

Orange financial results

#FY_2018



21 February 2019

Stéphane Richard
Chairman and CEO

Ramon Fernandez
Deputy CEO, Finance, Performance and Europe



Disclaimer

This presentation contains forward-looking statements about Orange. Although we believe these statements are based on reasonable assumptions, they are subject to numerous risks and uncertainties, including matters not yet known to us or not currently considered material by us, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could cause actual results to differ from the results anticipated in the forward-looking statements include, among others: disclosure or inappropriate modification of the personal data of Orange's customers, risks relating to the development of its banking activities and of mobile financial services, Orange's exposure to geopolitical, macroeconomic, regulatory and corruption risks, the risk of not being able to maintain control over customer relations when facing competition with the OTT players, the success of Orange's strategy of diversification to find new sources of growth, network or software failures as a result of cyber-attacks, various frauds that may target the Company or its customers, its dependence on a limited number of critical suppliers, damage caused to its installations and infrastructures due to natural disasters or intentional damage, risks relating to its brand strategy, its ability to retain the necessary skills due to numerous employee retirements and changes in its businesses, possible adverse health effects from exposure to electromagnetic fields from telecommunications equipment, various human factors related to psycho-social risks and to personal safety, fiscal and regulatory constraints and changes, the results of litigation regarding in particular regulations and competition, the terms of access to capital markets, interest rate or exchange rate fluctuations, Orange's credit ratings, changes in assumptions underlying the carrying value of certain assets and resulting in their impairment, and credit risks and/or counterparty risks on financial transactions. More detailed information on the potential risks that could affect our financial results is included in the Registration Document filed on April 4, 2018 with the French Autorité des Marchés Financiers (AMF) and in the annual report on Form 20-F filed on April 4, 2018 with the U.S. Securities and Exchange Commission. Forward-looking statements speak only as of the date they are made. Other than as required by law, Orange does not undertake any obligation to update them in light of new information or future developments.


Section one

FY 2018 highlights

2018 Key achievements

Network

 **33m** VHBB connectable lines
(+22% yoy) O/W 29m FTTH

 **#1** Best mobile network in France
for 8 consecutive years

 **4G** 12 countries in MEA

 **5G** First field trials

Enriched services

Average
customer
data speed

Fixed
+32%

Mobile
+24%

Content

OCS
GO

2.9m
Customers

Mobile Finance
Services

 **248k**
Customers

 **39m**
Customers

M&A

 Business & Decision

 basefarm

 Protectline

Solid commercial momentum driven by Convergence, VHBB and 4G

VHBB > 100 Mbps

Details on convergence on slide 27



Convergence

10.9m
customers

+6%
yoy



Leader
in Europe

€7.1bn
revenue

+10%
yoy

VHBB

6.3m
customers

+33%
yoy



Leader in
Europe
in FTTH



1st in conquest
share every quarter
in 2018*, in France
and Spain

4G

56m
customers

+22%
yoy



Leader in customer base in 7 of
our 8 European countries**

Investment efforts maintained to preserve competitive edge in connectivity

Group

FY 2018 CAPEX

€7.4bn

+ 3.5% yoy
+ €251m yoy

Telecom

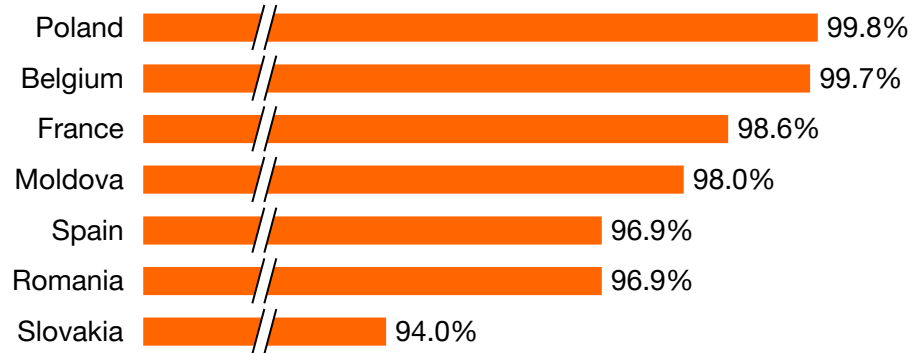
+3.9%
+€275m
yoy

As % of rev.
17.9%
+0.4pt yoy



4G coverage

Population covered in %



VHBB connectable homes*



* VHBB > 100 Mbps

2018 guidance achieved

Q4

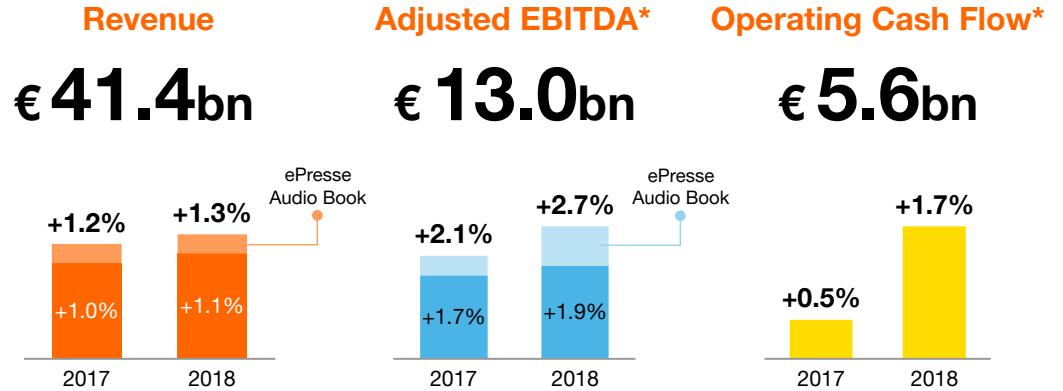
Revenue +1.4% yoy
Adj. EBITDA +1.4% yoy

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

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

* see slide 27 for EBITDA adjustments

** subject to shareholders' approval; ex-date June 4th, record date June 5th, payment date June 6th for the €0.40 2018 balance



CAPEX
7.4
€ billion

Net debt /
Adj. EBITDA
(telecom)
1.93x

Dividend
2018**
€0.70

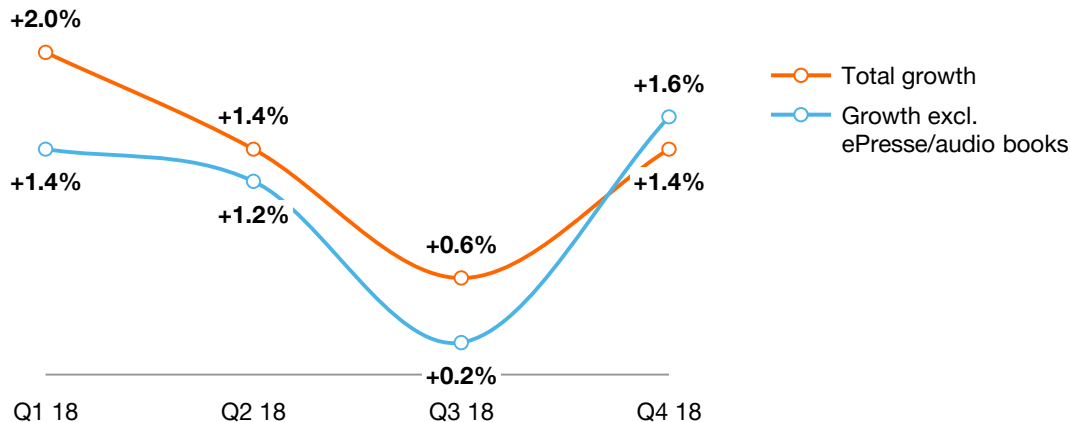
2018 guidance achieved

Section two

**Financial results
overview**

Revenue kept growing

Group revenue growth (yoy in %)



Q4 2018 FY 2018

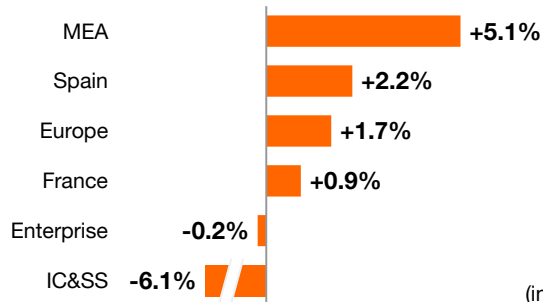
FY 2018 revenue*

€41.4bn

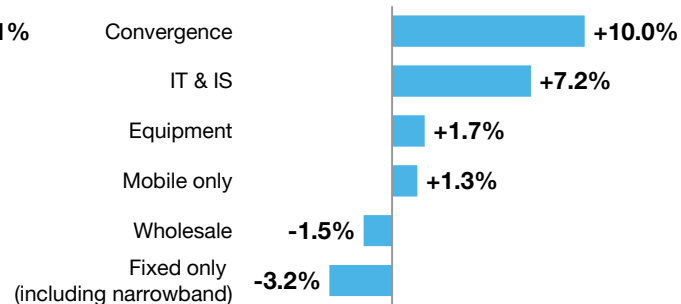
yoy	yoy
+1.4%	+1.3%
+€148m	+€544m

excl. digital reading offer	excl. digital reading offer
+1.6%	+1.1%
+€169m	+€445m

FY18 revenue growth by segment



FY18 revenue growth by activity



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

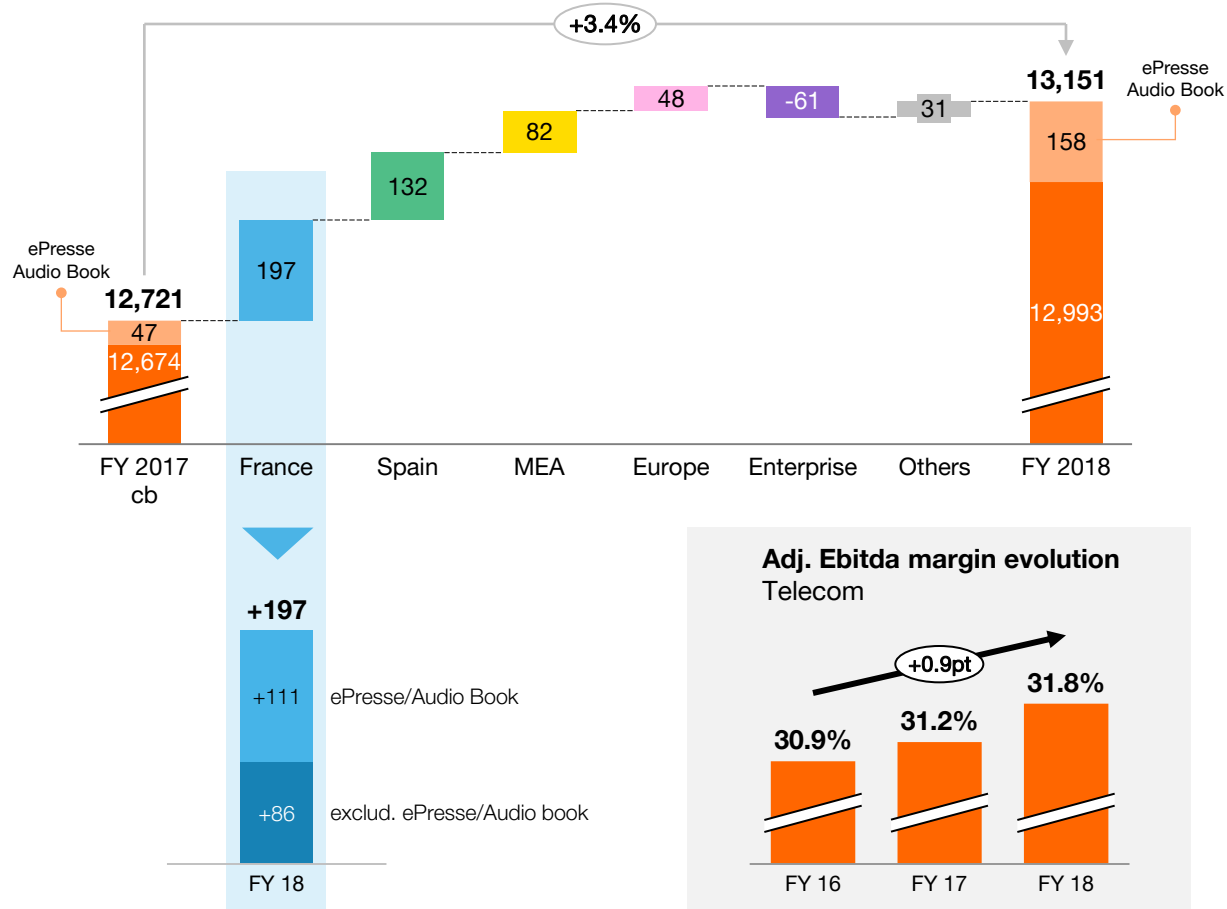
Telecom adj. EBITDA growth fuelled by revenue and cost optimisation

	Q4 2018	FY 2018
FY 2018 Adj.EBITDA* (Telecom)	yoy +2.6% +€84m	yoy +3.4% +€429m
€13.2bn	As % of rev. 31.4% +0.4pt yoy	As % of rev. 31.8% +0.6pt yoy

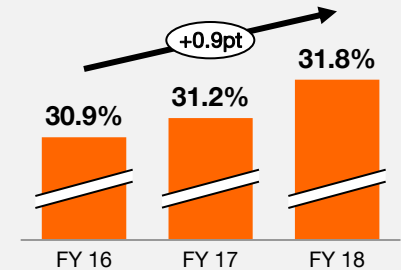
* See slide 27 for EBITDA adjustments.

FY Adjusted EBITDA (Telecom) growth per segment

yoy, in m€



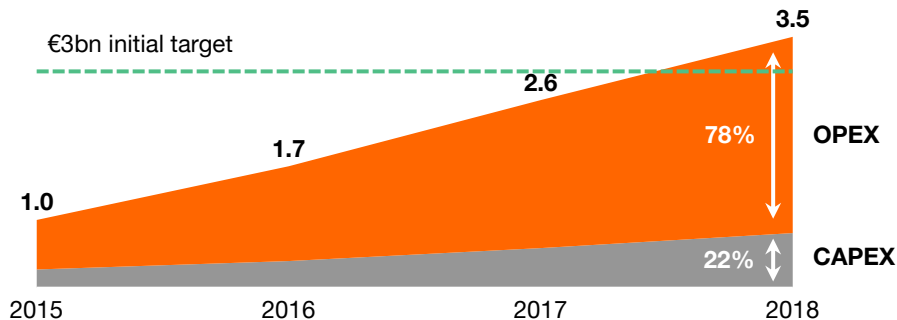
Adj. Ebitda margin evolution Telecom



Our operational efficiency plan Explore 2020 exceeded our ambition reaching 3.5bn€



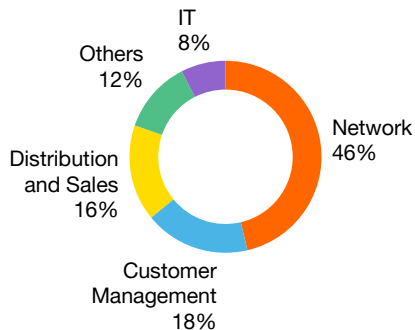
Cumulated gross savings in €bn (opex + capex, telecom)



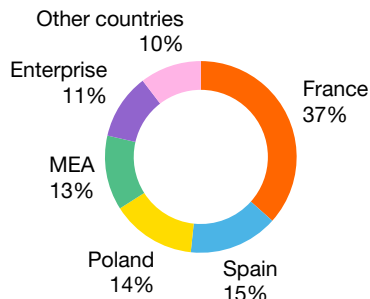
Operating indicators evolution over 2015-2018
(non exhaustive)

Customer relation	Call Rate -35% (Europe)	Digital interactions +22pts to reach 52% (Europe)
Network	RAN & Infra sharing +5pts to reach ~54%	Field productivity +11% (France vs. 2017)
Distribution and Sales	Shops footprint -20% (Europe)	Online sales in France +12pts (at 26% in 2018)
IT	# Application -12% (France)	# Datacenter -7% (worldwide)

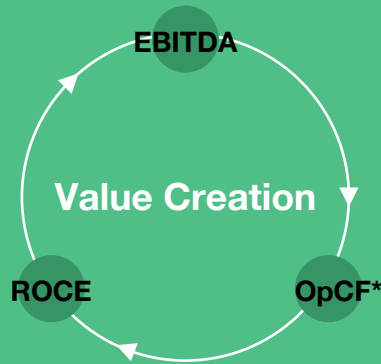
By domain (opex + capex)



By country (opex + capex)



OpCF is growing even as FTTH accelerates

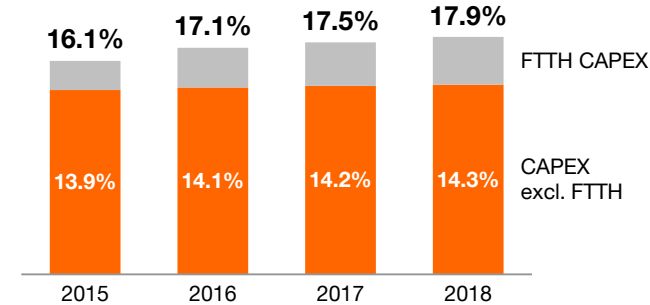


Group CAPEX FY18

€7.4 bn

↗ +3.5% yoy

Capex to Sales (telecom, in %)

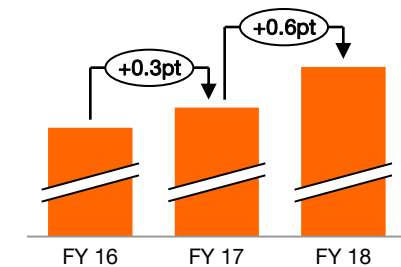


Group OpCF Evolution

€5.6 bn

↗ +1.7% yoy

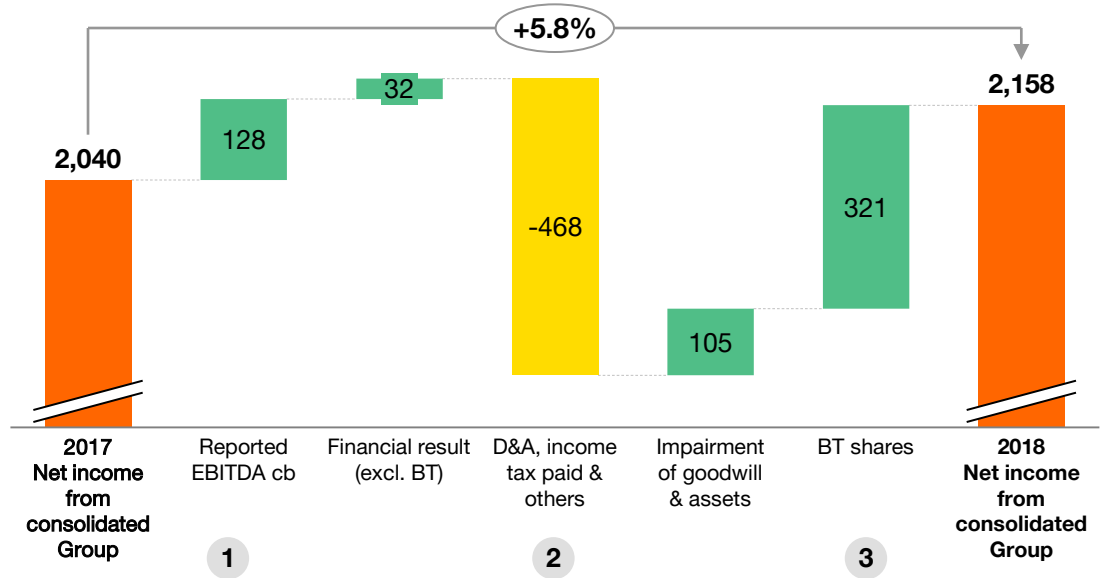
Operating ROCE** evolution (telecom)



*Adjusted EBITDA – CAPEX

** ROCE(n) = adj.EBIT (n) / Net Operating Assets (n-1)

Net income grew +5.8%

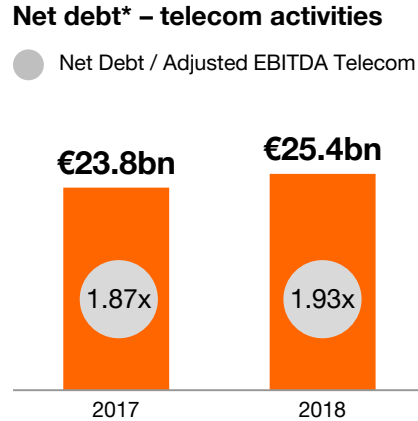


2018
Net income
€2.2bn

yoy
+5.8%
+€118m

1. Reported EBITDA improvement yoy
2. Reversal effect of tax on dividends received in 2017 and higher D&A due to the increase of our investments in FTTH and 4G
3. Positive effect resulting from 2017 loss on BT shares

Net debt to Adjusted EBITDA ratio in line with the medium term guidance

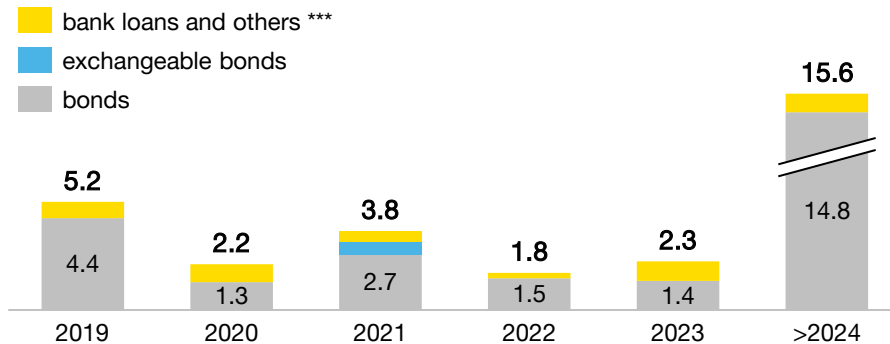


Net debt increase reflecting our investment strategy, including notably :

- the increase of capex
- selective acquisitions in Enterprise segment

Maturity profile** as of 31 December 2018 - telecom activities

in €bn, excluding 2019 issuance



Liquidity position (telecom activities)

€ 14.0 bn

o/w €7.8bn in cash

Section three

Business review

Q4 2018 France

2nd consecutive year of total revenues growth, driven by growth in convergent services

in €m	Q4 18	yoy cb	FY 18	yoy cb
Revenues	4,687	+0.1%	18,211	+0.9%
Retail services	2,735	-0.8%	10,973	+1.6%
Convergent services*	1,136	+4.6%	4,458	+10.2%
Mobile only services	577	-4.1%	2,348	-2.6%
Fixed only services	1,022	-4.3%	4,168	-4.1%
Fixed only broadband	640	-0.9%	2,565	+1.2%
Fixed only narrowband	382	-9.6%	1,603	-11.4%
Wholesale	1,372	+2.8%	5,342	-0.9%
Equipment sales	451	-3.4%	1,410	+1.7%
Other revenues	130	+1.5%	485	+2.5%
Adjusted EBITDA			7,076	+2.9%
Adjusted EBITDA margin			38.9%	+0.7pt
CAPEX			3,656	+6.0%
CAPEX/revenues			20.1%	+1.0pt

+0.4%
yoy

FY 18 total revenues growth excl. ePresse/Audio book

+1.8%
yoy

Q4 Retail excl. PSTN and Audio book

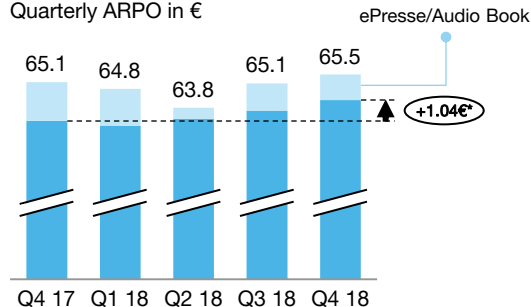
+1.3%

FY 18 Adj.EBITDA growth excl. ePresse/Audio book

*B2C only

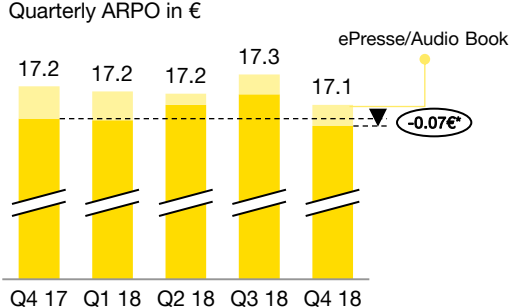
Convergent B2C ARPO

Quarterly ARPO in €



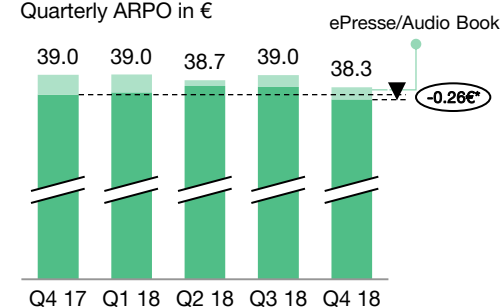
Mobile only ARPO

Quarterly ARPO in €




Broadband only ARPO

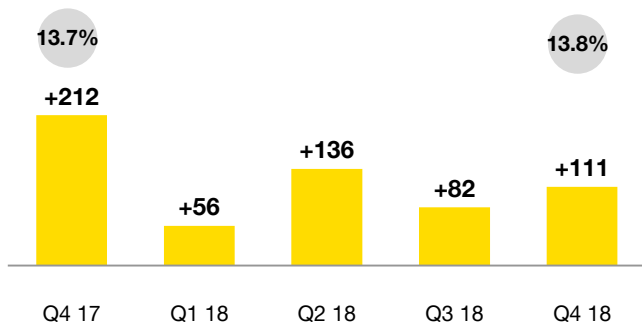
Quarterly ARPO in €



Q4 2018 France commercial performance


Strong net adds in mobile and broadband despite a very competitive environment

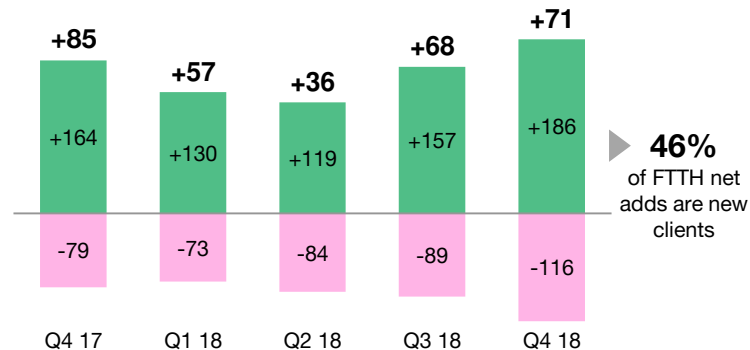
 Mobile contract net adds (in '000s) and churn rate
■ net adds excl M2M ● quarterly churn rate in %



60%

of broadband B2C customers are on **convergent** offers (+0.2pt yoy)

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



4G 98.6% of 4G population coverage (+2.7pts yoy) **#1 position**

80% of B2C **voice contract** customers have a **4G plan** (+7pts yoy)

+2.9% Number of mobile **lines per convergent** offer (Q4 yoy growth)

11.8m of FTTH connectable homes (+30% yoy)

2.6m of FTTH customers (+29,7% yoy)

+3.8pts Growth of B2C broadband **convergent** customer **premium* mix**, yoy

Q4 2018 Spain

Another quarter of positive fixed Broadband net-adds supported by FTTH and football offers

in €m	Q4 18	yoy cb	FY 18	yoy cb
Revenues	1,375	+2.4%	5,349	+2.2%
Retail services	962	-0.4%	3,855	+1.2%
Convergent services*	539	+1.9%	2,143	+3.1%
Mobile only services	297	-2.6%	1,215	-1.3%
Fixed only services	125	-4.4%	496	-1.0%
Wholesale	228	+18.2%	810	+7.5%
Equipment sales	185	+0.5%	684	+2.3%
Adjusted EBITDA			1,700	+8.4%
Adjusted EBITDA margin			31.8%	+1.8pt
CAPEX			1,120	+0.4%
CAPEX/revenues			20.9%	-0.4pt

*B2C only

+3.3% yoy
Q4 Revenue growth excl. MTR

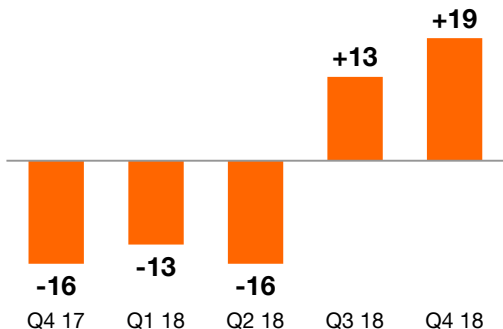
4G Market leader in terms of 4G customers

85% Convergence as % of broadband B2C customer base

FTTH Market leader in terms of FTTH net adds

Broadband net adds

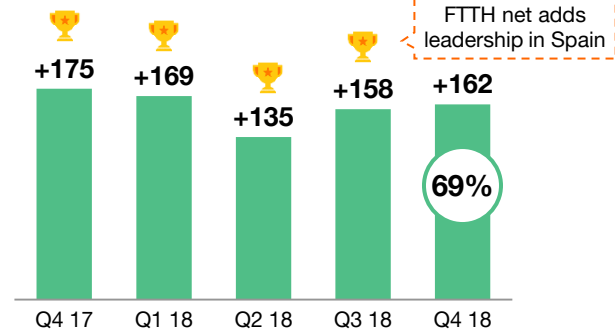
in '000s



FTTH net adds

in '000s

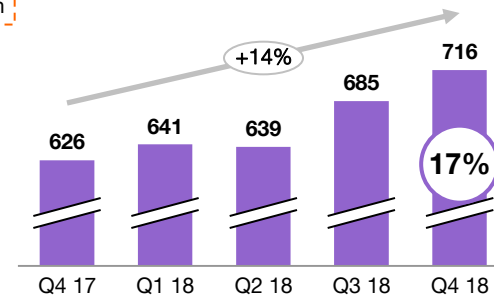
○ FTTH penetration in BB customer base



TV customer base

in '000s and yoy growth in %

○ TV penetration in BB customer base



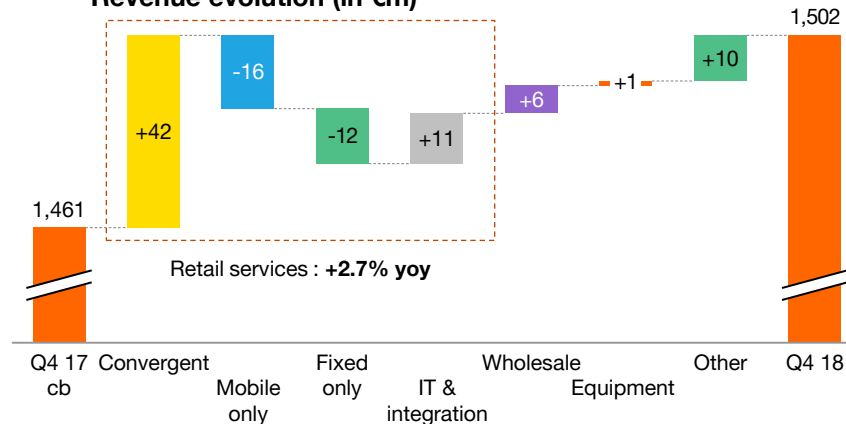
Q4 2018 Europe

Convergence drove better trends in retail services, while cost optimization fuelled improvement in profitability

in €m	Q4 18	yoy cb	FY 18	yoy cb
Revenues	1,502	+2.8%	5,687	+1.7%
Retail services	900	+2.7%	3,516	+2.1%
Convergent services*	132	+46.0%	467	+53.5%
Mobile only services	543	-2.9%	2,194	-2.6%
Fixed only services	170	-6.6%	697	-7.9%
IT & integration services	56	+23.6%	158	+22.2%
Wholesale	290	+2.0%	1,150	+1.4%
Equipment sales	263	+0.4%	868	+2.4%
Other revenues	48	+25.7%	154	-9.4%
Adjusted EBITDA			1,508	+3.3%
Adjusted EBITDA margin			26.5%	+0.4pt
CAPEX			953	+6.1%
CAPEX/revenues			16.8%	+0.7pt

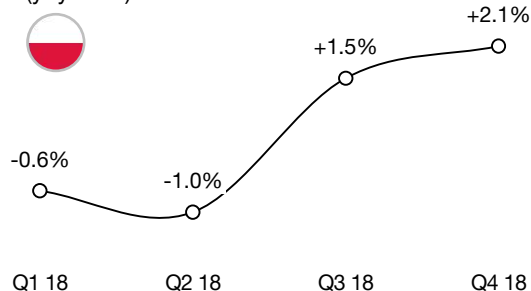
*B2C only

Revenue evolution (in €m)



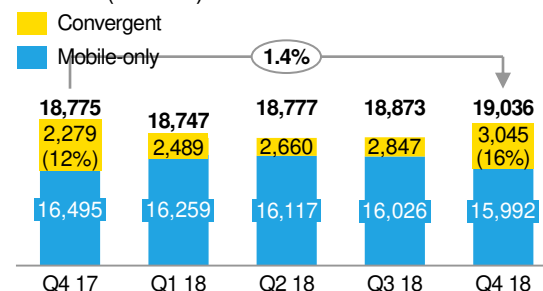
Poland, revenue evolution

(yoy in %)



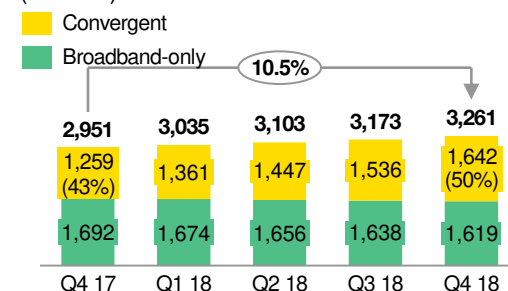
Europe, mobile contract customer base

ex-M2M (in '000s)



Europe, Fixed Broadband customer base

(in '000s)




Q4 2018 Africa & Middle East

Continued revenue growth sustained by solid Retail dynamic

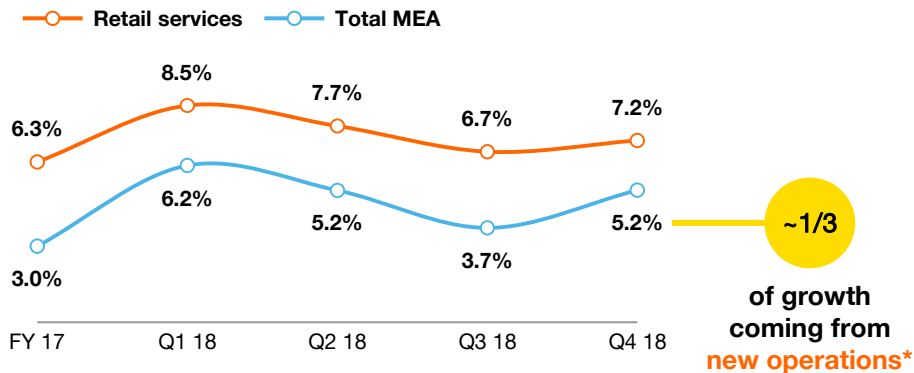
<i>in €m</i>	Q4 18	yoy cb	FY 18	yoy cb
Revenues	1,355	+5.2%	5,190	+5.1%
Retail services	1,117	+7.2%	4,265	+7.5%
Mobile only services	987	+6.3%	3,809	+7.6%
Fixed only services	117	+4.9%	435	+3.1%
IT & integration services	13	+661.4%	21	+238.2%
Wholesale	204	-5.3%	811	-7.6%
Equipment sales	27	22.8%	85	+31.0%
Other revenues	7	-13.4%	29	-5.5%
Adjusted EBITDA			1,667	+5.2%
Adjusted EBITDA margin			32.1%	+0.0pt
CAPEX			1,008	+0.9%
CAPEX/revenues			19.4%	-0.8pt

 **16.7m** 4G customers** 

 **> 2/3** of mobile only revenue growth in FY18 from **Data**

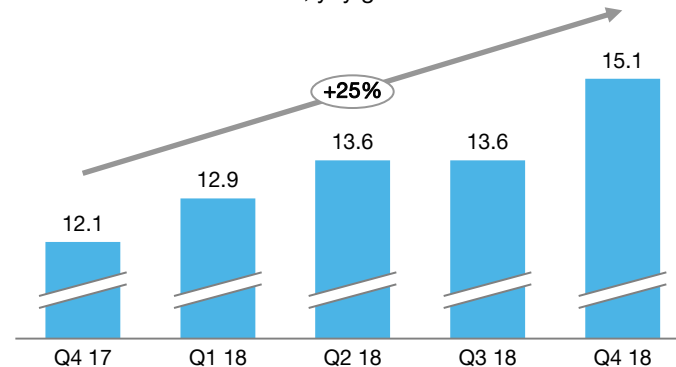
> 80% of revenue comes from sustainably solid Retail services

Revenue cb yoy growth in %



>1/3 of 39m Orange Money customers are active ***

Active customers in millions, yoy growth in %



** incl. the changes in customer base accounting

*** At least 1 transaction a month

Q4 2018 Enterprise

Business transformation still ongoing, now bearing fruit with revenue stabilizing

in €m	Q4 18	yoy cb	FY 18	yoy cb
Revenues	1,977	+1.2%	7,292	-0.2%
Fixed only services	1,008	-1.6%	3,996	-2.4%
Voice	345	-4.8%	1,385	-4.1%
Data	663	+0.1%	2,612	-1.5%
IT & integration services	702	+4.9%	2,312	+4.8%
Mobile*	267	+2.5%	984	-2.3%
Adjusted EBITDA			1,245	-4.7%
Adjusted EBITDA margin			17.1%	-0.8pt
CAPEX			353	-8.3%
CAPEX/revenues			4.8%	-0.4pt

*Mobile = Mobile Only Services + Equipment Sales + Wholesale



Cybersecurity
YTD revenue growth

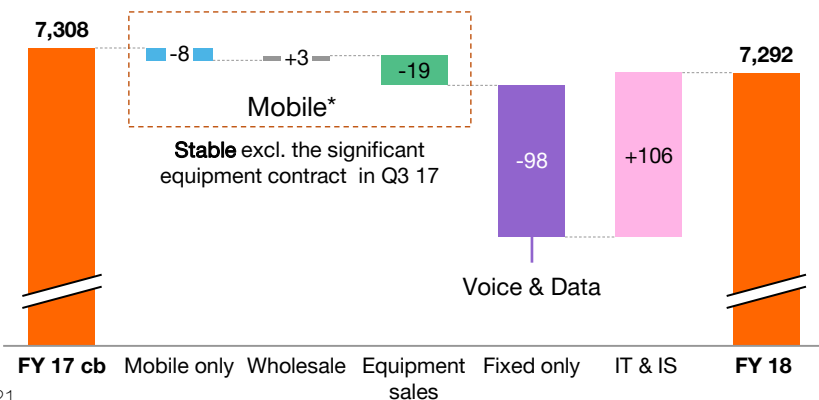
+12% yoy



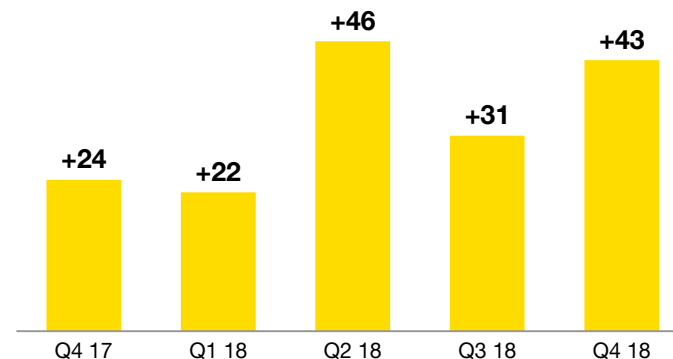
Cloud
YTD revenue growth

+10% yoy

Revenue evolution (in €m)



Mobile contract net adds excl.M2M (mostly France) in '000s



Section four

2019 guidance

IFRS16 and new performance indicators impact

Previous indicators	New indicators	Difference in 2018
Adj. EBITDA	EBITDAaL	Approx. – €0.3bn
CAPEX	eCAPEX ⁽¹⁾	Approx. – €0.2bn
Operating Cash Flow	Operating Cash Flow ⁽²⁾	Approx. – €0.1bn
Net Debt / Adj. EBITDA (telecom)	Net debt ⁽³⁾ / EBITDAaL (telecom)	Non-significant

⁽¹⁾ Economic CAPEX

⁽²⁾ EBITDAaL – Economic CAPEX

⁽³⁾ Excluding IFRS16 lease liabilities

Guidance



2019

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

⁽¹⁾ Economic CAPEX

⁽²⁾ EBITDAaL – Economic CAPEX

⁽³⁾ Excluding IFRS16 lease liabilities

⁽⁴⁾ Subject to shareholders' approval

Appendices

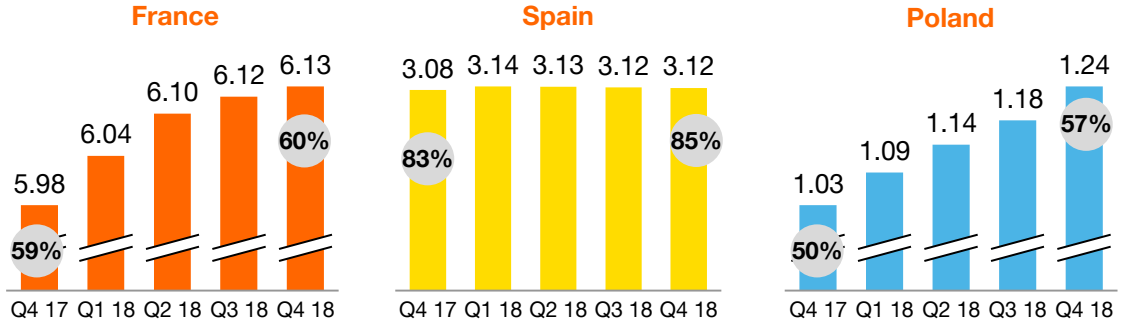
Convergence, the bedrock of our strategy

€7.1 bn Convergent services revenues in FY 18
 ↗ **+10% yoy**



Convergent B2C customer base in million

● % of broadband B2C customer base



Churn improvement with convergence in Q4*



-3pts



-4pts



-5pts

Quarterly convergent ARPO, in €/month in Q4



€65.5
+0.6% yoy



€58.9
+1.0% yoy



€23.7
-1.2% yoy**

Number of mobile lines per convergent offer in Q4



1.59
+2.9% yoy



1.89
+0.7% yoy



1.92
+1.2% yoy

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

** YoY evolution calculated in local currency

EBITDA adjustments

in €m	Q4 17 cb	Q4 18	FY 17 cb	FY 18
Adjusted EBITDA	3,288	3,334	12,660	13,005
restructuring and integration	(92)	(123)	(166)	(200)
litigations	(210)	5	(271)	(33)
labour related	(287)	(697)	(374)	(812)
<i>olw Senior Part Time</i>	<i>(288)</i>	<i>(697)</i>	<i>(394)</i>	<i>(812)</i>
portfolio review and others	0	18	0	17
Reported EBITDA	2,699	2,537	11,849	11,977

Change in net income

(in millions of euros, on a historical basis)	2017 historical	2017 cb	2018 actual
Adjusted EBITDA	12,680	12,660	13,005
Adjustments*	(817)	(811)	(1,028)
Reported EBITDA	11,863	11,849	11,977
Depreciation & amortization	(6,846)		(7,047)
Impairment of goodwill & assets	(210)		(105)
Share of profit (losses) of associates	6		3
Other income / (charge)	(35)		1
Operating income	4,778		4,829
Effects resulting from BT shares	(372)		(51)
Financial result (excluding BT)	(1,343)		(1,311)
Tax	(1,052)		(1,309)
Net income from continuing activities	2,011		2,158
Net income from discontinued activities	29		0
Net income from consolidated Group	2,040		2,158
Minority interests	197		204
Net income Group share	1,843		1,954

Change in net debt

(in millions of euros, on a historical basis)

	2017 historical	2018 actual
Adjusted EBITDA - CAPEX (telecom activities)	5 593	5 745
Change in working capital requirements	82	(199)
Change in CAPEX payables	307	(19)
Licences and spectrum paid	(617)	(422)
Net interest paid (including dividends received)	(1 273)	(1 208)
Income taxes paid	(584)	(928)
Other operational items	(917)	(954)
Dividends paid to owners of parent company	(1 729)	(1 860)
Dividends paid to non-controlling interests	(236)	(246)
Coupons on subordinated notes	(282)	(280)
Net of acquisitions and disposals	432	(276)
Capital increase in Orange Bank	(65)	(101)
Proceeds from treasury shares – employee shareholding plan (Orange Vision 2020)	-	(101)
Other financial items*	(110)	(749)
Change in net debt	601	(1 598)
Net financial debt**	(23 843)	(25 441)
Ratio of net financial debt / Adjusted EBITDA of telecom activities	1,87x	1,93x

* Of which in 2018 escrowed amount related to Digicel litigation for €(346)m and non monetary items (notably accrued interests and fair value changes) for €(269) m (versus €(108)m in 2017).

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