

## Q3 2020 Earnings Call

INITIAL DRAFT

### Company Participants

- Fabienne Isabelle Dulac, Deputy CEO of Orange France
- Helmut Reisinger, CEO of Orange Business Services
- Jean-Francois Fallacher, CEO of Orange Spain
- Jerome Barre, CEO of Wholesale & International Networks
- Ramon Fernandez, Deputy CEO of Finance, Performance & Development
- Unidentified Speaker

### Other Participants

- Abhilash Mohapatra, Analyst
- Andrew Lee, Analyst
- Emmet Kelly, Analyst
- Frederic Neumann, Analyst
- Giovanni Montalti, Analyst
- Jakob Bluestone, Analyst
- Nayab Amjad, Analyst
- Nicolas Cote-Colisson, Analyst
- Roshan Vijay Ranjit, Analyst
- Sam McHugh, Analyst
- Stephane Beyazian, Analyst
- Thomas Coudry, Analyst

### Presentation

#### Operator

Good morning, ladies and gentlemen, and welcome to Orange's 3rd quarter 2020 Results Conference call. The call will be hosted by Ramon Fernandez, Deputy CEO, Finance, Performance and development with members of Orange's Executive Committee for the Q&A session. That will start after the presentation. Thank you and let me now hand it over to Mr Ramon Fernandez.

#### Ramon Fernandez {BIO 16369589 <GO>}

Thank you. Good morning. Good morning to all. And welcome to the presentation of our Q3 2020 results. So I'm going to present remain highlights of Q3 before going to the business review. And at the end of the presentation. I'll do a brief focus on two topics,

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which have been of growing interest to the markets. Wholesale fiber co-financing and our infrastructure strategy.

Slide 4, presents the key achievements of the quarter and the resilience of our activities. As a result of our excellent commercial performance this quarter in our main countries we now serve at Group level, nearly 11 million convergent customers and around 9 million very high broadband customers out of 46 million connectable homes.

The increase of 22% in our VHBB customer base is notably, thanks to France, and Poland, which both posted the highest ever quarters for fiber net ends. In mobile Orange, won in France, the highest number of 5G frequency blocks with a total of 90 megawatts, securing our network premium leadership at a reasonable price.

After Romania and Poland, our 5G ready mobile offers have been launched in France and Spain. Orange bank now serves 1.1 million customers and is successfully pursuing its value strategy. We have a record in volumes of sales of premium costs this quarter and nearly 60% of new customers in Q3 in France subscribing to paying offers.

Last but not least, Orange has successfully issued a 9-year, 500 million inaugural sustainability bond. We have a 0.125% coupon supporting its social and environmental commitments.

Turning to slide 5. Despite the crisis our topline was back to growth this quarter at plus 0.8%, fueled by a solid performance in France and Africa, Middle East. Europe, which now includes Spain and enterprise are still on the Pressure, but on a better trend. The Group EBITDA trend improved significantly this quarter at -0.4% compared to -1.7% in Q2. Despite remaining negative effects from crisis of around EUR150 million. Successfully pursuing the monetization of our fiber network in France, we received once again this quarter, so-financing from our competitors. Over the first 9 months of 2020 EBITDA declined slightly by 0.6% and in CapEx decreased by 6.3% while we accelerated the rollout of both our very high fixed and mobile broadband networks. This decrease is mainly due to eCapEx deduction coming from co-financing. To conclude on our key financials at the end of September 2020, our year to that year-to-date EBITDA minus eCapEx ratio has improved by 6.3% and as you can imagine our organic cash flow is also well on track. Now let's turn to our business review. Starting with France on slide 7. In Q3, total revenues increased by 3.1% driven by co-financing revenues for construction in areas and the resilience of our retail services. Despite the negative effects of the crisis on roaming. In order to assess the underlying performance, let's analyze our retail activities excluding the digital content offers. Retail Services turnover excluding PSTN grew by 1.7% in Q3 driven by convergence. And retail services including PSTN was stable in Q3. Convergence services grew by 3.3% driven by price increases and the increase in the number of flights per convergent offers. Convergent ARPO increased by EUR1.2 reaching 68.8. Mobile only revenues decreased by 2.3% mainly impacted by roaming and the decrease in prepaid offers targeted to international tourists. Broadband only services were up 2.7% thanks to the growth of our customer base and the positive effect of premium pricing on newly migrated fiber customers. Equipment sales improved from -26.7% in Q2 to -9.8% in Q3. Thanks to opening of our stores. iPhone 12 release this month should contribute to accelerate this trend. Finally wholesale turnover grew strongly with

plus 10.5% of the plus 11.7% in Q2 driven by the effect of Co-financing received in Midland areas and fiber group in construction revenues more than compensating the decrease in national and visitor roaming. This was supported by unique excellent performance on mobile and broadband with a record quarter in fiber. On mobile, we delivered a very solid performance with 125,000 net adds, the best quarter since Q2 2018, driven by both such and open while churn is normalizing. Following the reopening of our shops with Orange brand has strongly recovered during Q3 fueled by convergence and high-end offers. On fix, we recorded 95,000 broadband net adds, driven by 360,000 fiber net adds. A grid performance obtained throughout the quarter, of which 53% are new customers, consolidating our leadership position with 4.1 million fiber customers and 20.9 million connectable homes. Let's now turn to our 7-country Europe segment which from now on includes Spain. Even if (inaudible) has continued to limit the free circulation of people, the commercial performance of 7 countries in Europe segment significantly turned around in Q3 for all product lines. We have 221,000 mobile contract net adds 96,000 fixed broadband net adds, of which 140,000 fiber lines. This remarkable performance is mainly the result of the revamping of our product lines implemented in most of our countries during the back-to-school period, traditionally supported for business. Total revenue remain under pressure at -3.7% mainly because of a greater reduction in roaming, this quarter, which accounted for more than half of total erosion year-on-year. Yet we total revenue trend is improving by 140 basis points versus Q2 because of better equipment sales themselves linked to better service net adds. In poor form of previous Europe perimeter excluding Spain, the trend in total revenues improved, it would be -2%, nearly stabilizing excluding roaming. It is also worth noting events almost Poland set a new record in quarterly fiber net adds up 54,000 and (inaudible) Belgium past 300,000 milestone for cable customers. Only for (inaudible) it launched re-offer. If you turn to Spain. Slide 10. You have total revenue trend that was better or Hinted at -5.6% in Q3 compared to -6.8 in Q2. Despite the negative effect of the crisis on roaming. The decline of retail services revenues at -7.7% in Q3 is mainly due to volume loss linked to our weak low end presence in the past. In order to improve these results we revamped all our portfolio in H1. Our new commercial strategy is already demonstrating its effectiveness in the period of the back to school and the launch of the football season with a return to positive net adds, everywhere. In fixed broadband, in mobile and in pay TV. Q3 was the first quarter of growth in our convergent customer base since Q1 2018. Strengthening our presence in low wind convergence segment resulted automatically in the dilution of our convergent in Q3, -2.4%, but it's important to highlight when (inaudible) of the Orange brand grew in Q3 and that 80% of the customers of our new low wind convergent offers our new customers for the group. So in Spain, we managed to significantly improve our commercial trajectory in this highly competitive market. And this will pave the way to better financial results, which will materialize in the medium term. Let's now turn to Africa, Middle East with revenue in Q3 returning to our target level increasing by 5.1% driven by retail services at plus 7.1%. With data reaching almost 31 million, 4G customers with revenues up 19%. With Orange Money, we have an active customer base exceeding 20 million. And then accelerating dynamic delivering plus 27% revenue growth, the highest level over the last 12 months, which shows an ongoing appetite for mobile financial services. Capitalizing on this strong performance, we successfully launched Orange (inaudible) Africa last July. And finally, fixed broadband we've almost 1.6 million customers and revenues up 26%. Looking at the commercial KPIs, we mobile client base is increasing by 2.3% to 126 million customers. And the customer base quality keeps improving as reflected by an increase of 2 points in of a charged base rate. And the reduction of 1.0 in mobile prepaid churn. From a geographical perspective. Revenue grew

in 12 countries, including 6 at double-digit pace. The top contributors to total Revenues being the Ivory Coast cluster up by more than 13%, Egypt, more than 80% and for Senegal cluster. Finally, the enterprise segment posted a Q3 topline decline of 1.7% improving the trend compared to Q2, where it was -3.3% despite the COVID crisis, which continues to have a significant impact on the B2B business in 2020. The topline performance is explained by a decline in mobile which is fully linked to a -71% revenue decrease in roaming, a decline in fixed only services with voice decreasing by 3.4%, but still remaining above a pre-COVID trend thanks to our voice over IP offerings and our collaboration solutions. And data decreasing by 1.3%, still impacted by the consolidation of events. Finally, IT and IS almost returned to stability at -0.5%. If you exclude equipments, IT&IS was growing by 3.4%. In this context, cyber security revenues grew by 8% and cloud by 5% in the first 9 months of the year. And if you exclude a significant one-off contract from last year. Cloud was even growing by 14%. All in all the segments profitability has significantly improved compared to Q2, we know we don't communicate on EBITDA in Q3 but a significant improvement. And we are continuing our partnership strategy with for instance an agreement with KDDI to provide our customers IoT platform for Japanese automotive manufacturers to Utah and Mazda. We also launched a digital transformation pilots with Schneider Electric for the first factory in Industry 4.0 powered by 5G. So now let's take a few minutes to focus on the execution of our infrastructure strategy. And I'm going to address two key questions that we've been asked quite often in recent months. First, what about co-financing FTTH monetization in France? Second, how do we execute our infrastructure strategy as disclosed last December? These important questions are part of a broader infrastructure strategy, which basically defines how we will deploy controlled or co-controlled infrastructures while maximize [ph]maximizing the value and return at group level. This strategy is based on 3 key pillars. First, find the smartest way to finance with deployment, which depends on the asset class considered. Second, capture growth, thanks to optimized network management. Third, manage some of our infrastructure as an independent class of assets, when we consider it would create more value than keeping these assets under the umbrella of M&O's. And if you operations. I will talk about briefly will allow to reveal its value. So first co-financing and fiber in France. I would like to remind you, the fiber business case is built upon 2 pillars, monetization through our retail and wholesale activities. On the wholesale, operators have two options, co-financing and line rental under conditions which are set by the regulator. The arbitrage between rental or co-financing by French operators implies the following 4 Orange as a wholesaler. Rental choice offers higher monthly rental fees, meaning higher recurring EBITDA contribution. While co-financing implies lower monthly recurring fees but higher upfront amount externalizing CapEx and commercial risk, thus improving our (inaudible) position. Now to give you an important indication we cumulated co-financing proceeds received between 2009 and this Q3 2020 amounted to EUR2.4 billion. These proceeds represent less than 50% of total long-term estimated potential based on our competitors current broadband market share. So this is my first message. What we've got is less than 50% of what we can get. Second message for the French fixed wholesale revenues trajectory for the period 2019-2023 given during our last Capital Market Day in December 2019 is unchanged. This is a second message. Third message. We do not expect any shift in the retail competitive dynamics as we competitive situation is not new to Orange. Our competitors have been able to access our ADSL customers through full unbundling since 2005 and yet We managed to stabilize our market share after a few years. Thanks to Orange retail and service capillarity brand advantage and long-standing local presence. All these elements contribute to our FTTH profitability target of an incremental IRR of around two times the cost of capital in France.

So this was my first point. Second point, let's take a look at the execution of our, let's say the equity part of our infrastructure strategy disclosed last December on which we are accelerating. Turning to slide 15. 15 is European tower. Carve out work is ongoing on the leadership of a dedicated project organization at group level, including teams from France and Spain operations and external advisors. The design phase should end by February 2021, a few months ahead. This will allow us to share a comprehensive view of the design of our tower (inaudible) for France and Spain at the 2020 annual results including the scope of the assets transferred, governance and detailed economics based on negotiated MSAs. This project is not just about carve-out. Our goal is to move one step further towards converting our mobile passive infrastructures into a real business to capture future market growth organically or inorganically. In this perspective conscious of the value of these assets, Orange is willing to keep control of its European passive mobile assets while managing them as an independent business enabling commercial neutrality and operational efficiency, including through arm's length contractual relationship with MNO's. Dedicated management accountable for performance, appropriate governance, adhoc reporting to disclose performance and strategy. And as part of this strategy, we are also looking seriously at flexibility on the capital structure of the European (inaudible) to accompany its growth while keeping control over it. Second, slide 16. With the fiber assets, Orange is creating of vehicles to strengthen its already strong position in the European landscape. Regarding France we talked to you in December about our almost consistent project and we now have made an important step forward. We are Can you selecting a partner to acquire 50% of almost concession. We have already received high quality non-binding offers mid-October. And we will choose a partner in H1 2021 in Poland. We are advancing quickly with the creation of a fiber targeting 2.4 million households. We are looking for a partner to work 50% of this fiber call a competitive process has been launched this summer. And we expect non-binding offers by mid-November. We expect to choose a financial partner by the end of H1 2021. So let's now wrap up today's presentation with a summary of our guidance. With regard to 2020, I'm confirming that we anticipate a slight decline in EBITDA in 2020 around -1%, including all COVID related impacts. Concerning eCapEx, and given the delays observed so far in eCapEx will decrease in 2020 offsetting the erosion in EBITDA. As a result, EBITDA less CapEx will be stable in 2020. Our 2020 organic cash flow guidance is unchanged. We have a commitment to exceed 2.3 billion. And with regards to our dividend policy confident about our organic cash flow guidance for Board of Directors of our yesterday supported the return of the dividend to \$0.70 per share for the year 2020. The final decision will be taken in light of the final year results. We will pay an interim dividend of \$0.40 on the December 9, representing an increase of \$0.10 compared to the amount initially planned. So this concludes my presentation, and with all my colleagues, we are ready to answer to your questions. Thank you.

## Questions And Answers

### Operator

Thank you, ladies and gentlemen we will now start the Q&A session. (Operator Instructions) (Operator Instructions) We will now take our first question from Nicolas Cote-Colisson from HSBC. Please go ahead, your line is open.

**Q - Nicolas Cote-Colisson** {BIO 377728 <GO>}

Thank you. Good morning. Two questions please. First is on the COVID impact and the new lock down the measures. Can you explain how the pandemic is impacting your CapEx because you are accelerating your fiber rollout at the same time? So where do you get some CapEx flexibility and how do you see the risk of a catch up next year taking into account the transfer of assets that may change the equation too?

And on the co-investment, maybe can you indicate the proportion of the 4 billion coming from medium dense area, because if it's the bulk of it then it would indicate that about 50% of the line to be built have been co-invested. So I was wondering if it was a fair assumption? Because you also mentioned that only 2 of your 3 competitors are very active in that area. I am just trying to square the circle around this 2.4 billion. Thank you.

**A - Ramon Fernandez** {BIO 16369589 <GO>}

Okay, maybe I'll start and Jerome Barre will be completing the answer on the second question, and thank you, Nicolas for these questions. So on on the COVID impact and the CapEx perspective, if you look at it on basis of let's say 2020 and 2021, it's obvious that 2020 is going to be significantly lower than initially expected.

We should. And the year of 2020 around 7.1 billion. This is significantly less than what we had initially guided for because we had said initially that we would do roughly 200 more than the 7.2 of 2019. So you see one should be the outcome of it was even 7 point for, in fact. So this is 2020 ending the year around 7.1. If you take 2021, there will be a catch-up in all the countries where there was some delays in roll out of network, but as a whole as a whole, if you take the 2 years, you should then to the same level than initially expected, which is roughly somewhere between 14.7 billion - 14.8 billion. So if you add 2020 and 21 you would have roughly the same figure. Because there would be, with this catch up. I hope it's clear. On The, on the second question, I'm handing the floor to Jerome.

**A - Jerome Barre** {BIO 19708650 <GO>}

Thanks a lot. Good morning, everybody. To your first question was about our position between the medium dense and very dense area. So roughly it's 70% for the medium dense and 30% for the a very dense area. If I may add some details about that you see, we see that in the private area so far, the global amount of the global number of lines, which has been consignments represent 80% of the total of fiber access of our competitors.

Of course, was in employees where, which has been deployed by range. That is to say that 20% are still went to lines and as you mentioned there is one competitor who doesn't can finance. So why is, why do we say that the potential is still a little both that 50% still to be, it can be explained by a double effect. First, a significant part of the private area is still to be deployed, so area surface will increase. And the second point is that a large number of customers are still to be migrated from copper to fiber. I mentioned is 20% of customers were under rental scheme, but it also is still a lot of customers still on copper lines. And when do you add to (inaudible) through the months or so. As the increase of

success of deployment footprint of deployment, plus the final. So a final migration from copper to fiber. It's explained this move to 50%.

**Q - Nicolas Cote-Colisson** {BIO 377728 <GO>}

That's very clear. Thank you very much.

**Operator**

Thank you. We will now take our next question is from Roshan Ranjit from Deutsche Bank. Please go ahead.

**Q - Roshan Vijay Ranjit** {BIO 16270518 <GO>}

Great. Good morning. Thank you for the questions. Two from me please as fixing on the domestic mobile side. We saw some very good KPIs retail trends in France and I want to think, you mentioned the mix of both source and the higher end brands. Now, when I look at the KPIs. So we have seen a nice tick up in the source adds. And if I think about some of the pricing adjustments, we've seen in the market more recently I think you have been a bit more active on source.

Can I just check that you are still see the majority of your ad coming in not be more premium end of the market in France and there is no kind of concern, given the pandemic in recent months, people are taking a lower end plans?

And secondly, I guess fitting in with your infrastructure timeframe, I think recently offset increased the number of sites as part of the new deal and thinking back to last year you did sign a build-to-suit program with a 3rd party. Can I think how is it possible to get an idea, how you will be Dealing with these increased sites in the rural areas. Would that be part of the Tower Co without the scope for another build-to-suit? Thank you.

**A - Ramon Fernandez** {BIO 16369589 <GO>}

Thanks. So I'm going to hand over to Fabienne and I'm just going to say one thing on the first question which is that's and I'm paying tribute to Fabienne and her teams rights you will, you will not be daring to be so proud. I'm saying that you know in front. We took the risk to trigger the move upwards with prices with [ph]search starting this spring and summer. And so there is a much better pricing environment now in France and I think that the moves we have made including with search had been absolutely instrumental in going into this better environment. So now Fabienne the floor to you.

**A - Fabienne Isabelle Dulac** {BIO 19180347 <GO>}

Yes, good morning. So on the mobile, you're right, we deliver a real, real solid performance on net data to the best quarter recorded since Q2 2018. This performance is driving by both SoC and Open, and this is very important. We are very satisfied by the mix because we observe of in Q3 and a good performance on Open. Thanks to the reopening of stores that the digitalization effort we made, we observe a strong dynamic on or runs brand and especially on Open and that fuel the mobile performance. It's a very

good performance and we are really confident that quarter must have term loans the brand around fueled by Open and the high hand off those will be more and more efficient.

So it's a good performance in the high end of around 44% of the net had. So it's a really good performance and as explained by how we observe a second point, very significant in this quarter. And market repair. I think we can use this word, especially on the mobile and we observe that at the hand of Q2 and confirmed in Q3. And this is a really good point because we observe noncore raising price recovery from all competitors, both on the low end and high end markets and this is very significant for Orange because we can maintain and push through the strategy we have to put the premium as we made, October 8, 2020, when we launched a new plan revamp and on the mobile, with the same strategy focused on more for more. And that's exactly what we did and it's exactly what we pursue in the future. So it's really well-oriented. For your second question regarding the new deal and the build-to-suit I don't, I don't understand exactly the connection because regarding the build-to-suit. We intend to keep current momentum we are stable and there, there is no acceleration in the build-to-suit program we designed. There is no connection to the existing new deal agreement. The new deal agreement has been fixed by the government. There is no discussion about it. Currently, the new deal is ongoing and we deliver the commitments we took in especially in June 2020, we were the only one player to deliver the commitment with the 104 new mobile sites deliver as a weighted as expected by the government. We don't need to have an acceleration on the rural area on the mobile and because if you accumulated what we did what we do on our own momentum, please. The new deal agreement site mobile expected. We are online to be exactly what we have to be and what the government want we are. So I don't think we have a question or an issue about this point.

**A - Unidentified Speaker**

Yes Roshan. There is no, I said that if there is no request of increasing anything on the new dealer agreement. It's totally on track okay.

**Q - Roshan Vijay Ranjit** {BIO 16270518 <GO>}

So it's kind of the check the new standard up 20,000 sites and I thought I'd whether has gone up 30,000.

**A - Ramon Fernandez** {BIO 16369589 <GO>}

No, nothing changed.

**A - Fabienne Isabelle Dulac** {BIO 19180347 <GO>}

No, change. No.

**Q - Roshan Vijay Ranjit** {BIO 16270518 <GO>}

Great. Okay, thank you.

**Operator**

Thank you. Our next question comes from Jakob Bluestone from Credit Suisse. Please go ahead.

**Q - Jakob Bluestone** {BIO 2533591 <GO>}

Hi, thank you very much for taking the question. And I was just wondering if you could comment a little bit of ground. The, just on the dividend, the decision to increase the interim what's behind that? Thank you.

**A - Ramon Fernandez** {BIO 16369589 <GO>}

As a what's behind that is be very strong conviction that we have the capacity to pay this dividend of \$0.70 and the board has supported it yesterday, based on the 9 first months of the year. And so we've seen on the basis of Q2 and Q3, VADs for resilience of our business puts us in Very solid position favor \$0.70 for 2020. And probably adding \$0.10 to what will be paid in December in a way compensates the \$0.20 reduction, which was decided on 2019 dividend and can give you extra confidence \$0.70 will be paid. So very good commercial performance. Very good operation performance and very good execution on what we have decided to do with our infrastructure plan. So cash flow is where we are able to pay, and this is confirmed by the \$0.40 which will be paid in December.

**Q - Jakob Bluestone** {BIO 2533591 <GO>}

Thank you very much.

**Operator**

Thank you. We will now take our next question from Nayab Amjad from Citi. Please go ahead.

**Q - Nayab Amjad** {BIO 18893735 <GO>}

Thanks for taking my question. One question on France retail, would you consider backlog pricing increases. Given that SoC entry level now if you're 16. I mean that your competitors have been already doing that but Orange consider something like that. And on Spain, infrastructure, the Ex-Poland CEO is now the CEO in Spain started the monetization of fiber assets in Poland. Do you think it will be possible to consider monetizing fiber assets in Spain or would you divert maintain control? Thank you.

**A - Ramon Fernandez** {BIO 16369589 <GO>}

So Fabienne will take the question of course on on France and there is Jean-Francois Fallacher, our new CEO in Spain is also with us and will take the second question.

**A - Fabienne Isabelle Dulac** {BIO 19180347 <GO>}

Yes, so on the mobile is exactly what I explained just a few minutes ago, we observe and non-(inaudible) price recovery movement. On the mobile, the point of the low hand offers pricing is currently around EUR15. If you remember one years ago we were around 10-12

years ago, 10-12 Euros. So it's a significant move. And in this case that's a sustained all the pricing premium strategy we can push on the second point, interesting to highlight is that the first 5G tariff and plan launched by competitors as around, but not only indicate the wish of the all competitors to sustain a premium in the 5G into.

So in this case, and in this context, we push to momentum on SoC and we increased our price on Thus we are around EUR16 and we launched last October in October 3 weeks ago. A new plan full new plan we revamped our offers with the strategy of more for more we decide one years ago. And we are very satisfied by the first week and we have a very good momentum in this new plan will answer. It's around 2 or 3 or 4 euros more, but still with the same strategy more formal more data and SIM card additional. So we are confidence more than in the past on the very positive movement. We can have on the mobile market. French mobile market and we are really confident. I think we are waiting for this confident position, that we are now.

**A - Ramon Fernandez** {BIO 16369589 <GO>}

Thank you, Fabienne. Jean-Francois.

**A - Jean-Francois Fallacher** {BIO 19111058 <GO>}

Yes, hello, everyone. Jean-Francois Fallacher from Madrid. So as concerns of our fiber infrastructure of the question was. We have in some plans to actually year dispose it or monetize it full fiber protect of these defense to well. So the answer is that obviously our fiber infrastructure in the Spanish market is definitely for as a critical asset. We more than the (inaudible) than 2 million lines actually home. Sorry. In Spain, we are having as you know, project will increase this footprint by the 3 additional million.

You're in Spain, the decision has been made to do it under leading scheme with Santander which is actually year having the benefit of being a cheap way to get financing on further deployment. We just keeping the property and the whole ownership of these fiber at the, at the end of the leasing contract. There is no such plan and into obviously to is a critical asset. On the contrary, we definitely believe more than ever, and you have all seen that through this COVID crisis, it has been shown that providing of this year. The REIT Internet access, we will consumers in businesses is critical in mentioned our in each of our countries.

So basically, no such plan to build the fiber (inaudible), but I remind that this is in. I said that we are also in begin monetizing not only for our retail customer base in Spain with more than 4 million customers on these networks, but also through a number of wholesale contracts, which can be ranging from midstream access to some kind of co-financing scheme As with some of our competitors. So, my answer is that first we want to keep the ownership and the control on these critical asset in the second. I mean the team here and my predecessor have been very busy in monetizing again not only in retail on wholesale is critical asset.

**A - Ramon Fernandez** {BIO 16369589 <GO>}

Thank you Jean-Francois.

**Q - Nayab Amjad** {BIO 18893735 <GO>}

Thank you.

**Operator**

Thank you. We will now take our next question is from Frederic Neumann from Bank of America. Please go ahead, your line is open.

**Q - Frederic Neumann** {BIO 15101525 <GO>}

Hi, good morning. Two questions from my side. Firstly on on B2B, you seemed a bit more confident on the evolution of the business. If you could shed a bit of light on, on the EBITDA and the cost initiative here and what you're seeing from a competitive standpoint, some of your competitors have been pushing harder on B2B? So you see that in ongoing commercial activity.

And then secondly, on your asset portfolio, if you can. So you've discussed a couple of angles today, if you can extend the commentary around potential sharing agreements installs well elsewhere in potential IPOs you see if it makes sense in the portfolio. I think you mentioned cyber security recently and maybe on towers at this stage. If you can clarify your preferred ownership structure they from the well be consolidation, but on the table, even if it could create some value? Thank you.

**A - Ramon Fernandez** {BIO 16369589 <GO>}

Okay, thank you for the question. So as a B2B question is obvious new question, which is of interest for both Orange Business Services and all the M&Os who have some enterprise business, we've been very activities. Maybe we can concentrate the answer on Orange Business Services. If we don't, we will be able to follow up with, for instance, again. And the other colleagues around the table, so Helmut Reisinger is going to take the first question.

**A - Helmut Reisinger** {BIO 18448279 <GO>}

Yeah. Thank you, Frederic for this question. First of all, we are more confident indeed, because of the decrease in revenues is much less compared to the second quarter with down now -1.7%. Notably, this represents in absolute numbers. That's about the EUR33 million decrease. If you look into their actually 20 million of this decrease is simply equipment resale. So that's non-services related revenues and about 1/3 is services related.

And on this part, if you just think about the fact what Ramon has already highlighted that we have a major decreased still in B2B roaming income. This amounted to around about 18 million. The events that Ramon was referring to was, for example, the Tokyo Olympics I'm very proud to have signed this contract already a while ago, but the Tokyo Olympics did not take place. So that's another big ticket in there. And for the rest I must say that our motors of engines of growth in terms of cloud services still solid double-digit and we believe that when we look also into our order intake. And we, we usually don't report on total order intake, because we focus so much on new and get orders which are orders for

new services, either on new customers or existing customers. And here, actually the decrease. If we look to Q3 was only 3% compared to a strong order intake last year. So we are quite confident that this trend continues and if it's true that the post COVID will be more connectivity if it's true that it's more cloudy side it's going to be also more digital and it's going to be need more cyber security for all of these growth trends, we have the right set of which is 1 core business supported by full growth vectors which is cloud cyber defense digital analytics. And you have seen this in announcement of the new partnerships Smart Mobility services to anticipate the 5G services that will come. I hope this gives you a bit of flavor in profitability and cost measures. We continue to be extremely tight and disciplined on that. Just to give you also a flavor in our outside France activities already, we have an offshoring rate of labor, which is close to 50%. So just to show you that we have not started this yesterday, but it's a continuous evolution that we are very much focused on to create value for this business.

### **A - Ramon Fernandez** {BIO 16369589 <GO>}

Thank you very much Helmut and (inaudible), is a sitting next to me and tells me I I'm allowed to say that we EBITDA trend in Q3 is close to 3 times better than in each one. Right. So you can, you can guess that H2 will be much better than H1 and would we are authorized to to say so to our, to our friends. So this was a question. Thank you.

And on the second one Frederic around the asset portfolio management, which has a really a number of elements to it. So I'm going to try and give a few elements and of course we see if we need to be more detail but I would say events all the points you've listed about network sharing agreements potential IPOs, towers, et cetera. Our real priorities value creation and how we can support growth in the company looking ahead and this is a common theme.

So if you look for instance, I'm talking under the control of again adds network sharing, you know we have network sharing agreements Nearly in all our European countries. We have extended them in the past when it was a good for us, of course, good also for others, but we are interested on what's good for us, it would be exactly the same for fronts, if there is a case to go into sharing arrangement as it has been alluded to externally. We will do so but uniquely only if there is a case and for the time being no discussion has been started on this, first point. On IPOs, I would say, because also from time to time, we see some comments, an IPO is a mean to an end. It's not an end in itself. So if an IPO can be instrumental to support growth to accelerate. We will consider IPOs, if not, there is no case. So you've heard us talking about, for instance, Orange, Africa, Middle East, this will be the framework to us as the situation for cyber defense and (inaudible) is also on the call. It's the same on cyber the top priority for us is to grow and the teams have been extremely successful including we have some M&A, which has been very successful with secure link and secure data. We are now close to EUR700 million. Revenues in cyber, we want to continue to grow and then we will see what are the options which help us to continue to go in this direction. Same for towers. Towers infrastructures, I hope you I was clear enough. When I tried to explain what is the framework, but you can see that, our approach on towers is really to go in managing a business independently in order to capture growth. And when I said flexibility and this is on the slide flexibility on capital structure to fund growth. Well, when you talk about flexibility on capital structure. Of course, you have an open view on different schemes and this includes welcoming our

shareholders including potentially at some point food listing, but you keep control you keep control of the asset, which does not mean you 100% in control. Okay. So this is general approach. I hope it's clear enough. And if any of my colleagues, want to complement this of course most welcome

**Q - Frederic Neumann** {BIO 15101525 <GO>}

Yes, thank you, Ramon. Very clear.

**Operator**

Thank you will take our next question from Abhilash Mohapatra from Berenberg. Please go ahead, your line is open.

**Q - Abhilash Mohapatra** {BIO 20792240 <GO>}

Yeah. Good morning and thanks for taking my question. What slightly longer-term question around the wholesale business, please. I appreciate you're already giving us a lot of color sort of being by committing to this 2019 to '23 kind of revenue profile for the wholesale business. I'm just wondering how should we be thinking about the revenue profile once the co-financing proceeds out of the way? And just related to that. I'm just wondering, other than corporate unbundling revenue, are there any other kinds of revenue streams that might be at risk over the long term that we should be keeping in mind? Thank you.

**A - Ramon Fernandez** {BIO 16369589 <GO>}

Thank you very much. Jerome Barre will take this.

**A - Jerome Barre** {BIO 19708650 <GO>}

Okay. So, I must say that the French or if it was there a new trajectory for the next period the 2019-2023 given in our CMD last hinges and change. If I gave me give you some details, I tried to answer to your question about that. So first concerning fiber. You have to take into account that we have several sources of revenues and wholesaler in fiber. First if I take the first first case, which is a local loop revenues, we get revenues were accruing revenues of co-financing or revenues in the areas where we deploy fiber you must be conscious that in the areas where Orange doesn't deploy fiber, we get revenues as well.

Because we monetize our infrastructure through that and are seeing and it represents all of this is to recurring revenues. In addition to the record loops which is a last mile and on (inaudible) territory. So growth in the areas where deploy fiber and the areas where we also purchased deploy fiber on the whole territory. We aim to increase our revenues on backhaul aggregation and activity services.

You said you have to alter all together this local loop as renew the fiber and hosting revenues. And backhaul aggregated and activated services. And that was the second question about the fiber. Our objective is to increase (inaudible) tariff. You have formally noticed that the first step has been carried out with an incident coming from asset. When

you add up the unbundling tariff itself and the commissioning tariffs. This represents an increase of \$0.30 next year and Our objective is to make this figures increasing in the following years. So as you can notice, we were both on the global revenues, on the fiber and the revenues of our copper and ways, it wasn't really why we maintain our guidance.

**A - Ramon Fernandez** {BIO 16369589 <GO>}

So thank you Jerome and so once again. What we are trying to do today is to give you the figures to help you better assess for potential of co-financing because some of you, apparently we're afraid that let's see the co-financing bucket would be empty to rapidly. Once again, there is more to come. Then what has been achieved in more than 10 years, right. So he is still a very important parts to go in our pockets. This is really important to understand.

**Q - Abhilash Mohapatra** {BIO 20792240 <GO>}

That's it. Thank you. And just a small clarification, if I may. I guess the other sort of side of the equation. So on savings from copper network switch off I guess again of long-term team, but when do you think this can start impacting you're sort of EBITDA? And then just around sort of fixed voice interconnect the data suggests that there meaningful amount of be sort of interconnect revenues which are declining quickly, is that something that given that could sort of end of pressuring the wholesale revenue beyond this 2023 kind of timeline? Thank you.

**Operator**

Thank you. We will now take our next question is from Giovanni--

**A - Ramon Fernandez** {BIO 16369589 <GO>}

No, but we did not. We do, we did not answer yet.

**Operator**

I apologize.

**A - Fabienne Isabelle Dulac** {BIO 19180347 <GO>}

Ramon, maybe I can just have a quick answer, because I think it's too early to answer the question. But we started to organize the hand of the copper and we, we still, we have currently is some savings, but it's too early to have a real impact because of the weight of the copper line is still very important specifically for our competitors, but we will and I think the most important point to have to understand is we will manage and we will manage the and of the copper with a priority to preserve the value, the value with the revenue and the value link into with the selling cost, we can made. So we can maybe Back on this point. In 2021 because I think we will be, we will have more information, but the real point to understand is we will manage the hand of the copper with the priority to minus the value.

**A - Ramon Fernandez** {BIO 16369589 <GO>}

Jean.

**A - Jean-Francois Fallacher** {BIO 19111058 <GO>}

Okay. So concerning the Q3. First, you have to take into account that during the crisis in France interconnection increased because the number of call increase or if they were, they were more of new of incurred interconnection. On the long term for sure this interconnection will decline because that's clear. That's all clear. But you see it's a symmetrical flow of traffic. So it means that we get revenues realized, we lose revenue. Sorry, but we will also save money because we have less cost.

So this interconnection decline as no impact on EBITDA.

**A - Ramon Fernandez** {BIO 16369589 <GO>}

Next (inaudible) message on.

**A - Fabienne Isabelle Dulac** {BIO 19180347 <GO>}

Operator take the next question.

**Operator**

Our next question comes from Giovanni Montalti from UBS. Please go ahead, your line is open.

**Q - Giovanni Montalti** {BIO 7059389 <GO>}

Hello. Thank you. And you were referring to the improvement in terms of pricing on mobile, on the entry level for data. I was wondering if you see grounds to see some improvement are starting also on the fixed side especially considering that we are seeing so much traction on the fiber side.

And finally, if I may. So if you go back to the towers topic, but when you say control, you mean having a 50% plus one or in any case being the largest shareholder of this vehicle or would you consider other options? Thank you.

**A - Ramon Fernandez** {BIO 16369589 <GO>}

Thank you, Giovanni. So, Fabienne on the fixed pricing.

**A - Fabienne Isabelle Dulac** {BIO 19180347 <GO>}

Yes. And on the, fixed, we observe the same good news: the unconvincing a price (inaudible) to, we note a real improvement in pricing and especially on fiber. So it's really important, we are around for the low and price around EUR20. If you remember, we were around EUR15 in Q2. So we observe exactly as for the mobile, the same movement very consistent with the premium strategy. And it's a good news and I think you can observe

that in this, in this context, Orange recorded a very strong Strong performance on the broadband and driven by FTTS with the 360,000 net hand, it's the best quarter ever recorded. And it's still with and many acquisition 53%. Our new customers and with the pricing a premium pricing. Very strong, so as reflected by the ARPU also. So, in the fixed as in the mobile-mobile, we are really confident with what happened on the French market and the repair markets we can observe.

**A - Ramon Fernandez** {BIO 16369589 <GO>}

Thank you, Fabienne. And on what is control. I mean control is control, right? So the important addendum to be sensor is what I said about the (inaudible) length contractual relationship with the M&Os the dedicated management the appropriate governance of the other reporting, et cetera. So looking at control. You know I think which is control. And we'll go into details in February when we will have for the detailed presentation, we've all the KPIs, which I think will help you to have also a better view on the venue of these assets.

**Q - Giovanni Montalti** {BIO 7059389 <GO>}

So sorry if I may have very, very quick follow-up, let's say, how much things are improving in France would you feel comfortable enough to expect some acceleration of the revenue momentum in terms of retail, so this is in France?

**A - Fabienne Isabelle Dulac** {BIO 19180347 <GO>}

Yes we can. And it's exactly what we announced in the past, a retail services revenue improvement and we are, our strategy is this to keep a price premium between copper and fiber, it's exactly what we did from 2 years now. And we are confident that we can maintain a price premium and we can between copper and fiber and we can maintain a premium strategy on fiber as reflected by the converted ARPO. So, yes, we are confident in this way.

**Q - Giovanni Montalti** {BIO 7059389 <GO>}

Thank you very much.

**Operator**

Thank you. Our next question comes from Stephane Beyazian from MainFirst Group. Please go ahead, your line is open.

**Q - Stephane Beyazian** {BIO 3321002 <GO>}

Thank you. Can I come back on the dividend and congratulations for fighting on this one. But was there anything sort of to give away perhaps to the French government in order to have that decision at the Board? What I'm trying to get is whether there are any conditions attached to that that could Restrain your ability on the 1 billion net savings plan on which you're still working on? And if there is any update on this plan? Thank you.

**A - Ramon Fernandez** {BIO 16369589 <GO>}

Thank you, Stephane. No, there is absolutely no condition nothing to give away. It is just the acknowledgment that the resilience of the performance puts us in a condition to pay this dividend, that's it. and and really there is nothing more to it. Companies facing with COVID crisis are in different situations. We could make the case event a whole is facing this situation and it is not totally surprising. We've the resilience, you can see in these results. So no conditions attached. Of course, on the cost savings exercise the 1 billion plan. We are working on it and we would like to report on this at the full year results meeting in February. So February will be a time to talk about many things, but, so the team is working. We have a dedicated team, we are working on all the 4 pillars that we described. And and what I propose is to just wait until this time in February to go into more details, but you can trust us, there is kind of no alternative than to fully deliver on this. Looking at the smart spend initiatives, with mutualization, with digitalization. We are, we have been learning on digitalization a lot in the lockdown context and this is triggering many discussions on many fronts.

Just to give you one figure that we were showing with Fabienne earlier you have now 38%, Fabienne will correct me if I'm wrong. 38% of the fiber sales, which have been done through digital channels. This is something which was not really totally intuitive because it was really, you know shops and et cetera. So close to 40% has been made through digital channels. So this is going to accelerate and of course with many other issues. This will be generating savings and all the team is working hard to make sure will be on track with this target.

**Q - Stephane Beyazian** {BIO 3321002 <GO>}

Very clear. Thank you.

**Operator**

Thank you. We will now take our next question from Andrew Lee from Goldman Sachs. Please go ahead, your line is open.

**Q - Andrew Lee** {BIO 15121310 <GO>}

Yes, good morning everyone. Just to hopefully quick questions, firstly on your Guidance for EBITDA, I just wondered given your down 0.6% year-to-date on EBITDA and presumably COVID or at least roaming headwinds a lighter in Q4, why did you not have the confidence to to raise that guidance to maybe to maybe flattish? Just wondered, any commentary around underlying trends within that will be helpful. And then secondly just on the mobile infrastructure helpful update today. Just wondered if you just talk about how you generate more actual value from this? As from actually spinning it out, where does the value comes from. Do you think you can generate more revenue growth from these towers and kind of any numbers you can put around that would be helpful? Thank you.

**A - Ramon Fernandez** {BIO 16369589 <GO>}

Thank you, Andrew. So, question one. Why don't I mean given we are at minus 0.6. Why don't we change something well? You know, we said around minus 1, if it's an around minus 1 it's the minus is towards the minus rights, meaning, closer to the flattish point

when to above the minus 1. So we, I mean it doesn't make any sense. Every quarter to continue to adapt. We will see at the end of the year, but we are extremely confident, extremely confident with this target and extremely confident also on the organic cash flow commitment and target to deliver more than 2.3 billion.

So I mean you can be extremely confident with this, this is first first point. On the mobile (inaudible) you know, if we see everything today. This is only quarterly results. You will not be there with us in February, you will be too bored because you will know everything. So you have to be a bit patient, you will have all the KPIs, all the KPIs, because you will, as I said, have a picture of an independent structure, we've negotiated MSAs, negotiated MSA. So we're not to going to give you one figure today and another figure in 3 months. I don't think it's serves the course.

So you will have the right of a definitive figures in February and you will have all the means to assets the venue which is here. And when you see, how do you generate more value. Well, because you are managing this infrastructure as an independent business and so you would look at tenancy ratios you would look at the way you participate for instance to market consolidation with these assets et cetera, et cetera.

So a lot of ground to cover in February, but as you can see the work is well on track.

**Q - Andrew Lee** {BIO 15121310 <GO>}

Thank you.

**Operator**

Thank you. On. Next question comes from Sam McHugh from Exane. Please go ahead.

**Q - Sam McHugh** {BIO 18991957 <GO>}

Good morning all. Thanks for all the detail on co-investments previously and received My question is more about the co-investment fees that you have to pay yourself to either FFR or to others in the pin areas. I wonder if you could give us a same detail on how much co-investment, you have paid to date and how much you still think you have left to pay in the medium then in scenarios? Thanks very much.

**A - Fabienne Isabelle Dulac** {BIO 19180347 <GO>}

Ramon, you want to take the question.

**A - Ramon Fernandez** {BIO 16369589 <GO>}

So we are not as I'm. So we are not going to give you a detailed answer to this, because this is fully taken into account in our OpEx and CapEx perspective and guidance. As you know, we as an access provider are going to fight hard to keep our market share and we have been quite successful in doing so. And we will do accessing to 3rd party network, either through renting, through co-financing, through special purpose vehicles different

means. And this is fully embarked in the perspectives that we have given on CapEx and OpEx.

## Operator

Thank you. We'll take our next question is from Emmet Kelly from Morgan Stanley. Please go ahead.

### Q - Emmet Kelly {BIO 16592963 <GO>}

Yes, good morning everybody and thank you for taking the questions. Just two questions from my side, please. And the first question is on 5G and now that the auction has been complete. And I guess 5G will be quite different to 4G because when I think of France at 4G was kind of launched at the same time as 3 launched its mobile offering, so maybe some of the upside was launched there. Can you maybe just say a few words on what your plans are for 5G and whether you can maybe go early on 5G go back in 5G and maybe take some market share, maybe a little bit like what Deutsche is doing in Germany?

And then just a second question maybe, you probably won't be able to comment on this, but could you say a few words about the such calm tax issue with the French government? I saw some media articles in France last week, suggesting a potentially positive outcome for Orange there? Thank you.

### A - Ramon Fernandez {BIO 16369589 <GO>}

Okay. Thank you, Emmet. Maybe on 5G, Fabienne.

### A - Fabienne Isabelle Dulac {BIO 19180347 <GO>}

Yes, you're right. The context to rollout 5 G is very different than when we launched the 4G in France and we are in a better context and this is the most important point. As I explained just a few minutes ago, we have a replacement Get on the mobile and we observe that all competitors, we announced they raise their price with the 5G. So in this context, our strategy is still the same. First of all we want to maintain our leadership on the mobile network and the premium we have on the network, it's very important for around in all territories and in all areas. This is the first point. And we will start to deploy 5G tomorrow because the the auction has just closed few days ago, and we will, we want to maintain our leadership and in this context, we want to maintain our premium strategy has announced with the launch of the new plan we made in October. If you remember, this new plan is not only 5G but is 5G ready and embedded arrays premium pricing as announced it. So no difference for us though we to be leader and to maintain a differentiation. On the mobile and in all territories and and in this case, to maintain the premium and we are ready to launch now and we start tomorrow.

### A - Ramon Fernandez {BIO 16369589 <GO>}

Thank you. Thank you Fabienne. On the second question on the tax issue, it's an issue, which has been going on for close to 10 years. The good news is that we will have the final decision of the highest French court Cour de (inaudible) before the end of 2020. and you

know it brings bad luck to talk too much about expectations about what could be good news. So we will be waiting for this decision and (Foreign Language).

**Q - Emmet Kelly** {BIO 16592963 <GO>}

(Foreign Language)Thank you.

**Operator**

Thank you. I will now take our next question from Thomas Coudry from Bryan Garnier. Please go ahead, your line is open.

**Q - Thomas Coudry** {BIO 19620082 <GO>}

Yes, thank you. Good morning, everybody. Just follow-up question first on 5G what are beyond, I would say the market, the improving market environment? What are your convictions about the willingness of customers to pay for premium in 5G and we saw that in some countries, there was some disappointment about the, about the technology. So my question is how much you believe that a premium is sustainable There? And my second question is actually on OBS France, Iliad should launch its activity in B2B soon. So my question is how did you prepare for that, is it a non-event for OBS France did you take any specific actions? It seems that most players on that market are kind of downplaying the entry of of Iliad? So I would like to have your point of view on that? Thank you very much.

**A - Ramon Fernandez** {BIO 16369589 <GO>}

Okay. Thank you, Thomas. So I think you were, you have a last question. So we will close following the answers to this question and Fabienne will take this. Thank you.

**A - Fabienne Isabelle Dulac** {BIO 19180347 <GO>}

Yes, thank you for the question. So it is complicated to answer your question. For the future, but I can give you some figure now, and it's a very important to know two points. 65% of French people are interested by 5G. Okay? This is a last survey, we have. And despite a lot of debate in France, 65% of French people are interested by 5G and are ready to pay it for 5G. Okay? Currently, we have an experimentation in France with 600 tower in 5G and around 1200 people experimented, in experimentation in 5G.

And for all these people we gain better in pace with the GAAP around 20.0 and this population this people who are tested for experimentation in 5G are ready to paid more for more, exactly what is exactly the strategy we defined from few years now. So we are confident and it's exactly what I explained just two minutes ago, the new plan we launched in October, is really successful for the moment and the beginning of this new plan are very good. Because we give more for more not only 5G, we gave more data, we gave more SIM card. Okay.

And you're right in some countries there is deception recorded because in some country they decide to launch 5G with two technology, the spectrum dedicated to the 5G and the

DSS. It's Dynamic Spectrum and the quality on the DSS is not the same as with the spectrum dedicated for 5G. So for Orange, we will be very cautious about the quality of the network we will roll out and we want to give To maintain a premium on the network and the high level of quality of our network. And this decision is only in the country where you have a mix between these two technology and for the customer there's no difference between 4G and 5G, we will be very cautious about this point and I'm really confident that 5G will find the attent of the consumer. It's exactly what we can prove currently with the experimentation we have.

**Q - Thomas Coudry** {BIO 19620082 <GO>}

Thank you.

### Operator

Thank you. We have no further questions, I'll turn the call back to the speakers for any additional or closing remarks.

**A - Ramon Fernandez** {BIO 16369589 <GO>}

Okay. Well, thank you. Thank you very much. Thanks to all. I would just maybe like to conclude, we have you know maybe 3-4 very, very quick points. First, you see this quarter, events of the operational performance with commercial performance is very good. It's much better in some critical countries like France and Spain, but it's very good everywhere in the other European countries, in Africa, Middle East, we didn't have any question on Africa. But you could see how dynamic evolution is fair.

Second, the EBITDA trend is healthy because it's fueled by this performance. So this is good. Third, the co-financing is still going to be with us and to fuel EBITDA with more than 50% still ahead. And fourth, the cash flow as you can see, and you will see is well-oriented and this explain the positive move we were able to announce on the dividend.

So it's a good quarter. It's a very difficult period for everybody. We'll be working hard and hoping to see you soon and hoping everybody will be well in this complicated time. Thank you very much.

### Operator

Thank you, ladies and gentlemen, this concludes today's call. Thank you for your participation, you may now disconnect.

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