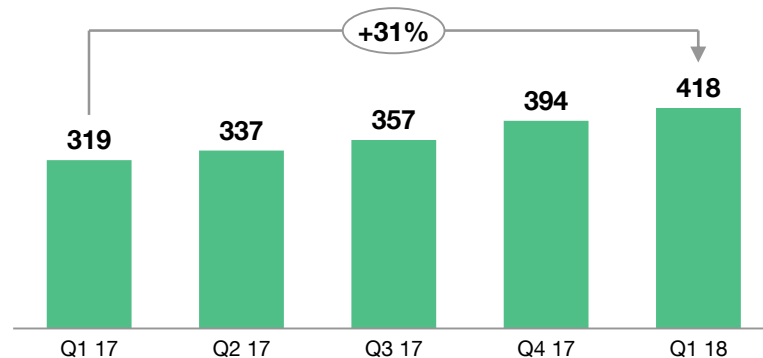
## Broadband convergence customer base

in '000s



## Central Europe Fixed broadband customer base

in '000s





# Q1 2018 Africa & Middle East

Revenues accelerated growth at +6.2% driven by Data, Orange Money, and B2B

in €m	Q1 18	Q1 17 cb	yoy cb
<b>Revenues</b>	<b>1,245</b>	<b>1,173</b>	<b>+6.2%</b>
<b>Retail services (B2C+B2B)</b>	<b>1,016</b>	<b>936</b>	<b>+8.5%</b>
Mobile only services	910	832	+9.4%
Fixed only services	103	102	+1.1%
IT & integration services	3	2	+39.5%
<b>Wholesale</b>	<b>200</b>	<b>215</b>	<b>-6.9%</b>
Equipment sales	20	14	+43.7%
Other revenues	10	8	+16.2%



**11.7m\***

4G customers



**~2/3**

of revenue growth coming from Data

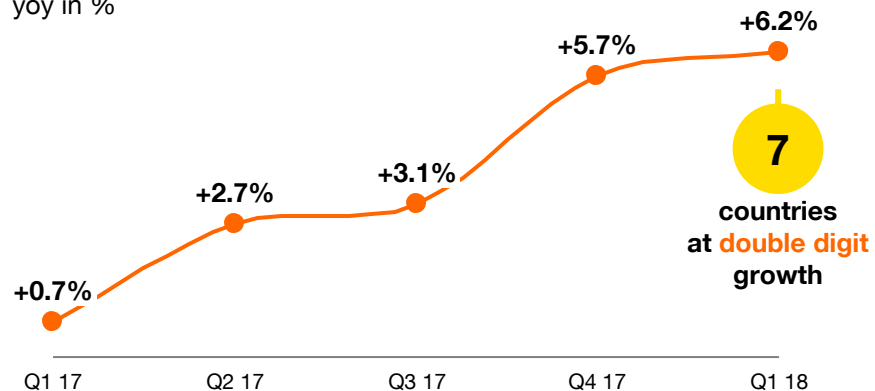


**+9.8%**

B2B revenue growth yoy in Q1

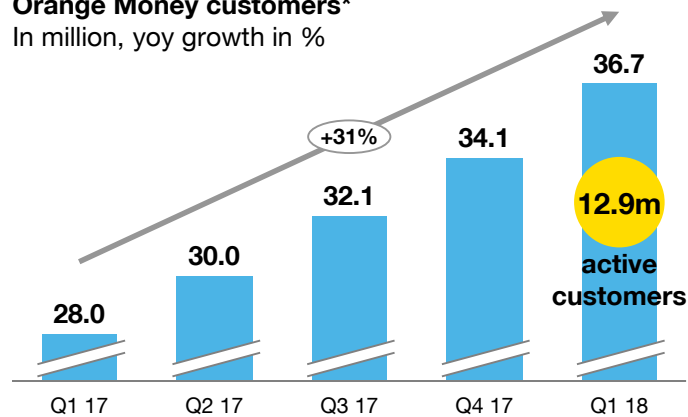
## Revenues growth

yoy in %



## Orange Money customers\*

In million, yoy growth in %



\* Incl. the changes in customer base accounting

# Q1 2018 Enterprise

Good resilience of revenues, supported by mobile equipment and IT growth levers

in €m	Q1 18	Q1 17 cb	yoy cb
<b>Revenues</b>	<b>1,726</b>	<b>1,748</b>	<b>-1.3%</b>
<b>Fixed only services</b>	<b>989</b>	<b>1,017</b>	<b>-2.7%</b>
Voice	349	355	-1.6%
Data	640	662	-3.4%
<b>IT &amp; integration services</b>	<b>494</b>	<b>492</b>	<b>+0.4%</b>
<b>Mobile*</b>	<b>242</b>	<b>238</b>	<b>+1.8%</b>

\*Mobile = Mobile Only Services + Equipment sales + Wholesale



Cyberdefense  
Q1 revenue growth

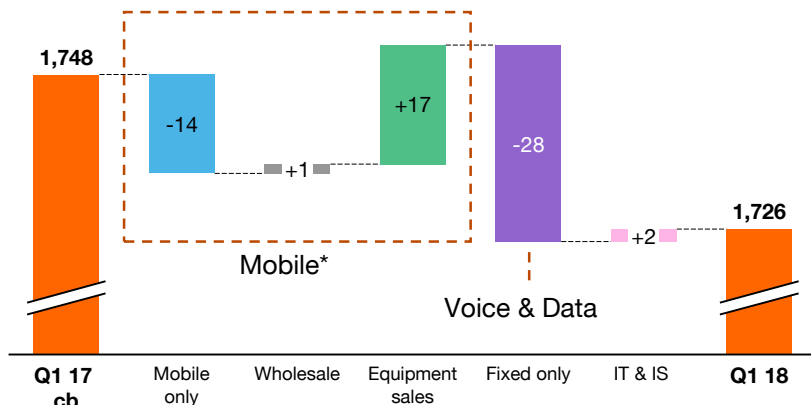
**+20%** yoy



Cloud  
Q1 revenue growth

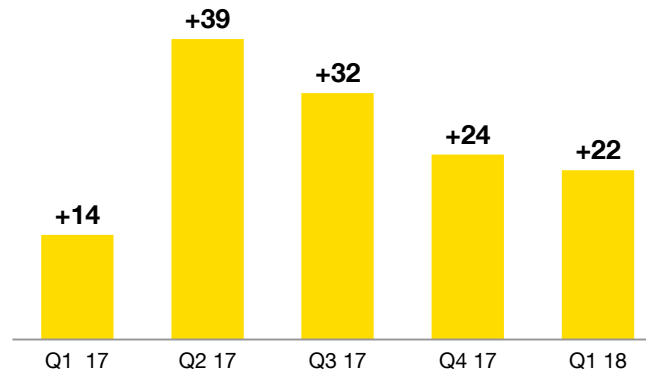
**+17%** yoy

## Revenue evolution (in €m)



## Mobile contract net adds excl.M2M (mostly in France)

in '000s



# Section three

# 2018 guidance

# Short and mid-term guidance

	<b>2018</b>	<b>2019-2020</b>
<b>Adjusted EBITDA</b>	Higher growth rate vs 2017	Growth
<b>CAPEX</b>	€7.4bn (peak)	Decrease
<b>Operating Cash Flow *</b>	Higher growth rate vs 2017	Growth
<b>Net debt / Adjusted EBITDA (telecom)</b>	Around 2x in the medium term	
<b>Dividend</b>	€70 cent (↗ +€5 cent)	New floor of €70 cent

# Appendices

## Appendix: B2C + B2B Orange customers in France

<b>Mobile KPIs (in thousands)</b>	<b>Q1 16</b>	<b>Q2 16</b>	<b>Q3 16</b>	<b>Q4 16</b>	<b>Q1 17</b>	<b>Q2 17</b>	<b>Q3 17</b>	<b>Q4 17</b>	<b>Q1 18</b>
<b>Mobile customers (excl. MVNOs)</b>	<b>28,612</b>	<b>28,966</b>	<b>29,508</b>	<b>30,033</b>	<b>30,489</b>	<b>31,150</b>	<b>31,624</b>	<b>31,777</b>	<b>32,012</b>
Contract	24,581	25,069	25,759	26,486	27,090	27,842	28,433	28,821	29,184
M2M	4,277	4,611	5,115	5,711	6,228	6,829	7,068	7,220	7,506
Excluding M2M	20,305	20,457	20,644	20,775	20,862	21,012	21,365	21,601	21,678
Prepaid	4,030	3,897	3,748	3,547	3,398	3,308	3,191	2,956	2,827
<b>Mobile volume market share (in %)*</b>	<b>35.1%</b>	<b>35.3%</b>	<b>35.4%</b>	<b>35.5%</b>	<b>35.6%</b>	<b>35.8%</b>	<b>35.8%</b>	<b>35.6%</b>	<b>35.4%</b>

<b>Fixed KPIs (in thousands)</b>	<b>Q1 16</b>	<b>Q2 16</b>	<b>Q3 16</b>	<b>Q4 16</b>	<b>Q1 17</b>	<b>Q2 17</b>	<b>Q3 17</b>	<b>Q4 17</b>	<b>Q1 18</b>
<b>Broadband customers</b>	<b>10,830</b>	<b>10,923</b>	<b>11,056</b>	<b>11,151</b>	<b>11,220</b>	<b>11,290</b>	<b>11,402</b>	<b>11,485</b>	<b>11,537</b>
o/w FTTH customers	1,075	1,181	1,308	1,452	1,579	1,690	1,835	1,999	2,129
o/w xDSL	9,698	9,686	9,693	9,643	9,587	9,548	9,517	9,438	9,362
<b>Broadband market share (in %)*</b>	<b>40.0%</b>	<b>40.1%</b>	<b>40.3%</b>	<b>40.2%</b>	<b>40.2%</b>	<b>40.2%</b>	<b>40.4%</b>	<b>40.4%</b>	<b>40.3%</b>
Net adds broadband market share (in %)*	45.3%	64.2%	58.1%	36.8%	30.3%	49.5%	60.6%	42.1%	28.0%

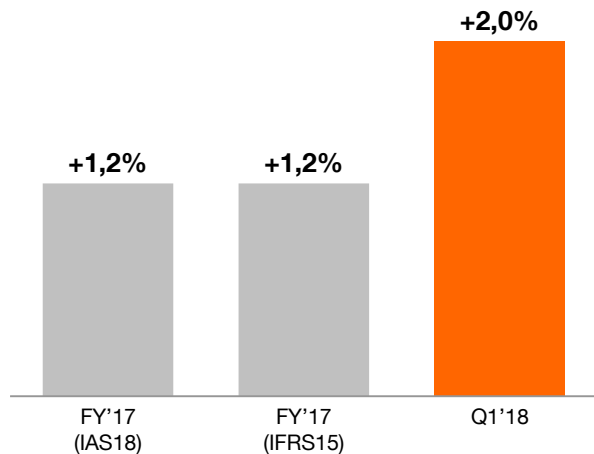
\* Numbers for the latest quarter are company estimates.

# EBITDA adjustments

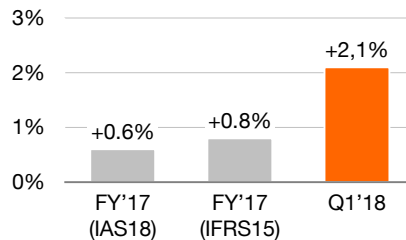
in €m	Q1'17 actual	Q1'17 cb	Q1'18
<b>Adjusted EBITDA</b>	<b>2,530</b>	<b>2,510</b>	<b>2,605</b>
restructuring and integration	-5	-5	-16
litigations	15	15	2
labour related	-24	-24	-13
portfolio review and others	-6	0	0
<b>Reported EBITDA</b>	<b>2,510</b>	<b>2,496</b>	<b>2,578</b>

# Revenues yoy evolution

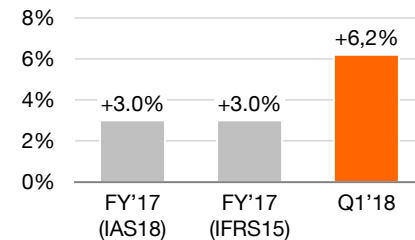
## Group



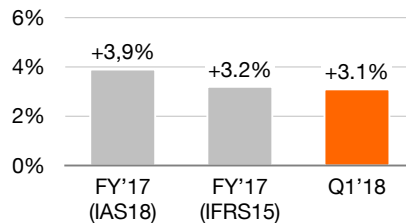
## France



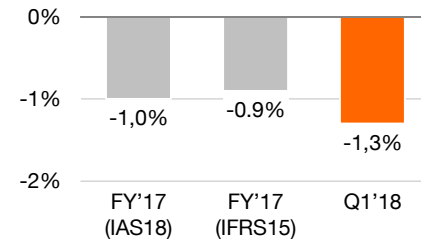
## Africa & the Middle-East



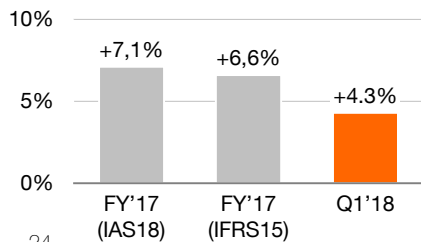
## Europe



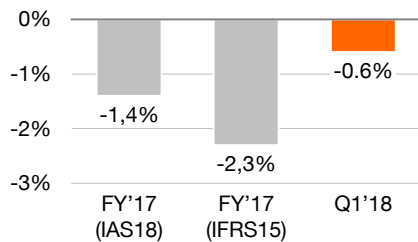
## Enterprise



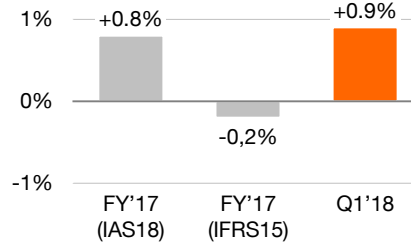
## Spain



## Poland



## Belgium & Luxemburg



## Central European countries

