

Orange Polska

4Q'17 and FY'17 results

.one

21 February 2018



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.

Adjustments to financial data

Disclosures on performance measures, including adjustments, are presented in the Note 3 to IFRS Consolidated Financial Statements of the Orange Polska Group for the year ended 31 December 2017 (available at <http://orange-ir.pl/results-center/results/2017>)

<i>in PLNm</i>	4Q'16	4Q'17	FY'16	FY'17
EBITDA	640	471	3,163	2,807
– The impact of Social Agreements net of related curtailment of long-term employee benefits	-	196	-	204
Adjusted EBITDA	640	667	3,163	3,011
Capital expenditures	777	673	5,169	1,933
– Acquisition of telecommunications licences	-	-	-3,168	-
Adjusted capital expenditures	777	673	2,001	1,933
Organic cash flow	165	153	-2,528	407
– LTE auction deposits / Acquisition of LTE spectrum	-	-	3,148	-
– Investment grants received/paid to fixed assets suppliers*	-	-30	-	-296
Adjusted organic cash flow	165	123	620	111

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

Contents

1. Highlights

2. Financial review

3. 2018 outlook

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Highlights

Jean-François Fallacher
Chief Executive Officer

2017 full-year commitments achieved

2017 expectations

FY2017

top-line evolution

- Mobile service impacted by new roaming regulations and uncertainty on pre-paid
- Slower growth of mobile equipment sales
- Legacy revenue (PSTN, wholesale) in continued structural decline

✓ PLN **11.4**bn
-1.4% yoy vs -2.4% in 2016

capital expenditures

Around PLN 2bn, including around 0.8bn on fibre rollout (>1m new households connectable in fibre)

✓ PLN **1.9**bn
(including 0.7bn on fibre rollout)

net debt to adjusted EBITDA

Not higher than 2.6x including potential EC fine payment

✓ **2.2**X

2017 guidance

adjusted EBITDA

"around PLN 3.0bn" (raised from "PLN 2.8-3.0bn" in October 2017)

✓ PLN **3.0**bn*

* adjusted as presented on slide #3

Strong 4Q results driven by value focused strategy

PLN 2.91bn
revenue,
-2.4% yoy

PLN 667m
adjusted* EBITDA
+4.2% yoy

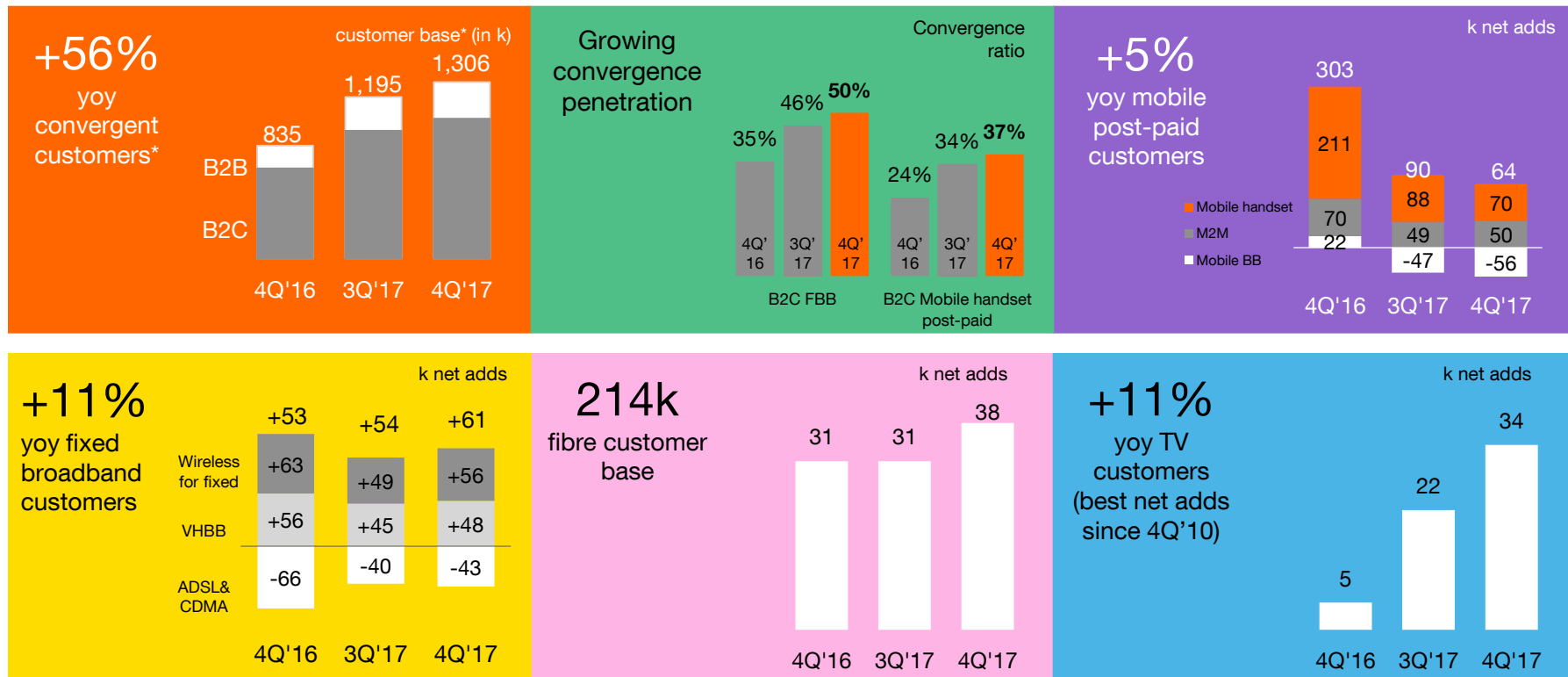
22.9%
adjusted* EBITDA
margin,
+1.4 pp yoy

PLN 673m
capex
23.1% of revenue

PLN 123m
adjusted* organic
cash flow

* adjusted as presented on slide #3

Our convergent strategy is working



* Since 1Q'17 convergent customer definition has been modified and reflects only a combination of fixed broadband (incl. wireless for fixed) and mobile handset offer, with financial benefit

Orange.one strategy on track



Our ambitions by 2020



+1M-1.5M

B2C convergent customer base
(vs 858k @1H2017)



+0.3M-0.6M

TV customer base
(vs 792k @1H2017)



55%

Convergent customers in SOHO/SME
(vs 24% 1H2017)



X2

ICT revenues
vs 2016 by 2020

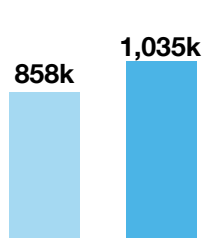


NPS #1

The most recommended operator & partner by 2020

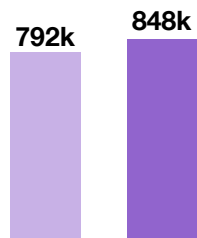
2017 achievements

+177k



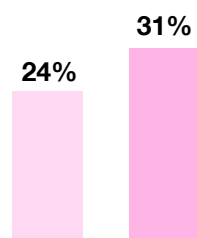
Jun'17 Dec'17

+56k



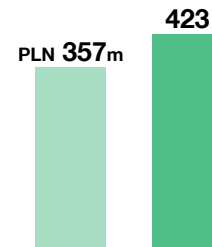
Jun'17 Dec'17

31%



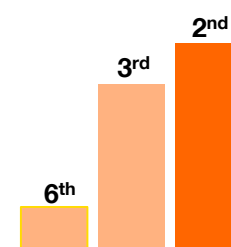
Jun'17 Dec'17

+18%



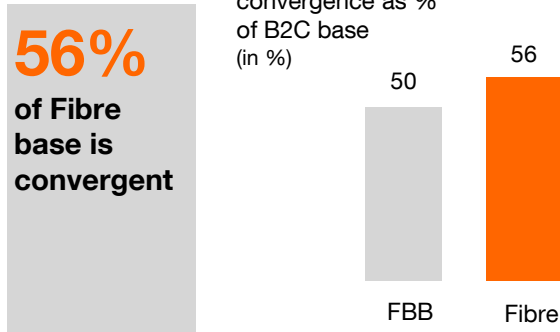
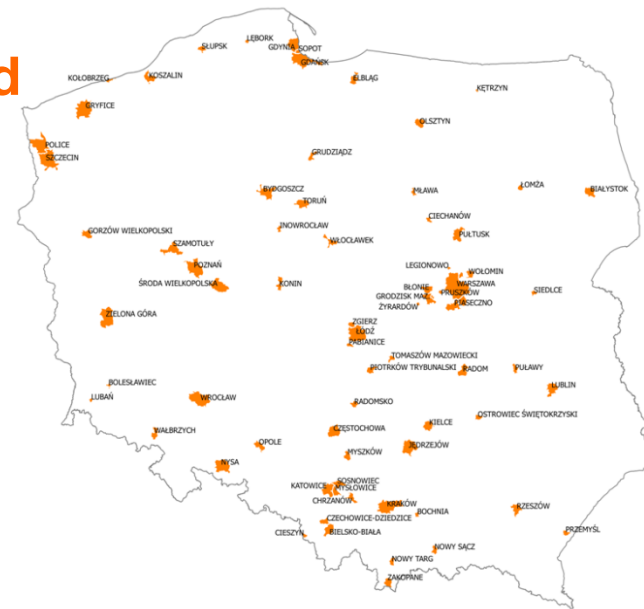
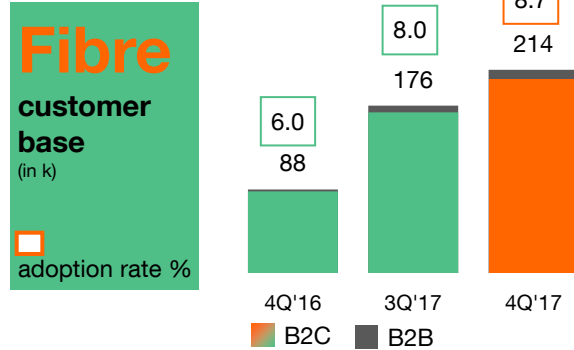
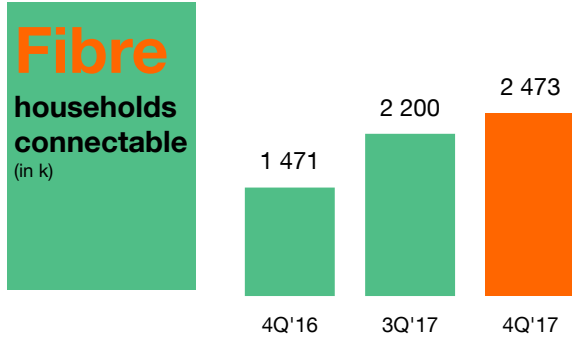
2016 2017

#2



2013 2015 2017

Fibre network deployment ambitions confirmed



- 38k net customer additions (up 22% yoy) in 4Q; in FY 2017 customer base up 143%
 - 78% of 4Q gross adds new customers to OPL (77% for FY)
 - Services available in 75 cities (vs 37 cities at the end of 2016)
- 273k new households connectable in 4Q (1,002k in FY – target of >1 million households delivered) of which 48k on third party infrastructure (186k in FY)
- Letter of Intent with T-Mobile signed on wholesale access to fibre network – new monetisation opportunity

Financial review

Maciej Nowohoński
Chief Financial Officer

4Q/FY'17 financial results key highlights

in PLNm	FY'17	% yoy	4Q'17	% yoy	key points for 4Q
revenues	11,381	-1.4	2,910	-2.4	<ul style="list-style-type: none"> ▪ Improving growth rate of FBB ▪ Lower mobile equipment sales ▪ Strong quarter in ICT
adjusted EBITDA*	3,011	-4.8	667	+4.2	<ul style="list-style-type: none"> ▪ Commercial costs benefit from value oriented strategy ▪ Interconnect costs affected by roaming ▪ FY guidance achieved
% of revenues	26.5	-0.9pp	22.9	+1.4pp	
adjusted CAPEX*	1,933	-3.4	673	-13.4	<ul style="list-style-type: none"> ▪ Driven by fibre network deployment ▪ FY outlook delivered
% of revenues	17.0	-0.3pp	23.1	-3.0pp	
adjusted organic cash flow*	111	-82.1	123	-25.5	<ul style="list-style-type: none"> ▪ Reflects higher yoy payments for capex

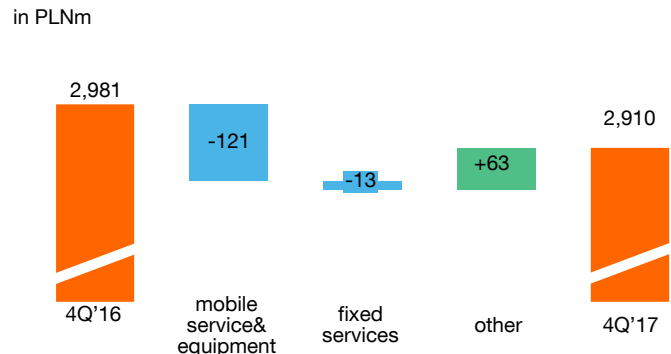
* adjusted as presented on slide #3

Strong 4Q fixed broadband and ICT revenues

Adjusted revenue evolution



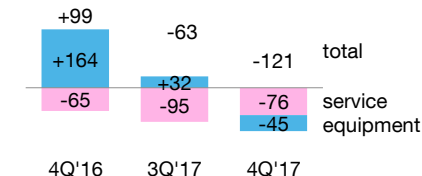
Revenue evolution breakdown



Mobile revenue

- Reflect shift from volume to value and convergent strategy (value recognised in fixed broadband)

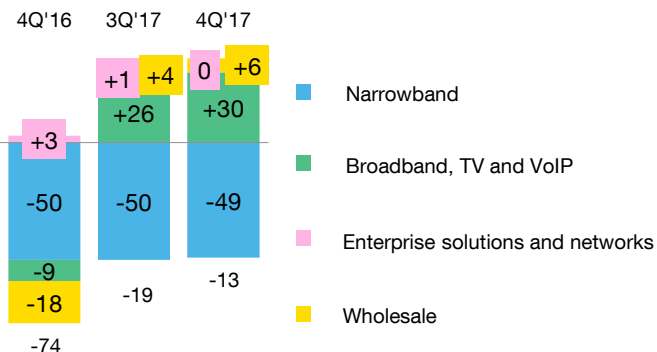
Mobile revenue (yoy in PLNm)



Fixed revenue

- Broadband reflects growing customer base and convergence strategy
- Better trend in wholesale owing to higher traffic termination in fixed network

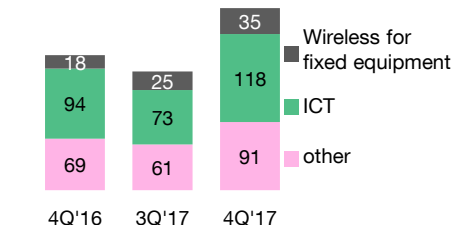
(yoy in PLNm)



Other revenue

Good performance of ICT and consolidation on MMP Energia

(in PLNm)



Mobile revenue reflect shift from volume to value and convergent strategy

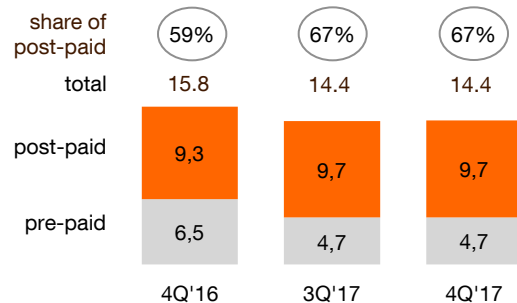
4Q mobile revenue
PLN 1,517m
 -7.4% yoy

service
PLN 1,214m
 -5.9%yoy

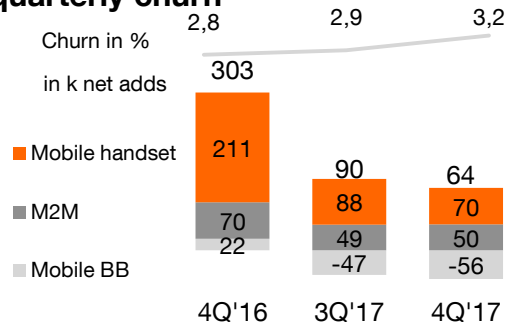
equipment
PLN 303m
 -12.9%yoy

- Lower yoy equipment sales reflect shift in commercial strategy, high base effect (pre-paid registration obligation) and lower other sales of equipment
- Mobile handset net additions reflect value-oriented changes in commercial strategy and discontinuation of old value-dilutive offers
- Higher churn in post-paid results mainly from mobile broadband
- Post-paid ARPU reflects mainly growing share of SIM only and convergent strategy (value recognised in fixed broadband)

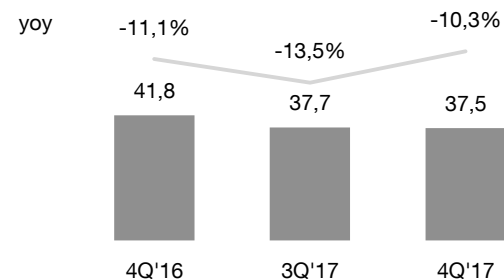
Mobile customers in millions



Post-paid net adds & quarterly churn

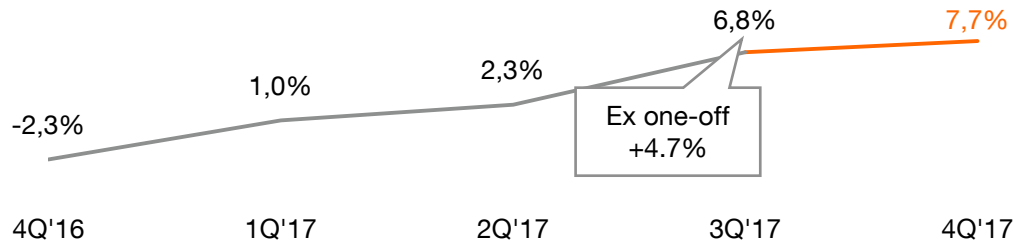


Post-paid ARPU trend (PLN/month) and yoy % change

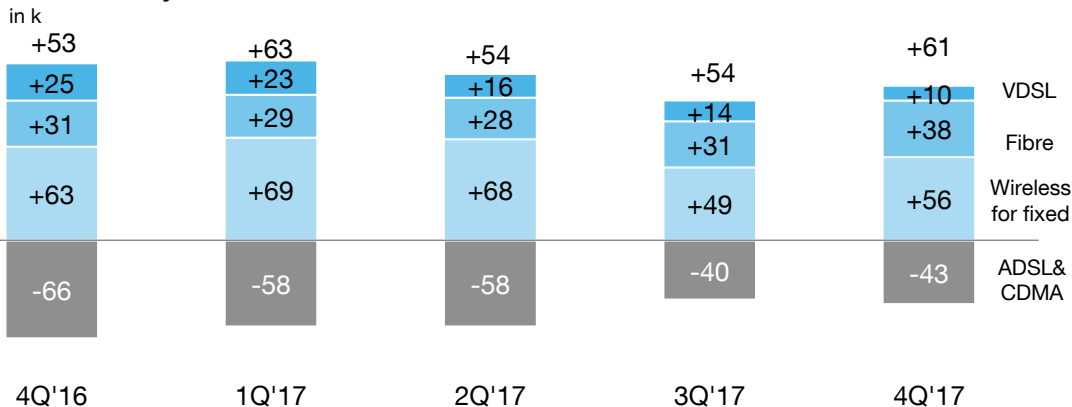


Continuous improvement in fixed broadband illustrates success of convergence strategy

Improving revenue trend...
yoy change

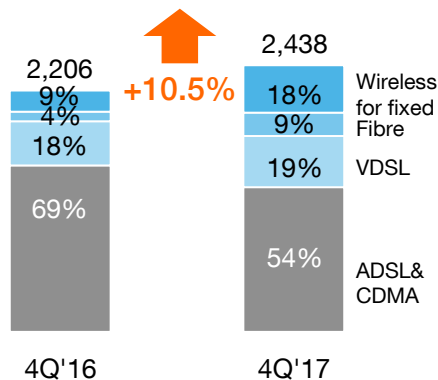


...driven by better customer additions



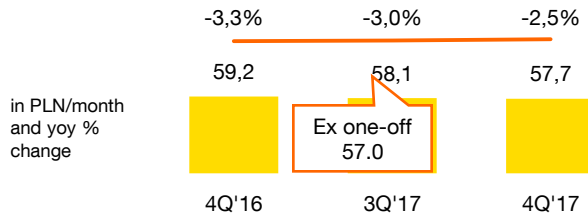
Customer base

(in k)



50% FBB B2C base on convergent offers (+15 pp yoy)

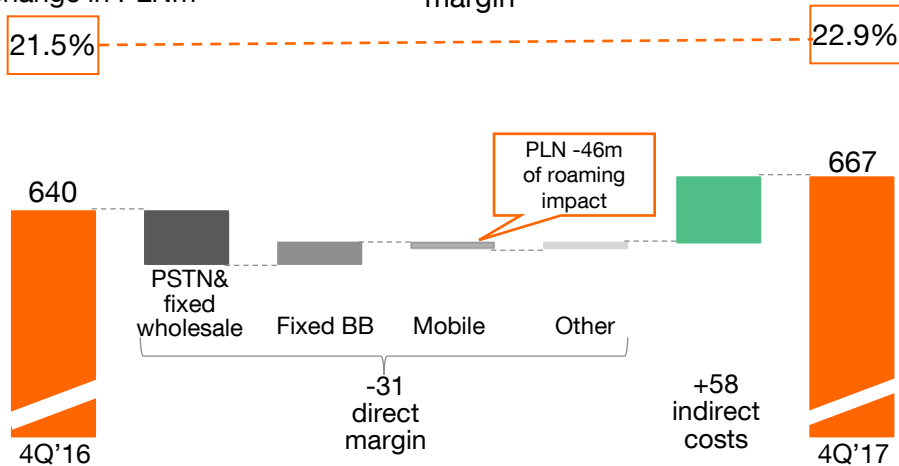
ARPU diluted by growth of wireless for fixed customers



4Q adjusted EBITDA up 4% yoy supported by value-focused strategy

Adjusted EBITDA evolution

yoy change in PLNm



Direct margin:

- Mobile reflects much lower handset subsidies, optimisations of commissions and negative impact of roaming like at home
- Fixed broadband is growing for the third consecutive quarter driven by operating leverage and convergent strategy
- Further decline of legacy business lines

Indirect costs:

- Strong savings in advertising and promotion driven by streamlining of the number of campaigns and promotions (focus of Orange Love, no more pre-paid registration)

employment down

6.0% yoy

(in kFTE end of period)

15,9



4Q'16

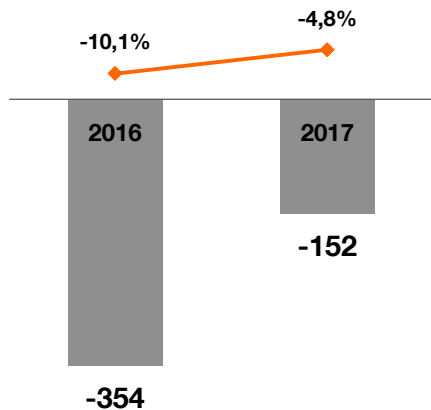
14,9



4Q'17

2017 adjusted EBITDA performance: substantial progress towards stabilisation and return to growth

Much lower adjusted EBITDA decline...

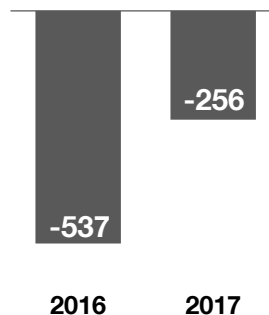


■ adjusted EBITDA yoy change (mPLN)

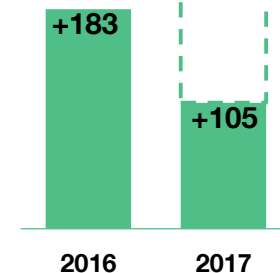
↗ yoy change

... driven by improvement in direct margin trend and optimisation of indirect costs

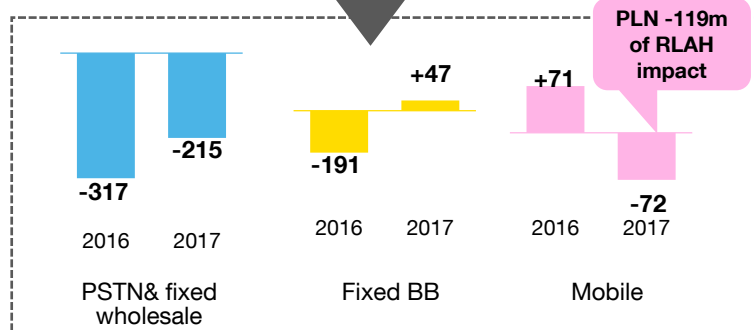
direct margin yoy change (PLNm)



Indirect costs yoy change (PLNm)



Underlying indirect costs in 2017 down 4.8% yoy vs 12-15% expected reduction by 2020 vs 2016



Net income reflects provisions related to new Social Agreement

in PLNm	FY'16	FY'17	4Q'16	4Q'17	Change
reported EBITDA	3,163	2,807	640	471	-169
depreciation and amortization	-2,725	-2,572	-694	-648	+46
impairment of non-current assets	-1,792	-6	-1,794	-	+1,794
reported operating income/(loss)	-1,354	229	-1,848	-177	+1,671
net financial costs	-359	-304	-88	-59	+29
income tax	-33	15	38	38	-
reported net loss	-1,746	-60	-1,898	-198	+1,700

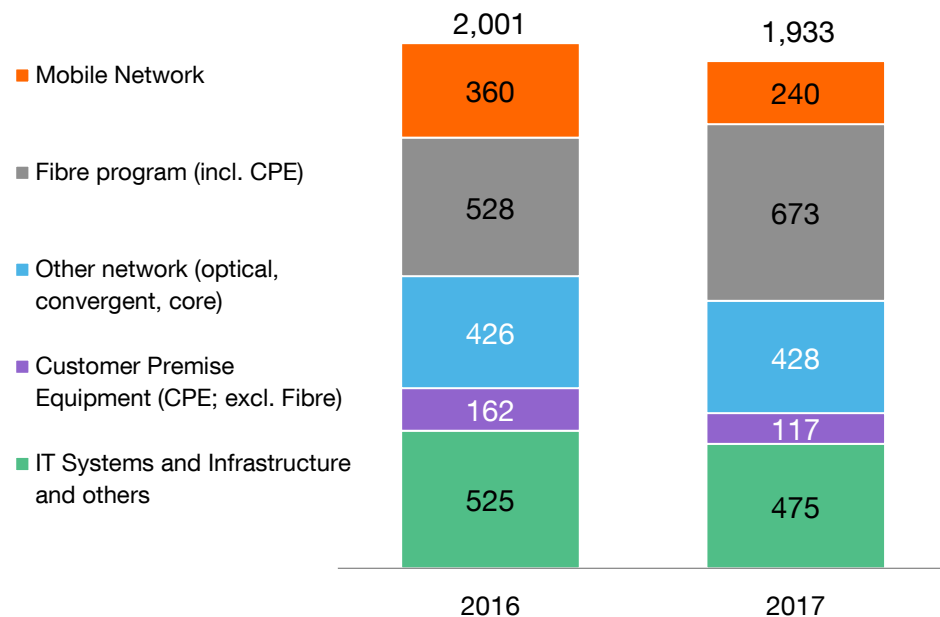
Reported EBITDA includes PLN 196m effect of provisions related to new Social Agreement

D&A trend includes PLN 30m effect of extension of useful life for some fixed assets

Net financial costs reflect strengthening of PLN to EUR positively impacting discount expense (mainly related to UMTS licence)

Capex reflects connectivity investments and optimisations

Investment areas (in PLNm)



- **Fibre capex up 27% yoy and constituted 35% of total:**
 - Capex per household connectable ~PLN 500 broadly flat yoy
 - Total fibre capex lower than expected (around PLN 800m) mainly due to slightly less households covered and lower capex dedicated to B2B customers
- **Capex ex-fibre down 14% yoy to below PLN 1.3bn:**
 - Mobile capex down 33% mainly due to lower spend on new sites and completion of VoLTE project in 2016

Cash flow in 4Q reflects higher cash payments for capex

in PLNm	FY'16	FY'17	Change	4Q'16	4Q'17	Change
Net cash flow from operating activities before change in working capital	2,604	2,500	-104	527	507	-20
Change in working capital	-55	-436	-381	-10	34	+44
CAPEX ex LTE spectrum	-2,001	-1,933	+68	-777	-673	+104
Change in CAPEX payables*	-47	-133	-86	401	239	-162
LTE auction deposits / Acquisition of LTE spectrum	-3,148	-	+3,148	-	-	-
Investment grants received**/paid to fixed assets	-	296	+296	-	30	+30
Sales of assets	119	113	-6	24	16	-8
Organic cash flow	-2,528	407	+2,935	165	153	-12
LTE auction deposits / Acquisition of LTE spectrum	3,148	-	-3,148	-	-	-
Investment grants received**/paid to fixed assets suppliers	-	-296	-296	-	-30	-30
Adjusted organic cash flow	620	111	-509	165	123	-42

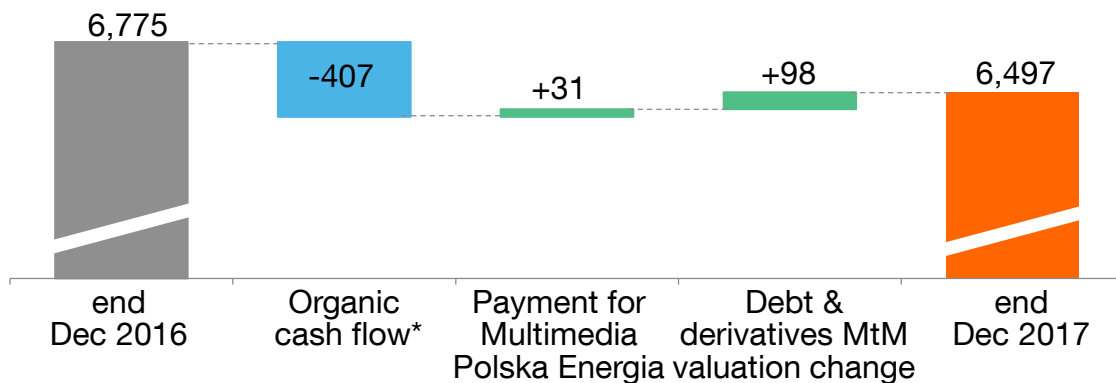
* including exchange rate effect on derivatives economically hedging capital expenditures, net

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

Excluding investment grants net debt flat vs end of 2016

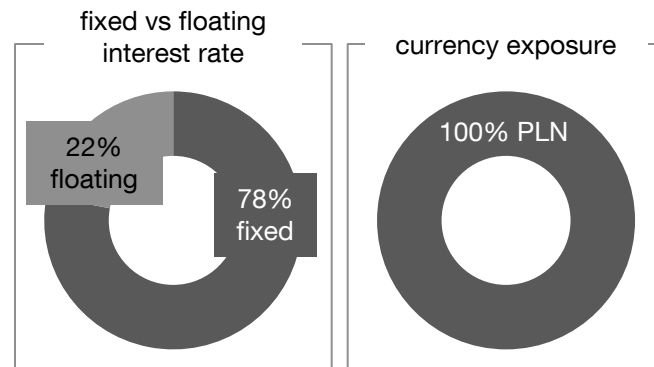
net debt evolution

change in PLNm



2.1x	net debt to adjusted EBITDA	2.2x
4Q'16		4Q'17
3.3%	effective interest rate on debt	3.4%

Debt after hedging breakdown



- 3.0 years – debt average duration after refinancing of PLN 2.25bn in February (sourced by Orange SA)

* as presented on slide #3

2018 outlook

Jean-François Fallacher
Chief Executive Officer

Maciej Nowohoński
Chief Financial Officer

Summary 2017



**Orange.one
strategy**



**Shift in the
commercial
approach**



**Success of
convergence**



**Rebound in fixed
broadband**



**Better financial
performance**

2018 key anticipated trends and guidance

2017

2018 expectations

top-line evolution	PLN 11.4bn -1.4% yoy	<ul style="list-style-type: none"> Supported by national roaming contract with Play Further focus on convergence strategy Legacy revenue (PSTN, wholesale) in continued structural decline
capital expenditures	PLN 1.9bn 17.0% of revenue	PLN 2.0-2.2bn, including 700-800m on fibre rollout (c.1m new households connectable in fibre)
net debt to adjusted EBITDA	2.2x	Not higher than 2.6x including potential EC fine payment***
adjusted EBITDA	PLN 3.0bn*	2018 guidance Around PLN 3.0bn (stable vs 2017)****
dividend	none	2018 dividend recommendation Management has decided to maximise cash allocation to strategic investment projects and implementation of Orange.one strategy and therefore will recommend not paying any dividend in 2018**

* adjusted as presented on slide #3

** proposal subject to approval of Annual General Meeting of Shareholders

*** Under IAS18 accounting standard (not higher than 2.8x under IFRS15 accounting standard)

**** Under IAS18 accounting standard (around PLN 2.75bn under IFRS 15 accounting standard)

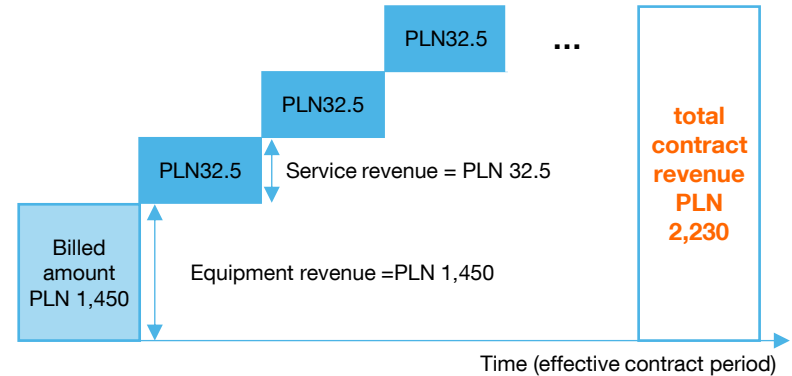
IFRS15: Key concepts

An illustration of equipment and service revenues recognition under new and old accounting standard

a client subscribes to a 24-month communication contract and pays PLN1,450 for the telephone (the subsidy granted is PLN170) and pays PLN32.5 per month for the communication service

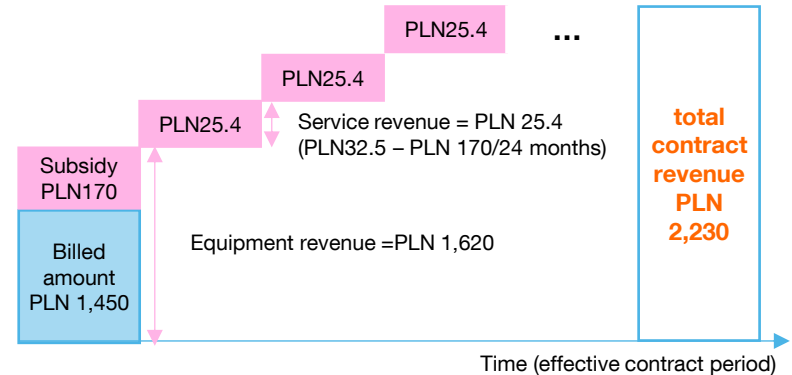
Old standard (IAS18)

- **Equipment revenues = billed amount (lower than the cost of a handset if sold with a subsidy)**
- **Service revenues = billed amount over the contract period**
- **Costs of commissions expensed as incurred**



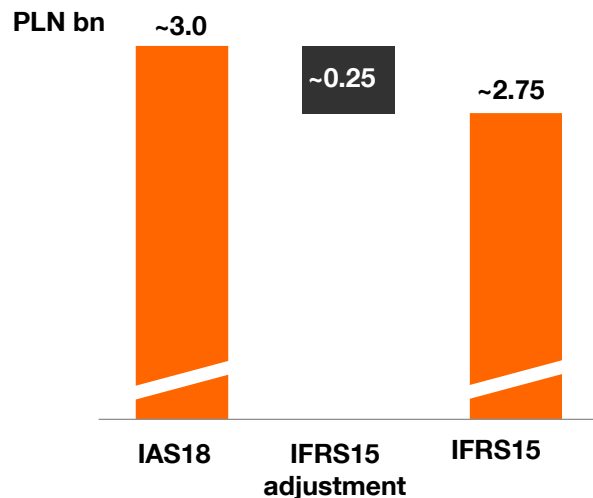
IFRS 15 (as adopted by OPL)

- **Handset revenues = handset cost (if sold with a subsidy)**
- **Service revenues = billed amount less subsidies spread over effective contract period**
- **Costs of commissions spread over effective contract period**



IFRS15 expected impact on EBITDA in 2018

2018 FY adjusted EBITDA guidance



- Orange Polska has decided to implement IFRS15 prospectively:
 - No comparative figures for past years restated to IFRS15 will be provided
 - 2018 results (P&L) will be reported under both IFRS15 and old standard
- Such approach will assure continuity of performance vis a vis guidance and already known business trends
- 2018 EBITDA under IFRS15 will be lower by c. PLN 250m versus IAS18 due to timing of revenue recognition for contracts with subsidised handsets and drastic reduction of subsidies in 2017
 - Historic handset subsidies on existing contracts will be recognised as contract asset (and retained earnings) on the balance sheet and amortised in the years ahead against service revenues

Orange.one financial ambitions confirmed

		2018	2019	2020
Revenue	Growth areas to increasingly offset pressure on legacy		stabilisation	growth
Adjusted EBITDA	To be supported by better revenue trend, operating leverage and continued cost optimisation	Stabilisation*	growth**	growth**
CAPEX	Reflects connectivity programme and business transformation needs	PLN2.0-2.2bn	PLN2.0-2.2bn***	PLN~2.0bn***
Net debt	Decreasing from 2019			

* Under IAS18

** Under IAS18 & IFRS 15

*** ambitions

Q&A

Appendix

IFRS15: the impact of a historical downward trend of subsidy

Reallocation mechanism

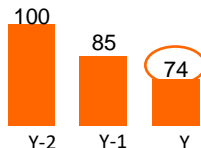
Example of the impacts on P&L

A historical downward trend of subsidy budget will trigger a negative impact on total revenue

The example is based on the following assumption:

- Subsidies in Y-2 equal to 100
- Enforceable period of 20 months (with an equal distribution of annual subsidies per month)
- Whatever the year, subsidies granted are recovered as follows: 32% in the 1st year; 56% in the 2nd year and 12% in the 3rd year (Those % represent the average subsidy recovery whether subsidies are granted in January or December of a given year)

Decreasing subsidies



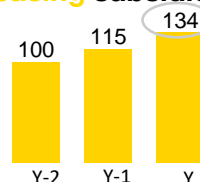
Impact on equipment revenue **+74**

Impact on service revenue: **-83,3***

$$*(100*12\%+85*56\%+74*32\%)$$

Total impact on revenue: **-9,3**

Increasing subsidies



Impact on equipment revenue **+134**

Impact on service revenue: **-119,3***

$$*(100*12\%+115*56\%+134*32\%)$$

Total impact on revenue: **+14,7**

Stable subsidies

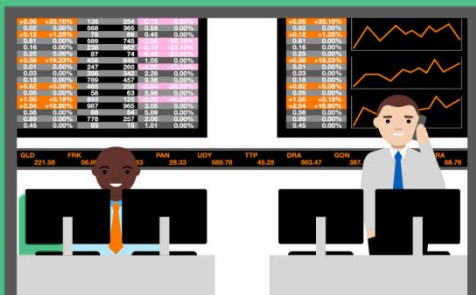


Impact on equipment revenue **+100**

Impact on service revenue: **-100***

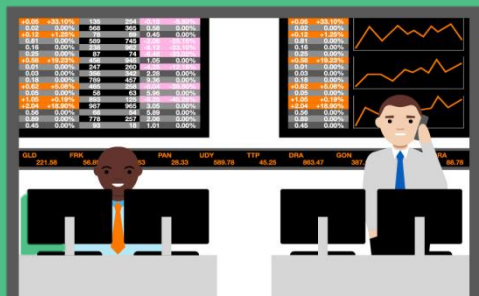
$$*(100*12\%+100*56\%+100*32\%)$$

Total impact on revenue: **0**



Reallocation mechanism

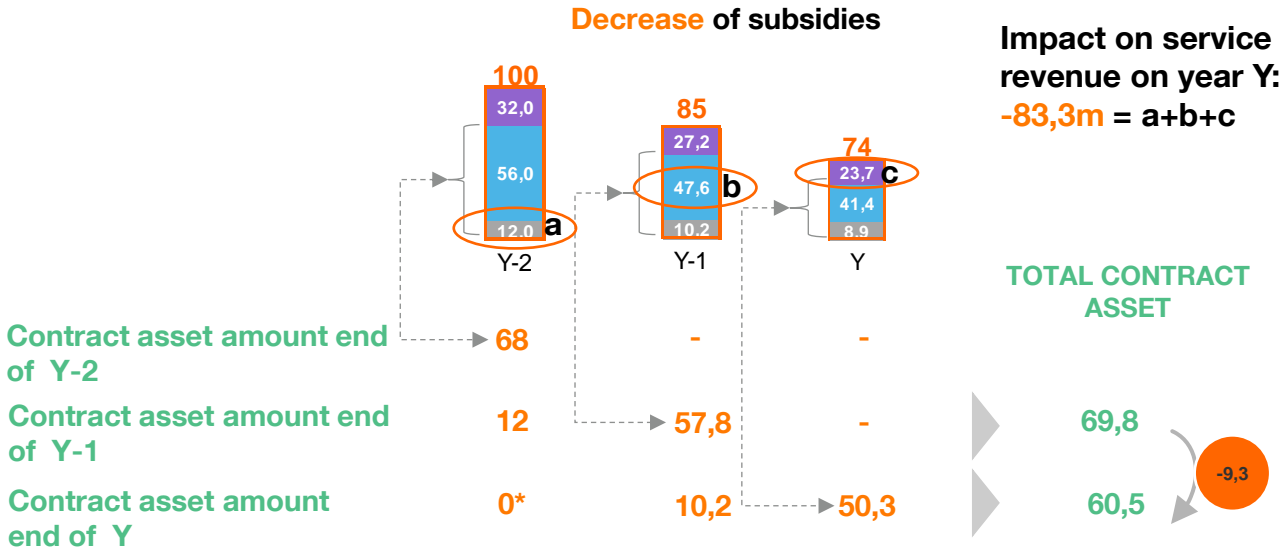
Example of the impacts on balance sheet



The contract asset balance reflects the subsidy policy of the previous periods

The example is based on the following assumption:

- Subsidy of Y-2 equals to 100
- Enforceable period of 20 months (with an equal distribution of annual subsidies per month)
- Whatever the year, subsidy granted are recovered as follow: 32% in the 1st year; 56% in the 2nd year and 12% in the 3rd year (Those % represent the average subsidy recovery whether subsidy in granted in January or December of a given year)



Contract asset amount end of Y-2

Contract asset amount end of Y-1

Contract asset amount end of Y

* When contract asset is equal to 0 it means that there is no more discrepancy between cash collected and revenue recognized from past and current commercial acts.

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)
ARPU	Average Revenue per User
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
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