

Orange financial results

#H1_2019



25 July 2019

Stéphane Richard
Chairman and CEO

Ramon Fernandez
Deputy CEO, Finance, Performance and Europe



Disclaimer

This presentation contains forward-looking statements about Orange, notably on objectives and trends related to Orange's financial situation, investments, results of operations, business and strategy. These forward-looking statements do not constitute a forecast as defined in EU Commission Regulation No. 809/2004 and 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. More detailed information on the potential risks that could affect our financial results is included in the Registration Document filed on 21 March 2019 with the French Autorité des Marchés Financiers (AMF) and in the annual report (Form 20-F) filed on 16 April 2019 with the U.S. Securities and Exchange Commission. Other than as required by law, Orange does not undertake any obligation to update them in light of new information or future developments.

1

H1 2019 highlights

2

Financial results overview

3

Business review

4

2019 guidance

H1 2019 Group achievements

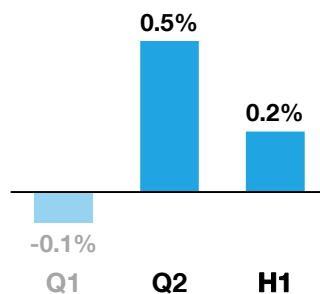
yoy : comparison with the same period of the previous year, on a comparable basis unless otherwise specified

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



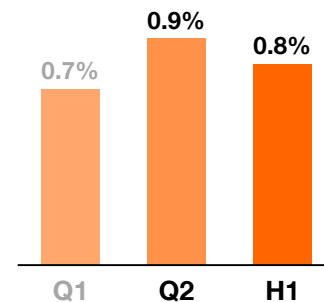
Revenue
€ 20.6 bn

2019 yoy cb growth



EBITDAaL
€ 6.0 bn

2019 yoy cb growth



Q2 excl. ePresse / Audio Book

EBITDAaL
+1.5%
yoy

EBITDAaL
margin
+0.2pt
yoy

eCAPEX
€ 3.5
billion

Investments efforts accelerated as fiber roll-out in France speeds up

Group	Telecom
H1 2019 eCAPEX	+5.6%
€3.5bn	+€186m
+ 5.5% yoy	yoy
+ €182m yoy	
As % of rev.	17.0%
	+0.9 pt yoy

H1 19 Network highlights



4G

4G coverage above 94% of population in all **European** countries

4G in **15 MEA** countries

5G

First tests with commercial mobile handsets



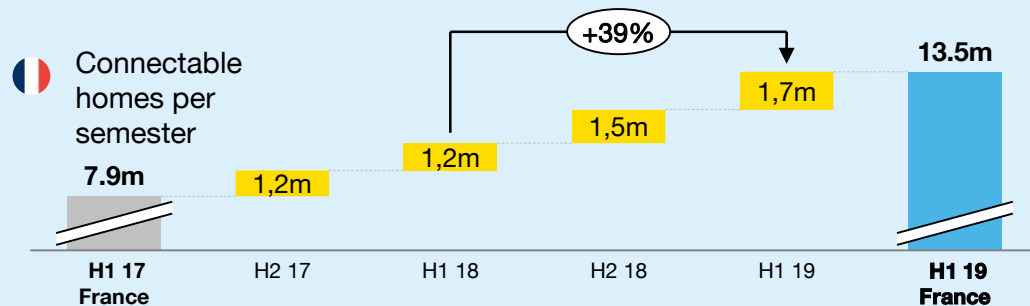
35m

VHBB connectable lines

o/w **34m** FTTH (+23% yoy)

o/w **14.4m** lines in Spain **+13% yoy**

o/w **3.8m** lines in Poland **+30% yoy**



* VHBB > 100 Mbps

Solid commercial momentum driven by Convergence, VHBB and 4G

VHBB > 100 Mbps
Details on convergence on slide 23



Convergence

10.6m **+4%**
customers* yoy

€3.5bn **+4%**
H1 19 revenue yoy

VHBB

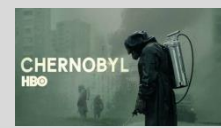
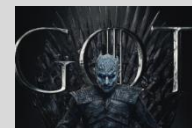
7m **+28%**
Customers , o/w 6.8 m FTTH yoy

4G

62.1m **+24%**
Customers yoy

TV

9.7m **+5%**
customers yoy




OCS :+400k customers qoq

*Group. In France, Open only


Successful execution of Orange multi-services strategy

Enriched B2C and B2B Services

Mobile Finance Services



320k Customers*



41.9m Customers

5G Orange Business 2019 summit
1100 B2B customers present – focus on co-innovation



M&A



TRUSTED CYBERSECURITY EXPERTS



Infrastructure Security Solutions

Focus on Cybersecurity

A solid & critical growth engine for B2B...



+22% yoy growth in H119



3.7k customers**



2.1k employees**



Securing the B2B digital value chain



...with an ambition to be # 1 in Europe
in a market that is expected to grow >10% ***



*Customers signed on Orange Bank offers, i.e. excluding Groupama legacy customers

**Including Secure Data & Secure link

*** Source cabinet Pierre Audoin Consultants (PAC)

1

H1 2019 highlights

2

Financial results overview

3

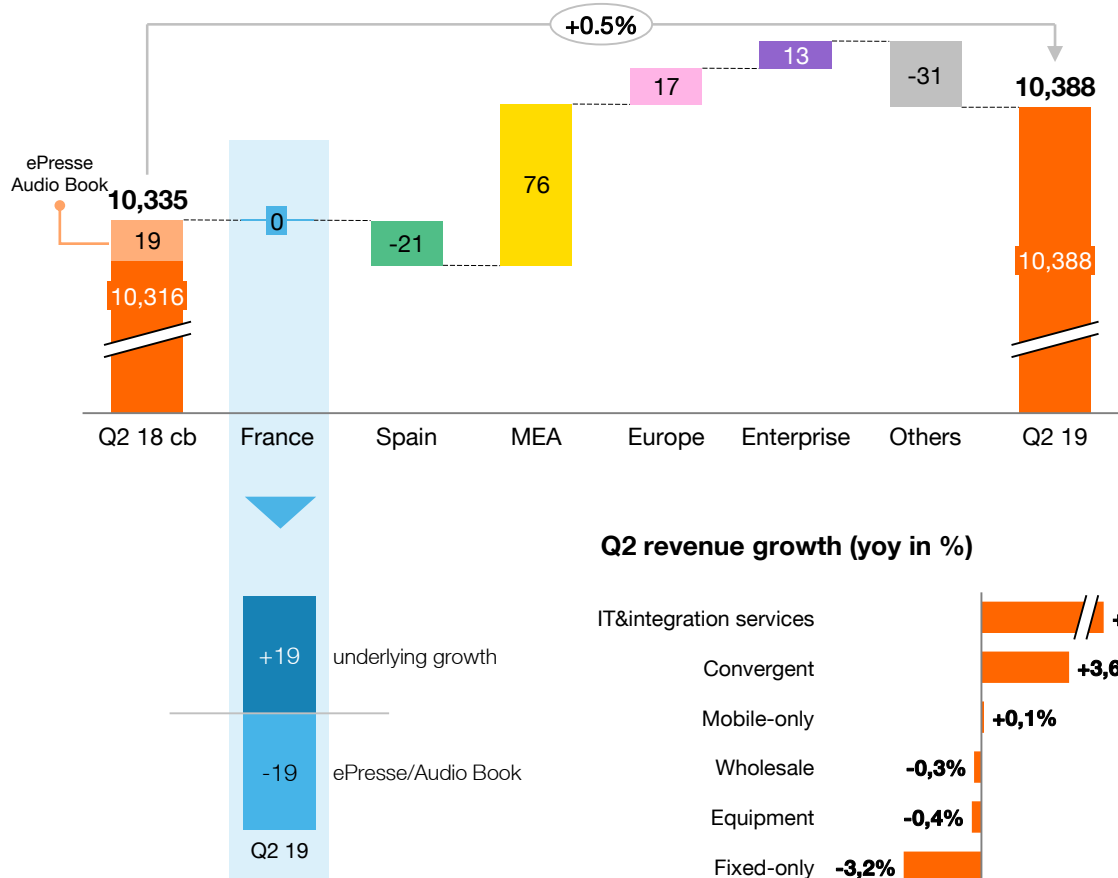
Business review

4

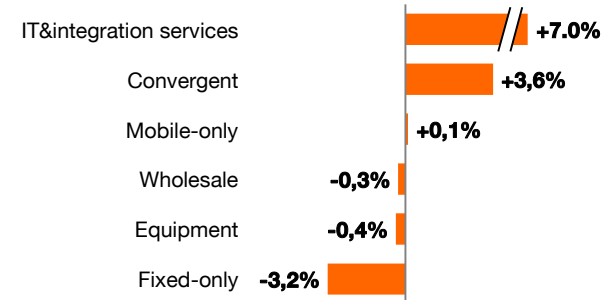
2019 guidance

Revenues returning to growth in Q2

Q2 revenue growth contribution (yoy in €m)



Q2 revenue growth (yoy in %)

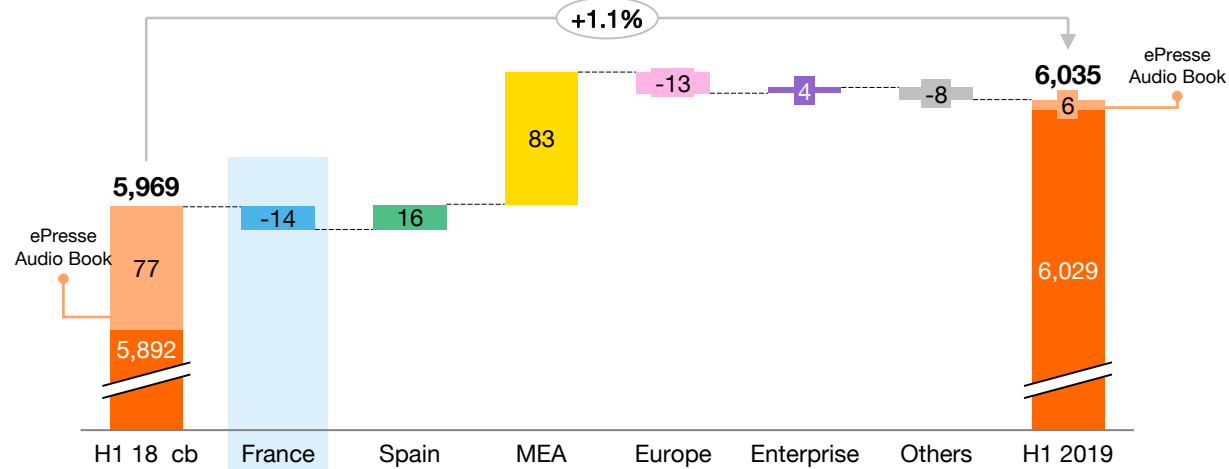


	Q2 2019	H1 2019
H1 2019 revenue*	yoy +0.5% +€53m	yoy +0.2% +€40m
€20.6bn	ex. ePresse / Audiobook +0.7% +€73m	ex. ePresse / Audiobook +0.5% +€111m

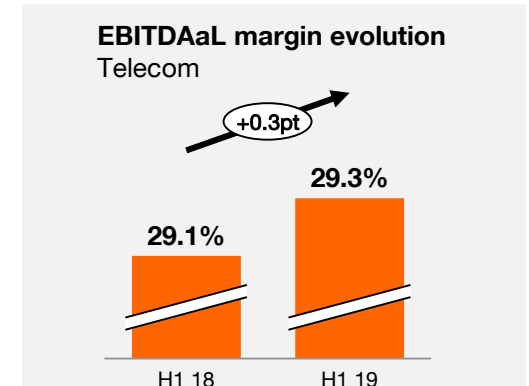
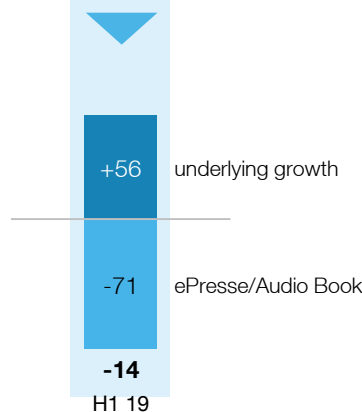
* Orange Bank Net Banking Income is not included in Group revenues but in "Other operating income", that is below the revenue line and feeds directly into consolidated EBITDAaL.

EBITDAaL growth fuelled by MEA and Spain and resilience in France

H1 19 EBITDAaL (Telecom) growth per segment (yoy in €m)



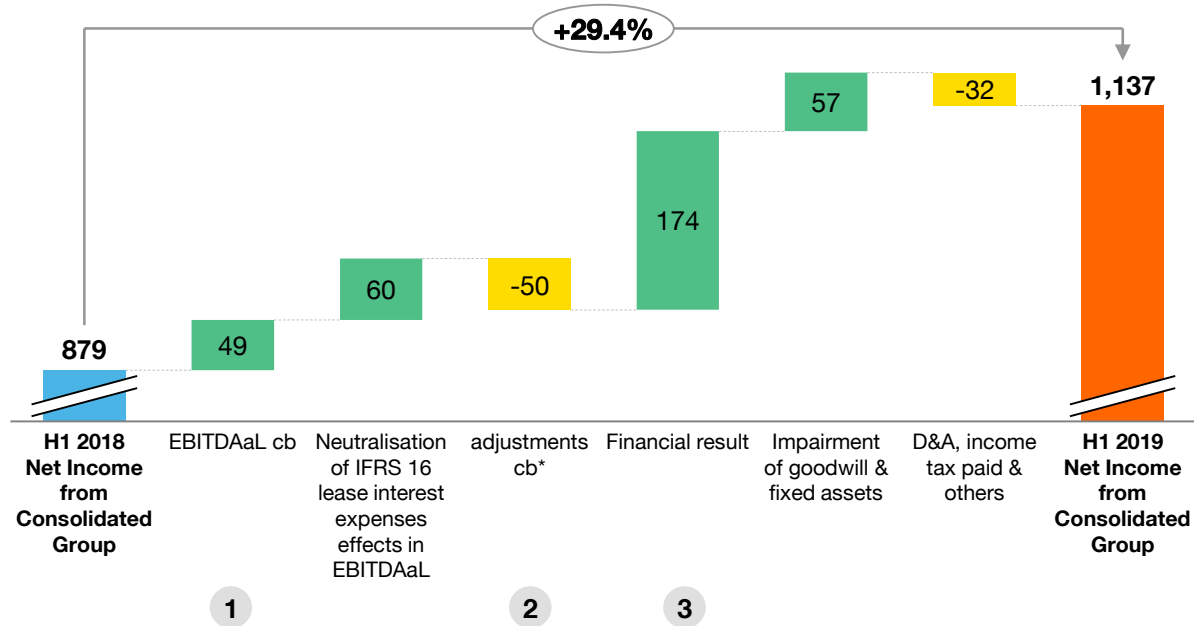
	Q2 2019	H1 2019
H1 2019 EBITDAaL (Telecom)	yoy +1.0% +€34m	yoy +1.1% +€67m
€6.04bn	As % of rev. 32.8% +0.2pt yoy	As % of rev. 29.3% +0.3pt yoy



Net income grew +29.4%

H1 2019
Net income
€1.1bn

H1 2019
yoy
+29.4%
+€258m



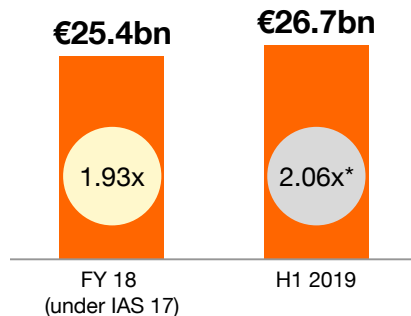
1. EBITDAaL improvement yoy
2. Adjustments relate to restructuring and integration, litigations, labour and portfolio review
3. Includes favourable base effect related to loss on BT shares

* See details on slide 25

Net debt to EBITDAaL ratio in line with the medium term guidance

Net debt** - telecom activities

- Net Debt / EBITDAaL Telecom
- Net Debt / adjusted EBITDA Telecom

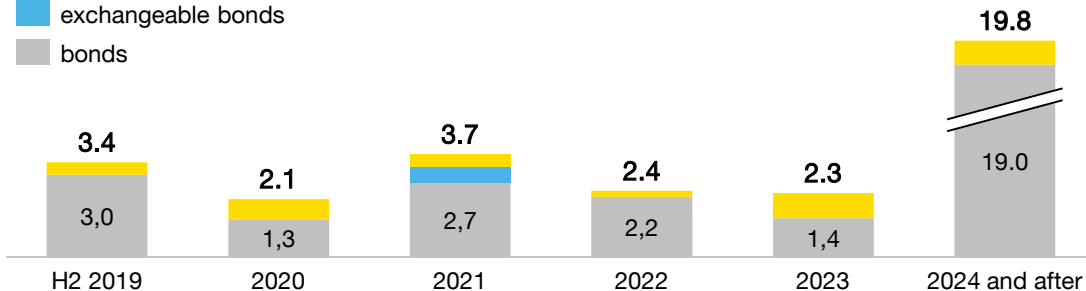


*H1 19 net debt does not include the cash received from the disposal of the BT shares which was finalized on June, 28th with a settlement on July, 2nd.

Maturity profile*** as of 30 June 2019 - telecom activities

in €bn

- bank loans and others****
- exchangeable bonds
- bonds



Liquidity position end of H1 19 (telecom activities)

€ 14.6 bn

o/w €8.4bn in cash

1

H1 2019 highlights

2

Financial results overview

3

Business review

4

2019 guidance

Q2 2019 France

Growth in convergent and wholesale services. Resilient total revenues despite ePresse/Audio books effect

in €m	Q2 19	yoy cb	H1 19	yoy cb
Revenues	4,467	0.0%	8,874	-0.9%
Retail services	2,683	-1.5%	5,375	-2.1%
Convergent services*	1,080	+4.0%	2,153	+3.3%
Mobile only services	582	-3.7%	1,168	-4.4%
Fixed only services	1,020	-5.7%	2,054	-5.8%
Fixed only broadband	670	-0.5%	1,337	-1.0%
Fixed only narrowband	350	-14.2%	717	-13.6%
Wholesale	1,372	+3.3%	2,672	+2.1%
Equipment sales	281	-4.4%	578	-5.4%
Other revenues	132	+9.0%	249	+3.1%
EBITDAaL			3,281	-0.4%
EBITDAaL margin			37.0%	+0.2pt
eCAPEX			1,862	+11.6%
eCAPEX/revenues			21.0%	+2.4pt

*B2C only

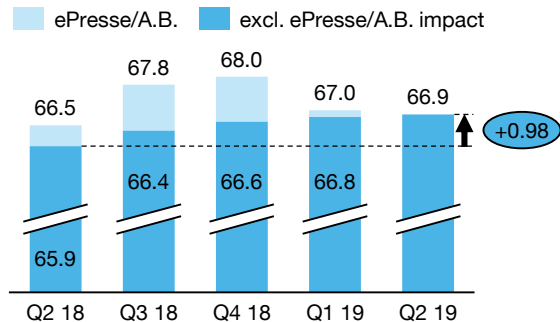
Q2'19 yoy growth excl. ePresse/Audio book :

- Total revenues ▶ +0.4%
- Convergent Services ▶ +5.0%
- Retail services excl. PSTN ▶ +1.5%

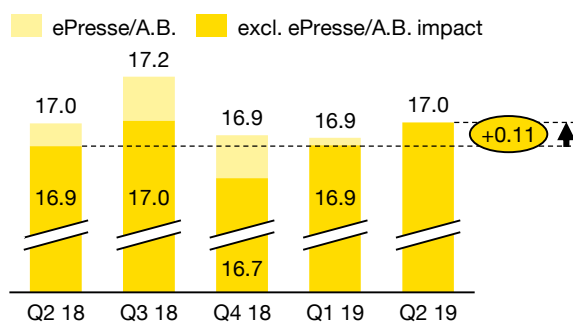
H1'19 yoy growth excl. ePresse/Audio book :

- EBITDAaL ▶ +1.8%

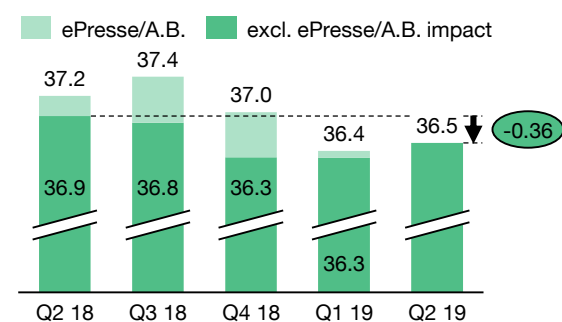
Convergent quarterly B2C ARPO** (in €)



Mobile only quarterly ARPO (in €)




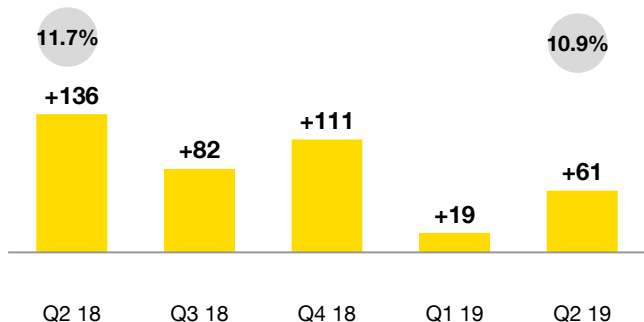
Broadband only quarterly ARPO (in €)




Q2 2019 France commercial performance

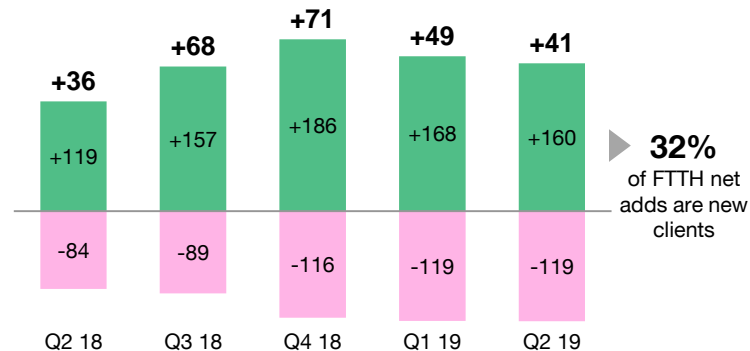
Solid performance in mobile, fixed and convergence with decrease in churn in mobile

 Mobile contract net adds (in '000s) and churn rate
■ net adds excl M2M ● quarterly churn rate in %




55%
of broadband B2C Customers are on Open **convergent** offers (+0.4pt yoy)

 Fixed BB net adds (in '000s)
■ FTTH ■ ADSL and others




4G **99%** of 4G population coverage (+1.0pt yoy) **#1 position**

 **82%** of B2C **voice contract** customers have a **4G plan** (+6pts yoy)

 **+2.3%** Number of mobile **lines per convergent** offer (Q2 yoy growth)

 **13.5m** of **FTTH** connectable homes (+31% yoy)

 **2.9m** of **FTTH** customers (+30% yoy)

 **+4.1pts** Growth of B2C broadband **convergent** customer **premium** mix**, yoy


Q2 2019 Spain

Adapting to a very competitive environment while protecting EBITDAaL

in €m	Q2 19	yoy cb	H1 19	yoy cb
Revenues	1,306	-1.6%	2,624	-0.6%
Retail services	936	-3.9%	1,889	-1.7%
Convergent services*	518	-3.6%	1,049	-1.3%
Mobile only services	288	-7.8%	584	-4.7%
Fixed only services	128	+4.1%	254	+3.3%
Wholesale	208	+9.8%	418	+13.6%
Equipment sales	162	-1.3%	317	-9.7%
EBITDAaL			787	+2.0%
EBITDAaL margin			30.0%	+0.8pt
eCAPEX			529	-7.8%
eCAPEX/revenues			20.2%	-1.6pt

*B2C only


84% Convergence as % of broadband B2C customer base




75% Fiber penetration in BB customer base



66% 4G penetration in mobile customer base

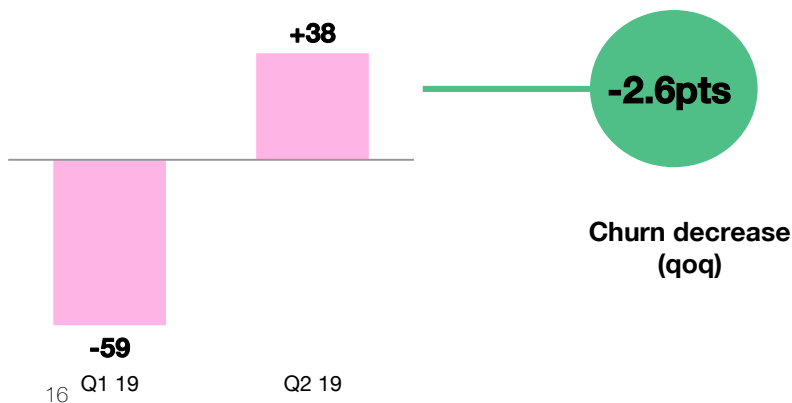


16% TV penetration in BB customer base

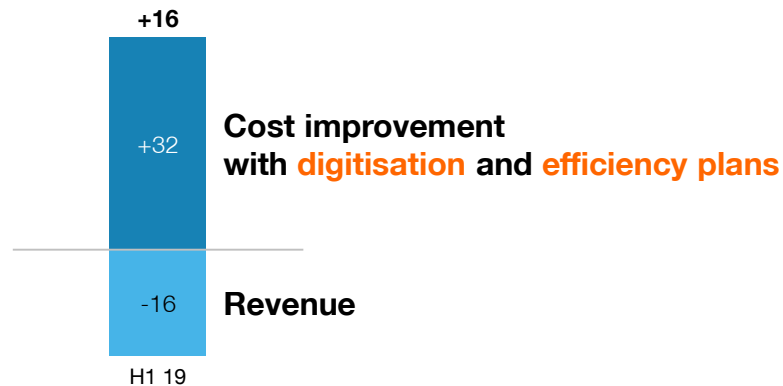


Mobile contract net adds

in '000s, excl.M2M



EBITDAaL keeps growing



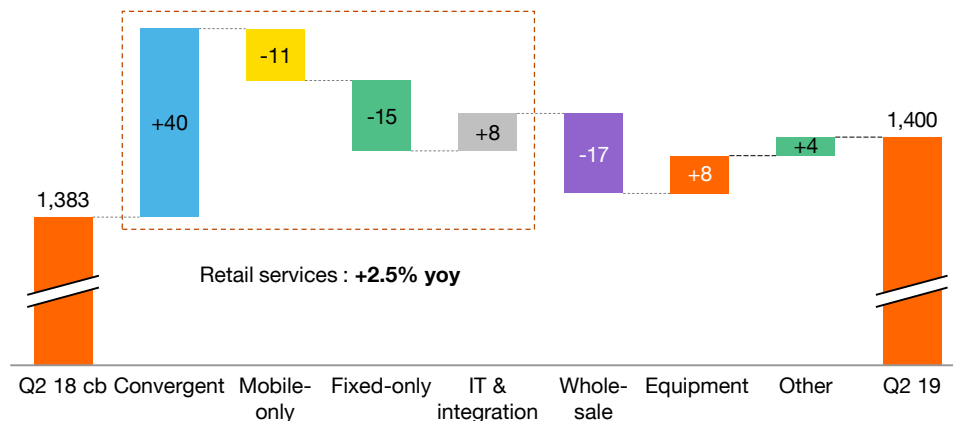
Q2 2019 Europe

Convergence driving solid trends in retail services; EBITDAaL trend mostly impacted by loss of MVNO revenues last year

in €m	Q2 19	yoy cb	H1 19	yoy cb
Revenues	1,400	+1.2%	2,789	+1.3%
Retail services	893	+2.5%	1,768	+3.0%
Convergent services*	151	+35.5%	293	+39.0%
Mobile only services	536	-2.1%	1,065	-2.0%
Fixed only services	162	-8.5%	326	-7.3%
IT & integration services	44	+22.8%	84	+26.7%
Wholesale	270	-5.8%	530	-6.9%
Equipment sales	198	+4.3%	401	+1.4%
Other revenues	39	+9.9%	90	+23.5%
EBITDAaL			708	-1.8%
EBITDAaL margin			25.4%	-0.8pt
eCAPEX			407	+9.0%
eCAPEX/revenues			14.6%	+1.0pt

*B2C only

Revenue evolution (in €m)



Mobile access network sharing agreement between Orange Belgium and Proximus

Multi-technologies
2G, 3G, 4G, **5G**

Investment :
~130m€ over 2020-2022

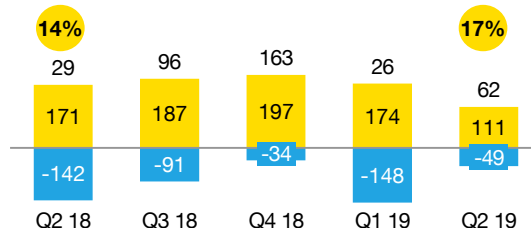
Gross saving :
~300m€ over 2020-2029
OPEX and CAPEX



IRR > 3x WACC

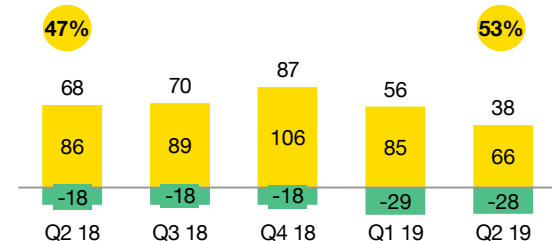
Europe, mobile contract net adds ex-M2M (in '000s)

■ Convergent
 ■ Mobile-only
 ● % convergence in base



Europe, Fixed Broadband net adds (in '000s)

■ Convergent
 ■ Broadband-only
 ● % convergence in base




Q2 2019 Africa & Middle East

EBITDAaL growth acceleration in another quarter of outstanding topline growth

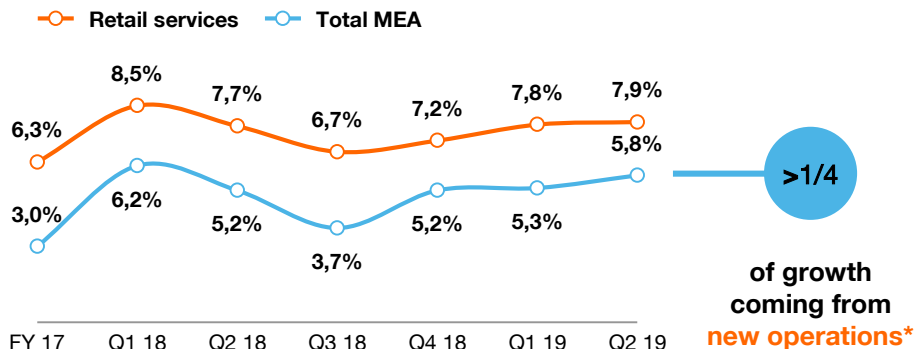
in €m	Q2 19	yoy cb	H1 19	yoy cb
Revenues	1,388	+5.8%	2,737	+5.6%
Retail services	1,163	+7.9%	2,289	+7.8%
Mobile only services	1,037	+7.2%	2,042	+7.4%
Fixed only services	123	+15.2%	240	+11.6%
IT & integration services	3	-13.5%	6	-0.3%
Wholesale	194	-7.5%	391	-6.1%
Equipment sales	24	16.7%	45	+9.1%
Other revenues	7	+97.3%	13	-5.3%
EBITDAaL			868	+10.5%
EBITDAaL margin			31.7%	+1.4pt
eCAPEX			418	+4.4%
eCAPEX/revenues			15.3%	-0.2pt

 **19.9m** 4G customers  +54% yoy

 **> 90%**
of Retail Services revenue growth in Q2 19 from
Data, Orange Money, and Fixed BB

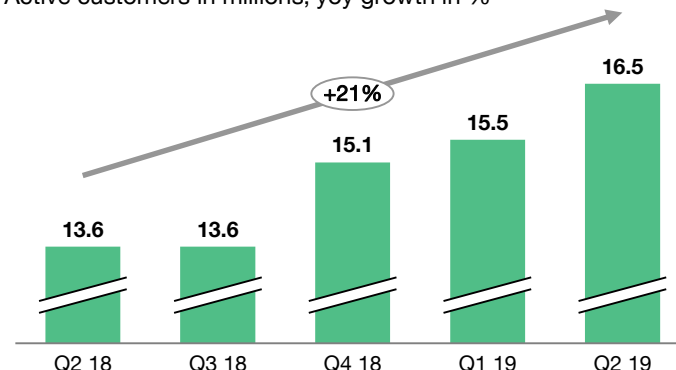
> 80% of revenue comes from sustainably solid retail services

Revenue cb yoy growth in %



>1/3 of 42m Orange Money customers are active **

Active customers in millions, yoy growth in %



Q2 2019 Enterprise

3rd quarter of growth in a row driven by the performance of IT&IS

in €m	Q2 19	yoy cb	H1 19	yoy cb
Revenues	1,940	+0.7%	3,770	+0.6%
Fixed only services	993	-2.6%	1,978	-1.9%
Voice	322	-7.5%	649	-6.8%
Data	670	-0.0%	1,329	+0.7%
IT & integration services	709	+6.6%	1,318	+5.7%
Mobile*	238	-1.8%	475	-2.1%
EBITDAaL			565	+0.6%
EBITDAaL margin			15.0%	0.0pt
eCAPEX			197	+11.7%
eCAPEX/revenues			5.2%	0.5pt

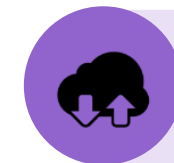
*Mobile = Mobile Only Services + Equipment Sales + Wholesale



Cybersecurity +15% yoy Revenue growth in Q2
Acquisition of **SecureLink**, one of the largest independent cybersecurity services providers in Europe

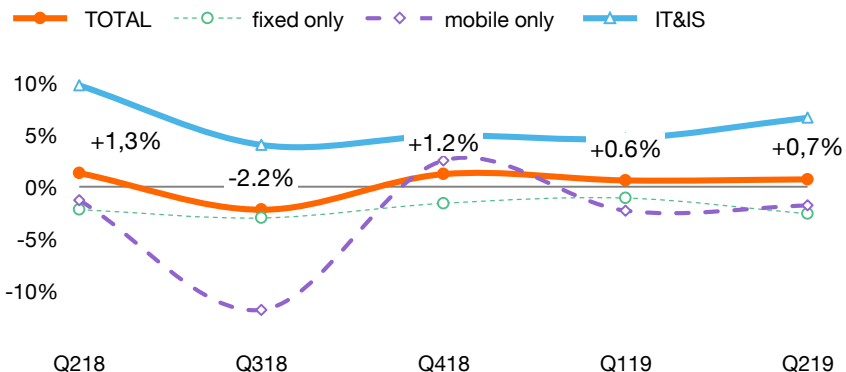


SDWAN big WIN: to implement Flexible SD-WAN for Sony in 50 countries
Global leading position confirmed by Gartner



Recognized as Rising Star Global on **Private/Hybrid Cloud*** and French leader in **Multicloud** services**

Revenues growth fueled by IT&IS (yoy in %)



*ISG research 2019

** Markess

1

H1 2019 highlights

2

Financial results overview

3

Business review


4

2019 guidance

Guidance

Excluding the impact from the network sharing deal with Vodafone in Spain

2019

EBITDAaL	Slight growth
eCAPEX ⁽¹⁾	Slight decrease from 2018 peak
Operating Cash Flow ⁽²⁾	Growth
Net debt ⁽³⁾ / EBITDAaL (telecom)	Around 2x in the medium term
Dividend	Floor of €70 cent ⁽⁴⁾  December 4 th , 2019 ⁽⁵⁾ 2019 interim of €0.30

⁽¹⁾ Economic CAPEX

⁽²⁾ EBITDAaL – Economic CAPEX

⁽³⁾ Excluding IFRS16 lease liabilities

⁽⁴⁾ Subject to shareholders' approval

⁽⁵⁾ ex-date December 2nd, record date December 3rd, payment date December 4th

Appendices

Convergence, the bedrock of our strategy

€ **3.5**bn

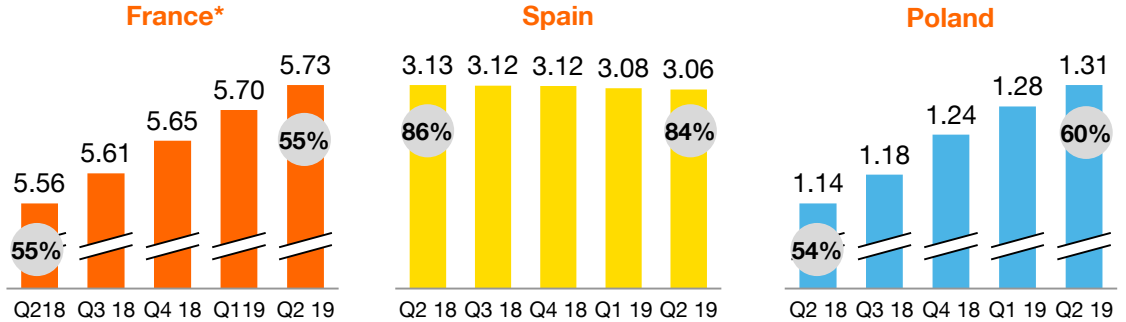
Convergent services
revenues in H1 2019

+4.1% yoy



Convergent B2C customer base in million

● % of broadband B2C customer base



Churn improvement with convergence in Q2**

-3pts

-4pts

-2pts

Quarterly convergent ARPO, in €/month in Q2

66.9€
+0.5% yoy

57.5€
-1,1% yoy

23.8€
-0,4% yoy***

Number of mobile lines per convergent offer (Q2 yoy growth)

1.65
+2.3% yoy

1.91
+2.2% yoy

1.90
-1.0% yoy

* cb Open customers only

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

*** YoY evolution calculated in local currency

Change in net income

(in millions of euros, on a historical basis)	H1 2018 historical	H1 2018 cb	H1 2019 actual
EBITDAaL	5,984	5,909	5,958
Neutralisation of IFRS 16 lease interest expenses effects in EBITDAaL	-	-	60
Adjustments*	(118)	(78)	(128)
Depreciation & amortization of fixed assets	(3,457)		(3,500)
Impairment of goodwill & fixed assets	(57)		-
Share of profit (losses) of associates	(3)		(4)
Other income / (charge)	1		2
Operating income	2,350		2,388
Effects resulting from BT shares	(163)		(119)
Financial result (excluding BT)	(749)		(619)
Tax	(559)		(513)
Net income from continuing activities	879		1,137
Net income from discontinued activities	-		-
Net income from consolidated Group	879		1,137
Minority interests	90		98
Net income Group share	789		1,039

* See details on slide 25

Adjustments

in €m	H1 18 historical	H1 18 cb	H1 19 actual
restructuring and integration	(62)	(64)	(85)
litigations	(32)	(32)	(65)
labour related	(24)	(24)	(46)
<i> o/w Senior Part Time</i>	<i>(24)</i>	<i>(24)</i>	<i>(46)</i>
portfolio review and others	(0)	42	68

Change in net debt

	2018 Actual (IAS 17)
<i>(in millions of euros, on a historical basis)</i>	
Adjusted EBITDA - CAPEX (telecom activities)	5,745
Change in working capital requirements	(199)
Change in CAPEX payables	(19)
Licences and spectrum paid	(422)
Net interest paid (including dividends received)	(1,208)
Income taxes paid	(928)
Other operational items	(954)
Dividends paid to owners of parent company	(1,860)
Dividends paid to non-controlling interests	(246)
Coupons on subordinated notes	(280)
Net of acquisitions and disposals	(276)
Other financial items*	(951)
Change in net debt	(1,598)
Net financial debt**	(25,441)
Ratio of net financial debt / Adjusted EBITDA of telecom activities	1.93x

	H1 2019 Actual
<i>(in millions of euros)</i>	
EBITDAaL - eCAPEX (telecom activities)	2,542
Change in working capital requirements	(574)
Change in eCAPEX payables	(252)
Licences and spectrum paid	(230)
Net interest paid (including dividends received)***	(704)
Income taxes paid	(640)
Other operational items	(257)
Dividends paid to owners of parent company	(1,061)
Dividends paid to non-controlling interests	(243)
Coupons and other fees on subordinated notes	(267)
Net of acquisitions and disposals	(152)
Exclusion of IFRS 16 leases from the net financial debt definition****	584
Other financial items	(42)
Change in net debt	(1,296)
Net financial debt**	(26,737)
Ratio of net financial debt / EBITDAaL of telecom activities	2.06x

* Of which in 2018 escrowed amount related to Digicel litigation for €346m

** Net financial debt as defined and used by Orange does not include the activities of Orange Bank, for which this concept is not relevant

*** Excluding €46m of interest expenses on IFRS 16 leases

****In comparison with 2018, the definition of the net financial debt as at June 30, 2019 now excludes the financial lease liabilities included in the scope of IFRS 16 and includes the debts relating to financed assets.