

Orange Polska 1Q'18 results

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26 April 2018

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Forward looking statement

This presentation contains 'forward-looking statements' including, but not limited to, statements regarding anticipated future events and financial performance with respect to our operations. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words like 'believe', 'expect', 'anticipate', 'estimated', 'project', 'plan', 'pro forma', and 'intend' or future or conditional verbs such as 'will', 'would', or 'may'. Factors that could cause actual results to differ materially from expected results include, but are not limited to, those set forth in our Registration Statement, as filed with the Polish securities and exchange commission, the competitive environment in which we operate, changes in general economic conditions and changes in the Polish, American and/or global financial and/or capital markets. Forward-looking statements represent management's views as of the date they are made, and we assume no obligation to update any forward-looking statements for actual events occurring after that date. You are cautioned not to place undue reliance on our forward-looking statements.

Evolution of business trends is presented under the old IAS18 accounting standard. The new accounting standard, IFRS15, has been implemented by Orange Polska prospectively i.e. no comparative figures for past years restated to IFRS15 are provided. In the opinion of the Company, such approach assures continuity of performance vis-a-vis the recently announced strategy and already known business trends.

Adjustments to financial data

Disclosures on performance measures, including adjustments, are presented in the Note 2 to Condensed IFRS Quarterly Consolidated Financial Statements of the Orange Polska Group for the 3 months ended 31 March 2018 (available at <http://orange-ir.pl/results-center/results/2018>)

	1Q'18	1Q'18	1Q'17
<i>in PLNm</i>	IFRS15	IAS18	IAS18
Revenue	2,710	2,766	2,818
	0	0	0
Adjusted revenue	2,710	2,766	2,818
EBITDA	674	746	748
	0	0	0
Adjusted EBITDA	674	746	748
Capital expenditures	388	388	385
	0	0	0
Adjusted capital expenditures	388	388	385
Organic cash flow	-155	-155	-254
– Investment grants received/paid to fixed assets suppliers*	+3	+3	0
Adjusted organic cash flow	-152	-152	-254

* relates to EU subsidies for Digital Poland Operational Programme (POPC)

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Highlights

Jean-François Fallacher
Chief Executive Officer

1Q results on track with full-year plans

PLN 2.77bn
revenue (IAS18),
-1.8% yoy

PLN 2.71bn
(IFRS15)

PLN 746m
EBITDA (IAS18)
-0.3% yoy

PLN 674m
(IFRS15)

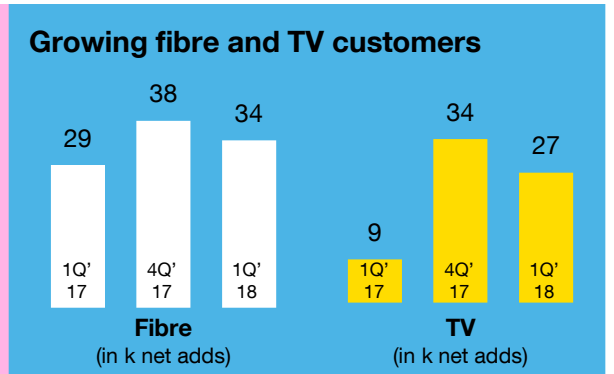
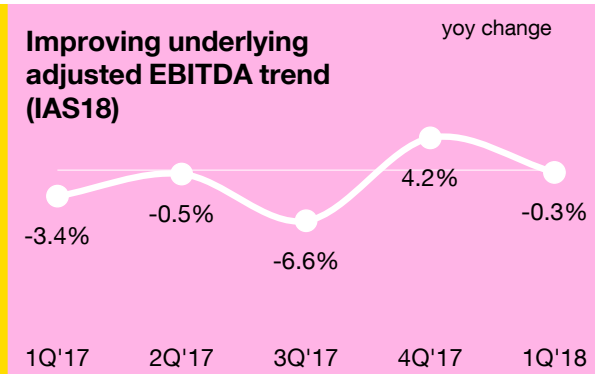
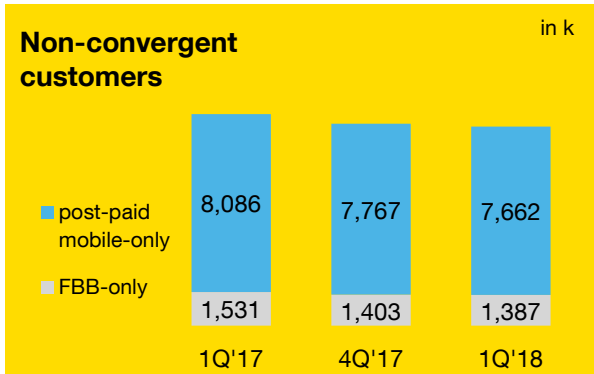
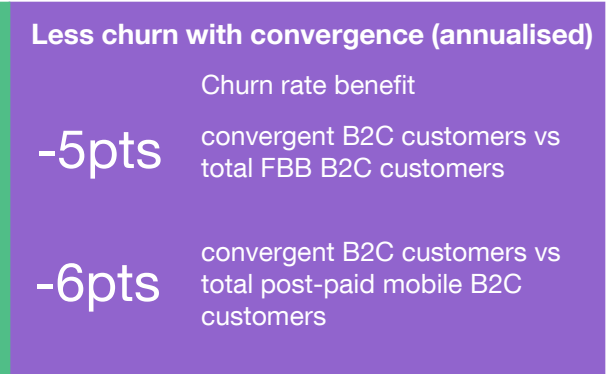
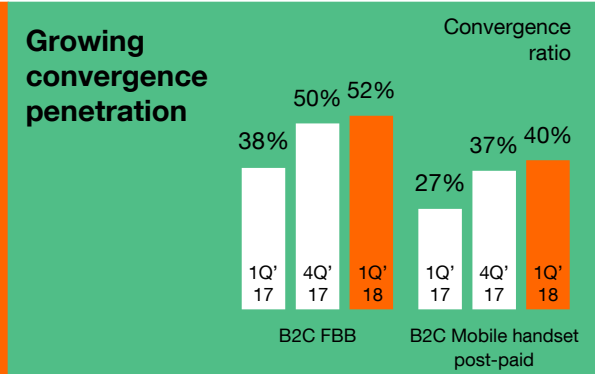
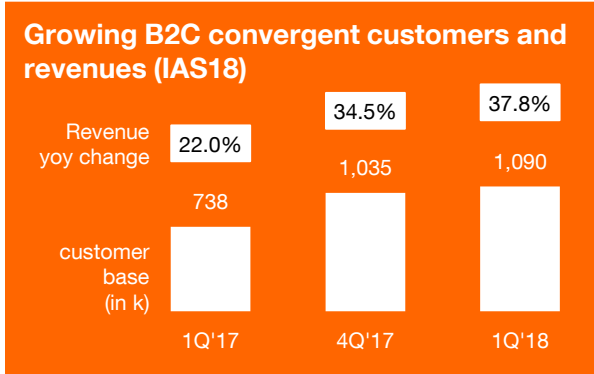
27.0%
EBITDA
margin (IAS18)
+0.5 pp yoy
24.9%
(IFRS15)

PLN 388m
capex
14.0% of revenue
(IAS18)

PLN -152m
adjusted* organic
cash flow

* adjusted as presented on slide #3

Value creation through convergence, fibre and business transformation

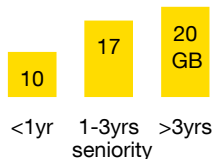


Value oriented commercial actions for mono services

Mobile offers – to further push for value creation

Pre-paid

- Data allowance now depends on customer seniority



Post-paid

- Unlimited data feature added to encourage push towards higher mobile plans
- More flexibility in creation of multisim Family offers

Podstawowy	Standardowy	Optimalny	Wzbogacony
29 ⁹⁹ zł/mies.	39 ⁹⁹ zł/mies.	49 ⁹⁹ zł/mies.	69 ⁹⁹ zł/mies.
Internet in phone 2 GB	Internet in phone 5 GB	Internet in phone 10GB 10GB full speed then 1Mb/s	Internet in phone 20GB 20GB full speed then 1Mb/s
Calls No limit	Calls No limit	Calls No limit	Calls No limit
SMS/MMS 0,20 zł	SMS/MMS No limit	SMS/MMS No limit	SMS/MMS No limit

FBB offers – to simplify and reduce churn

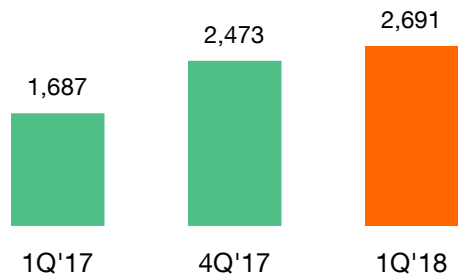
- FBB pricing on xDSL reduced to competitive levels to improve retention
- All wireline technologies now with the same price scheme (simplification)

	up to 100Mb/s	300 Mb/s	600 Mb/s
	PLN 39.99/69.99		
	PLN 79.99		
	PLN 89.99	+ PLN 10	+ PLN 30
	PLN 99.99		

Monetisation of fibre drives transformation of fixed broadband base

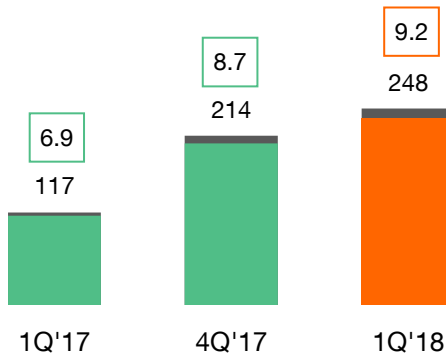
Fibre households connectable

(in k)



Fibre customer base

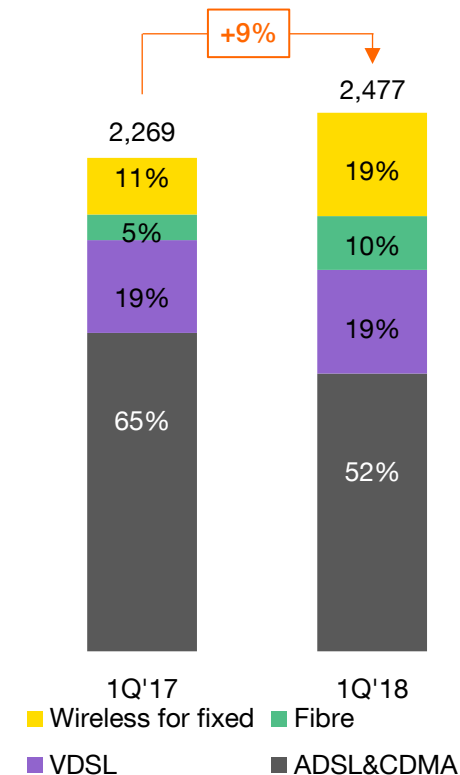
(in k)



□ adoption rate % ■ B2C ■ B2B

FBB customer base

(in k)



- 34k net customer additions in 1Q (up 17% yoy). Customer base up 112% yoy
- 86% of 1Q fibre gross adds new customers to OPL
- Fibre services available in 98 cities (vs 75 cities at the end of 2017)
- 218k new households connectable in 1Q of which 41k on third party infrastructure (full-year target of c. 1m maintained)

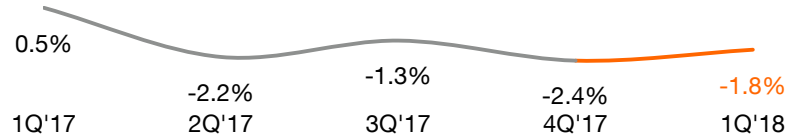
Financial review

Maciej Nowohoński
Chief Financial Officer

1Q revenues supported by convergence and wholesale

Revenue evolution

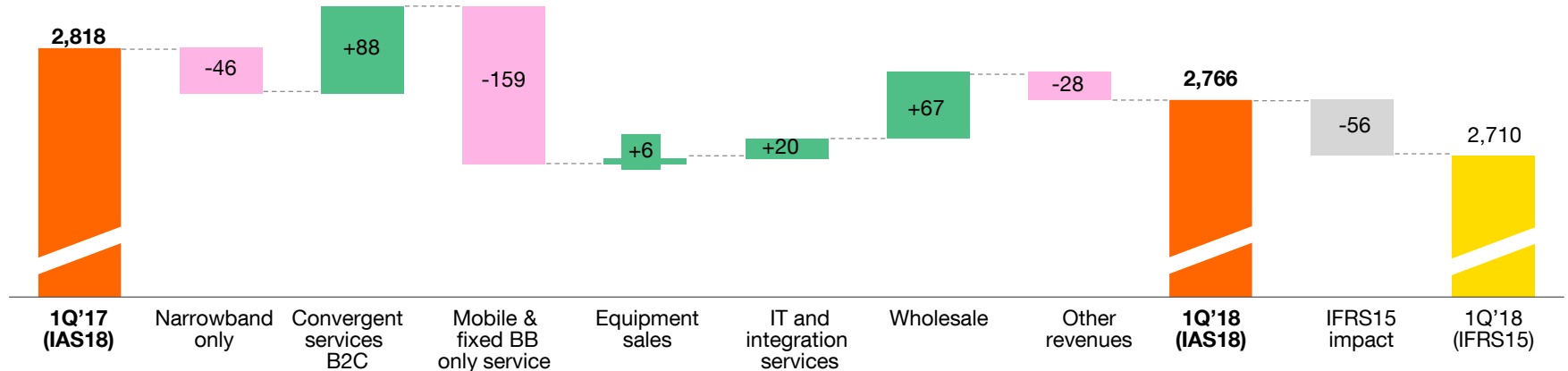
yoy change (IAS18)



- Convergence revenues increasingly compensates fall of mono services
- Mono services decline reflects migration to convergence and churn
- Wholesale revenues supported by national roaming contract with Play

Revenue evolution breakdown

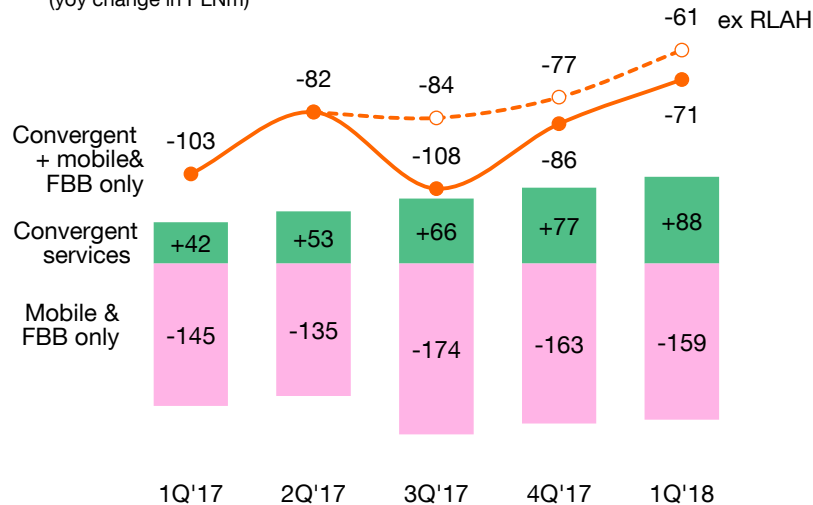
in PLNm



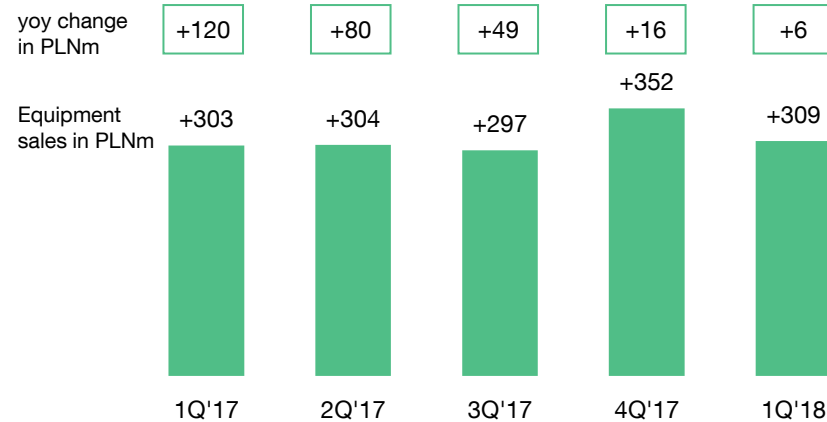
Convergence as powertrain of revenue evolution. Equipment revenues stabilise

Growth of convergence revenues increasingly compensates for the fall on mono service revenues

(yoy change in PLNm)



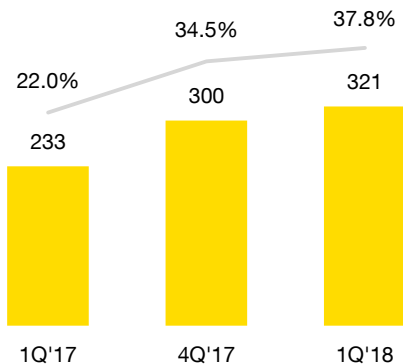
Stabilisation of **equipment revenues** reflects completion of the shift to instalment offers and much lower handset subsidies



Convergence revenue driven by customer growth and upsell

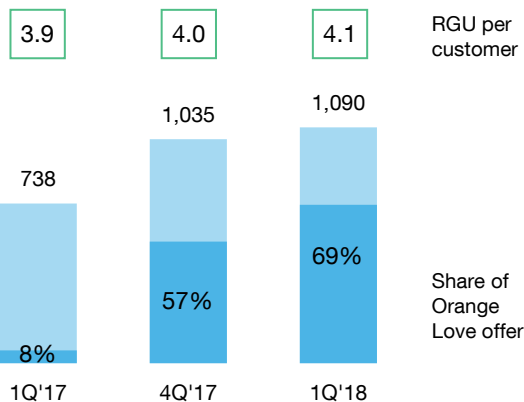
B2C convergence revenues

(in PLN m and yoy change in %)



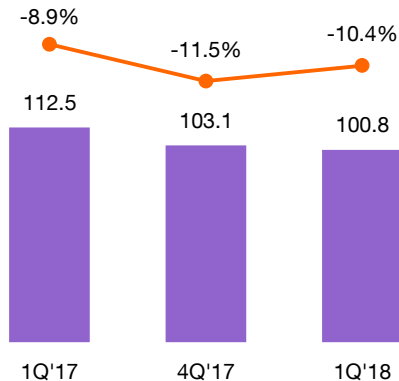
B2C convergent customers

(in k)



B2C convergent ARPO

(in PLN/month and yoy change in %)

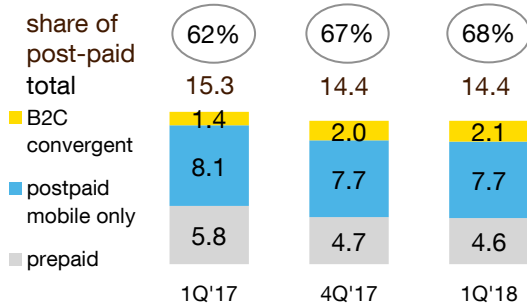


- Convergence creates value mainly through higher customer loyalty and possibility to upsell more services
- ARPO trend has improved as the customer base is being migrated to Orange Love
- Recent changes in Orange Love offer to increase value creation in the future by encouraging customers for higher commitment

Mobile-only and broadband-only customers migrate to convergence

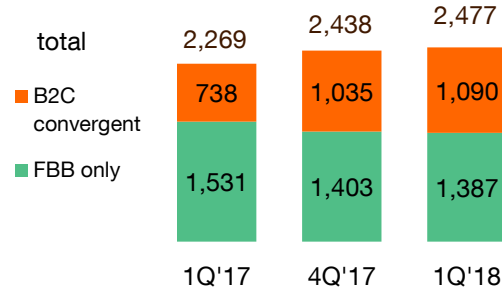
Mobile customer base

(in millions)



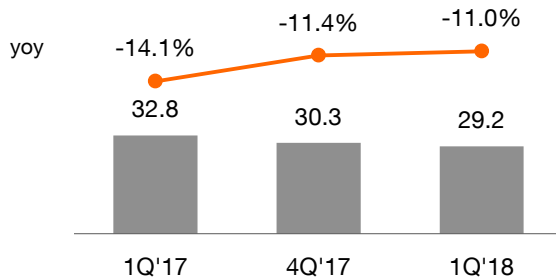
FBB customer base

(in k)



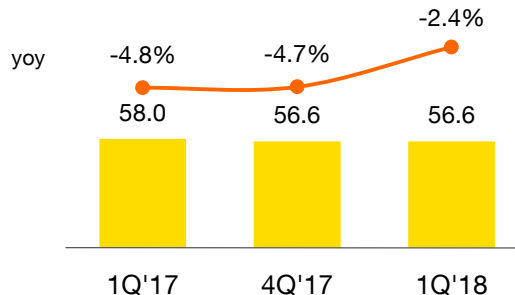
Post-paid mobile-only retail ARPO

(PLN/month and yoy % change)



FBB-only ARPO

(in PLN/month and yoy % change)

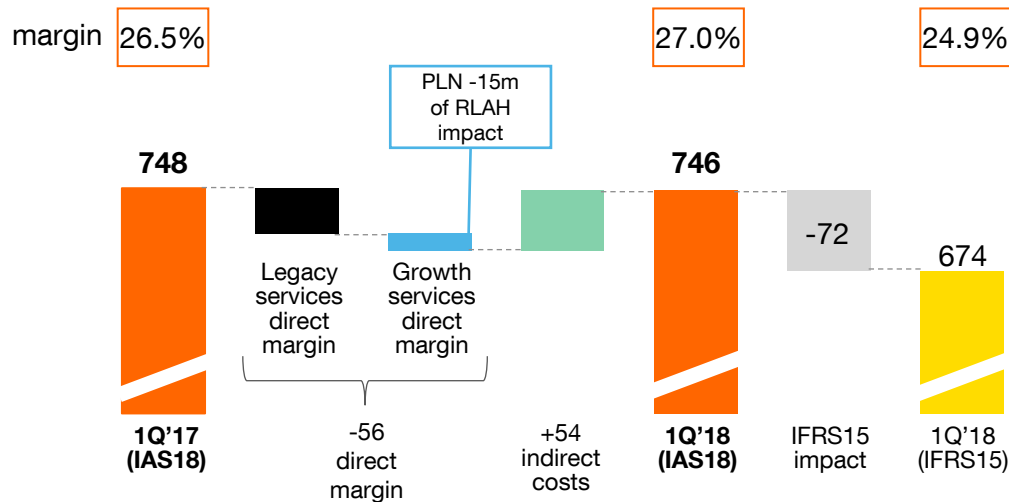


- Growing migration to convergence
- Value focus in tariff pricing
- Strong market competition
- Recent changes in mono offers to enable more effective retention and to increase value creation
- Mobile-only ARPO trend improves and reflects shift to multisim offers and price competition
- Fixed broadband-only ARPO improves mainly due to fibre and lower decline in B2B

1Q EBITDA stable year-on-year in line with full-year expectations (under IAS18)

EBITDA evolution

(yoy change in PLNm)



Direct margin:

- Continued low subsidy policy resulted in much lower commercial costs
- Renegotiations of wholesale rates helped to contain negative impact of RLAH

Indirect costs:

- Lower labour costs reflect start of implementation of new Social Plan
- Ongoing transformation of business areas (IT, Network, property expenses, general expenses)

employment down

7.0% yoy

(in kFTE end of period)

15.8

14.7

1Q'17

1Q'18

Net income reflects slightly higher net financial costs (under IAS18)

in PLNm	1Q'18 IFRS15	1Q'18 IAS18	1Q'17 IAS18	Change (IAS18)
reported EBITDA	674	746	748	-2
depreciation and amortization	-641	-641	-639	-2
impairment of non-current assets	0	0	0	0
reported operating income	33	105	109	-4
net financial costs	-86	-86	-71	-15
income tax	3	-11	1	-12
reported net profit/loss	-50	8	39	-31

Higher net financial costs reflects strengthening of PLN to EUR in 1Q17 positively impacting discount expense (mainly related to UMTS licence)

Cash flow in 1Q reflects seasonally high payments for capex

in PLNm	1Q'18	1Q'17	Change
Net cash flow from operating activities before change in working capital *	586	672	n/a
Change in working capital *	-204	-230	n/a
Net cash flow from operating activities	382	442	-60
CAPEX	-388	-385	-3
Change in CAPEX payables**	-178	-321	+143
Investment grants received/paid to fixed assets suppliers***	-3	0	-3
Sales of assets	32	10	+22
Organic cash flow	-155	-254	+99
Investment grants received/paid to fixed assets suppliers***	3	0	+3
Adjusted organic cash flow	-152	-254	+102

* 2017 presented under IAS18 while 2018 under IFRS15

** including exchange rate effect on derivatives economically hedging capital expenditures, net

*** relating to EU subsidies for Digital Poland Operational Programme (POPC)

Conclusions

Jean-François Fallacher
Chief Executive Officer

Conclusion

- Our value approach gradually improves business trends:
 - Convergence increasingly offsets declines in mono service revenues
 - Performance of mono services to be strengthened by newly launched commercial actions
 - Fibre on track with 0.25m customer base milestone passed
- Transformation of the business continues, in line with Orange.one strategy:
 - Business processes being simplified, automatised and digitalised
 - Internal cultural change to focus even more on customer needs and increase employees' motivation
- We reiterate our full-year guidance for 2018 adjusted EBITDA at around PLN 3.0 billion under IAS 18 and PLN 2.75 billion under IFRS 15

Q&A

Orange Polska published 2017 Integrated Report

available at:
[http://orange-ir.pl/sites/default/files/
Orange Polska Integrated Raport 2017.pdf](http://orange-ir.pl/sites/default/files/Orange_Polska_Integrated_Raport_2017.pdf)



Integrated
Report
2017
Orange Polska

Glossary (1/2)

3P customer	a customer who purchased a bundle of fixed broadband, TV and VoIP services
4G	fourth generation of mobile technology, sometimes called LTE (Long Term Evolution)
ARPO	Average Revenue per Offer
CDMA	Code Division Multiple Access, second generation wireless mobile network used also as a wireless local loop for locations where cable access is not economically justified
data user	a customer who used mobile data transmission in a given month
EBITDA	Operating income + depreciation and amortization + impairment of goodwill + impairment of non-current assets
FBB	Fixed Broadband
Fibre access network project	rollout of fixed broadband access network based on fibre technology which provides the end user with speed of above 100Mbps
FTE	Full time equivalent
Fibre	fixed broadband access network based on FTTH(Fibre To The Home) /DLA (Drop Line Agnostic) technology which provides the end user with speed of above 100Mbps
GB	Gigabyte
Households (HH) connectable in fibre technology	Households where broadband access service based on fibre technology can be rendered
ICT	Information and Communication Technologies

Glossary (2/2)

LTE	Long Term Evolution, standard of data transmission on mobile networks (4G)
LTE user	a customer who used LTE service at least once in a given month
M2M	Machine to Machine, telemetry
MB	Megabyte
MVNO	Mobile Virtual Network Operator
Organic Cash Flow	Organic Cash Flow = Net cash provided by Operating Activities – (CAPEX + CAPEX payables) + proceeds from sale of assets
PB	Petabyte
RGU	Revenue Generating Unit
RLAH	Roam Like At Home
SAC	Subscriber Acquisition Costs
SIMO	mobile SIM only offers without devices
SRC	Subscription Retention Costs
VDSL	Very-high-bit-rate Digital Subscriber Line
VHBB	Very high speed broadband above 30Mbps
VoIP	Voice over Internet Protocol
Wireless for fixed	fixed broadband cell-locked wireless access offered by Orange Poland for home/office zone with rich data packages