

# Orange financial results

## #FY\_2019



13 February 2020

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## Disclaimer

This presentation contains forward-looking statements about Orange, notably on objectives and trends related to Orange's financial situation, investments, results of operations, business and strategy. 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: the success of Orange's new strategy, risks related to information and communications technology systems generally, in particular technical failures of networks, the deterioration of the economic conditions prevailing in the markets in which Orange operates, fiscal and regulatory constraints and changes, growing banking and monetary regulations requirements and the results of litigation regarding regulations, competition and other matters. More detailed information on the potential risks that could affect our financial results is included in the Registration Document filed on 21 March 2019 with the French Autorité des Marchés Financiers (AMF) and in the annual report (Form 20-F) filed on 16 April 2019 with the U.S. Securities and Exchange Commission. Other than as required by law, Orange does not undertake any obligation to update them in light of new information or future developments.

**Section one**

**FY 2019 highlights**



## 2019 key highlights



Revenue and EBITDAaL growth with acceleration in Q4



3 strong engines of revenue growth : MEA, Europe and Enterprise



Improving trends of Retail services and ARPOs in France



European leader in cybersecurity with double digit growth



Structural change in the management of tower and fiber assets



All elements of guidance achieved with upgrade of 2020 Organic CF guidance



# 2019 key achievements

**Multi-Services**  
Customers & offers

**OCS GO** 3.1m Customers  
Smart home  
Launch of connected & protected home offers  
Homelan  
NPS > 40 pts

**orange bank** >500k Customers\*  
o/w 29% have a consumer loan

New deals  
global, secured SDWAN  
Cloud  
NORGES BANK  
**MARS**

**Connectivity**  
Customer base

**Customers**

<b>Convergence</b>	<b>VHBB</b>
10.8m <span>+3% yoy</span>	7.8m <span>+23% yoy</span>
customers , o/w 7.5 m FTTH	

**Network**  
Leadership

40m VHBB connectable lines (+22% yoy) O/W 38m FTTH **5G**



# 2019 guidance achieved

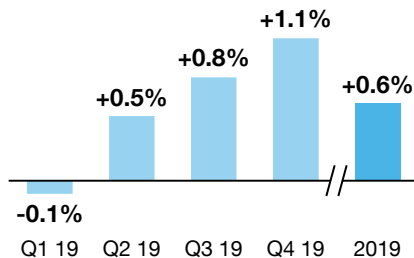
yoY : comparison with the same period of the previous year, on a comparable basis unless otherwise specified

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

\*subject to shareholders' approval; ex-date June 2nd, record date June 3rd, payment date June 4th 2020 for the €0.40 2019 balance

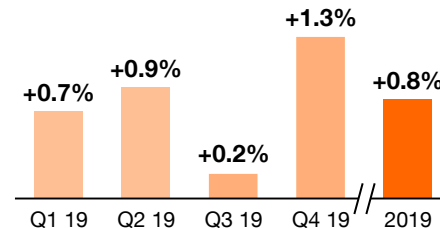
## Revenue

€ **42.2bn**



## EBITDAaL

€ **12.9bn**



eCAPEX



Organic CF  
(telecom)



Net debt /  
EBITDAaL  
(telecom)



Dividend  
2019\*

## 2019 guidance achieved

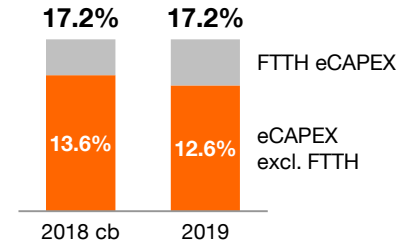
# Investments stabilisation with a fiber roll-out acceleration in France



40m

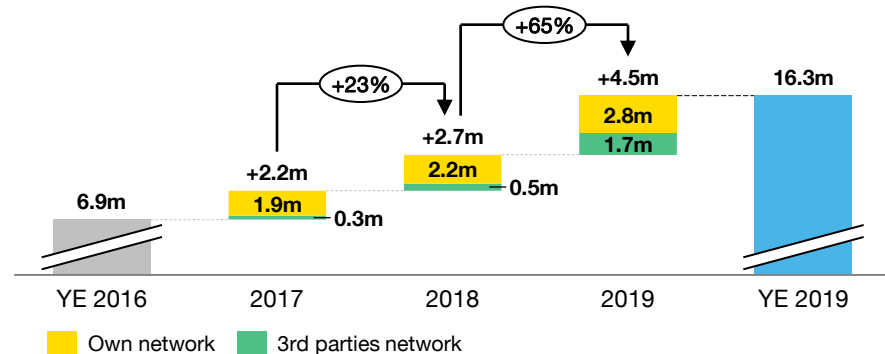
**VHBB\*\* connectable lines,**  
 o/w 38.2m FTTH +31% yoy  
 14.9m lines in Spain, +8% yoy  
 4.2m lines in Poland, +25% yoy

eCapex to Sales (telecom, in %)



## FTTH roll-out acceleration in France

FTTH connectable homes in France:



Group	Telecom
FY 2019 eCAPEX	+0.7%
<b>€7.3bn</b>	+€53m yoy
+ 0.6% yoy	As % of rev. <b>17.2%</b>
+ €44m yoy*	+0.0 pt yoy

\* o/w €56m due to network sharing deal with Vodafone in Spain

\*\*VHBB > 100 Mbps

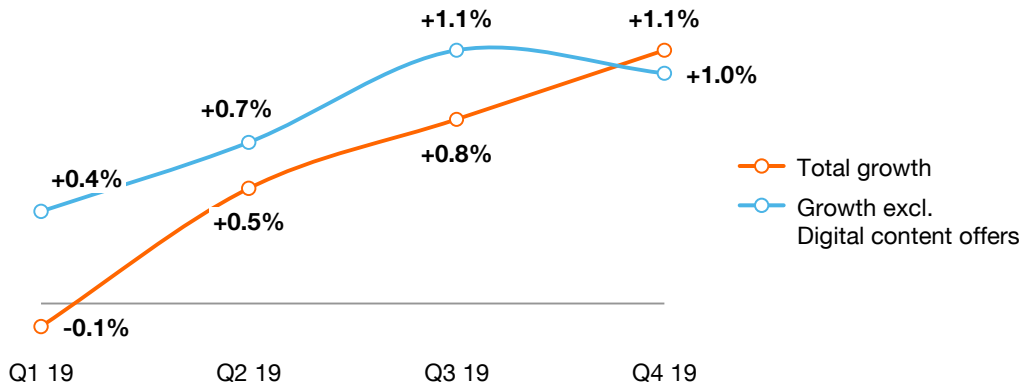
**Section two**

**Financial results  
overview**



# Revenue kept growing

Group revenue growth (yoy in %)



Q4 2019      FY 2019

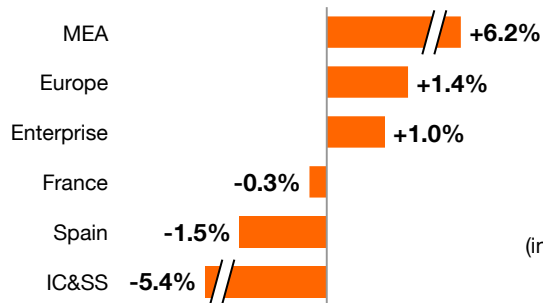
FY 2019  
revenue\*

**€42.2bn**

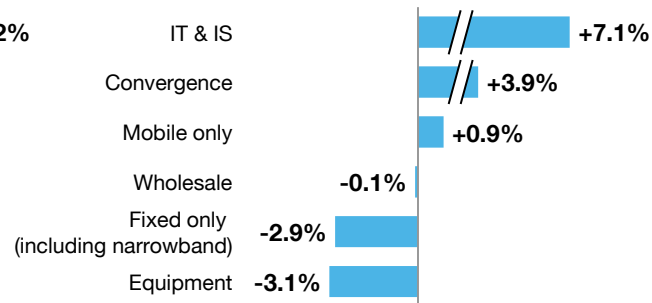
yoy	yoy
<b>+1.1%</b>	<b>+0.6%</b>
<b>+€123m</b>	<b>+€252m</b>

excl. digital reading offer	excl. digital reading offer
<b>+1.0%</b>	<b>+0.8%</b>
<b>+€114m</b>	<b>+€343m</b>

FY19 revenue growth by segment



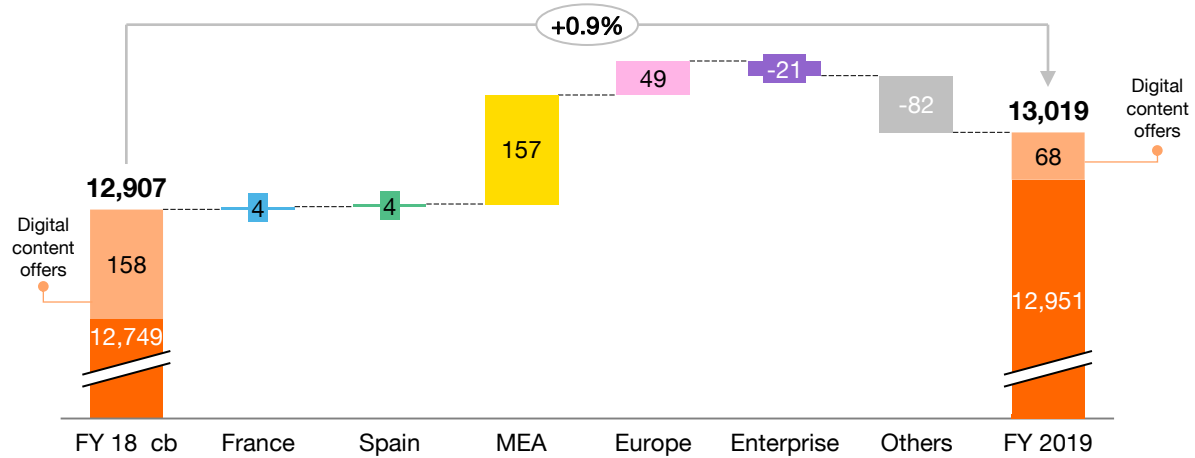
FY19 revenue growth by activity



\* 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 EBITDAaL.

# EBITDAaL growth fuelled by MEA and Europe

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



Q4 2019      FY 2019

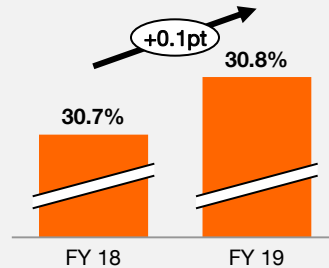
FY 2019  
EBITDAaL  
(Telecom)

**€13.0bn**

yoy	yoy
<b>+1.0%</b>	<b>+0.9%</b>
<b>+€32m</b>	<b>+€111m</b>

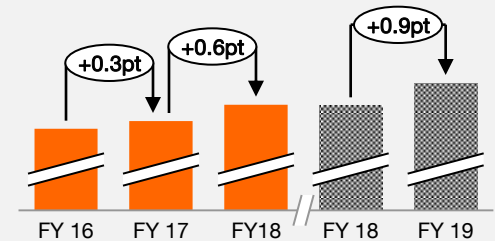
As % of rev.	As % of rev.
<b>30.0%</b>	<b>30.8%</b>
-0.0pt yoy	+0.1pt yoy

EBITDAaL margin evolution (telecom)



Operating ROCE\* evolution (telecom)

■ IAS 17  
■ IFRS 16

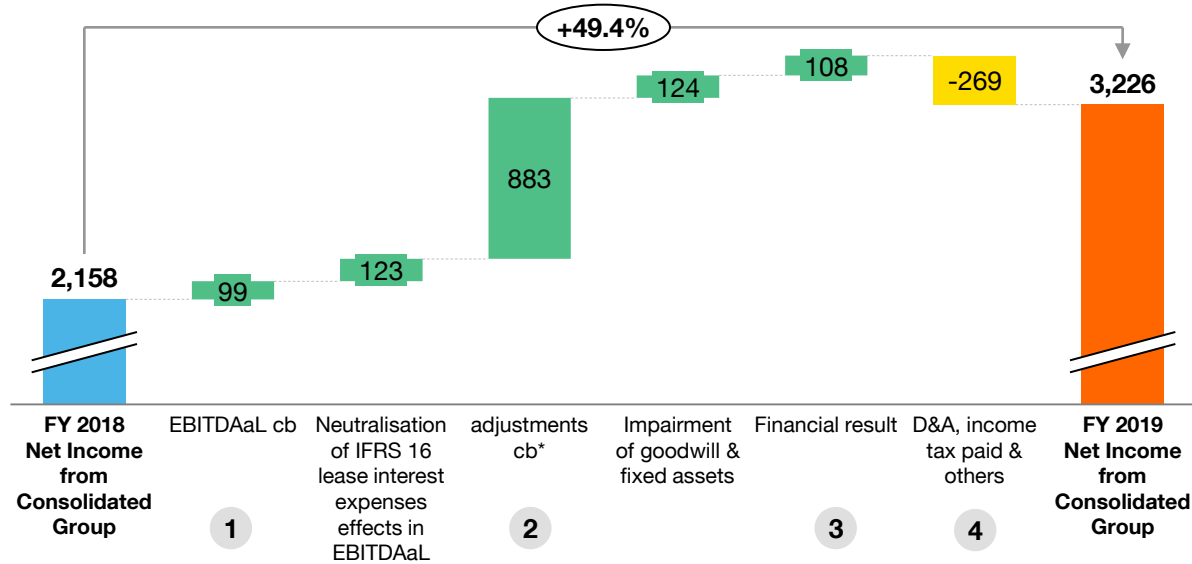


\* ROCE(n) = adj.EBIT (n) / Net Operating Assets (n-1)

# Net income grew +49.4%

FY 2019  
Net income  
**€3.2bn**

FY 2019  
yoy  
**+49.4%**  
**+€1.1bn**

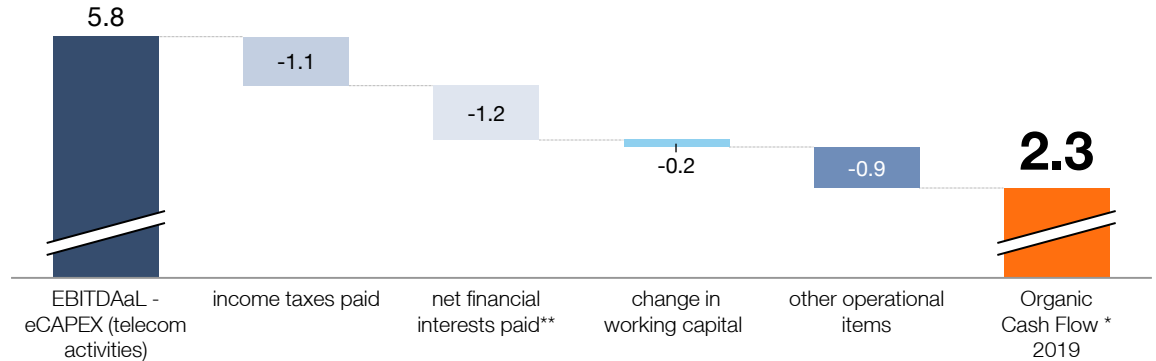


1. EBITDAaL improvement yoy
2. Adjustments mainly related to the counter-effect of the provisions booked in 2018 for the French senior part time plan
3. Includes economic gain related to the revaluation of hedges of subordinated notes in GBP and loss related to BT shares
4. Includes increase in corporate taxes expenses

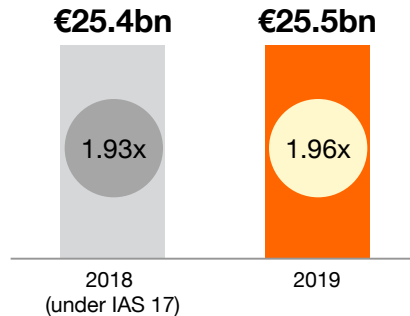
\* See details on slide 24

# Organic Cash Flow\* above guidance.

## Organic Cash Flow at € 2.3bn in 2019 in € bn



## Net debt\*\*\* (telecom activities)



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

## Liquidity position (telecom activities)

**€ 17.0 bn**  
o/w €10.8bn in cash

\*\*Excluding 0.1 billion euros in interest disbursed on lease liabilities

\*\*\*see details on slide 25

\*Organic cash flow from telecoms activities corresponds to net cash provided by operating activities, minus (i) repayments of lease liabilities and on debts related to financed assets, and (ii) purchases and sales of property, plant and equipment and intangible assets, net of change in fixed assets payables, (iii) excluding telecommunication licenses paid and significant litigations paid (and received).

**Section three**

**Business review**

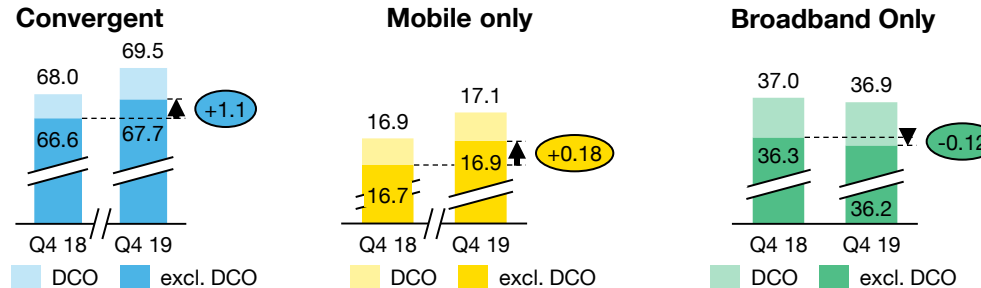
# Q4 2019 France

Total revenues back to growth thanks to Convergence and Wholesale services

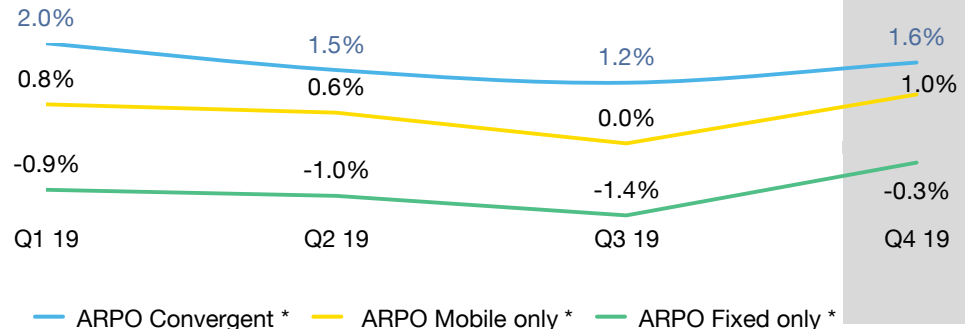
in €m	Q4 19	yoy cb	FY 19	yoy cb
<b>Revenues</b>	<b>4,731</b>	<b>+1.1%</b>	<b>18,154</b>	<b>-0.3%</b>
Retail services	2,730	-0.2%	10,807	-1.6%
Convergent services*	1,142	+5.6%	4,397	+3.9%
Mobile only services	571	-4.6%	2,324	-4.3%
Fixed only services	1,017	-3.8%	4,086	-5.4%
Fixed only broadband	688	+2.2%	2,699	-0.2%
Fixed only narrowband	329	-14.3%	1,387	-14.1%
Wholesale	1,422	+4.1%	5,487	+2.9%
Equipment sales	439	-2.6%	1,351	-4.2%
Other revenues	141	+11.8%	509	+5.7%
<b>EBITDAaL</b>			<b>7,135</b>	<b>+0.1%</b>
EBITDAaL margin			39.3%	+0.1pt
<b>eCAPEX</b>			<b>4,052</b>	<b>+10.9%</b>
eCAPEX/revenues			22.3%	+2.2pt

FY 19 Revenues : +0.2% yoy excl. digital content offers (DCO)

Q4 19 quarterly ARPOs (in €) and growth, yoy:



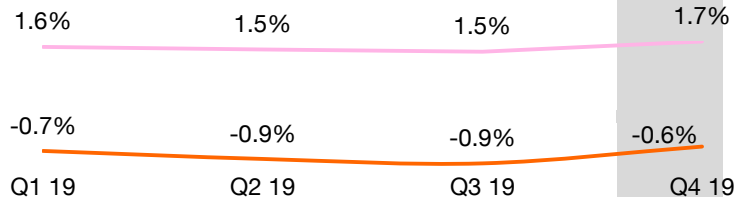
Improvement in trend of Mobile-Only and Fixed-Only ARPOs:



\* Growth yoy, excl. digital content offers (DCO)

## Improvement of Retail services trend in Q4 19


Quarterly yoy growth excl. digital content offers (DCO)

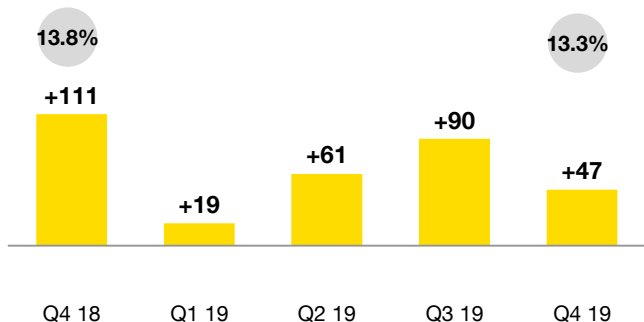


— Retail Services excl. DCO — Retail Services excl. PSTN and DCO


# Q4 2019 France: commercial performance

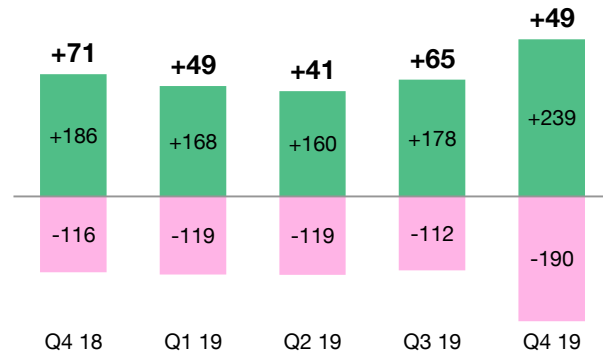
Record quarter in fiber net adds. Good performance in mobile with decrease in churn

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



**55%**  
of broadband B2C Customers are on Open **convergent** offers (+0.2pt yoy)

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



**4G 99%**

of 4G population coverage (+0.4 pt yoy) **#1 ARCEP position 9 years in a row**

**84%**

of B2C **voice contract** customers have a **4G plan** (+5pts yoy)

**+2.1%**


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

 **16.3m**

of **FTTH** connectable homes (+38% yoy) o/w **3.3m** FTTH customers (+29 %)

**55%**

of **FTTH** adds\* are new customers

 **+3.5pts**

Growth of B2C broadband **convergent** customer **premium\*\* mix**, yoy

# Q4 2019 Spain

## Preserving value and efficiency in a downtrend market

in €m	Q4 19	yoy cb	FY 19	yoy cb
<b>Revenues</b>	<b>1,346</b>	<b>-2.3%</b>	<b>5,280</b>	<b>-1.5%</b>
Retail services	938	-3.4%	3,760	-2.9%
Convergent services*	525	-3.1%	2,092	-2.4%
Mobile only services	284	-6.4%	1,161	-5.7%
Fixed only services	127	+1.0%	501	+1.0%
Wholesale	241	+5.6%	901	+11.9%
Equipment sales	167	-6.1%	620	-9.5%
<b>EBITDAaL</b>			<b>1,646</b>	<b>+0.3%</b>
EBITDAaL margin			31.2%	+0.5pt
<b>eCAPEX</b>			<b>812</b>	<b>-24.0%</b>
eCAPEX/revenues			15.4%	-4.6pt

\*B2C only

**83%** Convergence as % of broadband B2C customer base

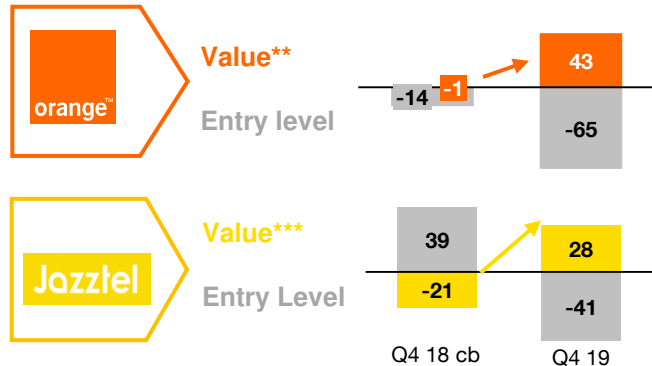
**79%** Fiber penetration in BB customer base

**68%** 4G penetration in mobile customer base

**18%** TV penetration in BB customer base

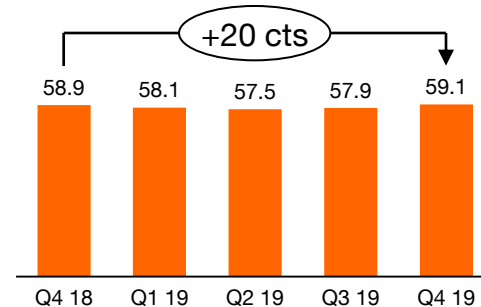
### Increase in value clients

Mobile convergent net-adds in '000's



### Convergent ARPO increase

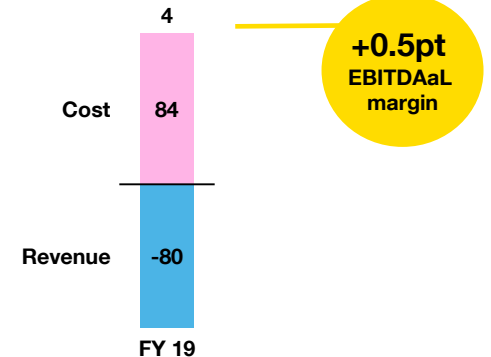
In €



### EBITDAaL growth sustained by

#### Cost efficiency

EBITDAaL growth in m€





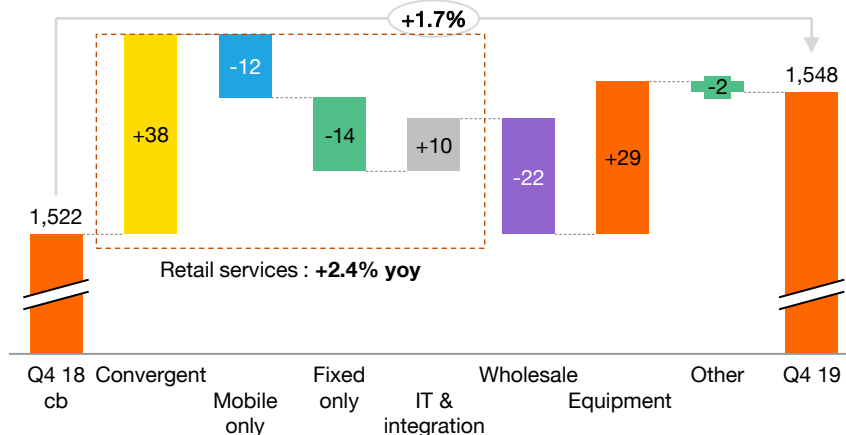
# Q4 2019 Europe

Improvement in profitability driven by indirect costs optimization and solid commercial performance in convergence

in €m	Q4 19	yoy cb	FY 19	yoy cb
<b>Revenues</b>	<b>1,548</b>	<b>+1.7%</b>	<b>5,783</b>	<b>+1.4%</b>
Retail services	942	+2.4%	3,641	+2.9%
Convergent services*	170	+28.5%	623	+34.0%
Mobile only services	531	-2.2%	2,143	-2.1%
Fixed only services	157	-8.0%	644	-7.2%
IT & integration services	84	+13.4%	232	+20.3%
Wholesale	269	-7.5%	1,071	-6.5%
Equipment sales	292	+10.8%	898	+3.8%
Other revenues	45	-4.9%	173	+14.5%
<b>EBITDAaL</b>			<b>1,492</b>	<b>+3.4%</b>
EBITDAaL margin			25.8%	+0.5pt
<b>eCAPEX</b>			<b>869</b>	<b>-1.7%</b>
eCAPEX/revenues			15.0%	-0.5pt

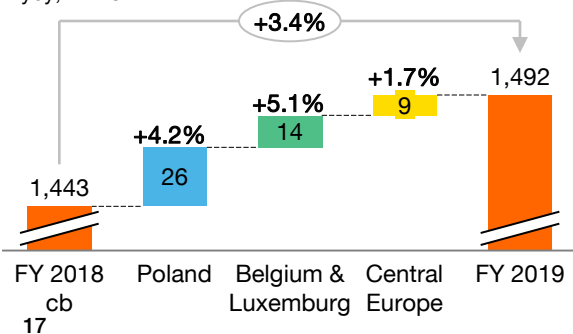
\*B2C only

Revenue evolution (yoy, in €m)



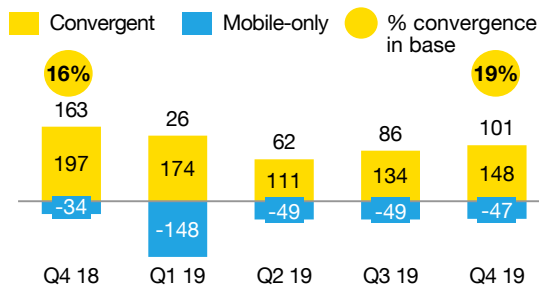
FY EBITDAaL growth per area

yoy, in m€



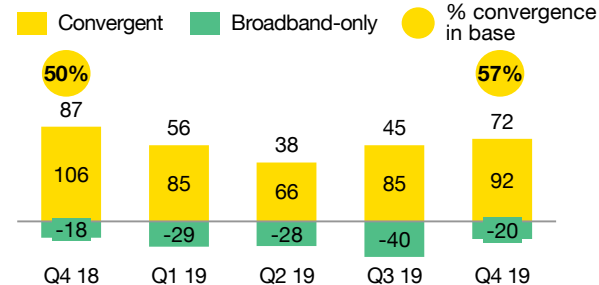
Europe, mobile contract net adds

ex-M2M (in '000s)



Europe, Fixed Broadband net adds

(in '000s)



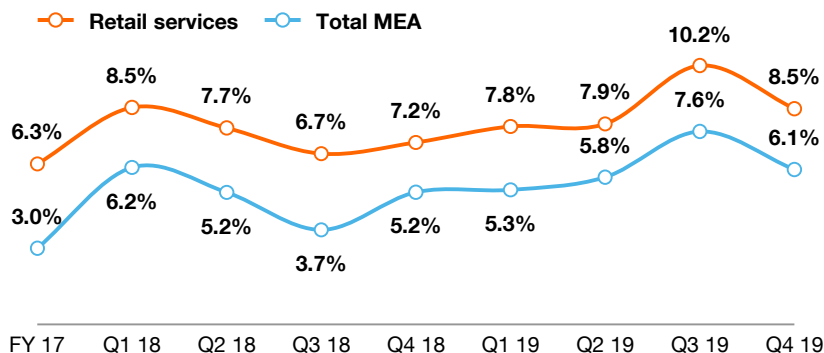
# Q4 2019 Africa & Middle East

## Excellent performance

in €m	Q4 19	yoy cb	FY 19	yoy cb
<b>Revenues</b>	<b>1,461</b>	<b>+6.1%</b>	<b>5,646</b>	<b>+6.2%</b>
Retail services	1,229	+8.5%	4,738	+8.6%
Mobile only services	1,098	+9.7%	4,230	+8.6%
Fixed only services	127	+6.4%	493	+10.3%
IT & integration services	4	-69.5%	14	-33.0%
Wholesale	191	-8.0%	780	-6.4%
Equipment sales	29	+2.6%	96	+8.9%
Other revenues	12	+59.9%	32	+5.5%
<b>EBITDAaL</b>			<b>1,815</b>	<b>+9.4%</b>
EBITDAaL margin			32.2%	+0.9pt
<b>eCAPEX</b>			<b>987</b>	<b>-2.0%</b>
eCAPEX/revenues			17.5%	-1.5pt

> 80% of revenue comes from sustainably solid retail services

Revenue cb yoy growth in %



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

 **23.8m** **+43%**  
4G customers yoy

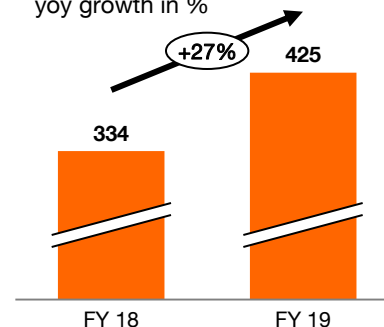
+25% Data revenue growth FY19

 **1.2m** **+21%**  
FBB customers yoy

+19% FBB revenue growth FY19

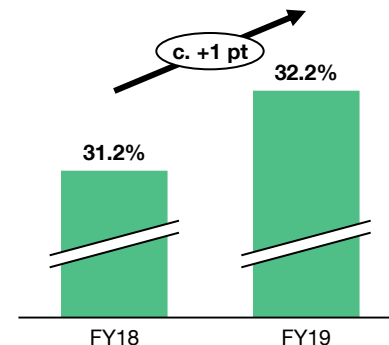
**Orange Money €425m FY 19**  
revenues

Revenues in million EUR,  
yoy growth in %



**EBITDAaL margin**

Increase by ~1pt



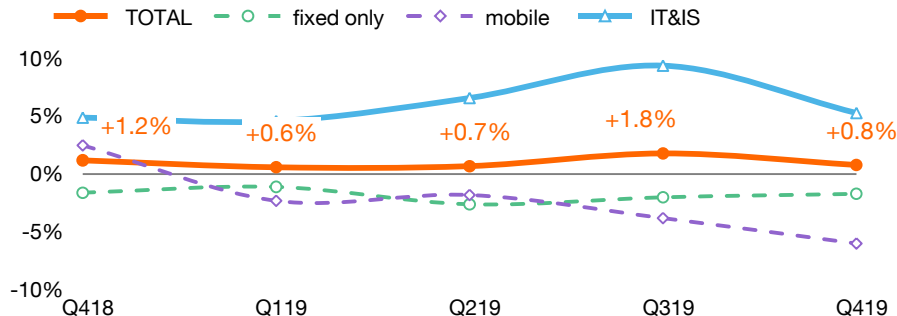
# Q4 2019 Enterprise

Back to revenue growth in 2019 driven by ongoing successful transformation

in €m	Q4 19	yoy cb	FY 19	yoy cb
<b>Revenues</b>	<b>2,104</b>	<b>+0.8%</b>	<b>7,820</b>	<b>+1.0%</b>
Fixed only services	1,007	-0.9%	3,963	-1.7%
Voice	325	-5.7%	1,289	-6.8%
Data	682	+1.6%	2,674	+1.0%
IT & integration services	846	+5.3%	2,909	+6.5%
Mobile*	251	-6.0%	949	-3.6%
<b>EBITDAaL</b>			<b>1,191</b>	<b>-1.7%</b>
EBITDAaL margin			15.2%	-0.4pt
<b>eCAPEX</b>			<b>404</b>	<b>+10.3%</b>
eCAPEX/revenues			5.2%	0.4pt

\*Mobile = Mobile Only Services + Equipment Sales

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



## Cybersecurity

A European leader with **€580m** revenues

FY19 organic\* revenue growth **+24% yoy**

## 37% IT&IS

Share in total segment revenues



## Cloud

FY19 organic\* revenue growth **+19% yoy**

\*Excluding revenues impact from the last 12 months acquisitions. Proforma growth for Cybersecurity is +15% yoy in FY19. Proforma growth for Cloud is +15% yoy in FY19.

# Section four

# 2020 guidance

# Short and mid term guidance

	2020e	2021e	2022e	2023e
<b>EBITDAaL, yoy</b>	Flat +	CAGR: 2% to 3%		
<b>eCAPEX incl. RAN sharing deals, yoy</b>	circa + €200m	Flat	Decrease	
<b>Organic Cash Flow (telecom)*</b>	Improved Guidance > €2.3bn	Growth		circa 3.5 to €4bn
<b>Net debt / EBITDAaL (telecom)</b>	Around 2x in the medium term			
<b>Dividend**</b>	0.70€	Floor at 0.70€		

**From an ambition announced in CMD to a commitment to execute the €1bn net savings 2023 vs 2019 \*\*\***

\*Organic cash flow (telecoms activities) : Organic cash flow from telecoms activities corresponds to net cash provided by operating activities, minus (i) repayments of lease liabilities and on debts related to financed assets, and (ii) purchases and sales of property, plant and equipment and intangible assets, net of change in fixed assets payables, (iii) excluding telecommunication licenses paid and significant litigations paid (and received).

\*\*Subject to shareholders' approval.

\*\*\*On an indirect cost base of € 14bn of telecom activities at FY 19, excluding MEA (fast growing), and OBS IT&IS labour and ITN costs (transforming its business model), out of a 18bn€ indirect cost base in FY19

# Appendices

# Change in net income

(in millions of euros, on a historical basis)	FY 2018 historical	FY 2018 cb	FY 2019 actual
<b>EBITDAaL</b>	<b>13,005*</b>	<b>12,762</b>	<b>12,860</b>
Neutralisation of IFRS 16 lease interest expenses effects in EBITDAaL	-	119	123
Adjustments**	(1,028)	(868)	15
Depreciation & amortization of fixed assets	(7,047)		(7,110)
Impairment of goodwill & fixed assets	(105)		19
Share of profit (losses) of associates and JV	3		8
Other income / (charge)	1		12
<b>Operating income</b>	<b>4,829</b>		<b>5,927</b>
Effects resulting from BT stake	(51)		(119)
Financial result (excluding BT)	(1,311)		(1,135)
Tax	(1,309)		(1,447)
<b>Net income from continuing activities</b>	<b>2,158</b>		<b>3,226</b>
Net income from discontinued activities	-		-
<b>Net income from consolidated Group</b>	<b>2,158</b>		<b>3,226</b>
Minority interests	204		220
<b>Net income Group share</b>	<b>1,954</b>		<b>3,006</b>

\*adjusted EBITDA \*\* See details on slide 24

# Adjustments

in €m	FY 18 historical	FY 18 cb	FY 19 Actual
Cost of restructuring programs	(189)	(193)	(165)
Cost of acquisitions and integration	(11)	(11)	(24)
Significant litigations	(33)	(34)	(49)
Specific labour expenses	(812)	(812)	(23)
<i>o/w Senior Part Time</i>	(812)	(812)	(25)
Portfolio review and others	17	182	277



# Change in net debt

2019  
Actual

(in millions of euros)

<b>EBITDAaL - eCAPEX (telecom activities)</b>	<b>5,754</b>
Change in working capital requirements	(204)
Change in eCAPEX payables	45
Net interest paid (including dividends received)*	(1,196)
Income taxes paid	(1,079)
Other operational items**	(975)
<b>Organic Cash Flow (telecom activities)</b>	<b>2,345</b>
Main litigations paid/received	5
Licences and spectrum paid	(334)
Dividends paid to owners of parent company	(1,857)
Dividends paid to non-controlling interests	(243)
Coupons and other fees on subordinated notes	(357)
Net of acquisitions and disposals	(77)
Exclusion of IFRS 16 leases from the net financial debt definition***	584
Other financial items	(91)
<b>Change in net debt</b>	<b>(25)</b>
<b>Net financial debt***</b>	<b>(25,466)</b>
<b>Ratio of net financial debt / EBITDAaL of telecom activities</b>	<b>1.96x</b>

\* Excluding €97m of interest expenses on IFRS 16 leases

\*\*Of which (i) disbursements related to “Part- Time for Seniors” plan in France (TPS, procedures in relation to agreements on the employment of seniors in France) and related to restructuring and integration costs, (ii) repayments of lease liabilities, and (iii) elimination of non-monetary effects included in EBITDAaL.

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

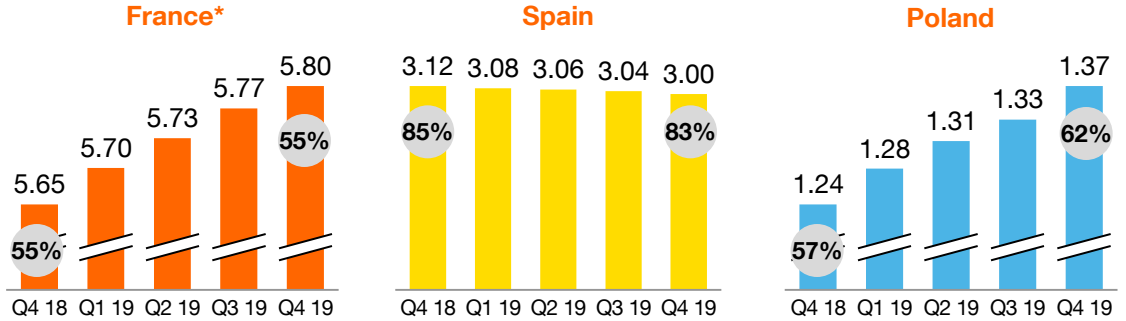
# Convergence, the bedrock of our strategy

€ **7.1** bn  
 ↗ **+3.9% yoy**  
 Convergent services  
 revenues in FY 2019



## Convergent B2C customer base in million

● % of broadband B2C customer base



## Churn improvement with convergence in Q4\*\*



**-4pt**



**-4pt**

**0pt**

## Quarterly convergent ARPO, in €/month in Q4



**€69.5**

+2,2% yoy



**€59.1**

+0.4% yoy



**€24.0**

+0.9% yoy\*\*\*

## Number of mobile lines per convergent offer (Q4 yoy growth)



**1.67**

+2.1% yoy



**1.95**

+3.4% yoy



**1.89**

-1.3% yoy

\* cb Open customers only

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

\*\*\* YoY evolution calculated in local currency