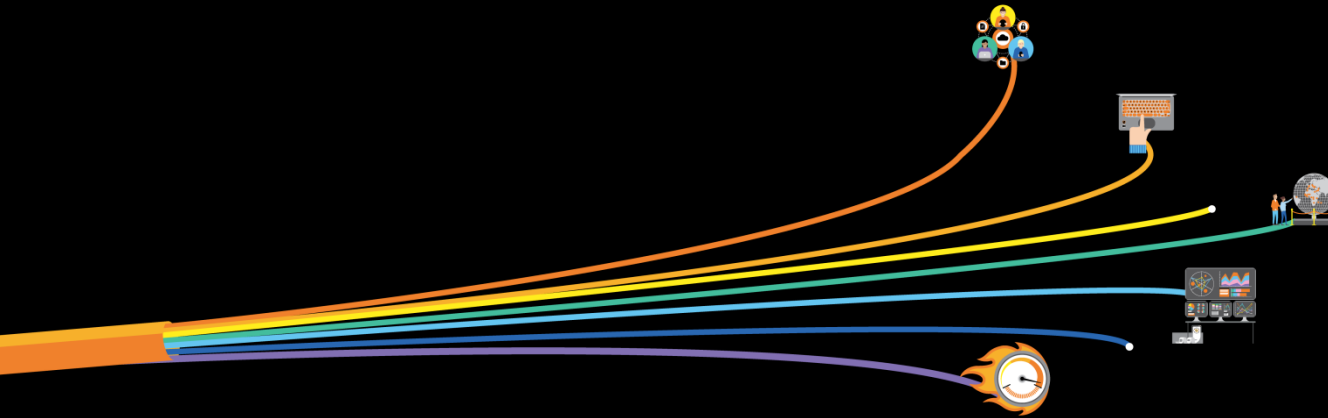


# Investor Day 2017



7 December 2017



## Disclaimer

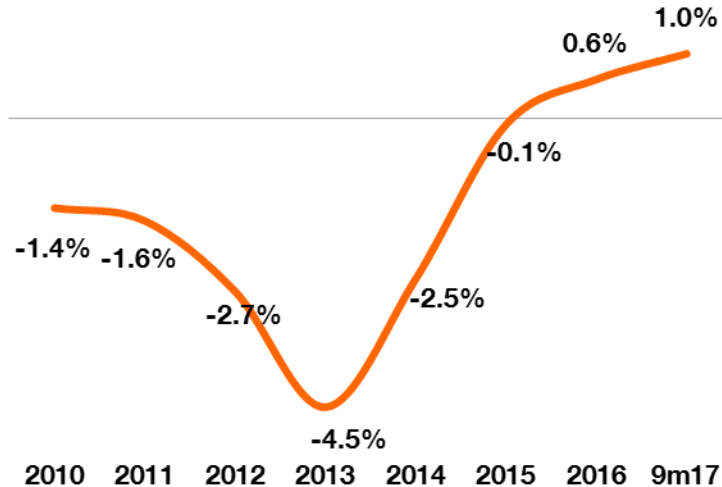
This presentation contains forward-looking statements about Orange. Although we believe these statements are based on reasonable assumptions, they are subject to numerous risks and uncertainties, including matters not yet known to us or not currently considered material by us, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could cause actual results to differ from the results anticipated in the forward-looking statements include, among others: the success of Orange's strategy, particularly its ability to maintain control over customer relations when facing competition with OTT players, risks related to banking activities, loss or disclosure to third parties of customers data, Orange's ability to withstand intense competition in mature markets, networks or software failures due to cyberattacks, damage to networks caused by natural disasters, terrorist acts or other reasons, various frauds affecting Orange or its clients, Orange's ability to retain the necessary skills given the high level of employee retirements and the development of new needs, difficulties in integrating newly acquired businesses as part of the telecommunication sector's consolidation in Europe, its ability to capture growth opportunities in emerging markets and the risks specific to those markets, possible adverse health effects associated with the use of telecommunications equipment, risks related to the single brand strategy, the eruption of a global financial or economic crisis, fiscal and regulatory constraints and changes, the results of litigation regarding regulations, competition and other matters, disagreements with its co-shareholders in companies that Orange does not control, the terms of access to capital markets, interest rate or exchange rate fluctuations, Orange's credit ratings, changes in assumptions underlying the accounting value of certain assets resulting in their impairment, and credit risks or counterparty risks on financial transactions. More detailed information on the potential risks that could affect our financial results is included in the Registration Document filed on April 6, 2017 with the French Autorité des Marchés Financiers (AMF) and in the annual report on Form 20-F filed on April 7, 2017 with the U.S. Securities and Exchange Commission. Forward-looking statements speak only as of the date they are made. Other than as required by law, Orange does not undertake any obligation to update them in light of new information or future developments.

**Orange**  
**is back to**  
**sustainable**  
**growth**

# Back to growth in revenues and adj. EBITDA

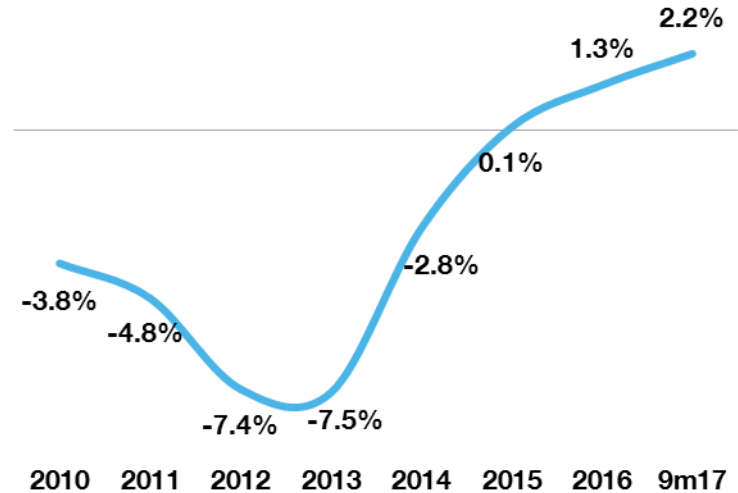
## Revenues

yoy cb in %



## Adjusted EBITDA

yoy cb in %



**#Essentials2020**

**An unmatched  
customer  
experience  
based on**

**1**

**Best  
networks**

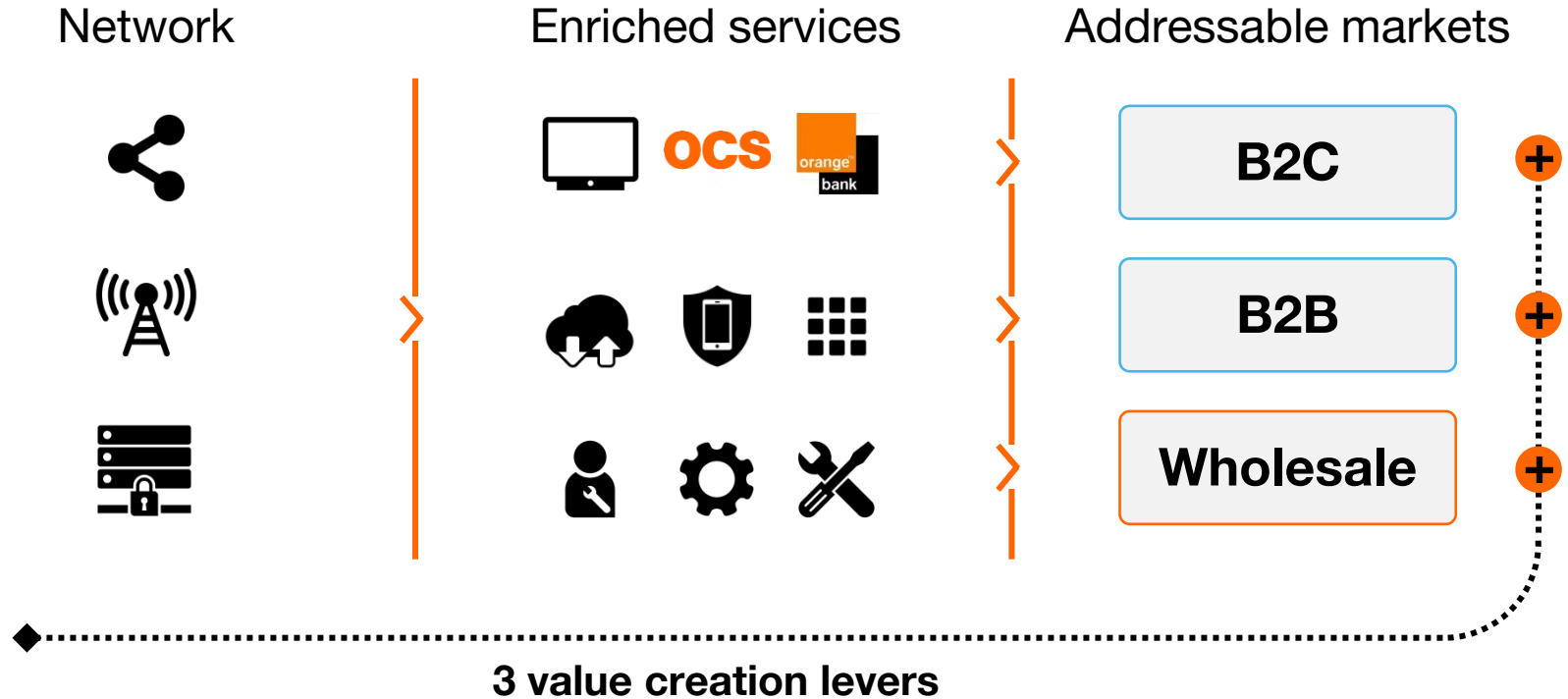
**2**

**Enriched and  
innovative services**

**3**

**World class  
customer care**

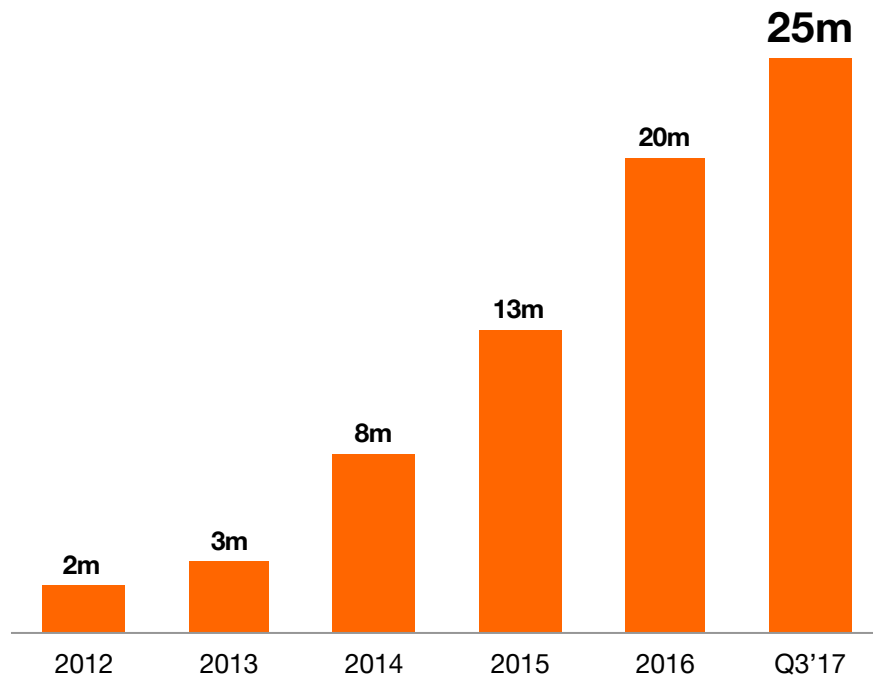
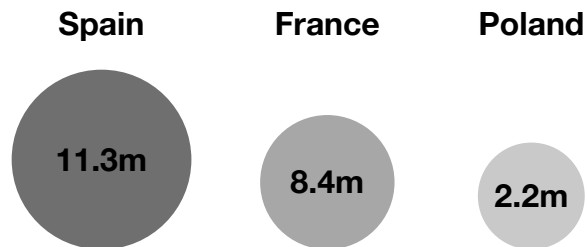
# Orange is a fully integrated network operator



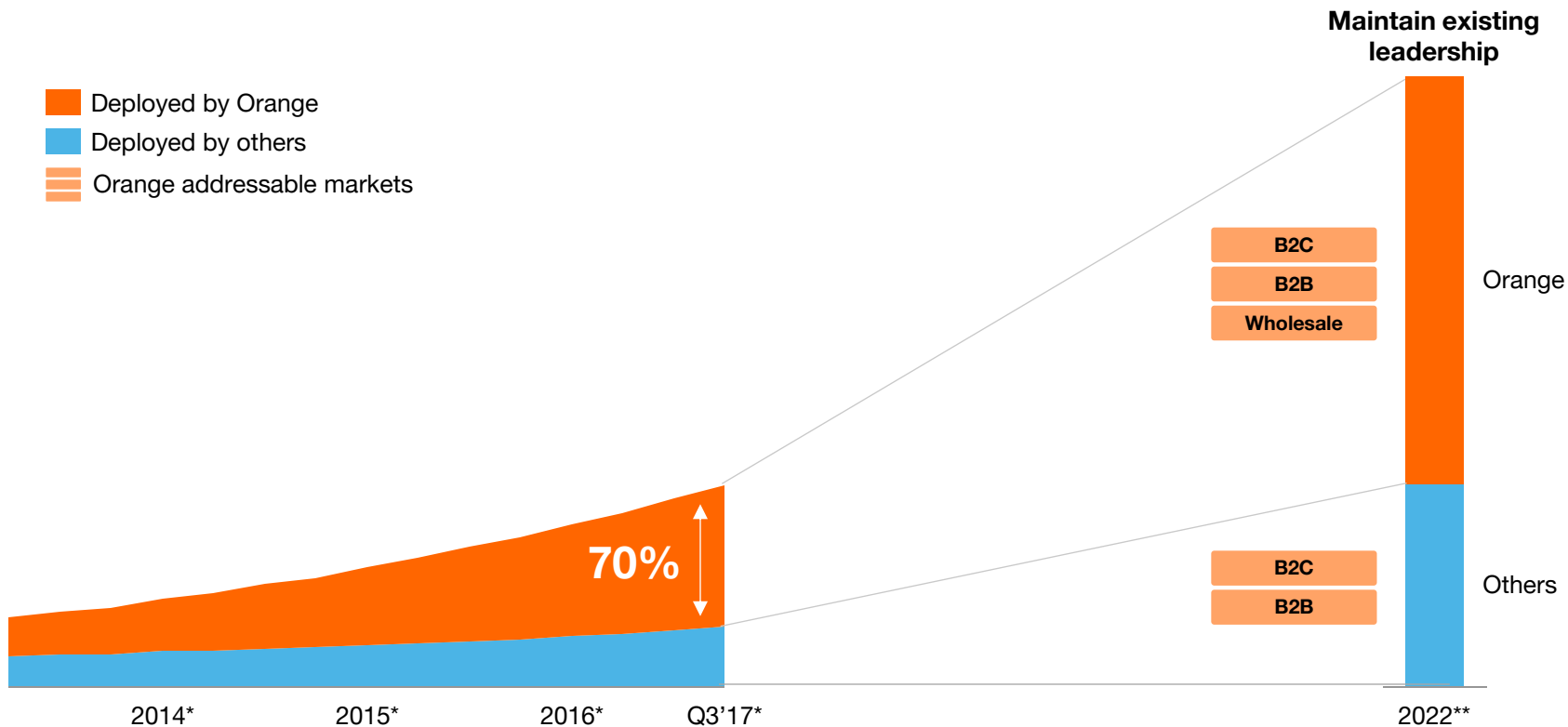
# Leader in Europe with 25m FTTH connectable lines

# #1

FTTH connectable lines\*  
In Europe

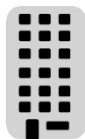


# 70% of FTTH deployment by Orange in France, including PIN





# Continued leadership in France

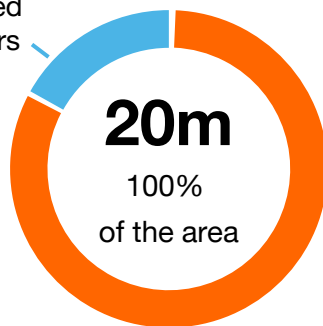


## Very dense and Medium dense area targets

Orange FTTH connectable homes



Deployed  
by others



**~85%**

Deployed and  
maintained  
by Orange

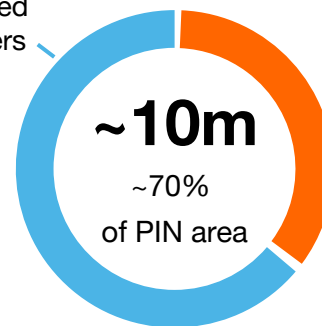
**2021\***  
~~2022~~



## Low dense (PIN) area targets

Share of deployment done by Orange

Deployed  
by others

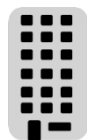


**~30%**

Deployed and  
maintained  
by Orange

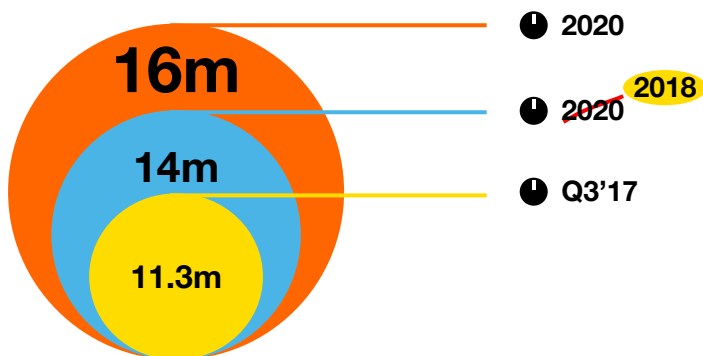
**2022**

# Fiber deployments accelerated in Spain and on track in Poland



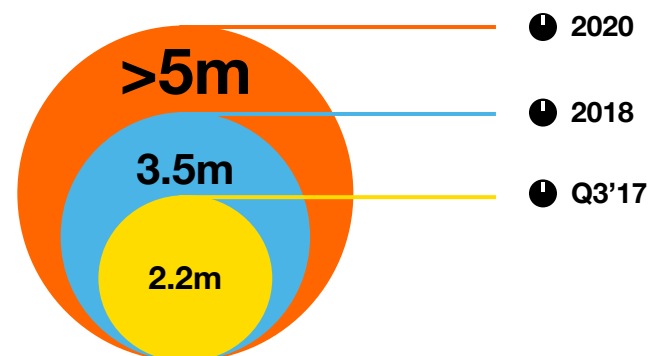
## Spain

Orange FTTH\* connectable  
homes ambition



## Poland

Orange FTTH connectable  
homes ambition



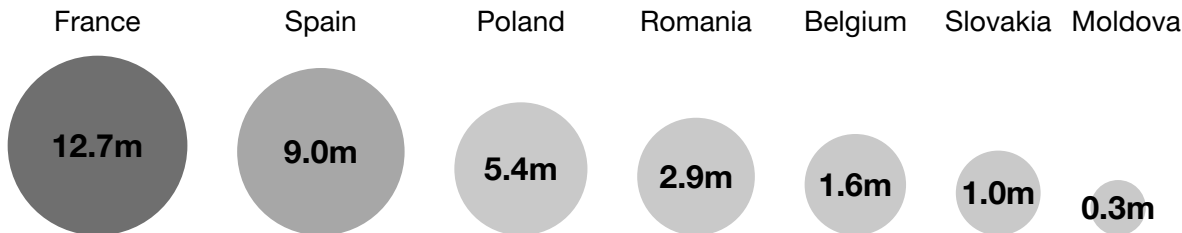
# Mobile network leadership

**QoS** in our 8 European countries

**#1** in six European countries\*\*

**#2** in two European countries\*\*

**4G** #1 customer base in 7 of our European countries\*



Deployed in 13 out of our 21 African countries



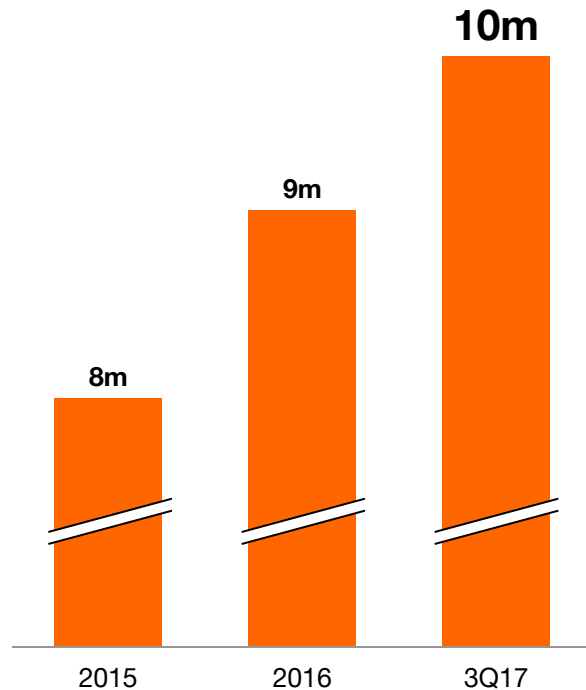
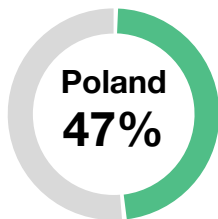
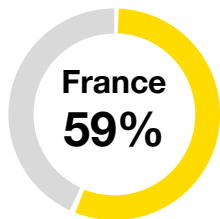
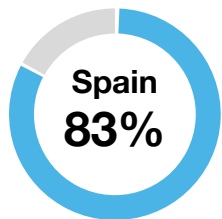
# Convergence commercial leadership

# #1

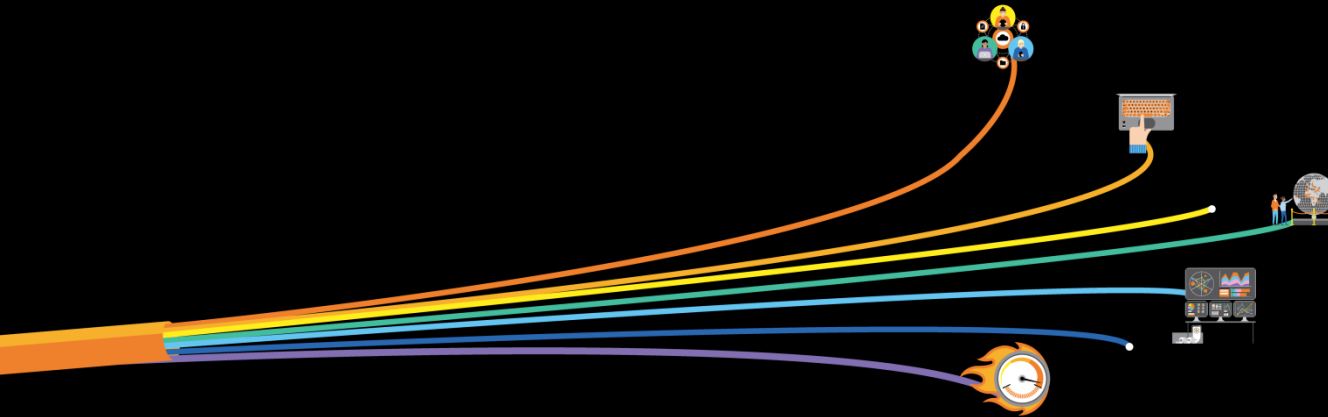
## Leader in Europe

in terms of convergent B2C  
customers in million

Share of convergent broadband B2C customers



# Network evolution





Influence the telecom  
ecosystem and  
standardisation



The right  
investments at the  
right time

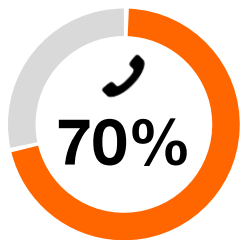


### Major Programmes

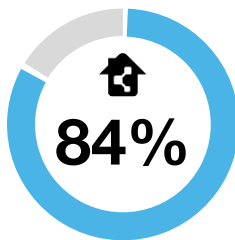
- All-IP networks
- Virtualisation & Automation
- Home access above 1 Gbit/s
- 5G

# Network leadership

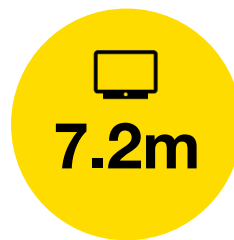
# Our journey towards IP networks



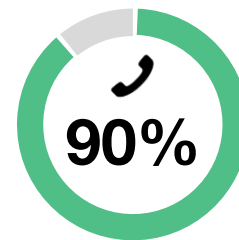
Share of B2C IP-based fixed voice lines



Share of IP-based fixed broadband lines



IP-TV customers in Europe\*



Share of copper in the aggregation network removed and replaced by Fibre in France

# Virtualisation and automation



**75**

“Easy GO Network”  
B2B solution  
available in 75  
countries



**Spain**

Leading country  
in all-market Group-  
wide virtualisation



**20%**

Savings in  
network  
operations OPEX

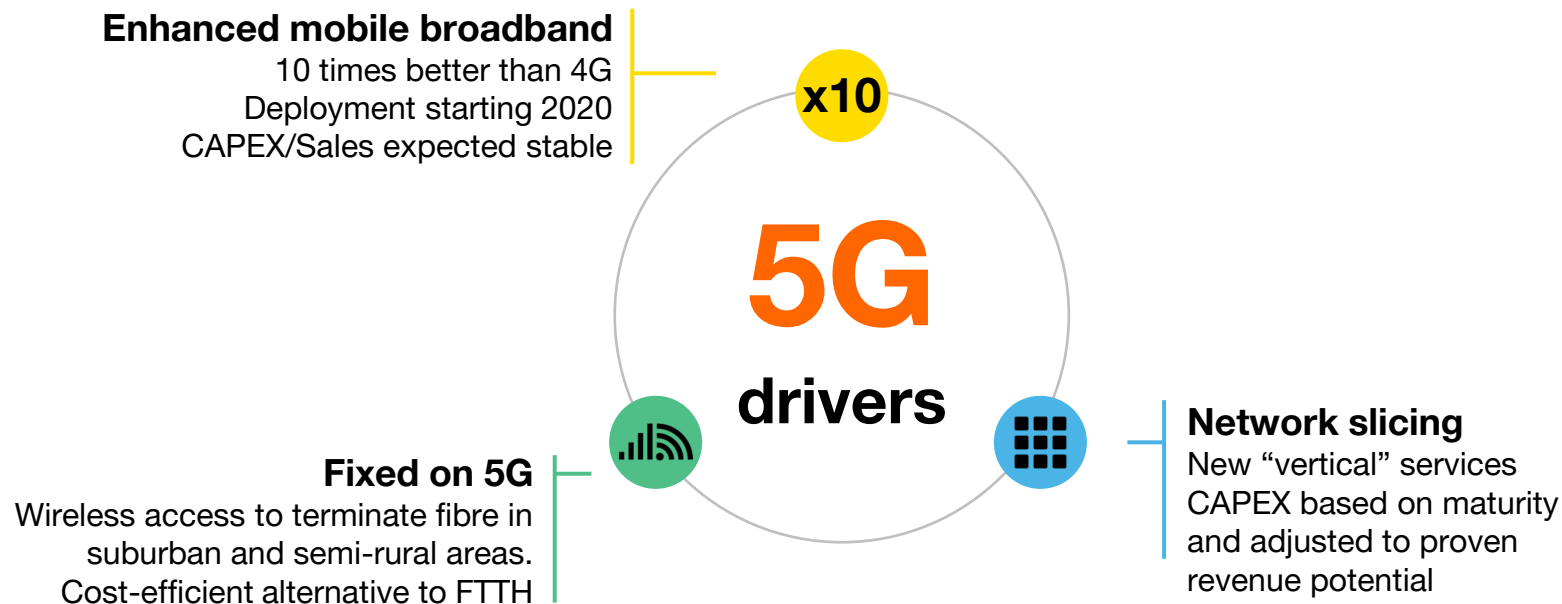


# Investments in FTTH are future proof



**10 Gbp/s**  
**and more !**

# Orange investments in 4G are 5G-ready



# **Enriched and innovative services**

# Content aggregation & distribution strategy



# Financial services

Welcome to  
**Orange Bank**



# Welcome to Orange Bank



**Leveraging Orange Brand**  
the most valuable Brand in France



**Fishing pool**  
+24m mobile customers  
+6m Customers of Groupama-Gan



**Optimised Customer segmentation**  
Thanks to solid experience on telecom

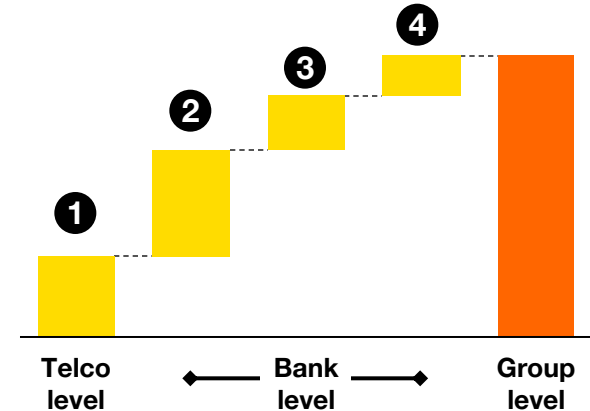


**Cross Selling**  
>60m customer visits in our shops  
>7 million sales acts

# Orange Bank will generate additional value for the Group



1. Unlock value from our existing assets
2. Active Balance sheet management
3. Commissions, Fees and Services
4. Lean costs





# Enriched and innovative services for B2C



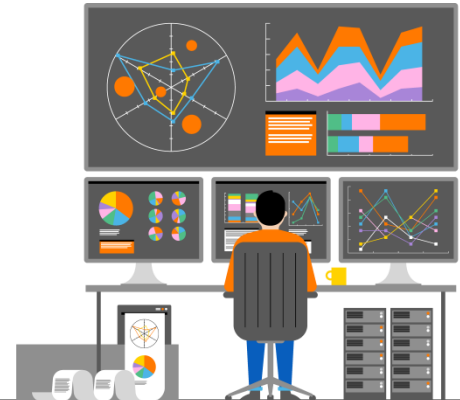
# Enriched and innovative services for B2B

**OBS have evolved to better answer the increasing demand for integrated services of IT and connectivity**



**€2.1bn**

**IT & Integration Services  
revenues in FY16**



# Enriched and innovative services for B2B

**Support the digital transformation of B2B customers throughout the data journey**

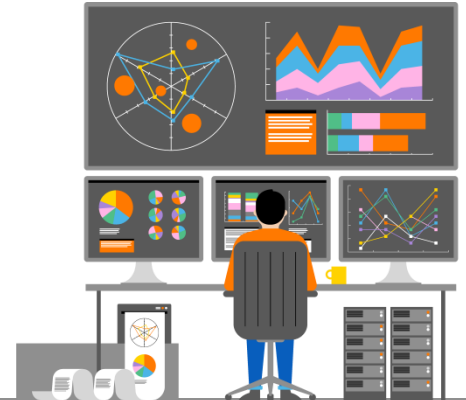
**Collect**

**Transport**

**Store & compute**

**Analyse**

**Secure**



# Accelerate transformation through M&A

# Accelerate transformation through M&A

## In-market consolidation



Mobile  
+ Mobile



Mobile  
+ Fixed



Infrastructure

## Digitization and operational efficiency



Artificial  
intelligence



Bot

## B2C enriched services



Financial  
services



Home  
services

## B2B transformation



Cloud  
IT services



Cyber  
security



Big Data  
SDN/NFV



# World class customer care



# World class customer care

**Leadership in NPS in  
16 countries  
representing 64% of  
our global  
customers base**



**357**  
Smart stores



**46%**  
of digital interactions



**15m**  
Visitors on “Orange et moi” app

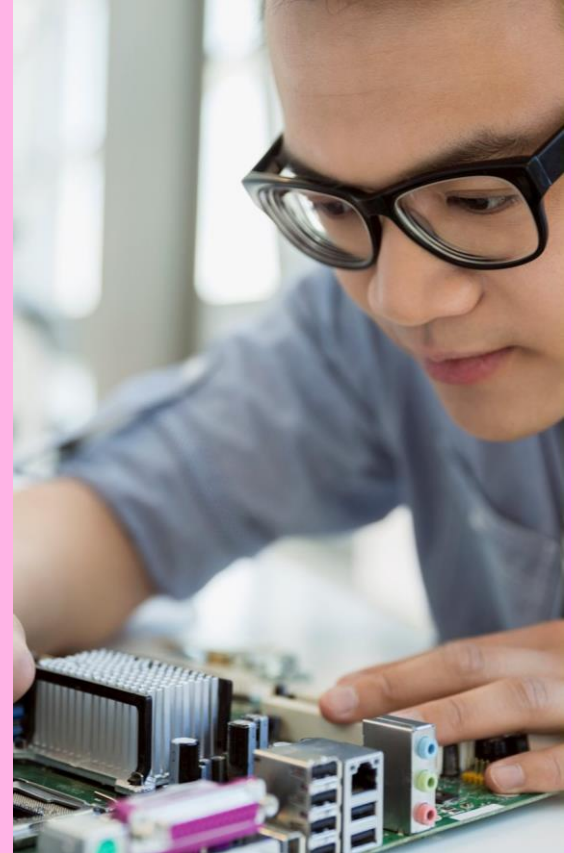


# Continue the internal transformation





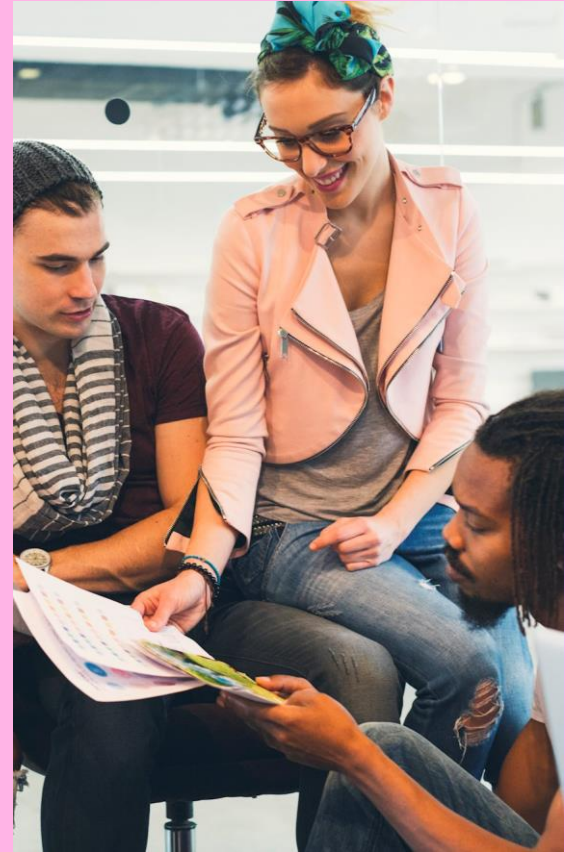
# Develop internal skills and attract new talents



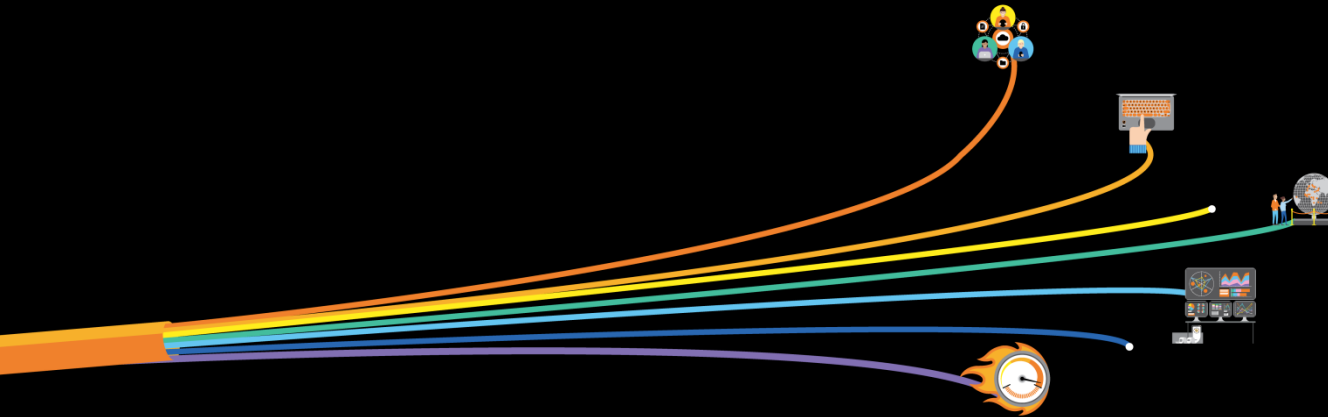
# Federate people to the company project

10%

Employee voting right  
ambition



# Investor Day 2017



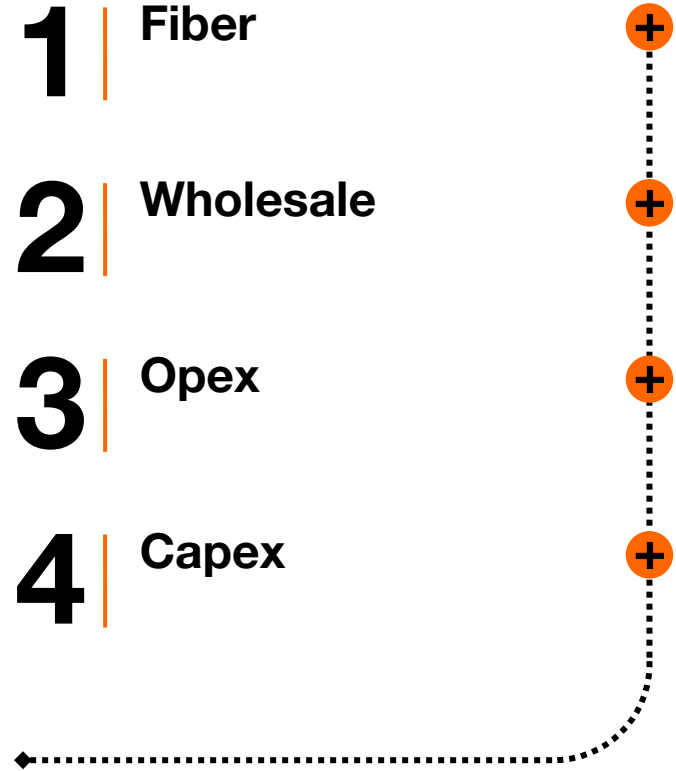
# Key topics

**1** | Fiber

**2** | Wholesale

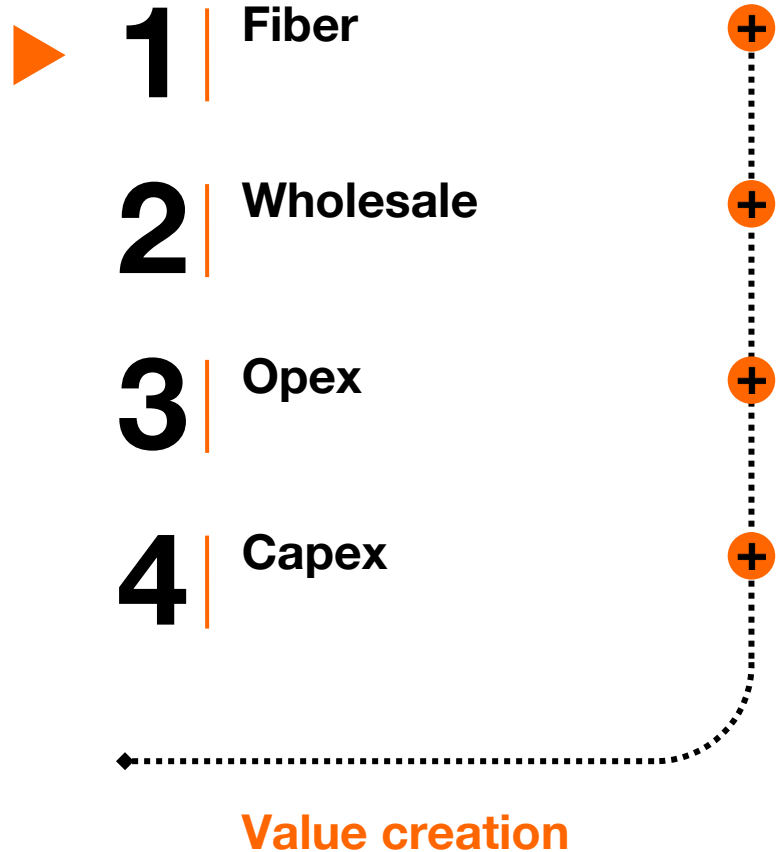
**3** | Opex

**4** | Capex



**Value creation**

# Key topics

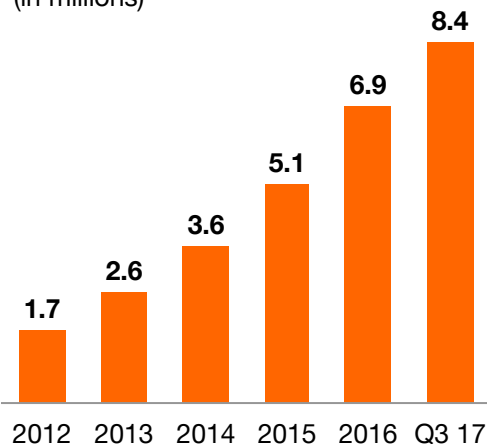


# FTTH rollout and commercial success in France



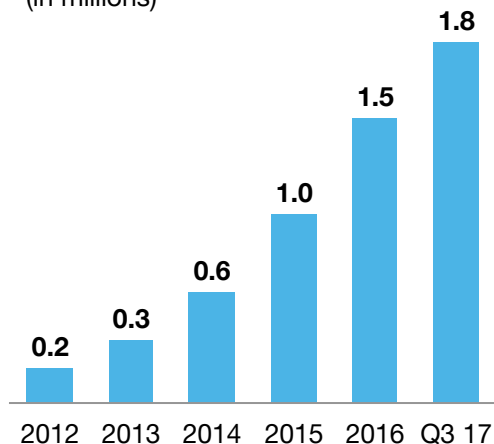
**8.4m**

**FTTH connectable lines**  
(in millions)

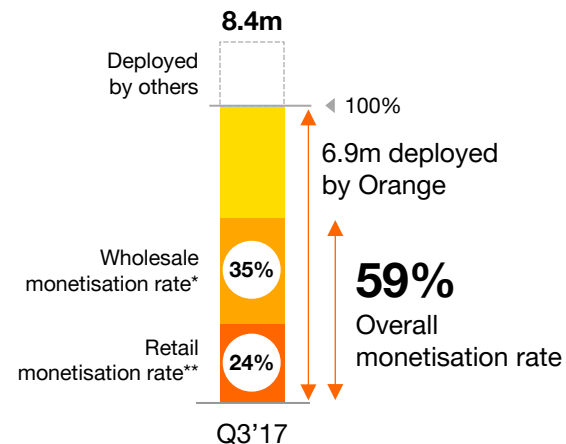


**1.8m**

**FTTH customers**  
(in millions)



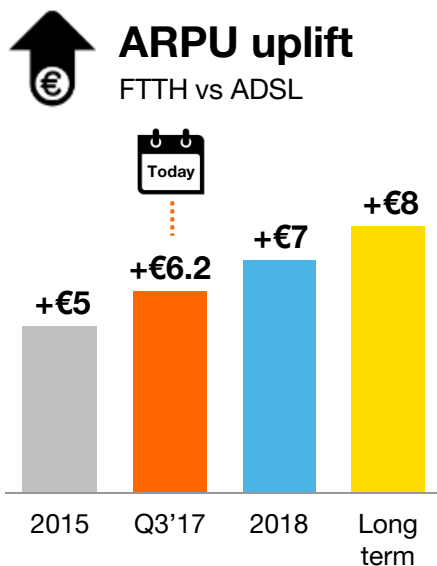
**Orange FTTH network monetisation rate**



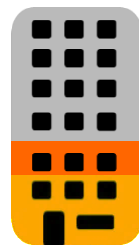
\* Share of co-financing by other operators

\*\* Share of Orange customers in our own network

# FTTH profitability drivers on track in France



 **Market share growth**



 **+0.4pt**  
in France\*

 **>+2 pts**  
in Paris\*

\* as of end of Sept. 2017 vs end of Dec. 2014



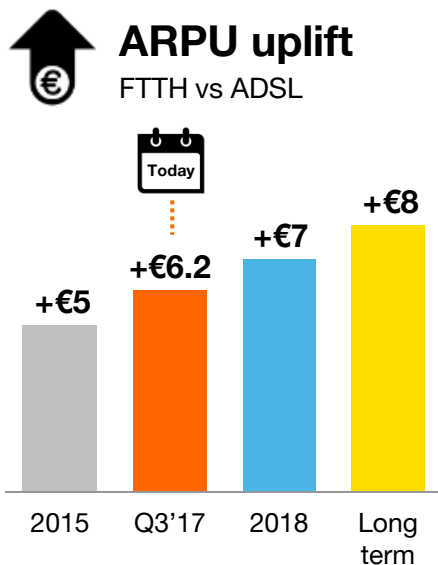
**Convergence**

**59%**    % of broadband B2C customer base

**-3.8 pts**    Churn differential

**1.53**    # of mobile lines per convergent offer

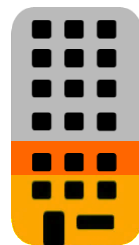
# FTTH profitability drivers on track in France



ARPU uplift at least  
**€8** on the long term

Stable market share  
on the long term

Market growth



**+0.4pt**  
in France\*

**>+2 pts**  
in Paris\*

\* as of end of Sept. 2017 vs end of Dec. 2014



## Convergence

**59%**

% of broadband B2C  
customer base

**-3.8 pts**

Churn differential

**1.53**

# of mobile lines per  
convergent offer



# Positive net effect in adjusted EBITDA in PIN areas

## Retail



- Stable market share on the long term
- BB Market growth est. (+20% over 2017-2025)
- ARPU uplift est. (>€8 on the long term)

## Cost savings



- Maintenance network divided by 4

## Wholesale



- FTTH wholesale recurring fees revenues on deployed lines
- Ducts revenues
- Progressive loss of copper wholesale ULL revenues
- FTTH Wholesale recurring fees to be paid on co-financed or rented lines

# Expected incremental IRR of FTTH



France



**~2x**

Orange France's  
WACC



Spain



**~3x**

Orange Spain's  
WACC



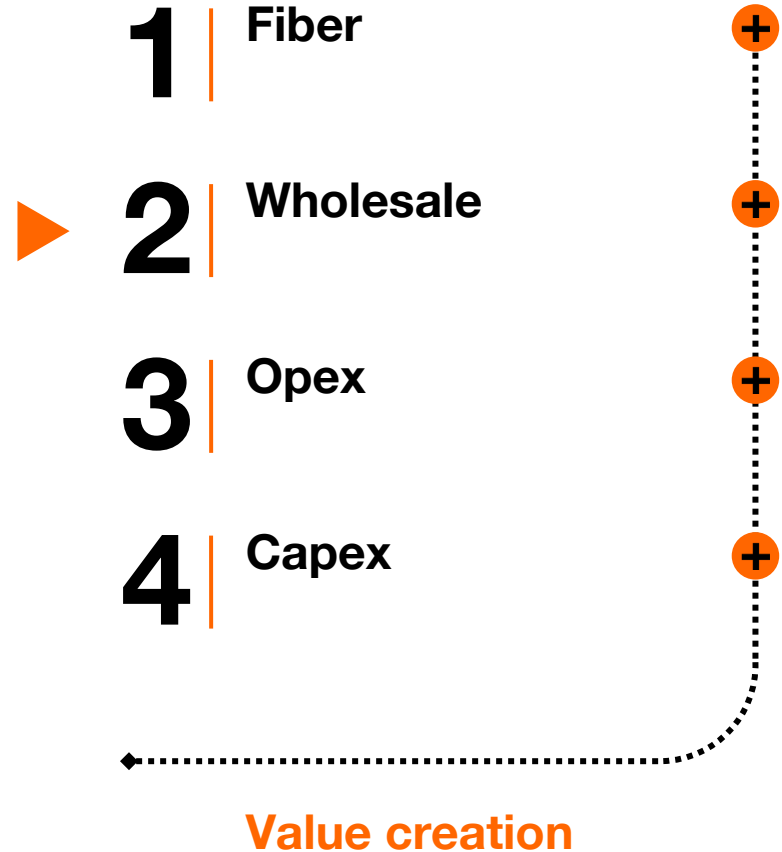
Poland



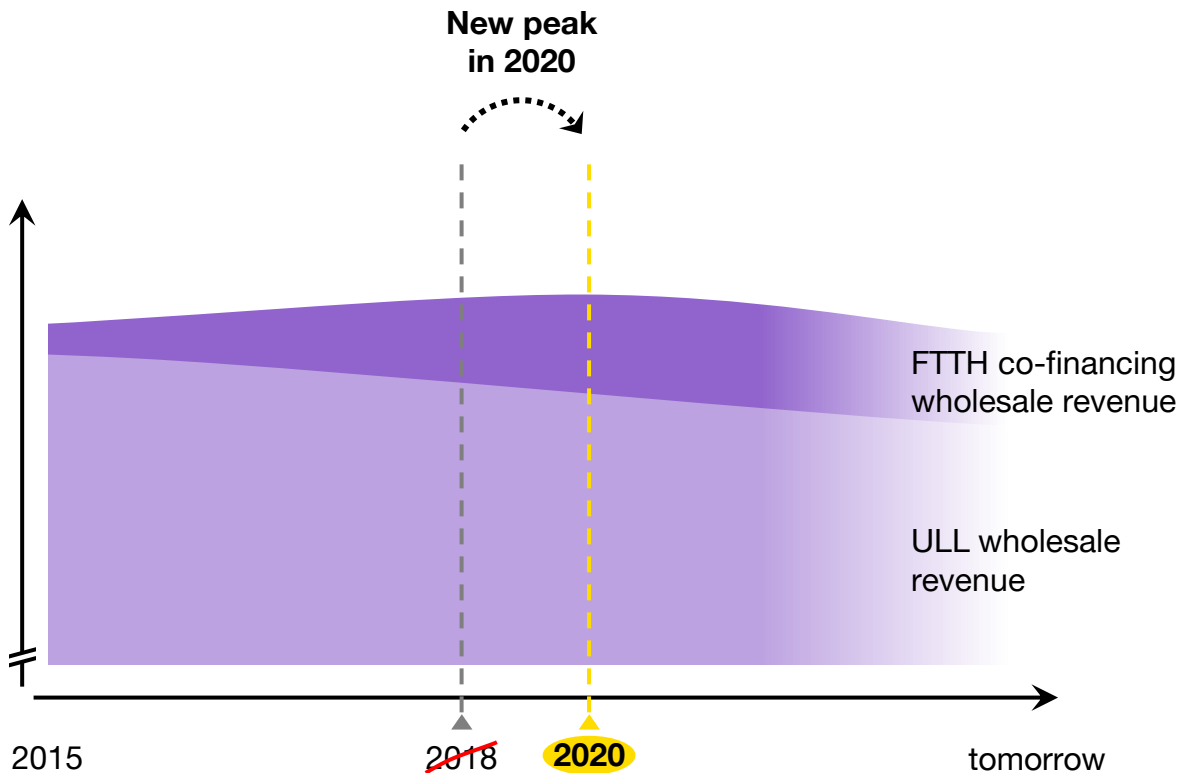
**~2x**

Orange Poland's  
WACC

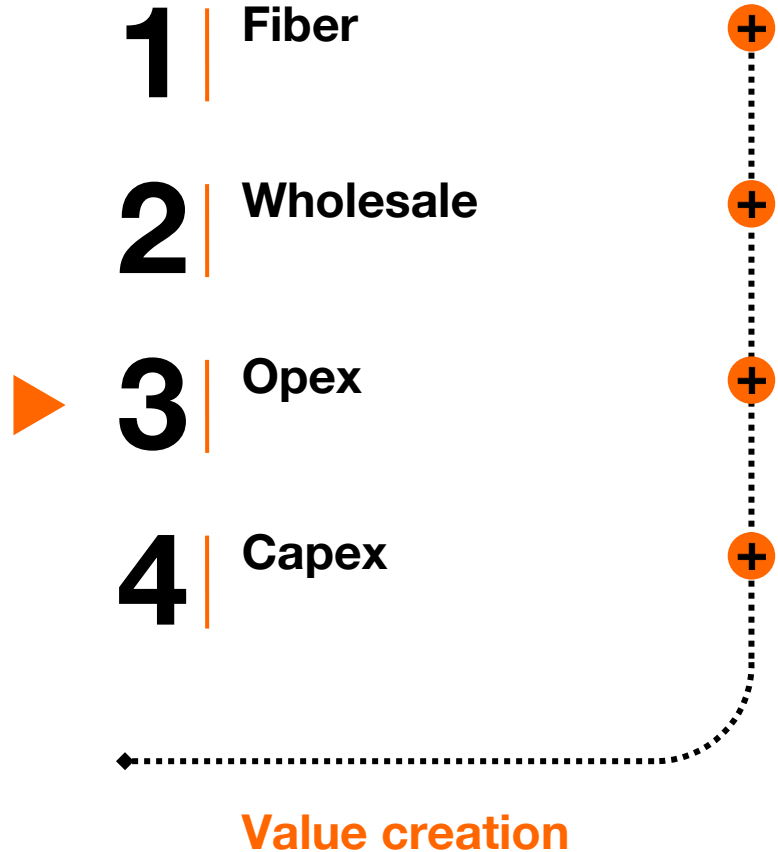
# Key topics



# 2020 is the new peak year in fixed wholesale revenue in France



# Key topics



# Group operational efficiency plan supports increase in adjusted EBITDA margin



Gross saving  
over 2015 - H1 2017

## €2.1bn

(€1.7bn OPEX)

Non exhaustive list of KPIs

Cost efficiency program

program total gross  
saving over  
2015-H1'17

### Customer management efficiency program

	% digital interactions [out of total care] in Europe	46% in 2017
	% digital commercial transactions in June in France	27.5% (+5p yoy)
	# of customer service calls (CAGR 2015-2017)	-10% per year

**€375m**  
(Opex)

### Distribution and sales efficiency program

	Ratio of sales commission to revenues in MEA	-11% yoy in 2016
	Points of sales evolution in Europe (2015 – 2017 H1)	-17%

**€414m**  
(Opex)

### Customer-related network production & maintenance efficiency program

	% shared mobile sites (Group)	51%
	number of reported failures on fixed lines, (retail market excl FTTH ) in H1 in France	-3.6% yoy

**€909m**  
(€520m Opex)

### IT management efficiency program

	change in IT operations management costs	-6% yoy in H1 2017
--	--	--------------------

**€183m**  
(€156m Opex)

### Marketing and Advertising, G&A, Real Estate and Others savings

**€234m**  
(Opex)

# Efficiency programmes



Chrysalid

**€3bn**

Gross saving  
over 2011-2014

**€2.6bn OPEX**

over 4 years



Explore2020

**>€3bn**

Gross saving  
over 2015-2018

**€2.6bn OPEX**

over 4 years

**BUYIN**

BuyIn

**~€0.5bn**

Gross saving  
over 2015-2016

**new  
ambition**

New OPEX  
ambition

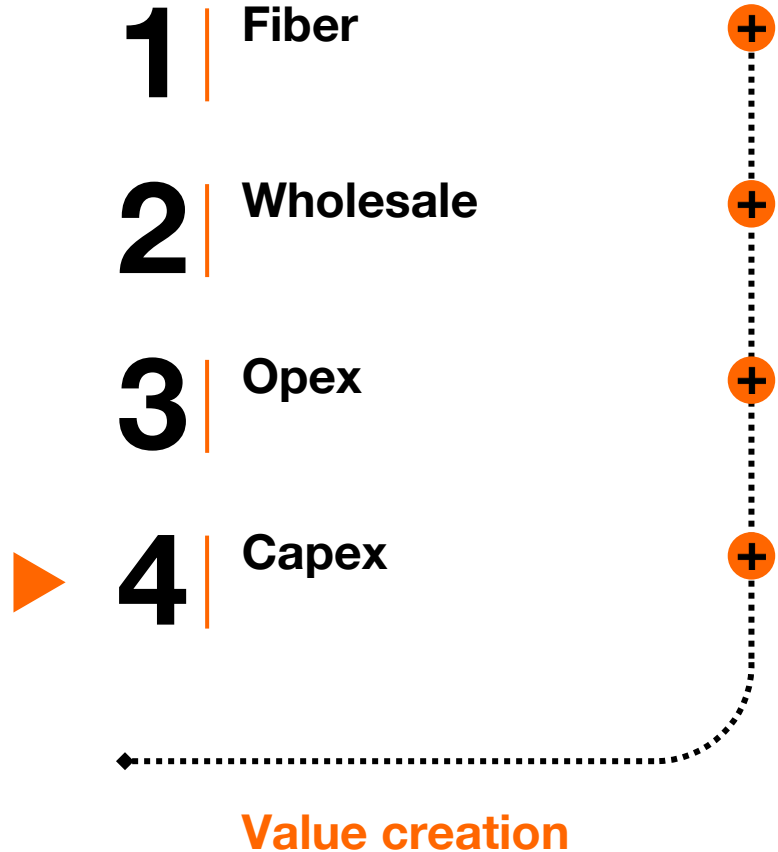
Gross saving  
over 2019-2020

**€1bn OPEX**

over 2 years

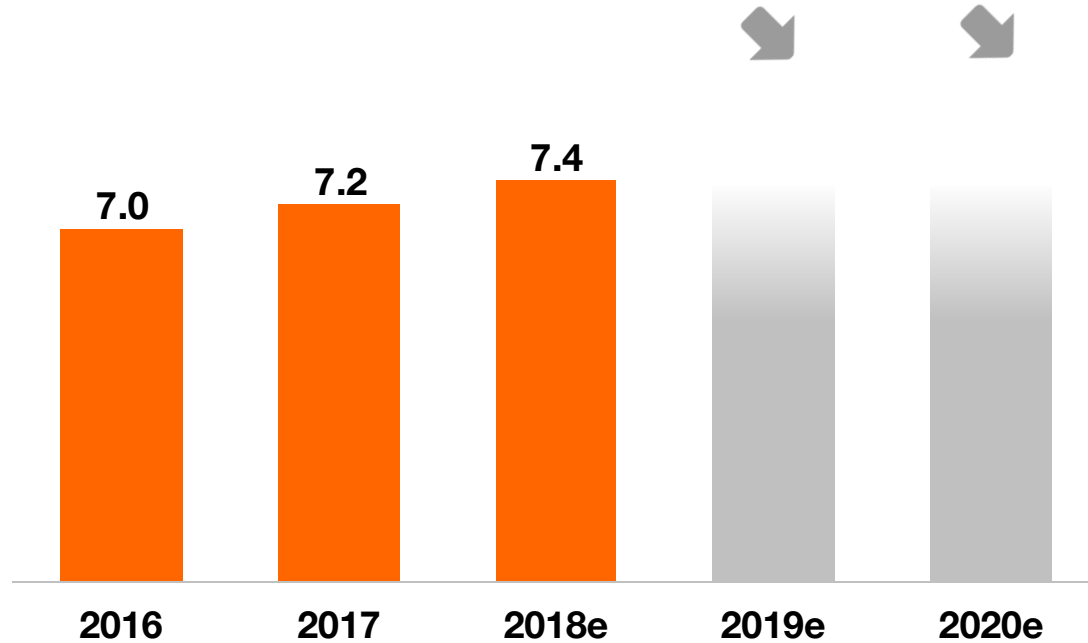
Orange close to the top quartile comparable operators in the last ATKearney benchmark

# Key topics



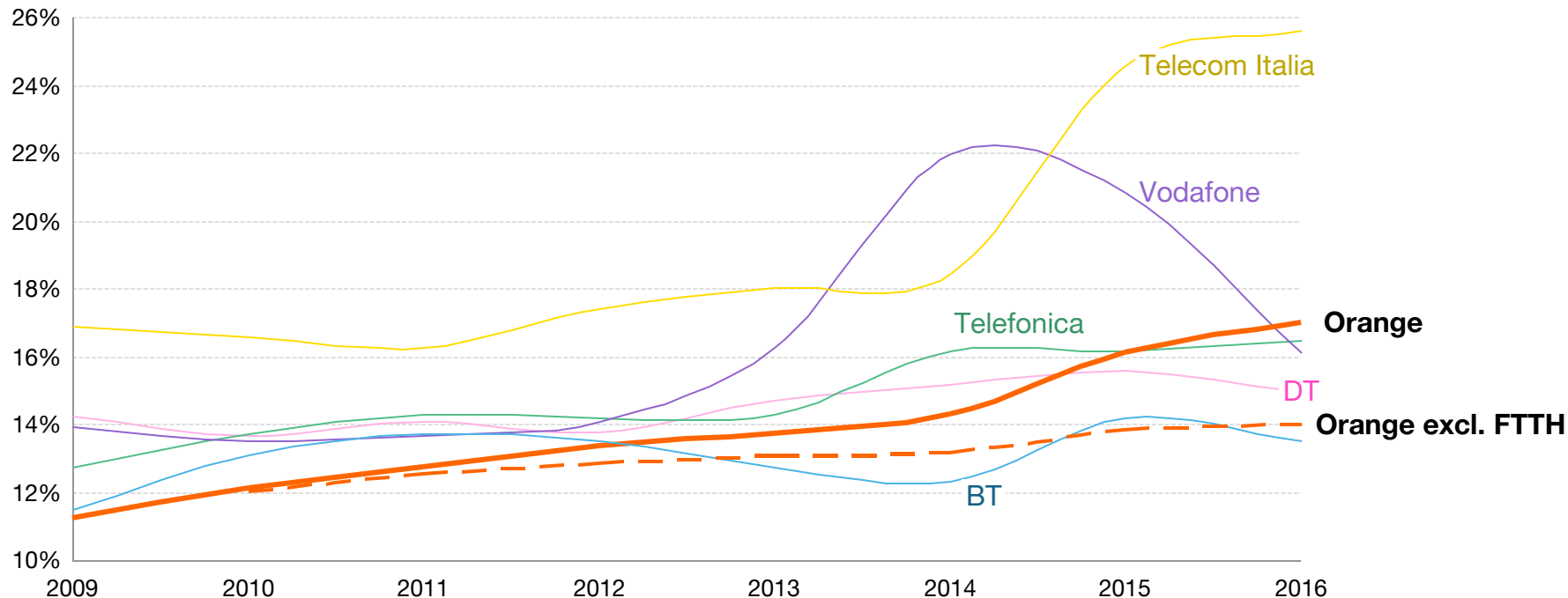


# Decreasing CAPEX starting from 2019



# Track record on CAPEX efficiency

CAPEX to sales ratio



# We have launched a group-wide effort on CAPEX

## Efficiency levers



Sourcing



Volumes



Ways of working



Specifications changes

## Areas of improvement



Fixed



Mobile



IT & Service Platform



CPE

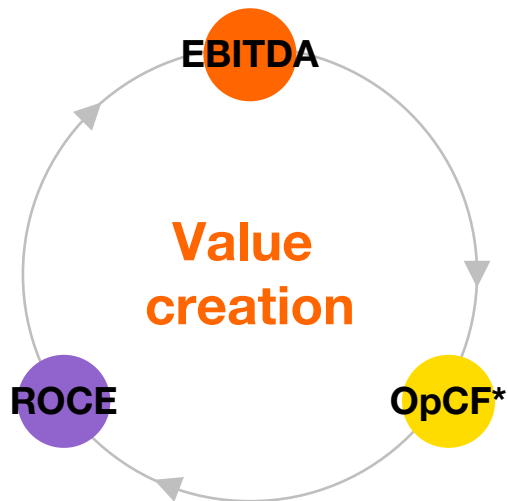


Real Estate

## Unitary cost

**-15%**

# Sustain growth and value creation



## Adjusted EBITDA

Growth acceleration in 2018 vs 2017

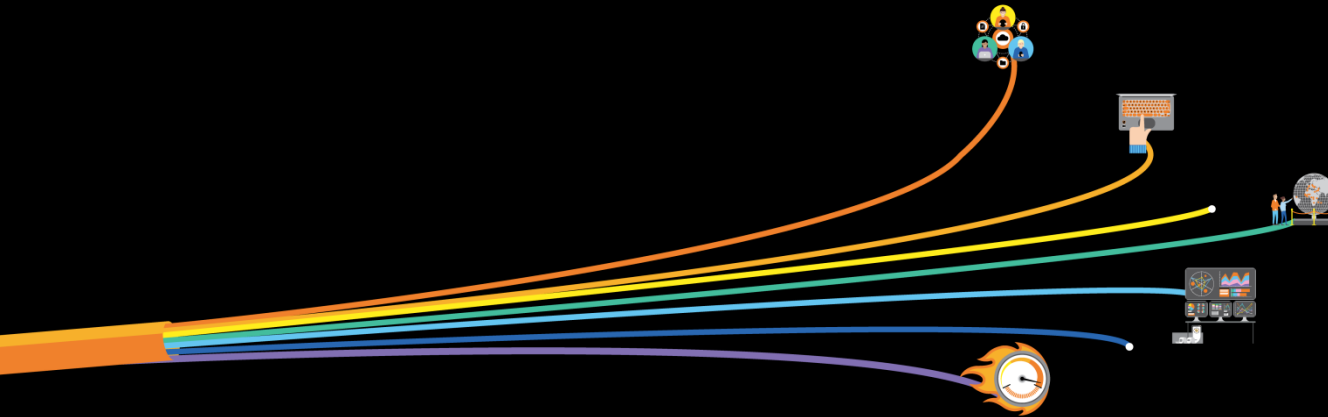
## Operating Cash Flow\*

Growth acceleration in 2018 vs 2017

## Operating ROCE (telecom)\*\*

Growth in 2017 and in 2018

# Investor Day 2017



# Short and mid term guidance

	2017	2018	2019-2020
<b>Adjusted EBITDA</b>	~+2%	Higher growth rate vs 2017	Growth
<b>CAPEX</b>	€7.2bn	€7.4bn (peak)	Decrease
<b>Operating Cash Flow *</b>	Slightly positive	Higher growth rate vs 2017	Growth
<b>Net debt / Adjusted EBITDA (telecom)</b>	Around 2x in the medium term		
<b>Dividend</b>	New floor of 65 €cent		



# Investor Day 2017

