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PRESENTATION

Stéphane Richard *Orange S.A. - Chairman & CEO*

Good morning, everyone. Welcome to this presentation. I'll start by giving you the key highlights for Q2 2020.

Our revenues and EBITDAaL have demonstrated remarkable resilience in the context of COVID. We are reaping the benefits of our outstanding fixed and mobile networks with France delivering a very sound performance. As the European leader, our cybersecurity business was able to generate double-digit growth in an exceptional context, especially in France with 24% growth year-on-year in H1. At the same time, our cloud service activity posted a solid growth at plus 14% H1 year-on-year.

The execution of our tower and fiber assets program is on track. We are moving ahead with our FiberCo project, and we will relaunch Orange Concession in the PIN area in September in France.

And finally, let me remind you that I have reshuffled the Executive Committee so that we can address the post-crisis challenges more effectively.

Page 2. I'd like to start by remind you the exceptional context in which these results have been reached. First of all, these results stand as a proof of Orange's remarkable resilience when facing hard times, thanks to all the team's commitment throughout this period. It also shows our ability to react quickly and to find out the best solutions to keep our networks working, deal with a strong and fast traffic increase and keep serving all our B2C and B2B customers.

Another important point is that the crisis confirmed the priorities of our strategic plan, Engage 2025. It highlighted how vital connectivity is for society, validating our massive investments in FTTH networks. During the lockdown, we've remained unified and motivated, a mobilization that was shown through a transfer of commercial activity from stores to digital and customer services and from all our technical activities to maintain rollout.

In France, during the lockdown period, we carry out -- we carried out 1 million interventions on our networks and at our customers' premises. This allowed us to exit the lockdown in a stronger position, speeding up the digitization. Our stores are open again with a significant catch-up in business. Our FTTH rollout is back to normal. In France, we will deploy as many FTTH lines in 2020 as in 2019. This is an amazing feat in this context.

The European TowerCo project is on track. We plan first to launch entities in France, then Spain, with the aim of building a strong European business around mobile infrastructures. Also, we are working to share future FTTH rollouts in Spain, Belgium and Poland through FiberCos.



In addition, we would like to highlight some significant items that impacted financials on H1. We booked a significant spike in cofinancing, boosting our wholesale revenues at a premium and EBITDAaL and reducing the eCapex. These cofinancing revenues illustrate our capacity to monetize our FTTH investments done over the last years. This cofinancing helped us to mitigate the negative impact linked to COVID, especially an increase in bad debts, sanitary cost and roaming contribution margin that decreased materially. We'll disclose more details along this presentation.

Next page. Q2 2020 was a successful quarter for Orange despite the impact of COVID-19 in our activities. Firstly, we now connect 43 million very high broadband homes, making us a strong FTTH leader in Europe. We consolidated our #1 position on the Net Promoter Score indicator in the telco French and Polish market during the lockdown. We have continued to prepare the launch of 5G in our European countries, with some important milestones. After a first launch last year in Romania, 5G is now commercially available in Poland. We opened the Orange Industry 4.0 Campus in Antwerp, Belgium. In addition, Orange and Google Cloud just announced a new strategic partnership in Europe, leveraging edge computing to enrich Orange 5G services portfolio. Last, Orange is now ready for the second part of the 5G auction process in France to start in September.

Secondly, these investments enabled us to post a solid commercial performance. With more than 72 million 4G customers and our 8.1 million FTTH customers, this is an increase of 19% year-over-year. Orange remains the #1 convergence operator in Europe with 10.8 million convergent B2C customers, up 2%, and convergent revenue up 4.1% year-on-year in H1 '20.

Thirdly, we continue to successfully execute our strategy of becoming a leading multi-services operator. Orange Bank reached 1 million customers in Q2 '20, broadening its offering to handset insurance with more than 450,000 individual clients. The bank has thus reached a new milestone in its cross-selling strategy with telecom activities. Our value strategy is bearing fruit in Q2 with 47% of new Orange Bank customers in France subscribing to paying offers, broadening its multi-entry strategy. Orange and NSIA, a leading bank in Ivory Coast, launched Orange Bank Africa. Also, in the second quarter, we had 10 million IPTV customers, up 3%, driven by France and European countries. In Q2 in France, we saw our video-on-demand sales boosted plus 24% year-on-year linked to lockdown, as well as games plus 21%.

In Q2 '20, in line with the Engage 2025 plan, we signed a long-term electricity purchase contract with Boralex and WPD, wind farm companies supplying almost 3% of Orange's energy requirements in France and reaching nearly 10% in Poland.

Next page. In the context of COVID-19 crisis, we posted H1 revenues at EUR 20.8 billion, growing 0.3% year-on-year, driven by growth in France and Africa and Middle East, more than offsetting the decline in other segments. The group reached an EBITDAaL of EUR 5.9 billion, slightly declining by 0.8% year-on-year this semester, impacted, of course, by the sanitary crisis. eCapex slowed down by 9.9% compared to H1 2019, reaching EUR 3.2 billion at the end of June. This reduction is due to COVID crisis and the transfer of assets, which drove lower eCapex despite acceleration in FTTH rollout. Thus, the group's EBITDAaL minus eCapex reached EUR 2.8 billion in H1, significantly improving year-on-year by 12.2%, while organic cash flow grew EUR 163 million, reaching EUR 255 million. The net debt ratio reached 2.04, in line with our midterm guidance.

Next page. At the end of H1 2020, group eCapex amounted to EUR 3.2 billion, a decrease of EUR 346 million, 9.9%. Most of the decrease was linked to 2 effects, both impacting network eCapex. Firstly, the COVID crisis slowed down the ramp-up in the deployment of both addressable and connectable FTTH lines and the connection of end customers. Still, fiber deployment accelerated in France with 3 million new connectable homes this semester compared to 1.7 million in the first semester of 2019, strengthening Orange's position as the largest fiber network in France with 19.3 million connectable homes.

Outside France, 166,000 new very high broadband connectable homes were added in Spain, 399,000 in Poland and 242,000 in Africa and the Middle East. However, the COVID crisis also caused a drop in mobile and legacy investments causing the overall new build eCapex effort to fall.

Secondly, our competitors in France bought up an unprecedented amount of FTTH cofinancing in Q2, which, together with the transfer of ownership of FTTH footprint to SFR in the medium dense area, the deal -- this deal was announced in 2018. And with the bidding of the remaining parts of 1,500 nonstrategic Spanish mobile sites to Cellnex caused the eCapex to decrease significantly in H1 versus last year.

We anticipate a decrease in eCapex over the full year 2020, with some of the new build eCapex efforts shifted from 2020 to 2021.

After this overview of our achievements, let me now hand over the floor to Ramon.

Ramon Fernandez Orange S.A. - Delegate CEO of Finance, Performance & Europe

Thank you. Thank you, Stéphane. Good morning.

So let's go to Slide #10, where you can see Q2 group revenues slightly eroding by 0.4% compared to plus 1% in Q1, with growth in France at plus 2.7%; growth in Africa, Middle East, plus 1.3%, nearly offsetting the drop in Spain at 6.8%; in Europe, 3.6%; and Enterprise at 3.3%.

From a product perspective, growth in convergent services slightly decreased to plus 3.6%, while mobile-only services slipped into a negative territory at minus 2.7%. It was growing by 0.4% in Q1. Fixed-only services improved to minus 1.6% compared to minus 2.3% in Q1. IT and integration services posted plus 0.3% compared to more than 10% growth in Q1. As a result of shop closures, the trend in equipment sales further deteriorated at minus 24% compared to minus 10% in Q1, while especially high FTTH cofinancing in France translated into an exceptional plus 8.5% growth in wholesale services compared to 1.9% growth in Q1.

Excluding retail and wholesale roaming revenues, equipment sales and IT and integration services, all impacted by the health crisis, group revenues would have grown by 2.5% in Q1 compared to 1.5% in Q1 -- so plus 2.5% in Q2 versus 1.5% in Q1, demonstrating the underlying resilience in Orange core services.

If we now turn to EBITDAaL and look at EBITDAaL for telecom activities. In H1, the decrease was limited to 0.9%, which is minus EUR 52 million. In terms of segments, Africa, Middle East and Europe, respectively, posted solid growth, plus 7.2% in Africa, Middle East and plus 4.3% in Europe, followed by good resilience in France, which grew by 0.5%. By contrast, Spain and OBS recorded a decline in EBITDAaL, respectively, due to a disrupted market environment and to a deterioration of business with the COVID crisis.

In this extraordinary period, I would like to highlight some exceptional items that impacted EBITDAaL in H1. And you can look at the chart at the bottom of the slide, which provides some details on these issues. First, we registered EUR 160 million costs in EBITDAaL directly linked to COVID. This is sanitary costs for around EUR 50 million, an increase in bad debt. We booked EUR 70 million in an increase as part of our prudent approach, nearly EUR 30 million of extra costs related to exceptional bonuses paid to subcontractors and, to a lesser extent, to employees during the crisis as an incentive for the continuation of activities.

Second, we benefited from savings related to COVID, especially a reduction in SG&A of nearly 10%; in advertising and publicity, minus 15.8%, with nearly the same amount of EUR 164 million.

Third, business activities were negatively impacted during the crisis. Roaming, to begin with, registering a decrease of EUR 121 million. Activities such as IT and IS, which were also impacted by the slowdown while having to bear some indirect costs. On the other hand, we benefited from the FTTH cofinancing revenues with a significant contribution to our EBITDAaL.

Overall, this resilient EBITDAaL demonstrates our capacity to adapt during the crisis, hedging unexpected costs increase with cost control while being able to leverage from the diversity of our business.

In terms of net income, Slide 12, this led to consolidated net income of EUR 1 billion, declining by 10% -- 10.7% year-on-year. This is mainly the result of a slight decline in EBITDAaL, adjustments mainly related to lesser restructuring costs and to an increase in provisions for risks of litigation and an increase in D&A, partially compensated by a reduction in corporate tax expenses.

Looking at the organic cash flow, Slide 13. The organic cash flow reached, in H1, EUR 255 million, growing by EUR 163 million year-on-year. The deterioration of our working capital requirement was more than compensated by the decrease of eCapex as well as lower payments linked to net financial interests, income tax and also some other operating expenses such as our senior part-time plans. The working capital requirement was impacted this quarter, first, by the significant cofinancing signed in Q2 and reflected in the

EBITDAaL minus eCapex KPI but which will be paid later on, in fact, in July. So you can see the impact on the operating cash but not on the organic cash. This will be in the second half. On the other hand, this evolution is also impacted by measures that we took to support third parties throughout the crisis, most of which will be progressively normalized.

In H1, our net debt-to-EBITDAaL ratio is in line with our guidance at 2.04. Net debt reached EUR 26.4 billion. The liquidity position remains very strong, with EUR 16.5 billion at the end of June, including EUR 10.4 billion in cash. And our debt maturity profile remains very well balanced, with an average maturity below 9 years, 8.8, and an average cost of gross debt of 3.35%.

Next slide is about our cost efficiency program. You know that we are committed to reduce our telecom indirect cost base by EUR 1 billion in 2023 on a basis of EUR 14 billion. This is what we discussed previously. It's obvious that the COVID crisis has shown also new opportunities to optimize our cost base, and the crisis has been a catalyst for the company's transformation with the possibility of accelerating on many fronts. We had 100,000 employees working from home. We will be learning from this. We have also learned how to spend less with SG&A and advertising. We have room to further optimize real estate to manage networks remotely. The digital channels have been used much more actively during the lockdown. So all this is going to be captured in what we now call the scale-up program, which is going to deliver this EUR 1 billion net savings by 2023. It's up and running. We appointed a project team made of experienced executives with a solid track record.

And the same 4 pillars we discussed before, I'm not going to elaborate more on this. Maybe just one illustration. If you look at Smart Spend, we have launched a very interesting initiative that we call [Oscar] with an internal marketplace extendable to other operators in order to buy and sell unused equipments. We are accelerating their reuse of refurbished equipments and the RAN sharing agreements we have in Spain and Belgium, for instance, provides a nice space to do so. We are also working more actively in managing our maintenance stocks also using this market space -- place.

And so this will be delivering significant savings, dozens of millions per annum, and we will come back into more details when we will be publishing full year. And by the way, this is also helping to match our commitments regarding the reduction of CO2 emissions. So the circular economy track will be a track to follow among all what is on this slide.

Let's now take a look at our business review, starting as usual with France, Slide 16. Well, in Q2 in France, revenues increased by 2.7% driven, as already said, by cofinancing revenues registered during the quarter and also the construction in PIN areas, which has been boosting wholesale revenues. But this performance is also supported by a solid performance on our retail services despite the negative effects of lockdown on roaming and FTTH rollout.

If you look at retail services, excluding PSTN, you had growth of 1.9% in Q2. And if you include PSTN, well, you had growth for the first time since Q3 2018 at plus 0.1%, driven by the growth in PSTN usage during the lockdown. So revenues from convergent services increased by 4.1%. The convergent ARPO grew by EUR 1.5, reaching EUR 68.7. The mobile ARPO only is down but only by EUR 0.21. This was impacted, obviously, by the decrease in retail roaming revenues. And the broadband-only ARPO has been growing by EUR 0.07 thanks to the growth of the out of bundle in the context of lockdown, also the price increases we had in 2019 and the reduction in the face of promotions.

Equipment sales decreased by 26.7%. This is the result, of course, of the closing of our stores, but we could see a strong recovery starting in June. Wholesale revenues grew strongly with 11.7% after 2.6% in Q1 driven by the cofinancing received in the mid-dense area and by growth in PIN construction despite once again the slowdown in rollout during lockdown and the decrease in national roaming.

Last item in the top line, the growth in other revenues of 27% in Q2 was driven by the pursuit of the build-to-suit program in France in nondense areas and transport routes.

Turning to EBITDAaL. In France, slight growth, plus 0.5%, the same drivers as those I described for revenues. And looking at eCapex, well, you had in H1, a sharp drop in eCapex of minus EUR 227 million linked to this cofinancing received and also the effect of the transfer of ownership of some FTTH footprint to SFR in the medium dense area. This was the deal announced in 2018. So it has been fully implemented now. In June, rollout activities were back to normal for connectable homes, and we registered a record in production in the

number of customers last drop connections.

In total during H1, we have increased FTTH rollout on our own network by 5%, which is quite a performance even if this is below the level we had expected before the sanitary crisis.

In terms of commercial performance, Slide 17, starting with mobile. We registered 29,000 net adds in a market where competition increased during the lockdown period. However, it's good to see that from June, we observed price improvements. And also in July, we have played our role here. As you know, we have, for instance, increased our promotional Sosh price point up to EUR 17. And we now have seen a number of price increases across the whole French telco operators over the past 5 weeks. So this is good and will be supporting our performance, which is already very solid.

As a native digital brand, Sosh contributed to these results, as it was not impacted by the closing of our shops. Mobile churn overall is down by 1.4 points and stands at 9.5% with the resilience of our premium customer base. This was for mobile. On fixed, we recorded 61,000 broadband net adds, thanks to an excellent performance on fiber. Despite the lockdown, we registered 238,000 net adds on fiber. This is the best ever Q2, out of which 51% were new customers to Orange. So this is quite impressive, and it's a result of our strong efforts to catch up on the commercial end and to get back to the nominal pace for the FTTH rollout.

Lastly, we continued this rollout at a strong pace. And this helped to consolidate our absolute leadership position, reaching a total of a 19.3 million connectable homes and 3.8 million fiber customers.

Moving now to Spain, Slide 18, following negative net adds on fixed and mobile. Our commercial recovery plan, which will be fully implemented this autumn, aims to better adapt our marketing positioning to the polarization of the market, accentuated by the sanitary crisis. Meanwhile, Q2 remains a tough quarter, especially disrupted by an intense promotional environment since the end of the portability restrictions. These circumstances accelerated the decline in the revenues in Q2 at minus 6.8%, following minus 2.4% in Q1. And this was the result of the decline of retail service revenues by 7.2% in Q2 and a 27.2% drop in equipment sales followed -- following the minus 0.6, 0.3% (sic) [6.3%] in Q1. By contrast, the wholesale activities grew at slightly more than 10%. This was mainly driven by international traffic.

The EBITDAaL decline of 7.5% this semester was entirely due to the revenue losses as costs decreased reflecting continuous discipline efforts and the slowdown of activity linked to the crisis.

Looking ahead, we have strengthened our FTTH deployment target by signing a financial lease contract allowing us to roll out 3 million additional lines under optimal financial conditions, thus reaching the full ownership of more than 17 million lines by 2023 while complying with our eCapex envelope. This footprint, corresponding to 61% of coverage in very high broadband, will enable us to achieve significant savings in access costs and generate wholesale revenues.

In addition to the decrease of costs, revenue losses were also mitigated by a reduction in eCapex at minus 25.9% this semester.

Regarding the commercial performance, we managed to increase the convergent ARPO of our 2 main brands, stabilizing this convergent ARPO at EUR 57.5, despite Amena growing share in our customer base. And indeed, Amena achieved a record in terms of net adds in June, most of which are new customers for the group, which demonstrates our strong potential in this segment. And once again, we are implementing this commercial recovery plan. We launched at the beginning of July convergent offers with Republica Movil. And in Q3, we will be launching a convergent offers under the Simyo brand.

In the meanwhile, we have continuously enhanced our offers on Orange and Jazztel in order to secure our customer base. And in this context, we renewed our football rights for the 2020-2021 season in order to maintain our position in the high end with the Orange brand to ensure differentiation among our brands.

Finally, as you know, Jean-François Fallacher, who's currently the CEO of Orange Polska, will become the CEO of Orange Spain from September, with the task to execute this recovery plan and to accelerate our turnaround, which will materialize in H2 by better

commercial trend.

Turning to the Europe segment, the 6 countries in this segment. These were also impacted by the health crisis, with minus 10,000 mobile contract net adds this quarter. We had a relatively lesser effect on convergent contract net adds and fixed broadband, a bit more important on the mobile prepaid base. The TV base kept on growing at 4.6% this quarter. And as a result, revenues in Europe eroded by 3.6% in Q2 compared to a slight growth of 0.3% in Q1, mostly driven by the drop in low-margin activities.

Retail service revenues still growing by 1.6% this quarter were also impacted by a loss in customer roaming. Despite this, the growth in retail service revenues continued to be supported by convergent services growing by 22.5% this quarter and by IT and integration services growing by close to 40% in Q2. It was 51% in Q1. And from a country perspective, there were a significant contribution to retail services growth from Poland, plus 4.5%; and Belgium, plus 2.1%.

Turning to profitability. H1 EBITDAaL grew by 4.3%, with a strong contribution from Poland at plus 8.2% and Belgium at plus 8.8%.

Let's now turn to Africa and Middle East, with revenue in Q2 increasing by 1.3%. This was plus 3.8% for H1, impacted by the covered COVID crisis and the lockdown through the footprint. The momentum though remains strong even if not immune from the crisis. And OMEA showed good resilience.

The performance in Q2 is firstly due to an acceleration in the business model change following customer usage evolution in the COVID context with both stronger decline in mobile voice in Q2. This was minus 7.6% compared to minus 3.2% in Q1. An increase in growth for fixed broadband, which reached the highest growth level over the last 2 years, revenues growing at plus 33% in Q2. So fixed broadband has become a real engine for growth in Africa, Middle East. And the customer base has been growing by 31%, reaching 1.4 million customers.

At the same time, mobile data continued to grow. We have 28 million 4G customers. It's plus 40%. Revenues growing by 26% in Q2, same figure roughly as in the last 3 quarters. And Orange Money has been also delivering growth. So growth in Q2, 12.5% compared to more than 22% in Q1 because Orange Money was penalized by, of course, the lockdowns and some recommendations coming from the West Africa Central Bank in the COVID context, but these regulations are now almost back to normal.

We have seen also in the region an accelerated decline in wholesale. So despite these difficulties, we have really robust growth here, robust engines that validate our strategy that fuel our performance and resilience, and this is reflected also in the commercial KPIs with a stable mobile customer base, with a customer base quality, which is improving, with an increase in the charge base rate and with mobile prepaid churn, which remains stable compared to Q1.

From a country perspective, we have 10 countries growing revenues, including 5 at double digits with top contributors to total revenues being the Ivory Coast cluster, growing by 7.3% in Q2; and Egypt growing by 3.3%. All in all, we expect to gradually return to the previous levels of growth before the end of the year, supported by the activity recovery plans, which are already delivering the expected results on the operational side.

Meanwhile, we managed EBITDAaL to grow more than revenues, up by 7.2% in H1 with a margin rate increasing by 1.1 points to reach 32.9%.

Slide 21. Let's now close, before turning back to Stéphane, with the enterprise segment, which posted a Q2 top line decline of 3.3% after 6 consecutive growth quarters, bringing the performance of the first half of the year at minus 0.3%. The COVID crisis is particularly significant on the B2B business, with enterprises slowing down their activity and delaying some projects. And during this quarter, the revenue performance can be explained first, by connectivity, which proved robust with better-than-expected performance on voice, up by 1% in Q2, thanks to international voice usage growth during the lockdown and also our audio conferencing solutions. But on the other hand, the crisis impacted mobile on both roaming and equipment, and that also suffered from the disruption in events around the world.

Despite the decrease in IT and IS in Q2 at minus 2.6%, in H1, IT and IS is growing by 1.9%. This was driven by cyber. Cyberdefense is



growing at 11% year-on-year, and Orange Cloud for business is also growing by 8%, both demonstrating the robustness of these activities, particularly in these times, which is very encouraging.

In terms of EBITDAaL, we have a decrease of 18.5% out of which around 2/3 are attributable to COVID effects and the remaining part related to the change in the business mix, which deteriorated further in the crisis, in the context, by the way, where we haven't made use of partial unemployment schemes. So we are accelerating our cost management initiatives to mitigate these COVID effects and also our transformation programs to size the post COVID opportunities.

Let us also recall that more than 70% of revenues are recurring multiyear contracts; second, that, as we all know, the enterprise segment is going through this transformation towards IT and IS; and thirdly, we can confirm our plan to be back to EBITDAaL growth by the end of 2021.

To conclude, we are also proud to announce that the Forrester final ranking with OBS has put OBS in the top 3 Europe for private cloud, top 2 for market presence and top 1 in terms of offerings.

With this, let me now hand the floor back to Stéphane to conclude this presentation.

Stéphane Richard Orange S.A. - Chairman & CEO

Thank you, Ramon. With regards to our guidance, this is the last page of this presentation.

I want first to confirm what we said at our Q1 results, namely no significant deviation from our 2020 objectives. Regarding EBITDAaL, based on the information available today and our expectations for future performance, we now anticipate a slight decline in EBITDAaL in 2020 around minus 1%, including all COVID-related impacts as identified today and, of course, subject to evolution of the pandemic. Let me add that excluding all direct COVID-related impacts, EBITDAaL would have maintained its flat plus trajectory.

With regards to eCapex and given the delays observed so far, eCapex will decrease in 2020, offsetting the slight erosion of EBITDAaL. As a result, EBITDAaL less eCapex will be stable in 2020.

With regard to 2020 organic cash flow, our commitment to exceed EUR 2.3 billion is confirmed. I repeat, this commitment to exceed EUR 3.3 billion in organic cash flow is today confirmed.

Now regarding our dividend policy, I would like to give you 2 good news. The first one is that Orange will pay a EUR 0.30 interim dividend in cash in December. And the second good news is that we want to be back to 70% of dividend in 2020. Of course, this final decision will be taken later on between the Q3 and the Q4 result date. But a distribution of EUR 0.70 is our objective, including for this fiscal year 2020.

Of course, now our guidance for 2021, 2023 is totally unchanged. This concludes our presentation, and we are now ready for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We will take our first question from Russell Waller with New Street Research.

Russell Aberdour Edward Waller New Street Research LLP - Communications Services Analyst

Yes. On the cofinancing contribution from Free, could you please confirm what the contribution is from them on a kind of normal basis, if you like? So in other words, how big was the exceptional contribution? And should we deduct this from EBITDAaL and eCapex to see what underlying EBITDAaL and eCapex trends are? That's the first question.

And then the second one is just on the dividend. I mean the wording, you've said that your objective is still to pay EUR 0.70. I was wondering, how does that relate to the EUR 0.50 dividend that you announced back in -- when the COVID crisis was first starting.

Stéphane Richard Orange S.A. - Chairman & CEO

On the first question, Ramon, can you explain a little more the cofinancing operation from Free?

Ramon Fernandez Orange S.A. - Delegate CEO of Finance, Performance & Europe

So if you want to know what is the increase of what we get from Iliad compared to expectations, this would be an addition, somewhere between EUR 350 million and EUR 400 million. And this is roughly split half-half between revenues and EBITDAaL, on the one hand, and on the other hand, lowering the eCapex figure. So this is the figure you are asking for.

And then the second part of your question, which is should we deduct? Well, there is -- I don't know what you want to deduct because I think it's an addition you should be looking for because these cofinancing are a full part of our economic model. We are working on the B2C, the B2B and the wholesale leg. And this is really what we are looking for, which is essentially monetizing the investments we've made in our network. And so we are quite happy to get this cofinancing, which is, once again, contributing to the return on our capital employed.

Stéphane Richard Orange S.A. - Chairman & CEO

Yes, Ramon, thank you. To make it really clear, the cofinancing is part of the economic model, business model of FTTH rollout. So there is nothing of -- like a one-off contribution regarding this cofinancing contribution from Free. It's, once again, totally part of what is the investment model of FTTH, which is based, as you know, on retail and wholesale, and cofinancing was expected. Maybe not so much in the detailed, I mean, sequence of cofinancing, of course, because this depends on our competitors' decisions, but it is part of our investment model.

Now regarding the dividend. In April, we made the decision to cut the 2019 dividend to EUR 0.50. We were, at that time, really in the middle of the lockdown period with a very high level, let's say, of uncertainties around the length of the crisis and the impact of the crisis on us. We are now late July, and what I want to say very clearly is that what we know now about the reaction of the business and the performance of Orange, what we expect by the end of the year makes me very clearly confident in our capacity to be back to EUR 0.70 of this -- of dividend for this year 2020.

As I mentioned earlier, this formal decision, we -- will have to be taken later on, probably November or December. But once again, the visibility that we have on the situation and our expectations by the end of this year makes me very confident in our capacity to be back to EUR 0.70 as soon as 2020.

Operator

We will take our next question from Mathieu Robilliard with Barclays.

Mathieu Robilliard Barclays Bank PLC, Research Division - Research Analyst

I had a question with regards to the wholesale revenue. So obviously, much stronger than we were looking for, as you explained. And I was wondering if your guidance for wholesale revenues to peak in 2020 was still valid. Or -- because of more cofinancing deals being announced or planned, wholesale revenues could be stable or even growing 2021. That was the first question.

The second question was on Spain. You talked about polarization of the market. And I was wondering if -- when you think about your commercial strategy, at this stage, do you still believe it is important to be in all segments or that is something that you could review, obviously. I don't know how much of that you want to share at this stage.

Stéphane Richard Orange S.A. - Chairman & CEO

Thank you. On the first question, let me ask Jérôme Barré, the Head of our Wholesale business.

Jérôme Barré Orange S.A. - CEO of Wholesale & International Networks

Okay. So once again, as Stéphane and Ramon said, this move from Iliad is quite normal this year. So [cash] revenues illustrate our capability to monetize our FTTH investment. And so we anticipated this move even if it came sooner than expected. So the wholesale impact in the -- especially in our recurrent revenues will be minor in the next months and years. And so we confirm the peak in the



wholesale revenue in France, which still occurs in 2020. Also now with more pronounced profile because that was to come in [and it has] come in earlier. So no impact on the revenues -- recurring revenues in the next months and years and still a confirmation of our peak in 2020.

Stéphane Richard Orange S.A. - Chairman & CEO

Regarding Spain, I'll start maybe with a quick comment and then ask Gervais to develop. Well, regarding the Spanish market, as you know, in this market, what we have seen in the past 2 or 3 years is a low-cost, let's say, segment and range of offers that have constantly increased. In fact, it is the only part of the market which is steadily increasing. And in fact, for us, the challenge is very simple. We have to be much more aggressive in the low-cost part of the market in order to take more value and more growth out of this part of the market, while, in the same time, protecting the high-value customers that we have, mainly with Telefónica and mainly under the Orange brand.

So this is clearly the direction that has been taken recently with the first move on Amena offers, which, by the way, is delivering very promising results. And now we are going to execute this strategy of coming back aggressively in the low-cost, let's say, segment of the market, including through convergent offers and using the diversity of our brands.

Gervais, if you want to add more.

Gervais Gilles Pellissier Orange S.A. - Delegate CEO of Group Transformation & President of Orange Business Services

Just one additional comment. The number of players on the high-end market has seriously decreased with Vodafone leaving this segment 2 years ago [as well with] impact everybody has been able to see on their financial performance after this decision. Today, Orange, under the Orange brand, has considered that it's still valid to remain in the high-end segment, and this is why we have committed for another year on the football rights. We have made the analysis with a Spanish team that this is really creating value even if it can appear costly. But the refurbishment of the low end is also probably some restructuring of the brands in order to be more effective in less -- a lower number of plans.

Stéphane Richard Orange S.A. - Chairman & CEO

And maybe just the last word to remind you that a new CEO will come in Spain beginning of September. Jean-François Fallacher has been the CEO in Poland, where he has achieved really an amazing performance by really turning around the business in Poland. And I am very confident also in his capacity with his team to be successful in the recovery of this market on the basis that has been set by Laurent Paillassot and his team.

Operator

We will now take our next question from Nicolas Cote-Colisson from HSBC.

Nicolas Cote-Colisson HSBC, Research Division - Head of European Telecoms Equity Product, Telecoms, Media and Technology

Two questions, please. First, in B2B, I'm just trying to understand better your waterfall chart and the product mix impact on EBITDAaL for the B2B section. Is there a change or a step change in the trend in the product mix compared to the previous period, excluding the impact of COVID? Because I can see cloud and cybersecurity growing fast. So if you can add a bit more color on this, that would be great. And I've got a question on your strategy in cloud services. You announced, as most of your international peers, a deal with an American giant, Google in that case. What is it they can offer that you can't do yourself in your domestic country at least? Another way maybe to put the question is, given the nascent ecosystem such as GAIA-X or the EC plan to launch the European Alliance for cloud, what's the rationale to strike a deal with Google right now?

Stéphane Richard Orange S.A. - Chairman & CEO

Okay. Maybe on the first question, I'll ask Helmut, who is the CEO of OBS, and I'll take a part of the second question. Helmut?

Helmut Reisinger Orange S.A. - CEO of Orange Business Services

Thank you. Thank you, Nicolas, for the question. That allows us to explain this situation that look (inaudible) probably astonishing. I start with 3 elements. One is a quick look on the revenue side, that answers partially your question. Second one is on the EBITDA side. And the third one is also a perspective, why we are confident, as Ramon has said, that we keep our promise that we have given at the Investor Day



to come back to EBITDA positive end of 2021.

If we look to the top line, there indeed has been some structural changes. If you look to the revenue lines that you see on the chart that has been distributed, Q2 versus Q1, you see the surprising thing on voice being growing in Q2 versus H1, minus 2.8%, which shows you 2 things. One, we still have the structural decline of legacy voice hitting us. This is a plan of our business transformation. So that's the blue part of the EBITDA line. But also the positive side of COVID, that voice in all of the suites that we are selling to B2B customers on the collaboration side has seen positive growth in France and in international.

You see as well on the data side top line that H2 -- sorry, H1 shows a minus 0.7 with an accentuated decrease in Q2, minus 2%. Why that? 2 things. One, we have secured big contracts for which we have engaged already cost to be the provider also for the Olympics in Tokyo as well as for Euro 2020. Well, needless to say that COVID has had a major impact on that. The good news is this is not revenue lost. This will be revenue postponed.

Number 2 on that data side is that whilst we still see a good growth on fiber, for example, in our home market in France, plus 20% year-over-year, yet we only had 56% of our deployment capacity available in -- during the lockdown period here in our home market in France.

Another thing that you see is on the IT integration services, look at Q2, minus 2.6% versus Q1 where we posted around about 7%. So you see the immediate impact, and the good news is that our transformation story on cloud and on cyberdefense on those digital services is still continuing.

And the big hitter structurally is on the mobile side, where you see a minus 14.8%. Needless to say, roaming is the driver of that number unfortunately, and translates, unfortunately, directly almost on a one-to-one basis into EBITDA. We have seen this effect on roaming starting back in February already. Bear in mind that a big part of our revenue streams is with big corporates in France and in international. So this is on the top line.

On the bottom line, what do we see there? The 2/3 that Ramon has explained on the COVID side, you have 3 buckets in there. I try to simplify that. 2/3 of the 18 points decrease is around about 12 points. You have about 4 points associated with bad debts. We were rather conservative. We feel correctly so. And we created quite a provision on bad debt. The reason being though that we only see so far less than 10% of this has really materialized in Chapter 11 with 2 corporates in notably the airline industry.

The other big topic is roaming, as I mentioned already. And the third one is, of course, the less activity that was in the core integration business that we had, which could not produce, and that's a service business, so it's a people business, could not produce the desired revenue streams and therefore, had an impact as we were not participating in our home market in France on the furlough schemes that are offered.

Looking at the transformational aspects. The good news there is that the story holds, which is that, yes, there is still the legacy decline. But with the increase and the progress that we see also on the bottom line, both in cyber defense as well as in cloud, it's going in the right direction.

Last point of my answer, [while you have perspective] is the recurring -- in the perspective positive, it's recurring revenues, 70%. The post-COVID world will demand more hyper connectivity, more cloud, more digital, more cyber defense and of course, more collaboration for which we all have those answers for.

And the backlog, just to give you a feeling, in France, we usually have end of the month, we typically have 5,000 deployment transactions to do in the backlog. Now we have 25,000 we had end of month of May. So it's a backlog we need to work on over the coming months.

Stéphane Richard Orange S.A. - Chairman & CEO

Thank you, Helmut. Maybe a few words on the partnership with Google and ask Mari-Noëlle who with us this morning to maybe provide you more details.

What you have to understand is that this partnership with Google is a very large and very broad partnership, embracing 4 different domains. The first is the digital transformation and arrival of artificial intelligence in our old systems, especially in France. Google is going to help us to better use the huge data lakes that we have on our customers by putting also more technology and artificial intelligence to accelerate the digital transformation and the efficiency of our business in France.

The second part is about edge computing. As you know, edge computing is very important addition, let's say, to 5G network rollout. Edge computing is a sort of new frontier also in the software parts of our networks. And we are going to partner with Google in order to first test and experiment edge computing and then invest -- co-invest in edge computing in our networks.

The third part is for OBS. OBS is a multi-cloud player, meaning that OBS needs to have a privileged access to the best cloud offers available in the market. So OBS has an important business relationship with Amazon, but also with IBM, with Microsoft. And now will have also a privileged business relationship with Google, who is a, let's say, challenger in this global market, but very aggressive and with very high ambitions to increase its market share.

And the last, which is very important, is the cooperation that we will have with Google for implementing the training and upskilling of our people, our workforce. We are going to prepare an upskilling plan for several thousands of our employees with Google and with the help of Google teams.

Mari-Noëlle, do you want to add a few things?

Mari-Noëlle Jégo-Laveissière Orange S.A. - Deputy CEO of Technology & Global Innovation

No, I guess, Stéphane, you said everything. Maybe just to highlight the consistency with the GAIA-X strategy that we keep on working on. GAIA-X is really the capability to describe and expose all the different infrastructure capabilities within the European countries and to foresee the level of sovereignty that they may bring for different telcos but also other businesses. So in that way, we will be able either to describe European capabilities. We have to see and to share explicitly what are the particularities of the older GAFSA infrastructures.

So GAIA-X is nothing exclusive. It's just the way to explicitly describe the different opportunities in Europe.

Operator

Next question is from Frederic Boulan with Bank of America.

Frederic Emile Alfred Boulan BofA Merrill Lynch, Research Division - Senior Analyst

If I can ask a couple of questions. First of all, around your TowerCo creation and asset monetization, any progress you can update us on, especially [on] some headlines on Poland FTTH, for instance?

Secondly, on your cost-cutting initiative, the [1 billion] plan you mentioned, any initiative that you can accelerate, in particular around digitalization in the short term to mention some of the impact you've seen from COVID in Q2?

And maybe a third, if I may, around Spain. So you have a pretty aggressive message around the low end. Don't you see a risk of taking the market down with increasing share in the low-value segments? And what kind of phasing can we expect on revenue and maybe EBITDA into the later part of the year and next year?

Stéphane Richard Orange S.A. - Chairman & CEO

Thanks, Frederic. So maybe I'll first ask Ramon to just update you on the TowerCo creation process. Maybe ask Jean-François Fallacher who is I think with us in this call to say a few words on the Polish FTTH program. This was part of your question. And maybe, Ramon, you can cover also the scale-up part. And then with Gervais, we will try to provide answers to your Spanish question.



Ramon Fernandez Orange S.A. - Delegate CEO of Finance, Performance & Europe

Okay, Stéphane. Thank you, Stéphane. So on the TowerCo front, I can confirm what Stéphane was saying in his introduction, which is that we have been structuring the work in Paris and Madrid in order to plan and organize the carve out of our towers in France and in Spain. And you know that we have an objective, it's to do this in 2021. So all of the teams are working on this work stream. So it's -- I would say, it's on target as planned with the same message that we gave consistently since December, which is basically that this is going to be done in a number of steps and starting with a carve out and then, a number of options, which are going to be opened to us, and we will be looking actively to all these options.

Maybe on the other part, which is the fixed part, and Jean-François will talk about Poland. Just to confirm that we are relaunching the Orange Concession project in France, looking at our plugs existing or to be built, let's say, around 4 million plugs. This is going to be done in September. And I must say that since that time we announced to those interested parties that we would relaunch the process, we have seen a huge interest. So this is going to be an interesting story to watch. And the target date for delivery is 2021 because the process will be restarted in September. Then it will take a few months. But it's very well prepared, and it's going to be interesting.

And then in the other countries, we have been watching actively different schemes in order to help us to optimize the conditions for financing our fiber rollout. We've done already something in Spain. I just addressed it rapidly, in order to build 3 million additional plugs. There is also work in Belgium ongoing around these projects. And then, as you said, there has been some news in the press about the work going on in Poland, which is also extremely interesting. So to Jean-François.

Stéphane Richard Orange S.A. - Chairman & CEO

Jean-François?

Jean-François Fallacher Orange Polska S.A. - President of the Management Board & CEO

Yes. Do you hear me?

Stéphane Richard Orange S.A. - Chairman & CEO

Yes.

Jean-François Fallacher Orange Polska S.A. - President of the Management Board & CEO

Okay. So concerning Poland, just as a quick reminder, we now have a fiber infrastructure of 4.6 million households passed in Poland, which is a country with 14 million households. So we already have the largest infrastructure, fiber infrastructure of the country, I mean, this is a -- in fiber-only infrastructure that is bigger than our first cable competitor. As you know, the project is going well because we have more than 600,000 customers. So it's a penetration which is growing quarter after quarter. So basically, this FiberCo project is obviously a way for us to look at the future build. We believe there is still a lot of room in Poland to grow our fiber penetration, so we are aiming actually to find a financial investor to help us deploying further in the coming 3 to 5 years.

So as Ramon and Stéphane were just explaining, I mean, the project is well on track. I mean we have selected an adviser to really help us in convincing investors. And at the moment, we are fine-tuning the scope of this FiberCo. So we obviously would not only like to put the future of build, the greenfield footprint that we want to build, but also, we are considering seriously including a part of the existing fiber footprint in Poland. We believe it could be an interesting opportunity for potential investors to join the FiberCo. So basically, we are working very hard so that we can make some serious progress in the coming quarters. Obviously, it will be my successor in Poland, which will finalize this project in the upcoming quarters as I'm going to join Spain 1st of September.

Stéphane Richard Orange S.A. - Chairman & CEO

Thank you, Jean-François. Back to Ramon for the scale-up program.

Ramon Fernandez Orange S.A. - Delegate CEO of Finance, Performance & Europe

Yes. So Frederic, you had also this question on the cost cutting, any initiatives to [accelerated start]. So I tried to give a few avenues. I'm aware that you want to see the figures. In fact, you've seen some figures already in H1, but -- and part of these figures are linked to



COVID. But part of these evolutions are not going to be one-offs. For instance, if you look at the EUR 70 million we saved in travel, well, I think we have learned that you can do many things with video, calls, et cetera. So probably, we are going to travel a bit less. We've learned also in some other SG&A items that there are other savings. And you've seen the EUR 160 million savings we've made in costs during this period. And once again, looking at real estate, looking at a number of issues, we are going to continue to work on delivering.

If you look at energy, we have been capturing savings. Stéphane gave some examples of what has been done in Poland, for instance, or in France, capturing the low cost of energy. We've been working on the digitalization of customer relations. And during the lockdown, we have been massively accelerating the recourse to digital channels. If you look just at France, for instance, well, customer relations were, on the digital channel, increasing by 50% if you look at June compared to January.

If you look at robotization, RPAs, we are one of the first customers of one of the leading software RPA editors. I'm not going to give the name of the company, but it's in Romania, very efficient. So et cetera, we are really working on all these tracks. And going back to the [Oscar] program. So you will see these impacts clearly on the net cost base of the company. Once again, we are extremely committed to deliver this.

Marc Rennard, who is with us this morning, is leading the project. We have organized around him a very strong and concentrated team working in capillarity with all the countries. And this is really going to be working. So we will report on the precise figures. But once again, you can see some elements already in the machine.

Stéphane Richard Orange S.A. - Chairman & CEO

Thank you, Ramon. Spain, maybe Gervais?

Gervais Gilles Pellissier Orange S.A. - Delegate CEO of Group Transformation & President of Orange Business Services

Yes. A few words also to comment the situation. One is that they -- we shall remember that it was said that the lockdown period was a period where our profitability has been suspended for a while, which means that commercial activity has been reduced especially in the low-end segment, by the way. This has also given the opportunity to the team under its current leadership to really prepare a marketing plan, which is a simplification of the offer. And also, this plan is about to be launched progressively. I will not comment it today. It is up to the team to launch it. But maybe with a few indications. One is that the team has been waiting that the football situation is clarified, including in terms of COVID, to know whether football would be part on the play in September -- end of August and September or not. This is now behind us. The Spanish League has started. The European League has also restarted. And this is now clear, and we continue to think that there is value for us to play in a premium segment, where the number of players has been seriously reduced because we are our face to face even if -- and those figures are interesting to look at in more detail. The premium segment itself has been shrinking for the last 2 years. But it still remains a big segment, about 30% in total of the segment.

Regarding the [year-end], we are refurbishing the positioning, and this will be announced progressively of Jazztel and the other brands, including what Stéphane has said, the inclusion of convergent offer because convergence is clearly the play, the global play in Spain, including for low-end offers. When we say convergence, it is, by the way, a convergence fixed to mobile and mainly without TV. I just remind you that including in our base, fiber base, about 20% of the customer take TV. You shall not forget that. So this is underway with the intent to stabilize the customer base. So clearly, the first objective is to protect the customer base and to stabilize the customer base.

The second objective, which remains and which also led to the decision that were made by Orange Spain at the beginning of the year, it is to increase the fiber footprint. Because we think that what has really been done with very successfully for the last 4 years, this is the market share of infrastructure. We are now just behind Telefónica, the leading infrastructure in terms of fixed, and we are trying to catch up on the mobile infrastructure, also including with the agreements we have with Vodafone to ensure that we will provide the best quality of service.

The other point also is that the NPS, the Net Promoter Score, has increased during this period, especially for fiber. We are now just behind Telefónica in terms of NPS on fixed, which is a strong achievement.

Operator

Our next question comes from Nayab Amjad with Citi.

Nayab Amjad Citigroup Inc., Research Division - VP

My question is actually on the midterm guidance. How confident are you on the organic free cash flow guidance of EUR 3.5 billion to EUR 4 billion by 2023 that you announced at the CMD? And also previously in terms of cost savings, you were including EUR 150 million in the guidance. Is this still the case? Or is there a higher proportion coming from cost savings in the guidance?

And my second question is on the Huawei ban, which is effectively for 3 to 8 years in France. Does Orange have any exposure or risk associated to this? And because it is impacting Orange's competitors, so what's the impact to Orange in relation to that?

Stéphane Richard Orange S.A. - Chairman & CEO

Thank you. Well, first, as I said previously, we are clearly confirming today our midterm guidance and especially around the OCF at EUR 3.5 billion, EUR 4 billion for 2023. So we are confirming today this guidance, meaning that we are very confident in our capacity to reach this target. Ramon, maybe...

Ramon Fernandez Orange S.A. - Delegate CEO of Finance, Performance & Europe

Yes, absolutely. Just to confirm this, I mean, the very solid confirmation of more than EUR 2.3 billion for 2020 is already a first signal, and when we say more than EUR 2.3 billion, it is more than EUR 2.3 billion. So I hope you get this.

Second, we are absolutely confident on the 2023 target. And yes, we, for the time being, the EUR 150 million is the only one which was incorporated and which did not change, so there is upside. There is obviously upside because, as you know, the EUR 1 billion net indirect cost reduction for 2023 is now a rock-solid ambition. When we constructed the guidance initially, we only took onboard EUR 150 million. So all this is really carved in stone.

Stéphane Richard Orange S.A. - Chairman & CEO

Now regarding Huawei, well, as you know, at the group level, we are certainly less exposed to, let's say, the Huawei risk than others in France but also in Europe. I remind you that we have no Huawei equipment in our French network, meaning that -- and that we have also announced that we would -- we will roll out 5G with Nokia and Ericsson. So we won't have to support any swap cost in France, which makes a difference with other players in our country.

In Europe, there are countries where we use Huawei, but probably the midterm trend is to reduce the proportion or the part of Huawei in our network equipments. And in Africa, I would say the question is probably much less sensitive and less relevant than in Europe. So globally, once again, I think that Orange is much less at risk regarding the potential cost of swapping and progressively reducing the part of Huawei equipment than most other telcos.

Operator

Our next question comes from Roshan Ranjit with Deutsche Bank . .

Roshan Vijay Ranjit Deutsche Bank AG, Research Division - Research Analyst

Two for me, please. Just going back to fiber in France. Can we get some update as to the discussions with Arcep as to the coverage obligations for this year? I think, Stéphane, you mentioned at Q1, there was an ongoing debate and we expected an update soon. And tied into that, we've seen a good pickup, obviously, this quarter in the fiber rollout. Is the commitment or the kind of guidance there, the 4.5 million net adds, I think, same as last year premised on the same run rate of coinvestment? Or can you achieve that with your own build without a co-investment help?

And secondly, just going back to one of the previous questions on the TowerCo. We've seen some comments suggesting that developments in Spain may be more advanced than some of the other European countries. Can you provide maybe some color as to whether your development from the telecom in Madrid is a bit more advanced than what's going on in Paris?



Stéphane Richard Orange S.A. - Chairman & CEO

First, regarding your question on our discussions with Arcep. I will tell you that we are -- we have continuing discussions with the regulator in France to take into account the impacts of the lockdown period and the COVID crisis on the pace of rolling out fiber in France. I think I can tell you that, of course, Arcep is accepting that. Of course, this lockdown and sanitary crisis has an impact, will have an impact in terms of the rhythm of rolling out fiber in the country. So I'm quite confident in our capacity to reach an agreement on updating the commitments that we have made on fiber very soon. No big worry around this.

Maybe on the rest of the question...

Ramon Fernandez Orange S.A. - Delegate CEO of Finance, Performance & Europe

Yes. On the rest of the question, I think the answer is absolutely, yes. And maybe it gives me also an occasion maybe to clarify something about cofinancing because I have a feeling, and I'm talking also under the control of Jerome, and that there is a feeling that cofinancing should be maybe more a question than a positive news. So I'm a bit puzzled by this. So let me take 1 minute maybe to come back on this.

If you look at the performance of H1 in quite a disrupted environment, if you take away cofinancing increase, okay, and you take away the roaming and direct COVID costs, you have a positive increase in EBITDAaL at group level and also in France. So I mean the overall performance, the underlying performance of the group at group level but also in Orange France is an increase in EBITDAaL, if you take away the costs of COVID and you take away the cofinancing. The good thing is that the costs of COVID, hopefully, are going to be temporary. Let's hope we are not going to live in a COVID world forever.

The cofinancing world is a world of Orange for the years to come. We did not build this network with hundreds and billions of CapEx just to keep it for [as own]. So all the cofinancing we get is very nice in terms of revenues, in terms of EBITDAaL, et cetera, especially when it comes with a premium due to the exports premier you get when you get cofinancing at a later stage. I think you know, for instance, that if you get cofinancing 3 years after you have been building the network, you get a 25% premium. You will not get EUR 513 per plug. You will get EUR 640 per plug. So this is fantastic news that we have this cofinancing. And the fact that our competitors want to get access to fiber is also the signal that fiber is more and more the name of the game, and we are the #1 player on fiber, by far, by far.

And it's not a one-off. It is not a one-off. This is recurrent. And then you have some elements of acceleration. Is it only anticipation? Is it only acceleration? I would guess not. I would guess not. So a minimal, it is an acceleration. And in the best case, you will see players coming to us for more cofinancing because we need to access to the network we have been building. So this is great news. Cofinancing is what we do just to make this clear.

Operator

We will now take our last question from Giovanni Montalti with UBS.

Giovanni Montalti UBS Investment Bank, Research Division - Executive Director and European Telecom Equity Analyst

I'll be very quick. Just exactly in line with your comment about good returns on fiber. Would you consider keeping the control and the consolidation of Orange Concession?

Stéphane Richard Orange S.A. - Chairman & CEO

So maybe, Ramon, and then you can also answer to the telco question.

Ramon Fernandez Orange S.A. - Delegate CEO of Finance, Performance & Europe

Yes. On Orange Concession, the scheme is a co-controlled scheme with the consolidation and the option to reconsolidate following a few years. So this is risky. And once again, it will be a very interesting project, which will shed, I think, a great light on the value of our fiber infrastructure in France, which is probably underestimated.

If -- I think we skipped the -- if I got it right, the question was initially on TowerCo. Is Spain more advanced than France in preparing for this? The answer is no. The answer is no. And Fabienne could also confirm this. Both countries are working hard. What is different is that probably in Spain, since they have been selling some towers and you have, by the way, a part of the impact of this operation, which was



done in 2019 in this H1 figure, this is why probably you have the impression that there has been more activity there, but you can be sure that the French teams have been working very hard and they're getting ready in the schedule we set.

Stéphane Richard *Orange S.A. - Chairman & CEO*

Okay. So maybe before leaving, I'd like just to leave you with a few quick messages because, above all, I don't want that there is any misunderstanding with you about our performance in H1 2020.

The first message is clearly to emphasize the resilience of the group and of a company, delivering a growing revenue and almost flat EBITDAaL in such a context, is, to me, a really outstanding performance.

The second message is that we have constantly been reorganizing the company in order to improve its capacity to generate cash and cash flow. And this is basically the reason why we are confident in giving you a target, giving us a new target of generating twice more organic cash flow in 3 years' time than today. So the cash flow generation of the company is our obsession and is a clear focus of the management.

My third message is just to say that in our 2 main markets, I think that the competitive dynamics are now better, especially in France, where we have seen a clear improvement in the competitive environment. We have price increases among all the players, of course, including Orange and because also of the level of investment. And by the way, even the cofinancing is good news regarding this. I think that the commercial environment and the marketing dynamics of the French market will improve and that we will take advantage from that.

In Spain, we are now in the beginning of a turnaround and a recovery. I think that we have the right strategy, especially addressing the low-cost segment of the market much more aggressively, and I'm fully confident in the new CEO and his team to be successful in this turnaround.

And finally, I just want to repeat that regarding the distribution policy and the dividend, our target is clearly to be back to EUR 0.70 of dividend as soon as 2020. And once again, because of all the previous elements, I am very confident in our capacity to reach this and no doubt that we will confirm this later on this year.

Thank you for being with us. Have a nice day and nice holidays for those who can have a little bit of rest. Thank you.

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