Orange makes a difference by connecting you to what’s essential
2014 key figures

Financial

- €39.4 billion in revenues
- €12.2 billion in restated EBITDA
- €5.6 billion in CAPEX
- €707 million reduction in operating costs

Extra-financial

- 156,000 employees
- 29 Orange countries (plus a global presence through Orange Business Services)
- 244 million customers
- 185 million mobile customers
- 16 million fixed broadband customers
- 7.5 million 4G mobile customers
- 4.7 million households with fibre connectivity
- –21% reduction in CO₂ emissions per customer since 2006

Breakdown of revenues

- France 47%
- Rest of the World 15.1%
- Spain 9.7%
- Poland 7.3%
- International carriers and shared services 3.2%

Interview with Stéphane Richard
Chairman and Chief Executive Officer

How is Orange doing?

Stéphane Richard: Quite well!

The “Conquests 2015” plan launched in 2010 enabled us to achieve numerous successes and meet the challenges of market disruptions that impacted the Group, including the arrival of a fourth operator in France and a wave of low-cost players throughout Europe. Thanks to clear and resolute choices, coupled with rigorous management, we achieved all our financial targets in 2014. We recorded €12.2 billion in restated EBITDA and stabilized the margin of restated EBITDA to revenues at 30.9%. These figures reflect very good commercial performance, with total revenues of €39.4 billion, supported by our investment policy, as well as our ongoing efforts to reduce costs. In 2014, we reduced our indirect operating costs by €503 million. Our financial position is solid and our net debt declined by €4.6 billion to €26.1 billion, giving Orange a ratio of net debt to restated EBITDA of 2.05x.

What about your investment policy?

Stéphane Richard: Despite pressure on revenues and margins, we decided to increase our investments, putting priority on networks and in particular very high-speed fixed and mobile broadband. Capital spending totaled €5.6 billion in 2014, representing 14.3% of revenues. These investments enabled Orange to further sharpen its distinctive competitive edge in terms of service quality, which is widely recognized, notably in France. Last June, the French regulator Arcep ranked the Orange mobile network No. 1 for the fourth year in a row in its mobile network quality of service survey, with the widest ever lead over other operators. At the same time, we confirmed our major ambitions in fibre with a significant year-on-year rise in investments. Orange is driving the expansion of fibre infrastructure in France, where more than 3.6 million households have connectivity. In Spain, over 800,000 households have connectivity.

You recently announced a new strategic plan. Could you give us a few details?

Stéphane Richard: Orange presented its new strategic plan – called “Essentials 2020” – on 17 March. With this plan, we’ve set an extremely ambitious and totally distinctive objective: provide each of our customers with an incomparable service experience, wherever they are. To achieve this, our new plan will leverage five key drivers:

- Offer richer connectivity, notably by making €15 billion in investments in our networks between 2015 and 2018. These investments will be prioritized on networks where customers most need performance, using a Customer Experience Management tool, or CEM.
- Reinvent the customer relationship by recognizing customers individually, thanks to big data analytics tools. This will include simplifying the customer journey, for example by deploying a single customer service contact number in France from 2016, and by seamlessly integrating digital and physical touchpoints with revamped stores.
- Build a digital, people-oriented employer model by introducing new, more agile and more effective ways of working, and by fostering employee engagement.
- Accompany the transformation of enterprise customers by being their trusted partner, not only for connectivity, but also for the collaborative work tools their employees need, business-specific processes integrating connected objects, cloud solutions and cyber defense.
- Diversify by capitalizing on our assets, focusing on two areas where we have proven expertise and can capitalize on our assets: connected objects and mobile financial services. We have set the ambitious target of topping one billion euros in revenues from these segments in 2018.

We intend to achieve these ambitions by being a digital, efficient and responsible company, inspired by the new experience that the Orange brand embodies.

What’s your international strategy?

Stéphane Richard: Our international strategy is crystal clear and has not changed. Our playing field is Europe, Africa and the Middle East, and for our large enterprise customers, the entire world with Orange Business Services. We will continue to move towards fixed and mobile convergence in all our markets in Europe after finalizing the planned acquisition of Jazztel in Spain and the sale of EE in the United Kingdom, both of which are subject to regulatory approval. Africa and the Middle East continue to be growth regions for Orange. The creation of a holding company for our operations in this part of the world gives us new scope for development.

What is your outlook for 2015?

Stéphane Richard: We begin 2015 stronger than before, with confidence and ambition thanks to a commercial strategy that has proven its effectiveness.

- We anticipate a tighter range of between €11.9 and €12.1 billion in restated EBITDA, an objective we aim to achieve by continuing to improve our cost structure and working to maintain a stable EBITDA margin for the year.
- We are also maintaining an objective of a ratio of net debt to restated EBITDA of around 2x over the medium term.
- As for the dividend for 2015, I have asked the Board of Directors to maintain a payment of €0.60 per share and to make an interim payment of €0.20 before the end of 2015. In addition to the announced transactions for EE and Jazztel, we will pursue a policy of selective portfolio development and management, concentrating on markets where we are already present.
Orange aims to make a difference...

For our shareholders

The Orange share gained nearly 65% in 2014, the best performance on the CAC-40 stock market index and the third strongest gain in the European telecom sector. This rise recognizes the positive impact of our strategy and the concrete results of our efforts. In the past three years, Orange has achieved €1.7 billion in cost reductions. Our fundamentals are now healthy despite a challenging environment. We have solid financial foundations with declining debt levels and a margin of net debt/EBITDA to revenues that remains stable at 20.9%. We intend to maintain our sound financial structure, targeting a ratio of net debt to net debt/EBITDA of 2x in the medium term. Our dividend distribution policy remains attractive in 2015 with an objective of maintaining an annual dividend paid of €0.85/share until 2016. This represents a remuneration for our shareholders without sacrificing our ability to invest, which is indispensable to build the future of the Group. We are pursuing a selective international development strategy, respecting our net debt ratio target and focusing on geographies where we currently enjoy a solid presence, Europe with an emphasis on convergence, and Africa and the Middle East, which harbour attractive growth potential.

At the same time, we will continue to be present around the world for our business customers through Orange Business Services.

For our employees

Orange is a major employer with 156,000 employees worldwide, including nearly 100,000 in France. One of the determining components in our “Conspécts 2015” plan, which culminated in 2015, has been to create and deploy a new model in employee relationships. Orange today enjoys a more secure work environment while continuing to pursue further progress. We have served Top Employer Europe in 2014 for the third consecutive year, and received the Top Employer Africa label in 2015 for the second year in a row. What’s more, Orange Business Services was certified as a “Great Place to Work Initiative”. The daily engagement of our people is a dynamic reality. More than ever, we intend to be exemplary in terms of employment, diversity and professional integration, particularly for young people.

In 2015, Orange counts 244 million customers, including 120 mobile customers, an increase of 6.5% in one year. This performance is due first of all to the power and reliability of our networks. For the fourth consecutive year, French telecom regulator ARCEP ranked Orange the number one mobile network in France. Elsewhere, we continue to deploy 3G and begin the rollout of 4G, especially in Africa, where over 30,000 mobile sites have been installed, covering 95% of the population on the continent in 2G and 42% in 3G. The second pillar behind our performance is the quality of our services, above all our personalized relationship with each customer, whether in one of our many Orange stores, on the phone or online (chat, e-mail, etc.). More than ever we aim to build a bond in-class customer relations as a partner who is in close touch with customers’ needs and always available. Our goal is to propose the right offer, the best connectivity, the best service and content matched to every budget and every need.

Moving forward, we intend to concentrate on leveraging knowledge into mobile financial services, such as Orange Finance in Poland or Orange Money in Africa. Another priority will be connected objects such as Home in Africa, which already accounts for more than 15,000 customers.

We place the same priority on providing an unrepeatable experience for businesses, helping them navigate profound changes in their digital skills. Orange Business Services is the partner they can count on to guide their digital transformation. This strategy, respecting our net debt ratio target and focusing on geographies where we currently enjoy a solid presence, Europe with an emphasis on convergence, and Africa and the Middle East, which harbour attractive growth potential.

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16% Increase in the Orange share price between January 2014 and April 2015

For society

The digital revolution is a reality that impacts almost every aspect of our daily lives. Orange firmly believes that the new digital solutions should result in progress for both individuals and society as a whole. This is the cornerstone of our CSR policy, which is anchored in a three-fold commitment to ethical practices, environmental responsibility and social accountability.

We are committed to ethical practices because we want to earn and merit the trust and confidence of our stakeholders, starting with our customers and employees. We have made strong commitments regarding audits of suppliers and respecting the personal data of our users. We continue to drive better support our customers in the use of our products and services.

For example, we initiated the Digital Society Forum to encourage an open conversation about the effects of new technologies. Or the beaconkids campaign, an online website, which helps parents better understand the applications their children are using, explaining what they do as well as the risks they might represent.

We are also committed to environmental responsibility, because we believe that digital technology can be a powerful enabler for positive ecological shifts. Here, our focus revolves around three key initiatives reducing our energy consumption, collecting used telephones and e-waste, and improving our products and services.

Social activity is an extremely essential commitment we put digital solutions to work for social and economic development in all our host countries and communities. We are very active in digital education, supporting the development of online educational platforms and providing digital resources for schools in Africa and the Middle East. Orange believes that innovation and social progress are intricately linked, which is why we created the Orange Innovation & Social Venture Prize, and why we support start-up incubators in France, as well as in Senegal, Mali and Niger. This engagement underlines and is shared by all the people of Orange. It gives tangible meaning to our work and contributes to our collective pride. Our engagement is key to keeping the trust that lets us make a difference.

Offering richer connectivity

This year, we begin with the quality of our networks and the associated services. We aim to make it easier for our customers to work, enjoy entertainment and communicate, in the office or on the move. We will continue to develop high-capacity fixed and mobile services and invest in improving infrastructure, from metros to airports, highways and public transport. We also intend to offer our customers an innovative and competitive proposition.

We are developing a richer content experience with a new customer interface, as well as personal and professional cloud services for our customers.

Reinventing the customer relationship

All our customer relationship strategies will be reinforced by new processes and resources, matched to individual needs. We are hiring people who are the best of Orange quality and ensure seamless interaction with our customer touchpoints. We will be able to provide a digital and digital at all the right times to provide personalized and relevant action for customers at every stage in their digital lives, always upselling respecting their privacy.

Building a digital, people-oriented employer model

Successively guiding our digital transformation is essential to our performance, meeting our new age ambitions in simplicity and efficiency throughout our organization. To achieve this, our employer model must evolve to deliver a high employee experience.

Orange aims to be a company that people are proud to be a part of, a company that encourages them to continually improve their skills, especially thanks to digital training programmes.

Accompanying the transformation of enterprise customers

Our strategy is to continuously evolve our digital offerings, which is key to maintaining our lead in the market. Orange is committed to being a digital revolution that is transforming businesses. Our role is to be a trusted partner capable of supporting our customers in their strategic enterprise projects that will enable them to develop their business and expand service horizons. Our solutions span the entire value chain, from advanced networks, cloud services, specialized industry applications and even collaborative work tools, all backed by proven cybersecurity expertise.

Diversifying by capitalizing on our assets

The Internet of Things and mobile financial services are both attractive sources of future growth. They introduce a myriad of opportunities that offer immense potential for individuals and businesses. With our high-performance network infrastructure, our unique digital customer relationships, we have the assets needed to become a leader in these markets. Our commitment to innovation and the start-up ecosystem is key to our success.

For Orange, Diversifying by capitalizing on our assets is key to maintaining our lead in the market, and will enable us to continue our digital transformation.
A vision centred on the customer and the unique quality of the Orange experience

Because our customers are our best ambassadors, we’ve set two essential goals for 2018:

• **Leadership**, by becoming number one in customer recommendations for three out of four customers, measured using the “Net Promoter Score”;

• **Brand Power**, by driving continuous improvement in our “Brand Power Index”, leveraging our new brand identity and the quality of the digital experience we provide for our customers.

### 5 levers

#### Richer connectivity

**Triple** the average data speeds on our fixed and mobile networks by 2018, compared with 2014.

#### A reinvented customer relationship

**50%** of customer touchpoints via digital channels in Europe in 2018, compared with 30% in 2014.

#### A digital, people-oriented employer model

**9** out of **10** employees should recommend Orange as an employer in 2018.

#### Support the transformation of enterprise customers

**+10 points in the share of IT services** in the Orange Business Services business mix by 2020.

#### Diversify by capitalizing on our assets

**1 billion euros in revenues** from connected objects and mobile financial services in 2018.

#### Digital, efficient, responsible

To achieve our new ambitions for 2020, Orange is creating dynamic enterprise-wide momentum:

• **Digital**, by successfully driving our own digital transformation and by accompanying each of our customers in their digital lives.

• **Efficient**, by going directly to what is essential, giving Orange a distinctive competitive difference, and by improving our internal processes to boost performance.

• **Responsible**, by ensuring the wellbeing of our employees, by responsibly managing our impact on the environment and by working responsibly with other stakeholders in the economy in all Orange host countries.

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**Useful links:**

- Orange annual report: ra2014.orange.com/en
- Orange Group corporate website: orange.com/en
- Orange Business Services: orange-business.com
- CSR information: orange.com/en/responsibility
- Careers with Orange: orange.jobs/en
- Healthcare: healthcare.orange.com
- Orange Foundation: fondation.orange.com/en
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