Condensed interim consolidated Financial Statements for the first half 2019

Disclaimer

This is a free translation into English of the condensed interim consolidated financial statements prepared in French and is provided solely for the convenience of English speaking readers.

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Financial statements

Notes to the consolidated financial statements

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

(in millions of euros, except for per share data)	Note	June 30, 2019 (1)	June 30, 2018
Revenue		**20,573**	**20,262**
External purchases		(8,562)	(8,990)
Other operating income (2)		341	324
Other operating expenses	4.1	(201)	(185)
Labor expenses		(4,434)	(4,232)
Operating taxes and levies		(1,207)	(1,251)
Gains (losses) on disposal of fixed assets, investments and activities (2)	6.1	68	(0)
Restructuring costs	4.2	(52)	(62)
Depreciation and amortization of fixed assets		(3,500)	(3,457)
Depreciation and amortization of financed assets	6.2	(3)	-
Depreciation and amortization of right-of-use assets	7.2	(609)	-
Reclassification of translation adjustment from liquidated entities		2	1
Impairment of goodwill	5	-	(56)
Impairment of fixed assets		0	(1)
Impairment of right-of-use assets	7.2	(24)	-
Share of profits (losses) of associates and joint ventures		(4)	(3)
Operating income		**2,388**	**2,350**
Cost of gross financial debt excluding financed assets		(575)	(742)
Interests on debts related to financed assets		(0)	-
Gains (losses) on assets contributing to net financial debt		4	2
Foreign exchange gain (loss)		(2)	4
Interests on lease liabilities		(60)	-
Other net financial expenses		14	(13)
Effects resulting from BT stake	9.7	(119)	(163)
Finance costs, net		**(738)**	**(912)**
Income tax	8	(513)	(559)
Consolidated net income of continuing operations		**1,137**	**879**
Consolidated net income of discontinued operations		**-**	**-**
Consolidated net income		**1,137**	**879**
Net income attributable to owners of the parent company		1,039	789
Non-controlling interests		98	90

Earnings per share (in euros) attributable to parent company			
Net income of continuing operations			
• basic		0.34	0.24
• diluted		0.33	0.24
Net income of discontinued operations			
• basic		-	-
• diluted		-	-
Net income			
• basic		0.34	0.24
• diluted		0.33	0.24

(1) The effects of IFRS 16 application are described in Note 2.

(2) As of June 30, 2018, the gains (losses) on disposal of fixed assets are classified in the other operating income in the amount of 41 million euros.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of euros)	Note	June 30, 2019	June 30, 2018
Consolidated net income		**1,137**	**879**
Remeasurements of the net defined benefit liability		(89)	30
Assets at fair value		34	(2)
Income tax relating to items that will not be reclassified		17	(5)
Items that will not be reclassified to profit or loss (a)		**(38)**	**23**
Assets at fair value		11	(1)
Cash flow hedges	9.2	(184)	(168)
Translation adjustment gains and losses	11.5	50	(48)
Income tax relating to items that are or may be reclassified		57	59
Share of other comprehensive income in associates and joint ventures that are or may be reclassified		-	-
Items that are or may be reclassified subsequently to profit or loss (b)		**(66)**	**(158)**
Other comprehensive income from continuing operations (a) + (b)		**(104)**	**(135)**
Items that will not be reclassified to profit or loss (c)		**-**	**-**
Items that are or may be reclassified to profit or loss (d)		**-**	**-**
Other comprehensive income of discontinued operations (c) + (d)		**-**	**-**
Other consolidated comprehensive income (a) + (b) + (c) + (d)		**(104)**	**(135)**
Consolidated comprehensive income		**1,033**	**744**
Comprehensive income attributable to the owners of the parent company		922	660
Comprehensive income attributable to non-controlling interests		111	84

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of euros)	Note	June 30, 2019 [1]	December 31, 2018
Assets			
Goodwill		27,252	27,174
Other intangible assets		14,518	14,073
Property, plant and equipment		27,617	27,693
Right-of-use assets	7.2	6,175	-
Interests in associates and joint ventures		96	104
Non-current financial assets related to Orange Bank activities	10.1	1,607	1,617
Non-current financial assets	9.1	1,799	2,282
Non-current derivatives assets		299	263
Other non-current assets		133	129
Deferred tax assets		1,437	1,366
Total non-current assets		**80,933**	**74,701**
Inventories		951	965
Trade receivables		5,527	5,295
Other customer contract assets		1,130	1,166
Current financial assets related to Orange Bank activities	10.1	3,167	3,075
Current financial assets	9.1	2,721	2,748
Current derivatives assets		18	139
Other current assets		1,660	1,152
Operating taxes and levies receivables		976	1,027
Current tax assets		121	119
Prepaid expenses		777	571
Cash and cash equivalents	9.1	5,960	5,634
Total current assets		**23,008**	**21,891**
Assets held for sale		**-**	**-**
Total assets		**103,941**	**96,592**

(1) The effects of IFRS 16 application are described in Note 2.

(in millions of euros)	Note	June 30, 2019 [1]	December 31, 2018
Equity and liabilities			
Share capital		10,640	10,640
Share premiums and statutory reserve		16,859	16,859
Subordinated notes	11.6	5,803	5,803
Retained earnings		(2,991)	(2,633)
Equity attributable to the owners of the parent company		**30,311**	**30,669**
Non-controlling interests	11.4	2,467	2,580
Total equity	11	**32,778**	**33,249**
Non-current financial liabilities	9.1	30,125	26,749
Non-current derivatives liabilities		981	775
Non-current lease liabilities	7.1	5,338	-
Non-current fixed assets payables		910	612
Non-current financial liabilities related to Orange Bank activities	10.1	-	0
Non-current employee benefits		2,758	2,823
Non-current provision for dismantling		768	765
Non-current restructuring provision		92	230
Other non-current liabilities		421	462
Deferred tax liabilities		636	631
Total non-current liabilities		**42,029**	**33,047**
Current financial liabilities	9.1	5,889	7,270
Current derivatives liabilities		87	133
Current lease liabilities	7.1	1,007	-
Current fixed assets payables		2,575	2,835
Trade payables		6,486	6,736
Customer contract liabilities		1,949	2,002
Current financial liabilities related to Orange Bank activities	10.1	4,566	4,835
Current employee benefits		2,332	2,392
Current provision for dismantling		10	11
Current restructuring provision		126	159
Other current liabilities		1,801	1,788
Operating taxes and levies payables		1,571	1,322
Current tax payables		621	755
Deferred income		114	58
Total current liabilities		**29,134**	**30,296**
Liabilities related to assets held for sale		**-**	**-**
Total equity and liabilities		**103,941**	**96,592**

(1) The effects of IFRS 16 application are described in Note 2.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

		Attributable to owners of the parent company							Attributable to non-controlling interests			Total equity
(in millions of euros)	Note	Number of issued shares	Share capital	Share premiums and statutory reserve	Subor-dinated notes	Reserves	Other compre-hensive income	Total	Reserves	Other compre-hensive income	Total	
Balance as of January 1, 2018		**2,660,056,599**	**10,640**	**16,859**	**5,803**	**(1,851)**	**(476)**	**30,975**	**2,323**	**214**	**2,537**	**33,512**
Effect of IFRS 9 application		-	-	-	-	20	(39)	(19)	(4)	-	(4)	(23)
Balance as of January 1, 2018 after effect of IFRS 9 application		**2,660,056,599**	**10,640**	**16,859**	**5,803**	**(1,831)**	**(515)**	**30,956**	**2,319**	**214**	**2,533**	**33,489**
Consolidated comprehensive income		**-**	**-**	**-**	**-**	**789**	**(129)**	**660**	**90**	**(6)**	**84**	**744**
Share-based compensation		-	-	-	-	26	-	26	2	-	2	28
Purchase of treasury shares		-	-	-	-	(63)	-	(63)	-	-	-	(63)
Dividends		-	-	-	-	(1,064)	-	(1,064)	(244)	-	(244)	(1,308)
Subordinated notes remuneration		-	-	-	-	(178)	-	(178)	-	-	-	(178)
Changes in ownership interests with gain/loss of control		-	-	-	-	0	-	0	(0)	-	(0)	-
Other movements		-	-	-	-	(11)	-	(11)	36	-	36	25
Balance as of June 30, 2018		**2,660,056,599**	**10,640**	**16,859**	**5,803**	**(2,332)**	**(644)**	**30,326**	**2,203**	**208**	**2,411**	**32,737**
Consolidated comprehensive income		**-**	**-**	**-**	**-**	**1,165**	**73**	**1,238**	**114**	**15**	**129**	**1,367**
Share-based compensation		-	-	-	-	20	-	20	2	-	2	22
Purchase of treasury shares		-	-	-	-	(35)	-	(35)	-	-	-	(35)
Dividends		-	-	-	-	(796)	-	(796)	(2)	-	(2)	(798)
Subordinated notes remuneration		-	-	-	-	(102)	-	(102)	-	-	-	(102)
Changes in ownership interests with no gain/loss of control		-	-	-	-	(3)	-	(3)	(9)	-	(9)	(12)
Changes in ownership interests with gain/loss of control		-	-	-	-	(0)	-	(0)	11	-	11	11
Other movements		-	-	-	-	21	-	21	38	-	38	59
Balance as of December 31, 2018		**2,660,056,599**	**10,640**	**16,859**	**5,803**	**(2,062)**	**(571)**	**30,669**	**2,357**	**223**	**2,580**	**33,249**
Effect of IFRS 16 application (1)		-	-	-	-	2	-	2	-	-	-	2
Balance as of January 1, 2019 after effect of IFRS 16 application		**2,660,056,599**	**10,640**	**16,859**	**5,803**	**(2,060)**	**(571)**	**30,671**	**2,357**	**223**	**2,580**	**33,251**
Consolidated comprehensive income		**-**	**-**	**-**	**-**	**1,039**	**(117)**	**922**	**98**	**13**	**111**	**1,033**
Share-based compensation		-	-	-	-	27	-	27	4	-	4	31
Purchase of treasury shares	11.2	-	-	-	-	(1)	-	(1)	-	-	-	(1)
Dividends	11.3	-	-	-	-	(1,061)	-	(1,061)	(243)	-	(243)	(1,304)
Subordinated notes remuneration	11.6	-	-	-	-	(194)	-	(194)	-	-	-	(194)
Changes in ownership interests with no gain/loss of control		-	-	-	-	1	-	1	(4)	-	(4)	(3)
Changes in ownership interests with gain/loss of control		-	-	-	-	-	-	-	-	-	-	-
Other movements		-	-	-	-	(54)	-	(54)	19	-	19	(35)
Balance as of June 30, 2019		**2,660,056,599**	**10,640**	**16,859**	**5,803**	**(2,303)**	**(688)**	**30,311**	**2,231**	**236**	**2,467**	**32,778**

(1) The effects of IFRS 16 application are described in Note 2.

ANALYSIS OF CHANGES IN SHAREHOLDERS' EQUITY RELATED TO COMPONENTS OF THE OTHER COMPREHENSIVE INCOME

	Attributable to owners of the parent company								Attributable to non-controlling interests							Total other comprehensive income
(in millions of euros)	Assets available for sale	Assets at fair value	Hedging instruments	Translation adjustment	Actuarial gains and losses	Deferred tax	Other comprehensive income of associates and joint ventures [2]	**Total**	Assets available for sale	Assets at fair value	Hedging instruments	Translation adjustment	Actuarial gains and losses	Deferred tax	**Total**	
Balance as of January 1, 2018	**56**	**-**	**(196)**	**27**	**(541)**	**218**	**(40)**	**(476)**	**(1)**	**-**	**(4)**	**232**	**(16)**	**3**	**214**	**(262)**
Effect of IFRS 9 application	(56)	17	-	-	-	-	-	(39)	1	(1)	-	-	-	-	-	(39)
Balance as of January 1, 2018 after effect of IFRS 9 application	**-**	**17**	**(196)**	**27**	**(541)**	**218**	**(40)**	**(515)**	**-**	**(1)**	**(4)**	**232**	**(16)**	**3**	**214**	**(301)**
Variation	-	(3)	(170)	(40)	30	54	-	(129)	-	(0)	2	(8)	-	(0)	(6)	(135)
Balance as of June 30, 2018	**-**	**14**	**(366)**	**(13)**	**(511)**	**272**	**(40)**	**(644)**	**-**	**(1)**	**(2)**	**224**	**(16)**	**3**	**208**	**(436)**
Variation	-	(24)	102	28	7	(40)	-	73	-	(3)	(1)	13	8	(2)	15	88
Balance as of December 31, 2018	**-**	**(10)**	**(264)**	**15**	**(504)**	**232**	**(40)**	**(571)**	**-**	**(4)**	**(3)**	**237**	**(8)**	**1**	**223**	**(348)**
Effect of IFRS 16 application [1]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as of January 1, 2019 after effect of IFRS 16 application	**-**	**(10)**	**(264)**	**15**	**(504)**	**232**	**(40)**	**(571)**	**-**	**(4)**	**(3)**	**237**	**(8)**	**1**	**223**	**(348)**
Variation	-	41	(180)	37	(89)	74	-	(117)	-	4	(4)	13	0	0	13	(104)
Balance as of June 30, 2019	**-**	**31**	**(444)**	**52**	**(593)**	**306**	**(40)**	**(688)**	**-**	**(0)**	**(7)**	**250**	**(8)**	**1**	**236**	**(452)**

(1) The effects of IFRS 16 application are described in Note 2.

(2) Amounts excluding translation adjustment.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of euros)	Note	June 30, 2019	June 30, 2018
Operating activities			
Consolidated net income		1,137	879
Non-monetary items and reclassified items for presentation			
Operating taxes and levies		1,207	1,251
Gains (losses) on disposal of fixed assets, investments and activities	6.1	(68)	0
Other gains and losses [1]		(7)	(41)
Depreciation and amortization of fixed assets		3,500	3,457
Depreciation and amortization of financed assets	6.2	3	-
Depreciation and amortization of right-of-use assets[2]	7.2	609	-
Changes in provisions		(251)	(440)
Reclassification of cumulative translation adjustment from liquidated entities		(2)	(1)
Impairment of goodwill	5	-	56
Impairment of fixed assets		-	1
Impairment of right-of-use assets [2]	7.2	24	-
Share of profits (losses) of associates and joint ventures		4	3
Net income after tax of discontinued operations		-	-
Operational net foreign exchange and derivatives		8	(2)
Finance costs, net		738	912
Income tax	8	513	559
Share-based compensation		30	28
Changes in working capital			
Decrease (increase) in inventories, gross		18	(45)
Decrease (increase) in trade receivables, gross		(219)	(69)
Increase (decrease) in trade payables		(239)	(284)
Changes in other customer contract assets and liabilities		(22)	23
Changes in other assets and liabilities [3]		(468)	(119)
Other net cash out			
Operating taxes and levies paid		(986)	(979)
Dividends received		14	16
Interest paid and interest rates effects on derivatives, net [4]		(764)	(738)
Income tax paid		(640)	(290)
Net cash provided by operating activities (a)		**4,139**	**4,177**
o/w discontinued operations		-	-
Investing activities			
Purchases (sales) of property, plant and equipment and intangible assets			
Purchases of property, plant and equipment and intangible assets [5]		(4,150)	(3,400)
Increase (decrease) in fixed assets payables		7	(314)
Proceeds from sales of property, plant and equipment and intangible assets		151	38
Cash paid for investment securities, net of cash acquired			
Business & Decision		-	(38)
Others		(126)	8
Investments in associates and joint ventures		-	-
Purchases of equity securities measured at fair value		(25)	(60)
Proceeds from sales of investment securities, net of cash transferred		2	1
Decrease (increase) in securities and other financial assets			
Investments at fair value, excluding cash equivalents		(28)	508
Other [6]		11	(550)
Net cash used in investing activities (b)		**(4,158)**	**(3,807)**
o/w discontinued operations		-	-

(in millions of euros)	Note	June 30, 2019	June 30, 2018
Financing activities			
Medium and long-term debt issuances	9.4	4,884	2,947
Medium and long-term debt redemptions and repayments	9.4	(1,520)	(1,995)
Repayments of lease liabilities (2)		(678)	-
Increase (decrease) of bank overdrafts and short-term borrowings		(723)	(414)
Decrease (increase) of cash collateral deposits		(150)	145
Exchange rates effects on derivatives, net		64	(2)
Subordinated notes issuances (purchases)		0	-
Coupon and other fees on subordinated notes issuance	11.6	(267)	(178)
Purchases of treasury shares - Orange Vision 2020 free share award plan	11.2	-	(71)
Other proceeds (purchases) from treasury shares	11.2	(1)	8
Capital increase (decrease) - owners of the parent company		-	-
Capital increase (decrease) - non-controlling interests		41	35
Changes in ownership interests with no gain / loss of control		(3)	1
Dividends paid to owners of the parent company	11.3	(1,061)	(1,064)
Dividends paid to non-controlling interests	11.4	(243)	(185)
Net cash used in financing activities (c)		**343**	**(773)**
o/w discontinued operations		-	-
Net change in cash and cash equivalents (a) + (b) + (c)		**324**	**(403)**
Net change in cash and cash equivalents			
Cash and cash equivalents in the opening balance		**5,634**	**5,810**
o/w continuing operations		5,634	5,810
o/w discontinued operations		-	-
Cash change in cash and cash equivalents		**324**	**(403)**
Non-cash change in cash and cash equivalents		**2**	**(1)**
Cash and cash equivalents in the closing balance		**5,960**	**5,406**

(1) As of June 30, 2018, was relating to the gains (losses) on disposal of fixed assets in the amount of (41) million euros.
(2) The effects of IFRS 16 application are described in Note 2.3.1.
(3) Including flows from operating activities related to Orange Bank and excluding operating tax receivables and payables.
(4) Including interests paid on lease liabilities in the amount of (46) million euros.
(5) Investments in financed assets amounting to 66 million euros as of June 30, 2019 have no effect on the statement of cash flows at the time of acquisition (see Note 6.2).
As of June 30, 2018, investments in property, plant, equipment and intangible assets financed through finance leases as of June 30, 2018 amounting to 35 million euros had no impact on the statement of cash flows at the time of acquisition (see Note 6.2).
(6) As of June 30, 2018, including escrowed amount of (346) million euros related to the Digicel litigation.

NOTE 1 Segment information

1.1 Segment revenue

(in millions of euros)	France	Spain	Europe
June 30, 2019			
Revenue	**8,874**	**2,624**	**2,789**
Convergence services	2,153	1,049	293
Mobile services only	1,168	584	1,065
Fixed services only	2,054	254	326
IT & integration services	-	3	84
Wholesale	2,672	418	530
Equipment sales	578	316	401
Other revenue	249	-	90
External	*8,543*	*2,602*	*2,748*
Inter-operating segments	*331*	*22*	*41*
June 30, 2018			
Revenue	**8,952**	**2,634**	**2,775**
Convergence services	2,196	1,065	213
Mobile services only	1,183	609	1,092
Fixed services only	2,105	245	357
IT & integration services	-	-	67
Wholesale	2,615	371	574
Equipment sales	611	344	398
Other revenue	242	-	74
External	*8,670*	*2,616*	*2,732*
Inter-operating segments	*282*	*18*	*43*

(1) Including, in 2019, revenue of 2,593 million euros in France, 5 million euros in Spain, 638 million euros in other European countries and 534 million euros in other countries.
Including, in 2018, revenue of 2,572 million euros in France, 15 million euros in Spain, 324 million euros in other European countries and 619 million euros in other countries.

(2) Including revenue of 687 million euros in France in 2019 and 700 million euros in 2018.

Africa & Middle-East	Enterprise [1]	International Carriers & Shared Services [2]	Eliminations	Total telecom activities	Orange Bank	Eliminations telecom activites / bank	Orange consolidated financial statements
2,737	**3,770**	**747**	**(966)**	**20,575**	**-**	**(2)**	**20,573**
-	-	-	-	3,495	-	-	3,495
2,042	367	-	(22)	5,204	-	-	5,204
240	1,978	-	(88)	4,764	-	-	4,764
6	1,318	-	(75)	1,336	-	(2)	1,334
391	18	542	(708)	3,863	-	-	3,863
45	89	-	(1)	1,428	-	-	1,428
13	-	205	(72)	485	-	-	485
2,624	*3,583*	*473*	-	*20,573*	-	-	*20,573*
113	*187*	*274*	*(966)*	*2*	-	*(2)*	-
2,524	**3,530**	**759**	**(910)**	**20,264**	**-**	**(2)**	**20,262**
-	-	-	-	3,474	-	-	3,474
1,858	366	-	(18)	5,090	-	-	5,090
204	1,996	-	(90)	4,817	-	-	4,817
6	1,049	-	(68)	1,054	-	(2)	1,052
403	17	569	(658)	3,891	-	-	3,891
40	102	-	(5)	1,490	-	-	1,490
13	-	190	(71)	448	-	-	448
2,419	*3,344*	*481*	-	*20,262*	-	-	*20,262*
105	*186*	*278*	*(910)*	*2*	-	*(2)*	-

1.2 Segment revenue to net income of continuing operations as of June 30, 2019

(in millions of euros)	France	Spain	Europe	Africa & Middle-East
Revenue	**8,874**	**2,624**	**2,789**	**2,737**
External purchases	(3,309)	(1,448)	(1,581)	(1,199)
Other operating income	686	99	70	23
Other operating expenses	(264)	(107)	(89)	(93)
Labor expenses	(1,930)	(135)	(344)	(249)
Operating taxes and levies	(684)	(86)	(59)	(253)
Gains (losses) on disposal of fixed assets, investments and activities	-	-	-	-
Restructuring costs	-	-	-	-
Depreciation and amortization of financed assets	(3)	-	-	-
Depreciation and amortization of right-of-use assets	(84)	(154)	(71)	(64)
Impairment of right-of-use assets	-	-	-	-
Interests on debts related to financed assets[3]	(0)	-	-	-
Interests on lease liabilities[3]	(5)	(6)	(7)	(34)
EBITDAaL [1]	**3,281**	**787**	**708**	**868**
Significant litigations	-	-	-	-
Specific labour expenses	(31)	-	-	-
Fixed assets, investments and businesses portfolio review	-	-	11	5
Restructuring programs costs	(24)	(6)	(5)	(2)
Acquisition and integration costs	-	-	(1)	-
Depreciation and amortization of fixed assets	(1,582)	(533)	(550)	(471)
Reclassification of translation adjustment from liquidated entities	-	-	-	2
Impairment of fixed assets	-	-	-	(1)
Share of profits (losses) of associates and joint ventures	-	-	-	-
Elimination of interests on debts related to financed assets[3]	0	-	-	-
Elimination of interests on lease liabilities[3]	5	6	7	34
Operating Income	**1,649**	**254**	**170**	**435**
Cost of gross financial debt excluding financed assets				
Interests on debts related to financed assets[3]				
Gains (losses) on assets contributing to net financial debt				
Foreign exchange gain (loss)				
Interests on lease liabilities[3]				
Other net financial expenses				
Effects resulting from BT stake				
Finance costs, net				
Income Tax				
Consolidated net income of continuing operations				

(1) See Note 1.8. for EBITDAaL adjustments.
(2) Orange Bank's net banking income is recognized in other operating income and amounts to 15 million euros as of June 30, 2019. The cost of risk is included in other operating expenses and amounts to (4) million euros as of June 30, 2019.
(3) Presentation adjustments allow the reallocation of the lines of specific items identified in the segment information to the operating revenue and expense lines presented in the consolidated income statement. Interest expenses on liabilities related to financed assets and interests expenses on lease liabilities are included in segment EBITDAaL. They are excluded from segment operating income and included in net finance costs presented in the consolided income statement.

Enterprise	International Carriers & Shared Services	Elimination telecom activities	Total telecom activities	Orange Bank [2]	Eliminations telecom activites / bank	Total	Presentation adjust-ments [3]	Orange consoli-dated financial statements
3,770	**747**	**(966)**	**20,575**	**-**	**(2)**	**20,573**	**-**	**20,573**
(1,896)	(1,043)	1,958	(8,518)	(47)	3	(8,562)	-	(8,562)
78	1,034	(1,659)	331	17	(7)	341	-	341
(311)	5	667	(192)	(10)	7	(195)	(6)	(201)
(964)	(662)	-	(4,284)	(36)	-	(4,320)	(114)	(4,434)
(63)	(62)	-	(1,207)	-	-	(1,207)	-	(1,207)
-	-	-	-	-	-	-	68	68
-	-	-	-	-	-	-	(52)	(52)
-	-	-	(3)	-	-	(3)	-	(3)
(47)	(187)	-	(607)	(2)	-	(609)	-	(609)
-	-	-	-	-	-	-	(24)	(24)
-	-	-	(0)	-	-	(0)	0	-
(2)	(6)	-	(60)	-	-	(60)	60	-
565	**(174)**	**-**	**6,035**	**(78)**	**1**	**5,958**	**(68)**	**-**
-	(65)	-	(65)	-	-	(65)	65	-
(1)	(14)	-	(46)	-	-	(46)	46	-
-	52	-	68	-	-	68	(68)	-
(10)	(28)	-	(75)	-	-	(75)	75	-
(4)	(5)	-	(10)	-	-	(10)	10	-
(195)	(159)	-	(3,490)	(10)	-	(3,500)	-	(3,500)
-	-	-	2	-	-	2	-	2
1	-	-	0	-	-	0	-	0
2	(6)	-	(4)	-	-	(4)	-	(4)
-	-	-	0	-	-	0	(0)	-
2	6	-	60	-	-	60	(60)	-
360	**(393)**	**-**	**2,475**	**(88)**	**1**	**2,388**	**-**	**2,388**
								(575)
								(0)
								4
								(2)
								(60)
								14
								(119)
								(738)
								(513)
								1,137

1.3 Segment revenue to segment operating income as of June 30, 2018

(in millions of euros)	France	Spain	Europe	Africa & Middle-East	Enterprise
Revenue	**8,952**	**2,634**	**2,775**	**2,524**	**3,530**
External purchases	(3,375)	(1,596)	(1,638)	(1,239)	(1,801)
Other operating income	690	66	71	47	69
Other operating expenses	(255)	(107)	(61)	(100)	(325)
Labor expenses	(2,006)	(130)	(350)	(226)	(831)
Operating taxes and levies	(740)	(84)	(60)	(212)	(63)
Gains (losses) on disposal	-	-	-	-	-
Restructuring and integration costs	-	-	-	-	-
Adjusted EBITDA (1)	**3,266**	**783**	**737**	**794**	**579**
Significant litigations	-	(31)	-	-	-
Specific labour expenses	(23)	-	-	-	(1)
Investments and businesses portfolio review	-	-	-	-	(0)
Restructuring and integration costs	(6)	(8)	(3)	(10)	(9)
Reported EBITDA (1)	**3,237**	**744**	**734**	**784**	**569**
Depreciation and amortization	(1,573)	(538)	(582)	(431)	(185)
Reclassification of cumulative translation adjustment from liquidated entities	-	-	-	-	-
Impairment of goodwill	-	-	-	(56)	-
Impairment of fixed assets	-	-	-	-	-
Share of profits (losses) of associates and joint ventures	-	-	-	1	(1)
Operating income	**1,664**	**206**	**152**	**298**	**383**

(1) See Note 1.8. for EBITDA adjustments.
(2) Orange Bank's net banking income is recognized in other operating income and amounts to 26 million euros as of June 30, 2018. The cost of risk is included in other operating expenses and amounts to (3) million euros as of June 30, 2018.
(3) Presentation adjustments allow the reallocation of the lines of specific items identified in the segment information to the operating revenue and expense lines presented in the consolidated income statement.

International Carriers & Shared Services	Elimination telecom activities	Total telecom activities	Orange Bank [2]	Eliminations telecom activites / bank	Total	Presentation adjustments [3]	Orange consolidated financial statements
759	**(910)**	**20,264**	**-**	**(2)**	**20,262**	**-**	**20,262**
(1,237)	1,932	(8,954)	(38)	2	(8,990)	-	(8,990)
1,062	(1,699)	306	26	(8)	324	-	324
(7)	677	(178)	(13)	9	(182)	(3)	(185)
(633)	-	(4,176)	(34)	-	(4,210)	(22)	(4,232)
(60)	-	(1,219)	(1)	-	(1,220)	(31)	(1,251)
-	-	-	-	-	-	(0)	(0)
-	-	-	-	-	-	(62)	(62)
(116)	**-**	**6,043**	**(60)**	**1**	**5,984**	**(118)**	
(1)	-	(32)	-	-	(32)	32	-
-	-	(24)	-	-	(24)	24	-
-	-	(0)	-	-	(0)	0	-
(26)	-	(62)	-	-	(62)	62	-
(143)	**-**	**5,925**	**(60)**	**1**	**5,866**	**-**	**5,866**
(140)	-	(3,449)	(8)	-	(3,457)	-	(3,457)
1	-	1	-	-	1	-	1
-	-	(56)	-	-	(56)	-	(56)
(1)	-	(1)	-	-	(1)	-	(1)
(3)	-	(3)	-	-	(3)	-	(3)
(286)	**-**	**2,417**	**(68)**	**1**	**2,350**	**-**	**2,350**

1.4 Segment investments

(in millions of euros)	France	Spain	Europe
June 30, 2019			
eCapex [(1)]	1,862	529	407
Proceeds from sales of property, plant and equipment and intangible assets	47	-	17
Telecommunications licenses	-	297	-
Financed assets	66	-	-
Total investments [(5)]	**1,975**	**826**	**424**
June 30, 2018			
Capex [(2)]	1,669	578	389
Telecommunications licenses	(1)	3	7
Finance leases	1	7	15
Total investments [(6)]	**1,669**	**588**	**411**

(1) See Note 1.8. for eCapex definition.

(2) See Note 1.8. for Capex definition.

(3) Including investments in tangible and intangible assets in France for 132 million euros in 2019 and 134 million euros in 2018.

(4) Including investments in tangible and intangible assets in France for 138 million euros in 2019 and 136 million euros in 2018.

(5) Including 1,338 million euros for other intangible assets and 2,878 million euros for tangible assets.

(6) Including 2,637 milliion euros for other intangible assets and 798 million euros for tangible assets.

Africa & Middle-East	Enterprise [3]	International Carriers & Shared Services [4]	Eliminations telecom activities and unallocated items	Total telecom activities	Orange Bank	Eliminations telecom activities / bank	Orange consolidated financial statements
418	197	80	-	3,493	16	-	3,509
7	1	59	-	131	-	-	131
213	-	-	-	510	-	-	510
-	-	-	-	66	-	-	66
638	**198**	**139**	**-**	**4,200**	**16**	**-**	**4,216**
408	168	137	-	3,349	20	-	3,369
22	-	-	-	31	-	-	31
-	12	-	-	35	-	-	35
430	**180**	**137**	**-**	**3,415**	**20**	**-**	**3,435**

1.5 Segment assets

(in millions of euros)	France	Spain	Europe
June 30, 2019			
Goodwill	14,364	6,837	2,608
Other intangible assets	3,881	2,005	2,009
Property, plant and equipment	14,691	3,741	4,035
Right-of-use assets	1,171	1,158	852
Interests in associates and joint ventures	3	-	4
Non-current assets included in the calculation of net financial debt	-	-	-
Other	10	17	17
Total non-current assets	**34,120**	**13,758**	**9,525**
Inventories	501	64	149
Trade receivables	1,677	716	1,215
Other customer contract assets	397	144	350
Prepaid expenses	55	302	60
Current assets included in the calculation of net financial debt	-	-	-
Other	625	59	64
Total current assets	**3,255**	**1,285**	**1,838**
Assets held for sale	-	-	-
Total assets	**37,375**	**15,043**	**11,363**
December 31, 2018			
Goodwill	14,364	6,840	2,581
Other intangible assets	3,921	1,778	2,015
Property, plant and equipment	14,306	3,730	4,150
Interests in associates and joint ventures	-	1	4
Non-current assets included in the calculation of net financial debt	-	-	-
Other	11	17	15
Total non-current assets	**32,602**	**12,366**	**8,765**
Inventories	505	79	171
Trade receivables	1,506	699	1,227
Other customer contract assets	443	140	363
Prepaid expenses	68	241	35
Current assets included in the calculation of net financial debt	-	-	-
Other	776	60	75
Total current assets	**3,298**	**1,219**	**1,871**
Assets held for sale	-	-	-
Total assets	**35,900**	**13,585**	**10,636**

(1) Including tangible and intangible assets for 598 million euros in France in 2019 and 632 million euros in 2018.

(2) Including tangible and intangible assets for 1,735 million euros in France in 2019 and 2,151 million euros in 2018. Intangible assets also include the Orange brand for 3,133 million euros.

Africa & Middle-East	Enterprise [1]	International Carriers & Shared Services [2]	Eliminations telecom activities and unallocated items	Total telecom activities	Orange Bank	Eliminations telecom activities / bank	Orange consolidated financial statements
1,539	1,886	18	-	27,252	-	-	27,252
2,280	480	3,773	-	14,428	90	-	14,518
3,535	503	1,107	-	27,612	5	-	27,617
873	284	1,810	-	6,148	27	-	6,175
77	2	10	-	96	-	-	96
-	-	-	941	941	-	-	941
24	22	18	2,621	2,729	1,632	(27)	4,334
8,328	**3,177**	**6,736**	**3,562**	**79,206**	**1,754**	**(27)**	**80,933**
76	70	91	-	951	-	-	951
782	854	1,039	(729)	5,554	2	(29)	5,527
10	229	-	-	1,130	-	-	1,130
174	83	117	(20)	771	6	-	777
-	-	-	8,435	8,435	-	-	8,435
874	172	862	103	2,759	3,432	(3)	6,188
1,916	**1,408**	**2,109**	**7,789**	**19,600**	**3,440**	**(32)**	**23,008**
-	-	-	-	-	-	-	-
10,244	**4,585**	**8,845**	**11,351**	**98,806**	**5,194**	**(59)**	**103,941**
1,542	1,830	17	-	27,174	-	-	27,174
2,106	388	3,780	1	13,989	84	-	14,073
3,443	540	1,519	-	27,688	5	-	27,693
82	-	17	-	104	-	-	104
-	-	-	816	816	-	-	816
23	23	19	3,123	3,231	1,637	(27)	4,841
7,196	**2,781**	**5,352**	**3,940**	**73,002**	**1,726**	**(27)**	**74,701**
82	49	79	-	965	-	-	965
761	821	946	(631)	5,329	-	(34)	5,295
8	212	-	-	1,166	-	-	1,166
89	71	82	(17)	569	2	-	571
-	-	-	7,886	7,886	-	-	7,886
811	174	374	51	2,321	3,687	-	6,008
1,751	**1,327**	**1,481**	**7,289**	**18,236**	**3,689**	**(34)**	**21,891**
-	-	-	-	-	-	-	-
8,947	**4,108**	**6,833**	**11,229**	**91,238**	**5,415**	**(61)**	**96,592**

1.6 Segment equity and liabilities

(in millions of euros)	France	Spain	Europe
June 30, 2019			
Equity	**-**	**-**	**-**
Non-current lease liabilities	1,045	864	754
Fixed assets payables	48	400	283
Non-current employee benefits	1,622	12	33
Non-current liabilities included in the calculation of net financial debt	-	-	-
Other	589	114	242
Total non-current liabilities	**3,304**	**1,390**	**1,312**
Current lease liabilities	74	302	94
Fixed assets payables	960	605	315
Trade payables	2,486	981	843
Customer contracts liabilities	1,056	54	323
Current employee benefits	1,261	31	105
Deferred income	33	-	3
Current liabilities included in the calculation of net financial debt	-	-	-
Other	910	161	280
Total current liabilities	**6,780**	**2,134**	**1,963**
Liabilities related to assets held for sale	-	-	-
Total equity and liabilities	**10,084**	**3,524**	**3,275**
December 31, 2018			
Equity	**-**	**-**	**-**
Fixed assets payables	48	119	291
Non-current employee benefits	1,726	11	33
Non-current liabilities included in the calculation of net financial debt	-	-	-
Other	635	126	243
Total non-current liabilities	**2,409**	**256**	**567**
Fixed assets payables	1,116	598	398
Trade payables	2,598	1,055	926
Customer contracts liabilities	1,091	66	322
Current employee benefits	1,307	38	102
Deferred income	2	-	3
Current liabilities included in the calculation of net financial debt	-	-	-
Other	846	148	253
Total current liabilities	**6,960**	**1,905**	**2,004**
Liabilities related to assets held for sale	-	-	-
Total equity and liabilities	**9,369**	**2,161**	**2,571**

Africa & Middle-East	Enterprise	International Carriers & Shared Services	Eliminations telecom activities and unallocated items	Total telecom activities	Orange Bank	Eliminations telecom activities / bank	Orange consolidated financial statements
-	**-**	**-**	**32,724**	**32,724**	**54**	**-**	**32,778**
732	272	1,637	-	5,304	34	-	5,338
179	-	-	-	910	-	-	910
72	278	733	-	2,750	8	-	2,758
-	-	-	31,023	31,023	-	-	31,023
52	37	78	796	1,908	119	(27)	2,000
1,035	**587**	**2,448**	**31,819**	**41,895**	**161**	**(27)**	**42,029**
156	18	363	-	1,007	-	-	1,007
523	73	100	(1)	2,575	-	-	2,575
1,184	731	912	(729)	6,408	107	(29)	6,486
133	279	123	(19)	1,949	-	-	1,949
83	397	449	-	2,326	6	-	2,332
47	20	12	(1)	114	-	-	114
-	-	-	5,978	5,978	-	(2)	5,976
1,116	252	852	259	3,830	4,866	(1)	8,695
3,242	**1,770**	**2,811**	**5,487**	**24,187**	**4,979**	**(32)**	**29,134**
-	-	-	-	-	-	-	-
4,277	**2,357**	**5,259**	**70,030**	**98,806**	**5,194**	**(59)**	**103,941**

Africa & Middle-East	Enterprise	International Carriers & Shared Services	Eliminations telecom activities and unallocated items	Total telecom activities	Orange Bank	Eliminations telecom activities / bank	Orange consolidated financial statements
-	**-**	**-**	**33,151**	**33,151**	**98**	**-**	**33,249**
154	-	-	-	612	-	-	612
64	264	717	-	2,815	8	-	2,823
-	-	-	27,461	27,461	-	-	27,461
59	46	180	791	2,080	98	(27)	2,151
277	**310**	**897**	**28,252**	**32,968**	**106**	**(27)**	**33,047**
528	58	138	(1)	2,835	-	-	2,835
1,081	689	917	(631)	6,635	135	(34)	6,736
127	283	129	(16)	2,002	-	-	2,002
68	398	471	-	2,384	8	-	2,392
44	2	7	-	58	-	-	58
-	-	-	7,403	7,403	-	-	7,403
1,069	273	833	381	3,803	5,067	-	8,870
2,917	**1,703**	**2,495**	**7,136**	**25,120**	**5,210**	**(34)**	**30,296**
-	-	-	-	-	-	-	-
3,194	**2,013**	**3,392**	**68,539**	**91,239**	**5,414**	**(61)**	**96,592**

1.7 Simplified statement of cash flows on telecommunication and banking activities

	June 30, 2019			
(in millions of euros)	Telecom activities	Orange Bank	Eliminations telecom activities / Orange Bank	Orange consolidated financial statement
Operating activities				
Consolidated net income	1,224	(87)	-	1,137
Non-monetary items and reclassified items for presentation	6,267	41	-	6,308
Changes in working capital				
Decrease (increase) in inventories, gross	18	-	-	18
Decrease (increase) in trade receivables, gross	(210)	(2)	(7)	(219)
Increase (decrease) in trade payables	(226)	(20)	7	(239)
Changes in other customer contract assets and liabilities	(22)	-	-	(22)
Changes in other assets and liabilities	(134)	(334)	-	(468)
Other net cash out				
Operating taxes and levies paid	(986)	-	-	(986)
Dividends received	14	-	-	14
Interest paid and interest rates effects on derivatives, net	(764) (1)	-	-	(764)
Income tax paid	(640)	-	-	(640)
Net cash provided by operating activities (a)	**4,541**	**(402)**	**-**	**4,139**
Investing activities				
Purchases (sales) of property, plant and equipment and intangible assets	(3,976)	(16)	-	(3,992)
Cash paid for investment securities, net of cash acquired	(126)	-	-	(126)
Purchases of equity securities measured at fair value	(25)	-	-	(25)
Proceeds from sales of investment securities, net of cash transferred	2	-	-	2
Decrease (increase) in securities and other financial assets	(28)	9	2	(17)
Net cash used in investing activities (b)	**(4,153)**	**(7)**	**2**	**(4,158)**
Financing activities				
Cash flows from financing activities				
Medium and long-term debt issuances	4,884	-	-	4,884
Medium and long-term debt redemptions and repayments	(1,520)	-	-	(1,520)
Lease liabilities repayments	(676)	(2)	-	(678)
Increase (decrease) of bank overdrafts and short-term borrowings	(730)	9	(2)	(723)
Decrease (increase) of cash collateral deposits	(125)	(25)	-	(150)
Exchange rates effects on derivatives, net	64	-	-	64
Other cash flows				
Issuances (purchases) of subordinated notes	0	-	-	0
Coupon on subordinated notes	(267)	-	-	(267)
Purchases of treasury shares - Orange Vision 2020 free share award plan	-	-	-	-
Other proceeds (purchases) from treasury shares	(1)	-	-	(1)
Capital increase (decrease) - non-controlling interests	(59) (2)	100 (2)	-	41
Changes in ownership interests with no gain / loss of control	(3)	-	-	(3)
Dividends paid to owners of the parent company	(1,061)	-	-	(1,061)
Dividends paid to non-controlling interests	(243)	-	-	(243)
Net cash used in financing activities (c)	**263**	**82**	**(2)**	**343**
Cash and cash equivalents in the opening balance	**5,081**	**553**	**-**	**5,634**
Cash change in cash and cash equivalents (a) + (b) + (c)	651	(327)	-	324
Exchange rates changes on cash and cash equivalents	2	-	-	2
Cash and cash equivalents in the closing balance	**5,734**	**226**	**-**	**5,960**

(1) Including (46) million euros of interests paid on lease liabilities.

(2) Of which 65 million euros in Orange Bank share capital invested by Orange.

(in millions of euros)	June 30, 2018 Telecom activities	Orange Bank	Eliminations telecom activities / Orange Bank	Orange consoli-dated financial statement
Operating activities				
Consolidated net income	949	(70)	-	879
Non-monetary items and reclassified items for presentation	5,769	14	-	5,783
Changes in working capital				
Decrease (increase) in inventories, gross	(45)	-	-	(45)
Decrease (increase) in trade receivables, gross	(84)	-	15	(69)
Increase (decrease) in trade payables	(262)	(7)	(15)	(284)
Changes in other customer contract assets and liabilities	23	-	-	23
Changes in other assets and liabilities	(158)	39	-	(119)
Other net cash out				
Operating taxes and levies paid	(978)	(1)	-	(979)
Dividends received	16	-	-	16
Interest paid and interest rates effects on derivatives, net	(738)	-	-	(738)
Income tax paid	(291)	1	-	(290)
Net cash provided by operating activities (a)	**4,201**	**(24)**	**-**	**4,177**
Investing activities				
Purchases (sales) of property, plant and equipment and intangible assets	(3,656)	(20)	-	(3,676)
Cash paid for investment securities, net of cash acquired	(29)	(1)	-	(30)
Purchases of equity securities measured at fair value	(60)	-	-	(60)
Proceeds from sales of investment securities, net of cash transferred	1	-	-	1
Decrease (increase) in securities and other financial assets	75	35	(152)	(42)
Net cash used in investing activities (b)	**(3,669)**	**14**	**(152)**	**(3,807)**
Financing activities				
Cash flows from financing activities				
Medium and long-term debt issuances	2,947	-	-	2,947
Medium and long-term debt redemptions and repayments	(1,995)	-	-	(1,995)
Increase (decrease) of bank overdrafts and short-term borrowings	(602)	36	152	(414)
Decrease (increase) of cash collateral deposits	145	(0)	-	145
Exchange rates effects on derivatives, net	(2)	-	-	(2)
Other cash flows				
Coupon on subordinated notes	(178)	-	-	(178)
Purchase of treasury shares - Orange Vision 2020 free share award plan	(71)	-	-	(71)
Other proceeds (purchases) from treasury shares	8	-	-	8
Capital increase (decrease) - non-controlling interests	(50)[(1)]	85[(1)]	-	35
Changes in ownership interests with no gain / loss of control	1	-	-	1
Dividends paid to owners of the parent company	(1,064)	-	-	(1,064)
Dividends paid to non-controlling interests	(185)	-	-	(185)
Net cash used in financing activities (c)	**(1,046)**	**121**	**152**	**(773)**
Cash and cash equivalents in the opening balance	**5,333**	**477**	**-**	**5,810**
Cash change in cash and cash equivalents (a) + (b) + (c)	(514)	111	-	(403)
Exchange rates changes on cash and cash equivalents	(1)	-	-	(1)
Cash and cash equivalents in the closing balance	**4,818**	**588**	**-**	**5,406**

(1) Of which 55 million euros in Orange Bank share capital invested by Orange.

1.8 Definition of operating segments and performance indicators

Accounting policies

Segment information

The decisions on the allocation of resources and the performance assessment of Orange's component parts (hereinafter referred to as "the Group") are made by the Chairman and Chief Executive Officer (main operational decision-maker) at operating segment level, mainly consisting of the geographical establishments. The operating segments are:

- France (Enterprise excluded);
- Spain;
- Poland, Belgium and Luxembourg and each Central European countries. The Europe aggregate combines the operating segments of this area;
- Sonatel subgroup (gathering Sonatel entities in Senegal, Orange Mali, Orange Bissau, Orange in Guinea and Orange in Sierra Leone), the Côte d'Ivoire subgroup (including Orange Côte d'Ivoire entities, Orange in Burkina Faso and Orange in Liberia) and each of the other countries in Africa and Middle East. The Africa and Middle East aggregate combines the operating segments of this area;
- Enterprise;
- the activities of International Carriers & Shared Services (IC&SS), which contain certain resources, mainly in the areas of networks, information systems, research and development and other shared Group activities, as well as the Orange brand;
- Orange Bank.

The use of shared resources, mainly provided by IC&SS, is taken into account in segment results based either on the terms of contractual agreements between legal entities, external benchmarks or by allocating costs among all the segments. The supply of shared resources is included in other revenues of the service provider, and the use of the resources is included in expenses of the service user. The cost of shared resources may be affected by changes in contractual relationships or organization and may therefore impact the segment results disclosed from one year to another.

Changes in operating performance indicators used in 2019

The Group applies the new standard IFRS 16 "Leases" prospectively from January 1, 2019.

The standard evolution has led the Group to change the key operating performance indicators used in 2019. EBITDAaL (for "EBITDA after Leases") and eCapex (for "economic Capex") are the new indicators used by Group's management.

Adjusted EBITDA, reported EBITDA and CAPEX remain the performance indicators used before 2019.

The new operating performance indicators are used by the Group:

- to manage and assess its operating and segment results; and
- to implement its investment and resource allocation strategy.

The Group's management believes that the presentation of these indicators is relevant as it provides readers with the same management indicators as those used internally.

EBITDAaL corresponds to operating income before depreciation and amortization of fixed assets, effects resulting from business combinations, reclassification of cumulative translation adjustment from liquidated entities, impairment of goodwill and fixed assets, share of profits (losses) of associates and joint ventures, and after interests on debts related to financed assets and on lease liabilities, adjusted for:

- significant litigation;
- specific labor expenses;
- fixed assets, investments, and businesses portfolio review;
- restructuring program costs;
- acquisition and integration costs;
- and, where appropriate, other specific elements.

The measurement indicator allows for the effects of certain specific factors to be isolated, irrespective of their recurrence and the type of income and expense, when they are linked to:

- significant litigation:

Associated procedures are based on third-party decisions (regulatory authority, court, etc.) and occurring over a different period to the activities at the source of the litigation. By their very nature, costs are difficult to predict in terms of their source, amount and period;

- specific labor expenses:

Independently of the departure plans included under restructuring costs, certain changes in the working hours of employees may have a negative impact on the period during which they are agreed and implemented. This primarily relates to the various "part-time for seniors plans" (TPS) in France;

- fixed assets, investments and businesses portfolio review:

The Group regularly reviews its fixed assets, investments and businesses portfolio: as part of this review, decisions to dispose of assets are implemented, which by their very nature have an impact on the period during which the disposal takes place. Since January 1, 2019 the Group includes the gains and losses on disposal of fixed assets under the review of fixed assets, investments and businesses portfolio;

- restructuring programs costs:

The adjustment of Group activities in line with changes in the business environment may also incur other types of transformation costs. These actions may have a negative effect on the period during which they are announced or implemented; for instance but not limited to, some of the transformation plans approved by the internal governance bodies;

- acquisition and integration costs:

The Group also incurs costs which are directly linked to the acquisition and integration of entities. These are primarily legal and advisory fees, registration fees and earn-outs;

- where applicable, other specific elements that are systematically specified in relation to income and/or expenses.

EBITDAaL is not a financial aggregate as defined by IFRS and is not comparable to similarly titled indicators used by other groups. It is provided as additional information only and should not be considered as a substitute for operating income or cash flow provided by operating activities.

eCapex relate to acquisitions of property, plant and equipment and intangible assets excluding telecommunications licenses and financed assets and less the price of disposal of property, plant and equipment and intangible assets. They are used internally as an indicator to allocate resources. eCapex are not a financial aggregate defined by IFRS and may not be comparable to similarly-titled indicators used by other companies.

Operating performance indicators used in 2018

Reported EBITDA corresponds to operating income before depreciation and amortization, effects resulting from business combinations, reclassification of cumulative translation adjustment from liquidated entities, impairment of goodwill and fixed assets and share of profits (losses) of associates and joint ventures.

Adjusted EBITDA corresponds to reported EBITDA, adjusted for significant litigation, specific labor expenses, review of the investments and business portfolio, restructuring and integration costs and, where appropriate, other specific elements.

This measurement indicator allows for the effects of certain specific factors to be isolated from reported EBITDA, irrespective of their recurrence and the type of income or expense, when they are linked to:

- significant litigation:

Associated procedures are based on third- party decisions (regulatory authority, court, etc.) and occurring over a different period to the activities at the source of the litigation. By their very nature, costs are difficult to predict in terms of their source, amount and period;

- specific labor expenses:

Independently of the departure plans included under restructuring costs, certain changes in the working hours of employees may have a negative impact on the period during which they are agreed and implemented. This primarily relates to the various "part-time for seniors plans" (TPS) in France;

- investments and businesses portfolio review:

The Group regularly reviews its investments and businesses portfolio: as part of this review, decisions to dispose of assets are implemented, which by their very nature have an impact on the period during which the disposal takes place. The corresponding gains (losses) on disposal affect either reported EBITDA or the net income from discontinued operations;

- restructuring and integration costs:

The adjustment of Group activities in line with changes in the business environment may also incur other types of transformation costs. These actions may have a negative effect on the period during which they are announced or implemented; for instance but not limited to, some of the transformation plans approved by the internal governance bodies;

- where applicable, other specific elements that are systematically specified in relation to income and/or expenses.

Adjusted EBITDA and reported EBITDA are not financial aggregates as defined by IFRS and are not comparable to similarly titled indicators used by other groups. They are provided as additional information only and should not be considered as a substitute for operating income or cash flow provided by operating activities.

CAPEX relate to the acquisition of tangible and intangible assets excluding telecommunications licenses and investments financed through finance leases and are used internally as an indicator to allocate resources. CAPEX are not a financial aggregate defined by IFRS and may not be comparable to similarly-titled indicators used by other companies.

Assets and Liabilities

Inter-segment assets and liabilities are reported in each operating segment.

Non-allocated assets and liabilities for the telecommunications business, mainly include external financial debt, external cash and cash equivalents, current and deferred tax assets and liabilities, as well as equity. Financial debt and investments between these segments are presented as non-allocated elements.

For Orange Bank, the line “Other” includes the assets and liabilities listed above, as well as the loans and receivables and debts related to the Bank’s activity.

NOTE 2 Basis of preparation of the consolidated financial statements

This note describes the changes in accounting policies since the publication of the 2018 consolidated financial statements and applied by Orange ("the Group") in the preparation of its interim financial statements for the half-year ended June 30, 2019.

2.1 Basis of preparation of the financial statements

The condensed consolidated financial statements and notes for the first half of 2019 were prepared under the responsibility of the Board of Directors on July 24, 2019.

In accordance with European Regulation no. 1606/2002 dated July 19, 2002, the interim financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting", as endorsed by the European Union (EU) and published by the IASB.

The interim financial statements were prepared using the same accounting policies as the financial statements for the year ended December 31, 2018, with the exception of the specific requirements of IAS 34. Compared with December 31, 2018, the interim financial statements include the effects of initial application of new standards and notably IFRS 16 "Leases". These effects are described in Note 2.3.

For the reported periods, the accounting standards and interpretations endorsed by the EU are similar to the compulsory standards and interpretations published by the IASB, with the exception of standards and interpretations currently being endorsed, which has no effect on the Group’s accounts. Consequently, the Group’s financial statements are prepared in accordance with the IFRS standards and interpretations, as published by the IASB.

When a specific transaction is not dealt with in any standard or interpretation, Group management uses its judgment to define and apply an accounting policy that will result in relevant and reliable information, such that the financial statements:

- fairly present the Group’s financial position, financial performance and cash flows;
- reflect the economic substance of transactions;
- are neutral;
- are prepared on a prudent basis; and
- are complete in all material respects.

2.2 Use of estimates and judgement

Orange’s management uses its judgment to define the appropriate accounting treatment of certain transactions and makes estimates insofar as many items included in the financial statements cannot be measured with precision or current IFRS standards and interpretations do not specifically deal with the related accounting issues. Management revises these estimates if the underlying circumstances evolve or if there is new information or additional experience.

The new standards applied since December 31, 2018 introduce new areas of judgement and estimate that are described in Note 2.3.

2.3 New standards and interpretations applied from January 1, 2019

2.3.1 Initial application of IFRS 16 "Leases":

The new standard, IFRS 16 "Leases”, is of mandatory application since January 1, 2019.

The main impacts of the new methodology introduced by IFRS 16, compared with previously applied principles, concern the accounting of leases by lessees. Indeed, IFRS 16, which defines a lease as a contract that conveys to the lessee the right to control the use of an identified asset, significantly changes the recognition of these contracts in the financial statements.

Firstly, the standard introduces a single lessee model for the recognition of leases, comprising the recognition in assets of a right-of-use asset, and in liabilities of a lease liability equal to the present value of future lease payments. The distinction between finance leases and operating leases under the former standard, IAS 17, is removed and replaced with this new model from January 1, 2019.

In addition to the impact on the presentation of the consolidated statement of financial position, the consolidated income statement is also impacted. The current operating expense is replaced by a depreciation expense as well as an interest expense. In the consolidated statement of cash flows, interests continue to be recorded in operating flows. Investment flows are not modified, while the repayment of the lease liability impacts financing flows.

Lease recognition rules for lessors are unchanged compared with IAS 17.

The Group has defined four major categories of lease contracts:

- Land and buildings: these contracts mainly concern commercial or service activity leases, as well as leases of technical buildings (leases of space or entire buildings depending on the circumstances) for “fixed" activities.
- Networks and terminals: these contracts mainly concern the lease of land for mobile sites, some “*TowerCos*” contracts for mobile activities and local loop access contracts where Orange is the lessee or lessor depending on the country.
- IT equipment: these contracts primarily concern leases of routers and servers in datacenters.
- Other: these contracts mainly concern leases of vehicles and technical equipment.

The Group elected to adopt the simplified retrospective method for first-time application and applies the following authorized practical expedients:

- Exclusion of leases with a residual term expiring within 12 months of the first application date. This practical expedient is applied for all contracts, including those with a tacit renewal clause at the transition date. In applying this practical expedient, the Group calls on its judgment and experience gained in the previous years to determine whether it is reasonably certain to exercise a renewal option, taking account of the relevant facts and circumstances.
- Exclusion of leases of assets with a replacement value of less than approximately 5,000 euros.
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of first-time application.
- The identical classification of asset and liability balances for finance leases identified under IAS 17 in right-of-use assets and lease liabilities as authorized by the standard.
- The inclusion in the opening balance sheet of provisions for onerous contracts measured as of December 31, 2018 pursuant to IAS 37, as an alternative to impairment testing of right-of-use assets in the opening balance sheet. Rent expenses already provisioned are presented in impairment of right-of-use assets.

The weighted average incremental borrowing rate as of January 1, 2019 for all the lease liabilities amounted to 2.01% based on the residual duration of leases at the transition date.

In the first-half of 2019, a certain number of questions were submitted to the standard setter seeking to clarify interpretation of the standard. The IASB and IFRS IC have not yet published all their conclusions on these issues and the Group continues to monitor ongoing discussions. At the date of preparation of these half-year financial statements, the Group’s accounting positions and the terms implemented with regard to these issues were as follows:

- The enforceable term of open-ended leases with a notice period of less than or equal to 12 months may be longer than the notice period, depending on the lease circumstances. The Group notably takes account of the application of more than insignificant penalties in the event of exit. The Group considers in particular the economic importance of the leased asset when determining this enforceable period.
- The Group has analyzed all specific cases of leases for which non-removable leasehold improvements were undertaken on the leased assets and considered that there were no economic benefits leading to a reassessment of the initial enforceable lease term.
- The Group does not consider the subsurface occupancy rights (subsurface servitudes) as leases, as these contracts include generally a substantive substitution right. The IFRS IC final decision has not changed the Group position on this matter.
- The Group decided not to apply the deferred tax exemption from initial recognition provided in IAS 12 (paragraphs 15 and 24) to deferred tax generated by the recognition of a right-of-use asset and a lease liability.

The Group has chosen to apply IFRS 16 using the simplified retrospective method and accordingly the 2017 and 2018 comparative periods have not been restated.

This option leads to the recognition of the cumulative impact of the restatements required by the standard in equity as of January 1, 2019 and is reflected by an increase in consolidated reserves of 2 million euros, including 2 million euros in equity attributable to owners of the parent company relating to the deferred taxes as presented in the table below:

Impact on the consolidated financial statements

Impact on the consolidated statement of financial position:

(in millions of euros)	December 31, 2018 historical data	Impacts of IFRS 16 application	January 1, 2019 restated data
Property, plant and equipment	27,693	(574)	27,119
o/w finance leases	*574*	*(574)*	-
Right-of-use assets	-	6,296	6,296
o/w gross value	-	*6,991*	*6,991*
o/w accumulated depreciation and amortization	-	*(552)*	*(552)*
o/w accumulated impairment (1)	-	*(143)*	*(143)*
Deferred tax assets	1,366	1,497	2,863
Total non-current assets	**74,701**	**7,219**	**81,920**
Prepaid expenses	571	(35)	536
Total current assets	**21,891**	**(35)**	**21,856**
Total assets	**96,592**	**7,184**	**103,776**
Total equity (2)	**33,249**	**2**	**33,251**
Non-current financial liabilities	26,749	(427)	26,322
o/w finance lease liabilities	*427*	*(427)*	-
Non-current lease liabilities	-	5,197	5,197
Non-current restructuring provision (1)	230	(105)	125
Deferred tax liabilities	631	1,495	2,126
Total non-current liabilities	**33,047**	**6,160**	**39,207**
Current financial liabilities	7,270	(167)	7,103
o/w finance lease liabilities	*158*	*(158)*	-
Current lease liabilities	-	1,281	1,281
Trade payables	6,736	(40)	6,696
Current restructuring provision (1)	159	(38)	121
Other current liabilities	1,788	(14)	1,774
Total current liabilities	**30,296**	**1,022**	**31,318**
Total equity and liabilities	**96,592**	**7,184**	**103,776**

(1) Impairment losses on right-of-use assets concern real estate leases qualified as onerous contracts in France.
(2) The impact on opening equity as of January 1, 2019 is the result of timing differences between deferred tax assets and liabilities in countries where tax rates are expected to change in the coming years.

Reconciliation of operating lease off-balance sheet commitments presented according to IAS 17 as of December 31, 2018 and lease liabilities recognized according to IFRS 16 as of January 1, 2019

Reconciling items mainly concern the application scope, the lease payment measurement method and other impacts presented below:

(in millions of euros)	January 1, 2019
Operating lease commitments as of December 31, 2018 (1)	**5,815**
Commitments presented in other operating activities commitments as of December 31, 2018 (2)	1,023
Commitments relating to leases covered by an exemption (3)	(129)
Commitments relating to leases where the underlying asset is available after January 1, 2019	(524)
Measurement differences due to the determination of the lease term (4)	167
Lease payment measurement differences (5)	(191)
Finance lease liabilities as of December 31, 2018 (6)	584
Other (7)	457
Lease liabilities as of January 1, 2019 - Before discounting	7,202
Discounting effect	(724)
Lease liabilities as of January 1, 2019	**6,478**

(1) Including Orange Bank off-balance sheet commitments in the amount of 37 million euros.
(2) Including notably some site management contracts ("*TowerCos*") signed in Africa and local loop access contracts in Spain presented in other goods and services purchase commitments.
(3) The Group has excluded from lease liabilities, leases with a residual term expiring within 12 months of the application date and leases of assets with a replacement value of less than approximately 5,000 euros.
(4) Off-balance sheet commitments are based on the minimum term of contracts whereas according to IFRS 16, the determination of the duration takes into account extension options that the lessee is reasonably certain to exercise.
(5) These measurement differences are relating to lease payments that depend on an index or a rate.
(6) Lease liabilities as of January 1, 2019 include the finance lease liabilities recognized as of December 31, 2018 according to IAS 17.
(7) Including minimum lease payments under real estate leases classified as onerous contracts in France recognized in restructuring provisions as of December 31, 2018 and excluded from the off-balance sheet commitments.

Disclosures regarding lease liabilities and right-of-use assets as of June 30, 2019 are presented in Note 7.

2.3.2 Application of IFRIC 23 "Uncertainty over Income Tax Treatments" :

The interpretation IFRIC 23 "Uncertainty over Income Tax Treatments" is of mandatory application since January 1, 2019 and clarifies the identification, valuation and accounting treatment of uncertain tax positions in relation with the income tax.

This interpretation did not impact the measurement of income tax liabilities, neither their presentation in the consolidation financial statements of the Group.

NOTE 3 Main changes in scope of consolidation

Acquisition of Basefarm

On August 14, 2018, the Group acquired 100% of Basefarm for an amount of 234 million euros.

(in millions of euros)	At acquisition date
Acquisition cost	234
Cash acquired net of transaction costs	(4)
Cash paid for investment securities, net of cash acquired	**230**

In accordance with IFRS 3R – Business Combinations, the fair value measurement of identifiable assets acquired and liabilities assumed was finalized during the first semester of 2019. The final allocation of the acquisition cost is as follow:

(in millions of euros)	At acquisition date
Acquisition cost (a)	**234**
Net book value acquired	(58)
Effects of fair value measurement:	
Customer relationship [1]	58
Other intangible assets [2]	28
Trademark [3]	7
Net deferred tax	(25)
Net asset remeasured at fair value (b)	**10**
Goodwill (a) - (b)	**224**

(1) Amortized over 15 years
(2) Amortized over 5 years
(3) Amortized over 7 years

Fair value has been measured using the relief from royalty method for the brand and the excess earnings method for the customer base.

Goodwill primarily corresponds to future technologies and acquisition of new customers.

The Basefarm's acquisition effect on revenue, in 2019, amounts to 57 million euros.

NOTE 4 Other expenses

4.1 Other operating expenses

Other operating expenses include in particular losses on trade receivables, customer contract assets as well as universal service expenses.

4.2 Restructuring costs

(in millions of euros)	June 30, 2019	June 30, 2018
Restructuring costs	**(52)**	**(56)**
Departure plans	(13)	(22)
Lease property restructuring [1]	(2)	(18)
Distribution channels	(9)	(7)
Other	(28)	(9)
Integration costs	**-**	**(6)**
Acquisition costs of investments [2]	-	(6)
Total restructuring costs	**(52)**	**(62)**

(1) In 2018, related to onerous leases contracts in France. Due to IFRS 16 adoption, those onerous contracts are now presented in "Impairment of right-of-use assets".
(2) From 2019, acquisition costs are presented in "Other operating expense".

4.3 Working capital management – payables

Supplier payment terms are mutually agreed between the suppliers and Orange in accordance with the rules in force. Some key suppliers and Orange have agreed to a flexible payment schedule which, for certain invoices, can be extended up to six months.

Trade payables and fixed assets payables that were subject to an extension of payment, and had an impact on the change in working capital at the end of the period, amount to approximately 384 million euros as of June 30, 2019.

NOTE 5 Impairment of goodwill

Impairment tests are carried out annually and when there is an indication that assets may be impaired.

Changes in the economic and financial climate, varying levels of resilience of telecommunications operators to deteriorating local economic conditions, declines in the market capitalization of telecommunications companies and changes in business performance serve as indicators of potential impairment.

As the preparation of multi-year plans will be performed in 2019 second half, the half-year reassessments resulting from the identification of impairment indications are derived from a preliminary review of projected cash flows retained at the end of the previous year.

As of June 30, 2019

As of June 30, 2019, the review of impairment indicators has not led the Group to recognize any impairment.

As of June 30, 2018

In Jordan, the goodwill impairment in the amount of 56 million euros reflected the effects of an uncertain political and economic climate and of a strong competitive pressure on fixed and mobile data markets. The net carrying value of assets tested has been brought down to the value in use of long-term assets and working capital at 100% as of June 30, 2018 (0.7 billion euros).

NOTE 6 Fixed assets

6.1 Gains (losses) on disposal of fixed assets

(in millions of euros)	June 30, 2019
Transfer price	131
Net book value of assets sold	(63)
Proceeds from the disposal of fixed assets	**68**

As of June 30, 2018, the gain on disposal of fixed assets is presented in other operating income and amounts to 41 million euros. It was made up of 54 million euros of price of disposal of fixed assets and (13) million euros of net book value of the assets sold.

6.2 Property, plant and equipment

	June 30, 2019				December 31, 2018
(in millions of euros)	Gross value	Accumulated depreciation and amortization	Accumulated impairment	Net book value	Net book value
Networks and terminals	87,610	(62,899)	(310)	24,401	23,962
Land and buildings	7,181	(4,934)	(243)	2,004	2,479
IT equipment	3,796	(2,995)	(13)	788	817
Other property, plant and equipment	1,739	(1,304)	(11)	424	435
Total property, plant and equipment	**100,326**	**(72,132)**	**(577)**	**27,617**	**27,693**

(in millions of euros)	June 30, 2019	December 31, 2018
Net book value of property, plant and equipment - in the opening balance	**27,693**	**26,665**
IFRS 16 transition impact (1)	(574)	-
Net book value of property, plant and equipment - including IFRS 16 transition impact	**27,119**	**26,665**
Acquisitions of property, plant and equipment	2,878	5,883
o/w finance leases	*-*	*136*
o/w financed assets	*66*	*-*
Impact of changes in the scope of consolidation	1	*63*
Disposals and retirements	(61)	(44)
Depreciation and amortization	(2,389)	(4,791)
o/w fixed assets	*(2,386)*	*(4,791)*
o/w financed assets	*(3)*	*-*
Impairment	0	(39)
Translation adjustment	74	(27)
Reclassifications and other items	(5)	(17)
Reclassifications to assets held for sale	-	-
Net book value of property, plant and equipment - in the closing balance	**27,617**	**27,693**

(1) Following IFRS 16 application as of January 1st, 2019, financial leases have been reclassified in right-of-use assets (see note 2.3.1).

Financed assets include as of June 30, 2019 the set-up boxes in France which are financed by an intermediary bank and meet the standard criterion of a tangible asset according to IAS 16. The debts associated to these financed assets are presented in financial liabilities and are included in the definition of the net financial debt.

Accounting policies

Property, plant and equipment are made up of tangible fixed assets and financed assets. They mainly comprise network facilities and equipment.

The gross value of property, plants and equipment is made up of their acquisition or production cost, which includes study and construction fees as well as enhancement costs that increase the capacity of equipment and facilities. Maintenance and repair costs are expensed as incurred, except where they serve to increase the asset's productivity or prolong its useful life.

The cost of property, plant and equipment also includes the estimated cost of dismantling, removing and restoring the site occupied due to the obligation incurred by the Group.

The roll-out of assets by stage, especially for network assets, in the Group's assessment, does not generally require a substantial period of preparation for the Group. As a consequence, the Group does not generally capitalize the interest expense incurred during the construction and acquisition phase for its property, plant and equipment and intangible assets.

In France, the regulatory framework governing the optical fiber network roll-out (Fiber To The Home – FTTH) organizes the access by commercial operators to the last mile of networks rolled-out by another operator on a co-funding basis (ab initio or a posteriori) or through a line access. The sharing of rights and obligations between the various operators co-financing the terminal section of networks is classified as a joint operation in accordance with IFRS 11 "Partnerships": Orange only recognizes as an asset its share of the network assets self-built or purchased to other co-financing operators.

The Group has entered into network sharing arrangements with other mobile operators on a reciprocal basis, which may cover passive infrastructure, active equipment or even spectrum. Accordingly, in Poland, the arrangements with Deutsche Telekom have been qualified as a joint operation: the infrastructure and equipment of the access networks recognized as fixed assets are equivalent to the proportionate share of the Group in the assets installed by the Group or Deutsche Telekom, each in their geographical zone.

As a reminder, before applying IFRS 16, the accounting principles related to the assets acquired in form of finance lease and in operating lease were the following:

The assets acquired in form of finance lease do not affect the cash flow on acquisition. However, the subsequent rental payments during the leasing period represent interest payments (cash flow on operating activities) and capital repayments (cash flow on financing activities).

The majority of the assets held under finance lease are office and network buildings. The land and buildings hosting radio sites may belong to the Group, or be held through a finance lease, or be available under an operating lease or be simply made available.

The lease agreements of office buildings and points of sale are generally qualified as operating leases and the future lease payments are disclosed as unrecognized contractual commitments.

Simultaneously the equipment, very often generic, of which the risks and rewards of ownership have been transferred from the Group to third parties via a lease, is considered as sold.

In some African countries, the Group has also entered into arrangements with TowerCos (companies operating telecom towers). These TowerCos enable mobile operators, including Orange, to share sites, passive infrastructure and related services (by managing the mobile operators' sites and/or acquiring or building sites). The financial impact of these contracts is reflected in operational expenses. The long-term commitments resulting from these arrangements are presented as unrecognized contractual commitments.

NOTE 7 Lease agreements

In the course of its activities, the Group regularly enters into leases as a lessee. These leases concern the following asset categories:

- Land and buildings
- Networks and terminals
- IT equipment
- Other

Accounting policies

The Group classifies as a lease, a contract that conveys to the lessee the right to control the use of an identified asset for a given period, including a service contract if it contains a lease component.

The Group has defined four major lease contract categories:

- Land and buildings: these contracts mainly concern commercial (point of sale) or service activity (offices and head office) leases, as well as leases of technical buildings not owned by the Group. Real estate leases entered into in France generally have long terms (9-year commercial leases with early termination options after 3 and 6 years, known as "3/6/9 leases") (see Note 7.1). However, depending on the geographical location of the leases, the legal term may vary and the Group may be required to adopt a specific enforceable period taking into account the local legal environment.
- Networks and terminals: the Group is required to lease a certain number of assets in connection with its mobile activities. This is notably the case of lands to be used to install antennas, mobile sites leased to a third-party operator and certain "TowerCos" contracts (companies operating telecom towers). Leases are also entered into as part of fixed wireline access network activities. These leases mainly concern access to the local loop where Orange is a market challenger (total or partial unbundling), as well as the lease of land transmission cables.
- IT equipment: this asset category primarily comprises leases of servers and hosting space in datacenters.
- Other: this asset category primarily comprises leases of vehicles and technical equipment.

Leases are recognized in the consolidated statement of financial position via an asset reflecting the right to use the leased assets and a liability reflecting the related lease obligations (see Notes 7.2 and 7.1). In the consolidated income statement, amortization and depreciation of the right-of-use asset (see Note 7.2) is presented separately from the interest expense on the lease liability. In the consolidated statement of cash flows, cash outflows relating to interest impact operating flows, while repayments of the lease liability impact financing flows.

Finally, the Group applies the two exemptions proposed by IFRS 16, concerning leases with a term of 12 months or less and leases of underlying assets with a value when new of less than 5,000 euros approximately. Leases covered by either of these exemptions are presented in off-balance sheet commitments and an expense is recognized in "external purchases" in the consolidated income statement.

7.1 Lease liabilities

As of June 30, 2019, lease liabilities total 6 345 million euros, including non-current lease liabilities of 5 338 million euros and current lease liabilities of 1 007 million euros.

Accounting policies

The Group recognizes a liability (i.e. a lease liability) at the date the underlying asset is made available. This lease liability is equal to the present value of fixed and fixed in-substance payments not paid at that date, plus any amounts that Orange is reasonably certain to pay at the end of the lease, such as the exercise price of a purchase option (where it is reasonably certain to be exercised), or penalties payable to the lessor for terminating the lease (where the termination option is reasonably certain to be exercised).

The Group only takes into account the lease component of lease when measuring the lease liability. For certain asset classes where the lease includes service and lease components, the Group may recognize a single contract classified as a lease (i.e. without distinction between the service and lease component).

Orange systematically determines the lease term as the period during which leases cannot be canceled, plus periods covered by any extension options that the lessee is reasonably certain to exercise and by any termination options that the lessee is reasonably certain not to exercise. In the case of "3/6/9" leases in France, the term adopted is assessed on a contract by contract basis.

This period is also defined taking into account any laws and practices specific to each jurisdiction and business sector regarding the firm lease commitment term granted by lessors. This is the case for open-ended leases, where Orange generally adopts the notice period as the enforceable period. The Group nonetheless assesses, based on the circumstances of each lease, the enforceable period taking account of certain indicators such as the existence of non-insignificant penalties in the event of termination by the lessee. The Group considers in particular the economic importance of the leased asset when determining this enforceable period.

When non-removable leasehold improvements have been made to leased assets, the Group assesses, on a case-by-case basis, whether these improvements provide an economic benefit when determining the enforceable period of the lease.

When a lease includes a purchase option, the enforceable term is equal to the useful life of the underlying asset where the Group is reasonably certain to exercise the purchase option.

For each contract, the Group applies a discount rate determined based on the loan yield specific to each contract, according to its currency, term and the lessee country, plus the Group's credit spread.

After the lease commencement date, the amount of the lease liability may be reassessed to reflect changes introduced in the following main cases;

- a change in term resulting from a contract amendment or a change in assessment of the reasonable certainty that a renewal option will be exercised or a termination option will not be exercised;
- a change in the amount of lease payments, for example following application of a new index or rate in the case of variable payments;
- a change in assessment of whether a purchase option will be exercised;
- any other contractual change, for example a change to the scope of the lease or the underlying asset.

7.2 Right-of-use assets

	June 30, 2019				January 1, 2019
(in millions of euros)	Gross value	Accumulated depreciation and amortization	Accumulated impairment	Net book value	Net book value
Land and buildings	5,527	(657)	(167)	4,703	4,795
Networks and terminals	1,692	(360)	-	1,332	1,362
IT equipment	113	(85)	-	28	33
Other right-of-use	146	(34)	(0)	112	106
Total right-of-use assets	7,478	(1,136)	(167)	6,175	6,296

(in millions of euros)	June 30, 2019
Net book value of right-of-use assets - in the opening balance	**6,296**
Increase (new right-of-use assets)	514
Impact of changes in the scope of consolidation	1
Depreciation and amortization [1]	(609)
Impairment	(24)
Impact of changes in the assessments	12
Translation adjustment	11
Reclassifications and other items	(26)
Reclassifications to assets held for sale	-
Net book value of right-of-use assets - in the closing balance	**6,175**

(1) Including right-of-use assets depreciation and amortization expenses of land and buildings for (427) million euros, networks and terminals for (153) million euros, IT equipment for (6) million euros and other right-of-use assets for (23) million euros.

Accounting policies

A right-of use is recognized as an asset, with a corresponding lease liability (see Note 7.1). This right-of-use asset is equal to the amount of the lease liability, plus any direct costs incurred under certain leases such as fees, lease negotiation expenses or administration costs and less rent-free period liabilities and lessor financial contributions.

Work performed by the lessee and modifications to the leased asset, as well as guarantee deposits, are not components of the right-of-use asset and are recognized in accordance with other standards.

Finally, the right-of-use asset is depreciated in the consolidated income statement on a straight-line basis over the lease term adopted by the Group.

NOTE 8 Income tax

(in millions of euros)	June 30, 2019	June 30, 2018
Total Income tax	**(513)**	**(559)**
• Current tax	(525)	(569)
• Deferred tax	12	10

As of June 30, 2019, the estimated income tax charge has been calculated applying the latest enacted tax rate of 32.02 % at the closing date. However, a new measure has been approved on July 11, 2019 to maintain exceptionally the income tax rate to 34.43 % for the 2019 fiscal year. This measure would have led to a supplementary income tax charge of (19) MEUR as of June 30, 2019.

NOTE 9 Financial assets and liabilities (excluding Orange Bank)

9.1 Financial assets and liabilities of telecom activities

In order to improve the readiness of financial statements and to be able to distinguish the performance of telecom activities from the performance of Orange Bank, the notes related to financial assets and liabilities are split to respect these two business areas.

Thus, Note 9 details the financial assets and liabilities specific to telecom activities and Note 10 is devoted to Orange Bank activities.

The following table reconciles the contributive balances of assets and liabilities for each of these two areas to the consolidated balance sheet (intra-group transactions between telecom activities and Orange Bank are not eliminated) with the consolidated statement of financial position as of June 30, 2019.

(in million of euros)	Orange consolidated financial statements	O/w telecom activities	*Note*	O/w Orange Bank	*Note*	O/w eliminations telecom activities / bank
Non-current financial assets related to Orange Bank activities	**1,607**	-		1,607	*10.1.1*	-
Non-current financial assets	**1,799**	1,826		-		(27) [(1)]
Non-current derivatives assets	**299**	299	*9.3*	-		-
Current financial assets related to Orange Bank activities	**3,167**	-		3,168	*10.1.1*	(1)
Current financial assets	**2,721**	2,722		-		(1)
Current derivatives assets	**18**	18	*9.3*	-		-
Cash and cash equivalents	**5,960**	5,734	*9.3*	226		-
Non-current financial liabilities related to Orange Bank activities	**-**	-		27		(27) [(1)]
Non-current financial liabilities	**30,125**	30,125	*9.3*	-		-
Non-current derivatives liabilities	**981**	898	*9.3*	83		-
Current financial liabilities related to Orange Bank liabilities	**4,566**	-		4,567		(1)
Current financial liabilities	**5,889**	5,890	*9.3*	-		(1)
Current derivatives liabilities	**87**	87	*9.3*	-		-

(1) Loan granted by Orange SA to Orange Bank.

9.2 Change of cash flow hedges in the consolidated statement of comprehensive income

As of June 30, 2019, the consolidated statement of comprehensive income indicates a loss in cash flow hedge of (184) million euros against a loss of (168) million euros in the first semester of 2018. These effects mainly reflect the hedges, via cross currency swaps, of future coupons on Group debts denominated in foreign currencies.

The loss on the first half of 2019 is mainly due to the set up of new instruments in order to hedge the bond issued in sterling pounds (cash flow hedge) in January 2019 and also to the increase of the euro-sterling pound rate spread. The loss on the first half of 2018 was mainly due to the increase of the euro-US dollar and euro-sterling pound rate spread.

9.3 Net financial debt

Compared with December 31, 2018, the definition of the net financial debt as of June 30, 2019 now excludes the lease liabilities included in the scope of IFRS 16 (see Note 2.3.1) and includes the debts relating to financed assets. Net financial debt as defined and used by Orange does not include Orange Bank activities for which the concept is not relevant and is described in the following chart:

(in millions of euros)	June 30, 2019	December 31, 2018
TDIRA	822	822
Bonds	30,406	27,070
Bank loans and from development organizations and multilateral lending institutions	3,658	3,664
Debt relating to financed assets (1)	60	-
Finance lease liabilities	-	584
Cash collateral received	46	82
NEU Commercial Papers (2)	348	1,116
Bank overdrafts	335	318
Other financial liabilities	340	363
Current and non-current financial liabilities (excluding derivatives) included in the calculation of net financial debt	**36,015**	**34,019**
Current and non-current derivatives (liabilities) (3)	985	845
Current and non-current derivatives (assets) (3)	(317)	(385)
Other comprehensive income components related to unmatured hedging instruments	(886)	(721)
Gross financial debt after derivatives (a)	**35,797**	**33,758**
Cash collateral paid (4)	(642)	(553)
Investments at fair value (5)	(2,684)	(2,683)
Cash equivalents	(3,151)	(2,523)
Cash	(2,583) (6)	(2,558)
Assets included in the calculation of net financial debt (b)	**(9,060)**	**(8,317)**
Net financial debt (a) + (b)	**26,737**	**25,441**

(1) See Note 6.2.
(2) Negotiable European Commercial Papers (formerly called "commercial papers").
(3) As of June 30, 2019, the foreign exchange effect of the cross currency swaps hedging foreign exchange risk on gross debt notional is a gain of 455 million euros.
(4) Only cash collateral paid, included in non-current financial assets of the consolidated statement of financial position, are deducted from gross financial debt.
(5) Only investments, included in current financial assets of the consolidated statement of financial position, are deducted from gross financial debt.
(6) As of June 30, 2019, the amount does not take into account the sale of BT shares for 486 million pounds sterling received on July 2, 2019 (543 million euro at the ECB daily reference rate).

In the first semester 2019, Orange purchased call options with the same characteristics of the sale of call option included in bonds exchangeable in BT shares. Those instruments have neutralized the original sale of call option, so the Group is no more exposed to the change in fair value of BT shares in relation with the bonds exchangeable in BT shares.

As a reminder, in June 2017, the Group issued bonds exchangeable in BT shares for a notional amount of 517 million pounds sterling (585 million euros at the ECB daily reference rate) bearing a coupon of 0.375% and having an underlying 133 million of BT shares. The bonds will mature in June 2021 and have been redeemable on demand by investors since August 7, 2017 in cash, in BT shares or in a combination of the two, at the choice of Orange. Under IFRS, this operation was split between a financial debt at amortized cost and a derivative instrument (sale of call option) at fair value through profit and loss.

9.4 Main redemptions and bond issues

During the first semester of 2019, Orange SA redeemed three bonds at maturity for 750 millions euros, 7,500 million yens (60 million euros at the daily reference rate) and 750 million US dollars (658 million euros at the daily reference rate).

Orange SA issued 8 bonds during the first semester of 2019:

- 650 million euros on January 15, 2019 maturing on January 15, 2022 with a coupon of 0.5%;

- 1,250 million euros on January 15, 2019 maturing on July 15, 2024 with a coupon of 1.125%;
- 1,250 million euros on January 15, 2019 maturing on January 15, 2029 with a coupon of 2.0%;
- 750 million sterling pounds (842 million euros at the daily reference rate) on January 15, 2019 maturing on January 15, 2032 with a coupon of 3.25%;
- 300 million euros on May 29, 2019 maturing on May 29, 2031 with a coupon of 1.342%;
- 939 million Hong Kong dollars (106 million euros at the daily reference rate) on June 20, 2019 maturing on June 12, 2034 with a coupon of 3.07%;
- 400 million Swiss francs (360 million euros at the daily reference rate) on June 24, 2019 maturing on November 24, 2025 with a coupon of 0.2%;
- 100 million Swiss francs (90 million euros at the daily reference rate) on June 24, 2019 maturing on June 22, 2029 with a coupon of 0.625%.

9.5 Orange's credit ratings

Orange's credit ratings have not changed since December 31, 2018.

As of June 30, 2019, Orange's debt ratings are set forth below:

	Standard & Poor's	Moody's	Fitch Ratings	Japan Credit Rating
Long-term debt	BBB+	Baa1	BBB+	A
Outlook	Stable	Stable	Stable	Stable
Short-term debt	A2	P2	F2	Not applicable

9.6 Management of covenants

The covenants with regards to financial ratios described as of December 31, 2018 remain met.

9.7 Financial assets

	June 30, 2019			December 31, 2018
(in millions of euros)	Non-current	Current	Total	Total
Financial assets at fair value through other comprehensive income that will not be reclassified to profit or loss	**323**	**-**	**323**	**254**
Investments securities	323	-	323	254
Financial assets at fair value through profit or loss	**780**	**2,684**	**3,464**	**4,041**
Investments at fair value	-	2,684	2,684	2,683
o/w negotiable debt securities (1)	-	*2,682*	*2,682*	*2,679*
o/w other	-	*2*	*2*	*4*
Investments securities	138	-	138	805
Cash collateral paid	642	-	642	553
Financial assets at amortized cost	**723**	**38**	**761**	**762**
Receivables related to investments	42 (2)	6	48	55
Other (3)	681	32	713	707
Total financial assets	**1,826**	**2,722**	**4,548**	**5,057**

(1) NEU Commercial papers only.
(2) Including loan granted by Orange SA to Orange Bank (27 million euros).
(3) Including the escrowed amount in 2018 of 346 millions euros related to the Digicel litigation.

Investment securities measured at fair value through other comprehensive income that will not be reclassified to profit or loss

(in millions of euros)	June 30, 2019	December 31, 2018
Investment securities measured at fair value through other comprehensive income that may not be reclassified to profit or loss - in the opening balance	**254**	**208**
Acquisitions	38	75
Changes in fair value	35	(22)
Sales	(2)	(7)
Other movements	(2)	0
Investment securities measured at fair value through other comprehensive income that may not be reclassified to profit or loss - in the closing balance	**323**	**254**

Investment securities measured at fair value through profit or loss

On June 28, 2019 the Group decided to sell its residual shares of 2.49% in BT Group plc (BT) at a price of 1.99 GBP per share for a total net amount of 486 million pound sterling (542 million euros at the ECB daily reference rate of June 28, 2019). As the settlement took place on July 2, 2019, a financial receivable was accounted for the total net amount to be received and is without impact on the net financial debt as of June 30, 2019.

On December 31, 2018 the fair value of these shares amounted to 659 million euros. The impact in the income statement as of June 30, 2019 amounts to (119) million euros (of which (2) million euros from the foreign exchange hedge effects).

9.8 Fair value levels of financial assets and liabilities

During the first half of 2019, no significant event has occurred regarding the fair value of financial assets and liabilities.

NOTE 10 Activities of Orange Bank

10.1 Financial assets and liabilities of Orange Bank

The financial statements of Orange Bank were put into the format of Orange group's consolidated financial statements and therefore differ from a presentation that complies with the banking format.

In order to improve the readiness of financial statements and to be able to distinguish the performance of telecom activities from the performance of Orange Bank, the notes related to financial assets and liabilities as well as the financial income or expenses are split to respect these two business areas.

Thus, Note 9 details the financial assets, liabilities specific to telecom activities and Note 10 is devoted to Orange Bank activities.

The following table reconciles the contributive balances of assets and liabilities for each of these two areas to the consolidated balance sheet (intra-group transactions between telecom activities and Orange Bank are not eliminated) with the consolidated statement of financial position as of June 30, 2019.

(in millions of euros)	Orange consolidated financial statements	O/w telecom activities	Note	O/w Orange Bank	Note	O/w eliminations telecom activities / bank
Non-current financial assets related to Orange Bank activities	**1,607**	-		1,607	*10.1.1*	-
Non-current financial assets	**1,799**	1,826		-		(27) (1)
Non-current derivatives assets	**299**	299	*9.3*	-		-
Current financial assets related to Orange Bank activities	**3,167**	-		3,168	*10.1.1*	(1)
Current financial assets	**2,721**	2,722		-		(1)
Current derivatives assets	**18**	18	*9.3*	-		-
Cash and cash equivalents	**5,960**	5,734	*9.3*	226		-
Non-current financial liabilities related to Orange Bank activities	**-**	-		27		(27) (1)
Non-current financial liabilities	**30,125**	30,125	*9.3*	-		-
Non-current derivatives liabilities	**981**	898	*9.3*	83		-
Current financial liabilities related to Orange Bank liabilities	**4,566**	-		4,567		(1)
Current financial liabilities	**5,889**	5,890	*9.3*	-		(1)
Current derivatives liabilities	**87**	87	*9.3*	-		-

(1) Loan granted by Orange SA to Orange Bank.

10.1.1 Financial assets related to Orange Bank activities

	June 30, 2019			December 31, 2018
(in millions of euros)	Non-current	Current	Total	Total
Financial assets at fair value through other comprehensive income that will not be reclassified to profit or loss	**1**	**-**	**1**	**1**
Investments securities	1	-	1	1
Financial assets at fair value through other comprehensive income that may be reclassified to profit or loss	**795**	**6**	**801**	**925**
Debt securities	795	6	801	925
Financial assets at fair value through profit or loss	**103**	**111**	**214**	**152**
Investments at fair value	-	111	111	72
Cash collateral paid	82	-	82	57
Others	21	-	21	23
Financial assets at amortized cost	**708**	**3,051**	**3,759**	**3,614**
Fixed-income securities	708	8	716	614
Loans and receivables to customers	-	2,034	2,034	2,000
Loans and receivables to credit institutions	-	1,009	1,009	1,000
Total financial assets related to Orange Bank activities	**1,607**	**3,168**	**4,775**	**4,692**

Debt securities measured at fair value through other comprehensive income that may be reclassified to profit or loss

(in millions of euros)	June 30, 2019	December 31, 2018
Debt securities measured at fair value through other comprehensive income that may be reclassified to profit or loss in the opening balance	**925**	**786**
Acquisitions	147	487
Repayments and disposals	(277)	(333)
Changes in fair value	11	(8)
Other items(1)	(5)	(7)
Debt securities measured at fair value through other comprehensive income that may be reclassified to profit or loss in the closing balance	**801**	**925**

(1) Including (2) million euros related to the fair value variation hedged by interest rate swaps qualified as fair value hedges as of June 30, 2019 and December 31, 2018. These derivatives hedge the interest rate portion of the OATis (Inflation-linked OATs) portfolio maturing in 2023. The change in fair value of this interest rate portion is recognized in the income statement with the change in fair value of the hedging instruments and not in other comprehensive income

Loans and receivables related to Orange Bank

In the context of adapting Orange Bank's accounts into the Group's financial statements, clearing accounts and other amounts due, as well as amounts related to securities transactions on behalf of customers have been considered as loans and receivables from customers.

As of June 30, 2019, loans and receivables of Orange Bank to customers are mainly composed of overdrafts (for 915 million euros) and housing loans (for 873 million euros).

Orange Bank's loans and receivables from credit institutions are mainly composed of current assets corresponding to overnight deposits and loans.

10.1.2 Financial debts related to Orange Bank operations

Debts related to Orange Bank operations are composed of payables and debts with customers for 3,587 million euros and with financial institutions for 634 million euros.

As of June 30, 2019, debts related to Orange Bank operations with customers are mainly composed of current accounts for 2,598 million euros and passbooks and special savings accounts for 765 million euros.

Debts related to Orange Bank operations with financial institutions are mainly composed of term borrowings and advances.

NOTE 11 Shareholders' equity

As of June 30, 2019, Orange SA's share capital amounted to 10,640,226,396 euros, and comprised 2,660,056,599 ordinary shares with a par value of 4 euros each.

The shares held in registered form for at least two years by the same shareholder are granted with a double voting right. As of June 30, 2019, the public sector owns 22.95% of Orange SA's share capital and 29.51% of the voting rights, and the employees of the Group own either within the employee shareholding plan or in registered form 5.53% of Orange SA's share capital and 9.1% of the voting rights.

11.1 Changes in share capital

No new shares were issued during the first half of 2019.

During the six months ended June 30, 2019, the weighted average number of ordinary shares outstanding and the weighted average number of ordinary and dilutive shares outstanding were 2,652,682,465.

11.2 Treasury shares

As authorized by the Shareholders' Meeting of May 21, 2019, the Board of Directors implemented a new share buyback program which is described in the Orange Registration Document filed with the Financial Markets Authority on March 21, 2019.

Share buybacks carried out by Orange during the first half of 2019 were made pursuant to the liquidity contract.

As of June 30, 2019, Orange held 7,293,601 of its own shares (of which 396,614 shares in connection with the liquidity contract and 6,875,568 shares in connection with the Orange Vision 2020 free share award plan and Long Term Incentive Plan (LTIP) 2018-2020) compared to 7,214,100 as of December 31, 2018 (of which 309,609 shares in connection with the liquidity contract and 6,882,999 shares in connection with the Orange Vision 2020 free share award plan and Long Term Incentive Plan (LTIP) 2018-2020).

11.3 Dividends

The Shareholders' Meeting held on May 21, 2019 approved the payment of a dividend of 0.70 euro per share in respect of the 2018 fiscal year. After payment of the interim dividend of 0.30 euro per share on December 6, 2018 for a total amount of 796 million euros, the balance of the dividend amounting to 0.40 euro per share was paid on June 6, 2019 for an amount of 1,061 million euros.

11.4 Non-controlling interests

(in millions of euros)	June 30, 2019	December 31, 2018
Credit part of equity attributable to non-controlling interests (a)	2,482	2,594
o/ w Orange Polska group	*983*	*973*
o/ w Sonatel group	*637*	*744*
o/ w Orange Belgium group	*262*	*273*
o/ w Jordan Telecom group	*158*	*164*
o/ w Médi Telecom	*139*	*153*
Debit part of equity attributable to non-controlling interests (b)	(15)	(14)
Total equity attributable to non-controlling interests (a) + (b)	**2,467**	**2,580**

(in millions of euros)	June 30, 2019	June 30, 2018
Dividends paid to minority shareholders	**243**	**244**
o/ w Sonatel group	*192*	*190*
o/ w Médi Telecom	*22*	*20*
o/ w Orange Belgium group	*14*	*14*
o/ w Jordan Telecom group	*13*	*14*

11.5 Cumulative translation adjustment

(in millions of euros)	June 30, 2019	June 30, 2018
Gain (loss) recognized in other comprehensive income during the period	52	(47)
Reclassification to net income for the period	(2)	(1)
Total transaction adjustments for continuing operations	**50**	**(48)**
Reclassification to the net income for the period	-	-
Total translation adjustments for discontinued operations	**-**	**-**

The change in translation differences recognized in other comprehensive income mainly includes:

- in the first half of 2019, an increase of 45 million euros due to the appreciation of the Egyptian pound ;
- in the first half of 2018, a decrease of 92 million euros due to the depreciation of the Polish zloty.

11.6 Subordinated notes

On April 15, 2019, as part of its EMTN program, Orange SA issued the equivalent of 1 billion euros of deeply subordinated notes denominated in euros in one tranche with a fixed-rate coupon of 2.375%. A reset of interest rates at market conditions is provided for contractually on each call option exercise date.

Orange has a call option on this tranche after April 15, 2025 and upon the occurrence of certain contractually defined events.

These notes are listed on Euronext Paris.

At each interest payment date, settlement may be either paid or deferred, at the option of the issuer. Deferred coupons are capitalized and become due and payable in full under certain circumstances defined contractually and under the control of Orange.

Under IFRS, these instruments have no maturity and the coupon's settlement could be deferred at the option of the issuer. They are booked in equity at historical value. Coupons impact equity five working day before the annual date of payment, unless Orange exercises its right to defer their payment.

The issuance was the subject of a prospectus certified by the AMF under visas no. 19-152.

In the same way, Orange has proceeded to a partial redemption of the existing subordinated notes by a contractual offer for a part of subordinated notes in the following tranches:

- 500 million euros on a nominal of 1 billion euros with a first early redemption date under the control of Orange at February 7, 2020 with a fixed-rate of 4.25%.
- 500 million euros on a nominal of 1 billion euros with a first early redemption date under the control of Orange at October 1, 2021 with a fixed-rate of 4.00%.

As of June 30, 2019, the amount of subordinated notes presented on the consolidated statements of changes in shareholders' equity does not change due to these operations and correspond to a nominal of 5,803 million euros booked at historical value (the tranches denominated in pounds sterling have not been revaluated since their issue in 2014).

In the first half of 2019, Orange did not exercise its right to defer the coupons of the subordinated notes and therefore paid:

- on February 7, 2019, 95 million euros and 38 million pounds sterling (equivalent to 44 million euros) to holders of the notes issued in February 2014,
- on April 1, 2019, 35 million pounds sterling (equivalent to 40 million euros) to holders of the tranche denominated in pound sterling issued in October 2014.
- payment of 15 million euros of interest due at the partial subordinated notes bought back date (of which 11 million to holders of the notes issued in October 2014 and 4 million to holders of the notes issued in February 2014).

The tax effect relating to the payment of the coupons is accounted for as net income.

NOTE 12 Litigations and unrecognized contractual commitments

12.1 Litigations

As of June 30, 2019, the provisions for risks recorded by the Group for all disputes in which the Group is involved (with the exception of liabilities relating to disputes between Orange and the tax or social administrations in relation to operational or income taxes or social contributions, which are recognized in the corresponding items of the balance sheet) amounted to 560 million euros compared with 572 million euros as of December 31, 2018. Orange believes that the disclosure of provisions that may be recorded on a case-by-case basis could seriously harm its position.

This note describes the new proceedings and developments in existing litigations having occurred since the publication of the consolidated financial statements for the year ended December 31, 2018.

- In December 2018 the administrators of former UK indirect retailer Phones 4U, (which is in administration and no longer trading), filed a claim against the three main UK mobile network operators, including EE, and their respective existing or former parent companies including Orange. The claim (of an unquantified amount) is currently being disputed before the High Court of England and Wales. Orange challenges vigorously the allegations raised by Phones 4U which include collusion.
- On March 19, 2019 an Administrative Decree issued by the Iraqi Kurdistan Regional Government enforced the decision from the Iraqi regulatory authority (CMC) of 2014 to cancel the partnership of March 2011 between Korek Telecom, Agility and Orange. Consequently, the return of the shares in Korek was forced to the original shareholders. Therefore, Orange was unlawfully expropriated of its investment and addressed, on March 24, 2019, a notice of dispute to the Republic of Irak based on the Bilateral Investment Treaty between the French Republic and the Republic of Iraq with respect to the loss of its investment in Korek Telecom.
- On March 27, 2019, the French Supreme Court dismissed the appeal lodged by Numericable against the decision of the Paris Court of Appeal rendered on 16 June 2017 which had rejected all claims about the compensating damage caused by an alleged *de facto* termination of the agreements signed with Orange at the time of the sale of its cable networks in 2004. The dispute is now closed.
- On June 5, 2019, the French Supreme Court has annulled the decision of the Paris Court of Appeal rendered on April 28, 2017 which entirely dismissed Verizon's claims for reimbursement of alleged overpayments on interconnection services provided by Orange. This decision restored the parties to the situation they were after the first instance court's decision which dismissed Verizon's claims and ordered Orange to pay 0.5 million euros with respect to services provided in 2008.

Apart from the proceedings mentioned above, there are no other administrative, legal or arbitration proceedings (whether pending, suspended or threatened) of which Orange is aware, either new or having evolved since the publication of the consolidated financial statements for the year ended December 31, 2018, which have had over the period, or which may have, a material impact on the Group's financial position or profitability.

12.2 Unrecognized contractual commitments

The amount of the unrecognized contractual commitments as of June 30, 2019 has been significantly reduced compared to December 31, 2018 as a result of IFRS 16 application (see note 2.3.1).

As part of the deployment of the high and very high speed network in France, the Group entered into two new amendments of the existing contracts via Public Initiative Networks during the first half of 2019 for 780 million euros. Thus, as of June 30, 2019, the commitments relating to network under construction, concession and network building amount to approximately 5 billion euros over the years to come.

During the first half of 2019, no other major event has impacted the unrecognized contractual commitments described in the 2018 consolidated financial statements.

NOTE 13 Related party transaction

During the first half of 2019, no transaction with related parties took place which materially affected the 2018 Group's financial position.

NOTE 14 Subsequent events

Bond issue

On July 4, 2019, Orange issued 300 million euros maturing in January 2034 bearing interest of 1.20%

Acquisition of SecureLink

On July 8, 2019, Orange announced the signing to acquire 100 % of the capital of SecureLink for an enterprise value of 515 million euros.

Network sharing agreement in Belgium between Orange Belgium and Proximus

On July 11, 2019, Orange Belgium and Proximus signed a term sheet to enter into a mobile access network sharing agreement by the end of the year. This agreement aims to allow the two companies to meet customers' growing demand in terms of mobile network quality and indoor coverage. Subject to a definitive agreement, the shared mobile access network will be planned, built and operated by a new equally-owned joint venture starting in the first quarter 2020.

Orange SA: distribution of an interim dividend

At its meeting held on July 24, 2019, the Board of Directors resolved to distribute an interim dividend of 0.30 euro per share in respect of 2019. This interim dividend will be paid in cash on December 4, 2019. The estimated payment amounts to 796 million euros based on the number of ordinary shares outstanding as of June 30, 2019.

Statutory auditors' review report on the half-year financial information

This is a free translation into English of the statutory auditor's review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of Orange S.A., for the period from January 1 to June 30, 2019,
- the verification of the information presented in the interim management report.

These condensed interim consolidated financial statements are the responsibility of your Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information mainly consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – the standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying the opinion expressed above, we draw your attention to the note 2.3 "New standards and interpretations applied from January 1, 2019" to the condensed interim consolidated financial statements presenting the impacts related to the new accounting standard IFRS 16 of mandatory application since January 1, 2019.

2. Specific verification

We have also verified the information provided in the interim management report in respect of the condensed interim consolidated financial statements subject to our review.

We have no matters to report on the fair presentation and consistency of this information with the condensed interim consolidated financial statements.

Paris-La Défense, July 25, 2019

The statutory auditors
French original signed by

KPMG Audit
Division of KPMG S.A.

Marie Guillemot

ERNST & YOUNG Audit

Yvon Salaün