

Orange Polska 1Q'19 results

.one

30 April 2019

orange™



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.

Reconciliation of operating performance measure to financial statements

Disclosures on performance measures 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 2019 (available at <http://orange-ir.pl/results-center/results/2019>)

<i>in PLNm</i>	1Q 2019 IFRS16	1Q 2018 IAS17
Operating income	71	33
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	583	641
Interest expense on lease liabilities	-10	-1
Estimation of IFRS 16 impact on operating leases for Q1 2018	-	-6
Depreciation of property, plant and equipment financed by finance lease in Q1 2018	-	-9
Adjustment for the impact of employment termination programs	-2	-
Adjustment for the impact of deconsolidation of subsidiaries	1	1
EBITDAaL (EBITDA after Leases)	643	659

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Highlights

Jean-François Fallacher
Chief Executive Officer

1Q results on track with full-year plans and Orange.one strategy

	2019 guidance/ outlook	1Q 2019	
Revenue	growth	PLN 2.78bn +2.6% yoy	<ul style="list-style-type: none"> >3% yoy growth of core revenues driven by convergence (+27% yoy) and IT/IS (+31% yoy)
EBITDAaL	growth	PLN 643m -2.4% yoy (flat yoy ex gain on sale of assets)	<ul style="list-style-type: none"> Stable excluding gains on sale of assets and supported by indirect costs optimisations (-4% yoy) Full-year guidance confirmed based on new value creative initiatives and ongoing business transformation
CAPEX	PLN 2.0-2.1bn	PLN 463m +32% yoy	<ul style="list-style-type: none"> Front-end loaded capex resulting from ongoing projects Full-year outlook confirmed

Orange Love offer refreshed to bring more value

New

Orange Love
Standard

99.99 PLN



Broadband up to 100 Mb/s



Unlimited voice + SMS
5GB



Home phone



104 TV channels
Incl. 55 HD and 2 **4K**



Orange Love
Extra

149.99 PLN

Broadband up to 100 Mb/s

Unlimited voice + SMS
10 GB ∞

Home phone

168 TV channels
Incl. 100 HD and 3 **4K**



Orange TV Go

Orange Love
Premium

219.99 PLN

Broadband up to 100 Mb/s

Unlimited voice + SMS
20 GB ∞

Home phone

181 TV channels
Incl. 113 HD and 3 **4K**



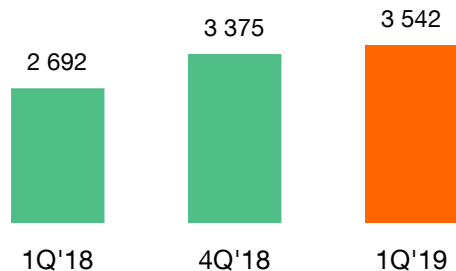
Orange TV Go i **HBO GO**

- Newly created packages with richer TV content and higher mobile data plans to widen customer choice
- Previous flexibility of TV content upsell maintained

Monetisation of fibre drives transformation of fixed broadband base

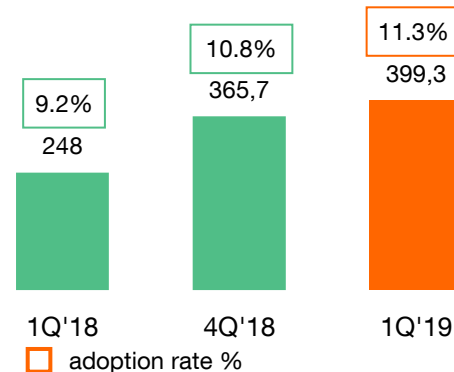
Fibre households connectable – network rollout on track

(in k)



Fibre customer base up 61% yoy

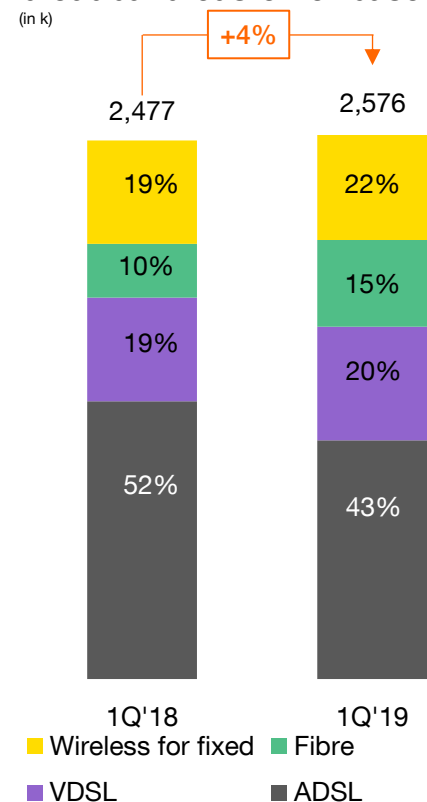
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- 168k new households connectable in 1Q (full-year target of c. 800-900k maintained)
 - Focus on POPC project (connections of schools) and single family houses (c.30% of all new households)
- Fibre services available in 119 cities. In 60 of them coverage exceeds 50% of all households
- 34k net customer additions in 1Q (flat yoy)
 - 85% of fibre gross adds new customers to OPL

VHBB (fibre+VDSL): 35% of total broadband customer base

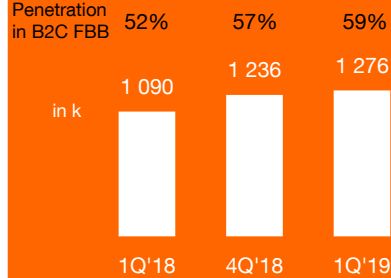
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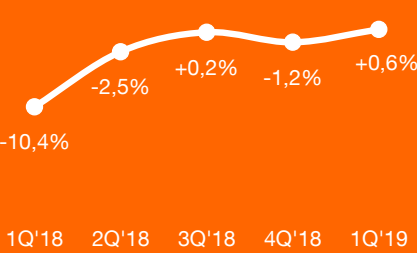
Value creation balancing solid commercial performance and ongoing business transformation

COMMERCIAL

Growing B2C convergent customers



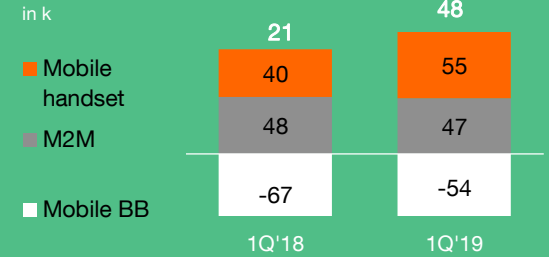
Convergence ARPO has stabilised



Less churn with convergence (annualised)

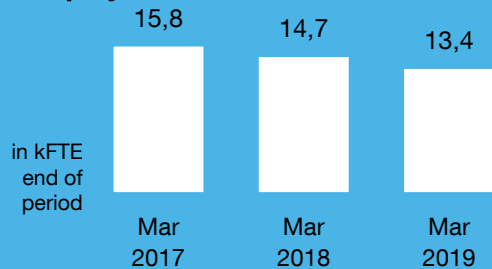


Growing mobile post-paid net adds

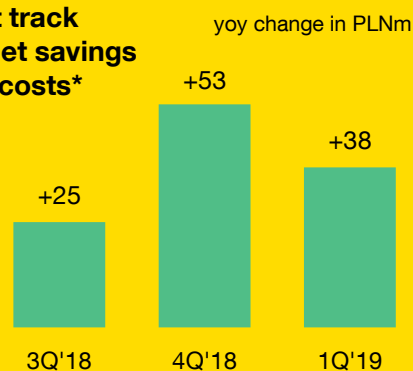


TRANSFORMATION

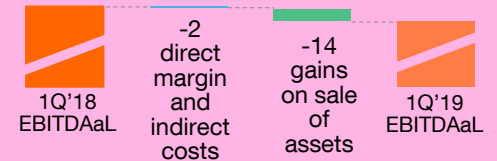
Simplification and automation drive employment evolution



Consistent track record in net savings in indirect costs*



Savings in indirect costs* almost entirely offset decline in the direct margin



* Excluding gains on sale of assets

Acquisition of BlueSoft strengthens B2B operations and opens up high-growth segments of ICT market

Transaction (subject to approval of the antimonopoly authority)



c.PLN 200m
(enterprise value)

c.PLN 149m paid upon signing of the final agreement, the rest settled before end of 2022

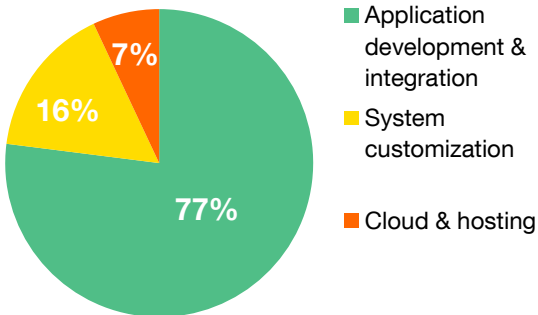
BlueSoft key financials - 2018



Revenues: PLN 123m
EBITDA: PLN 25m

Broad range of vendor agnostic skills with long track record and proven growth

2018 revenue structure



Main customers

Banking & insurance

Telecoms

Utilities

Logistics

Pharma

Business rationale

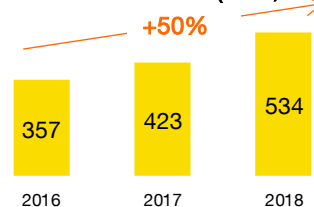
- Perfectly complements OPL offer for large business customers who are in digitization process and demand end-to-end IT solutions
- OPL offer unique on the market, providing full technology stack: from connectivity to cloud and digital software solutions



We expect 5-10% annual revenue upside (combined ICT business) from cross selling BlueSoft solutions to OPL customers and OPL services to BlueSoft customers, from 2020

- Supports ambition of Orange.one strategy to double ICT revenues by 2020

OPL ICT revenues (PLNm)

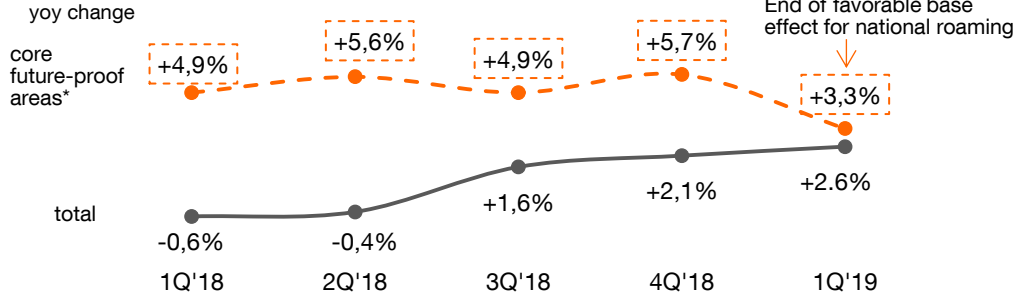


Financial review

Maciej Nowohoński
Chief Financial Officer

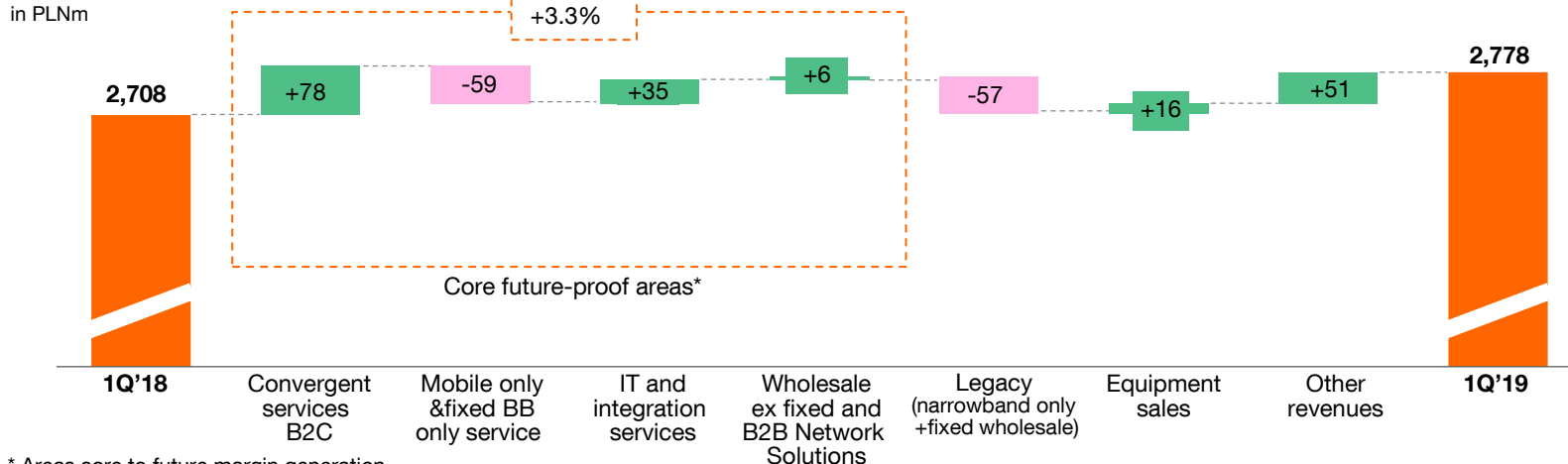
Revenue growth driven by convergence, IT/IS and energy resale

Revenue evolution



- Further dynamic growth of convergence revenues (+27% yoy)
- Mono services reflect better underlying trends and fading effect of past subsidies
- Another strong quarter for IT/IS (+31% yoy)
- Other revenues benefit from much higher energy resale
- Overall trend no longer supported by yoy growth in national roaming (wholesale)

Revenue evolution breakdown

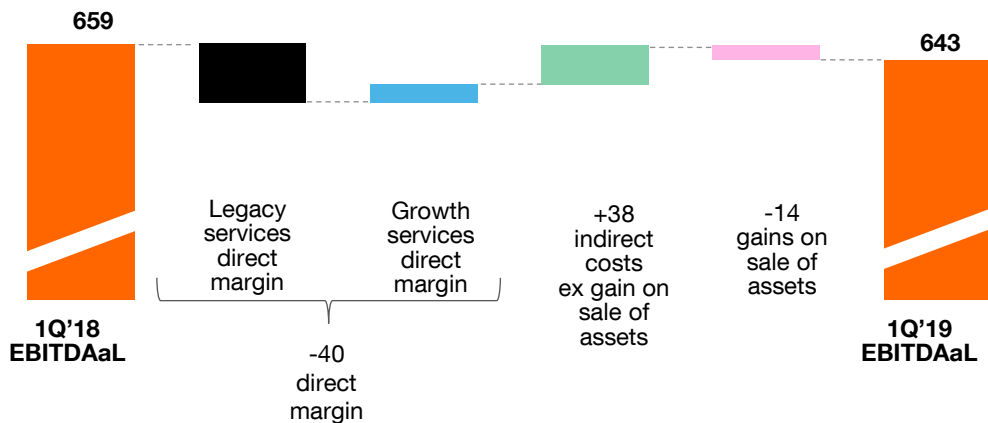


* Areas core to future margin generation

1Q EBITDAaL stable excluding gains on sale of assets

EBITDA evolution

(yoy change in PLNm)



Full-year guidance for EBITDAaL growth in 2019 confirmed

Direct margin:

- Ongoing pressure from high-margin legacy services (PSTN revenues down 15% yoy)...
- ...partly offset by convergence, fibre and IT/IS

Indirect costs:

- Lower labour costs reflect the second year of Social Plan implementation
- Ongoing transformation of business areas (network, advertising & promotion, CRM subcontracting)
- Lower yoy gains on disposal of assets

employment down
9% yoy
(in kFTE end of period)

14,7



1Q'18

13,4

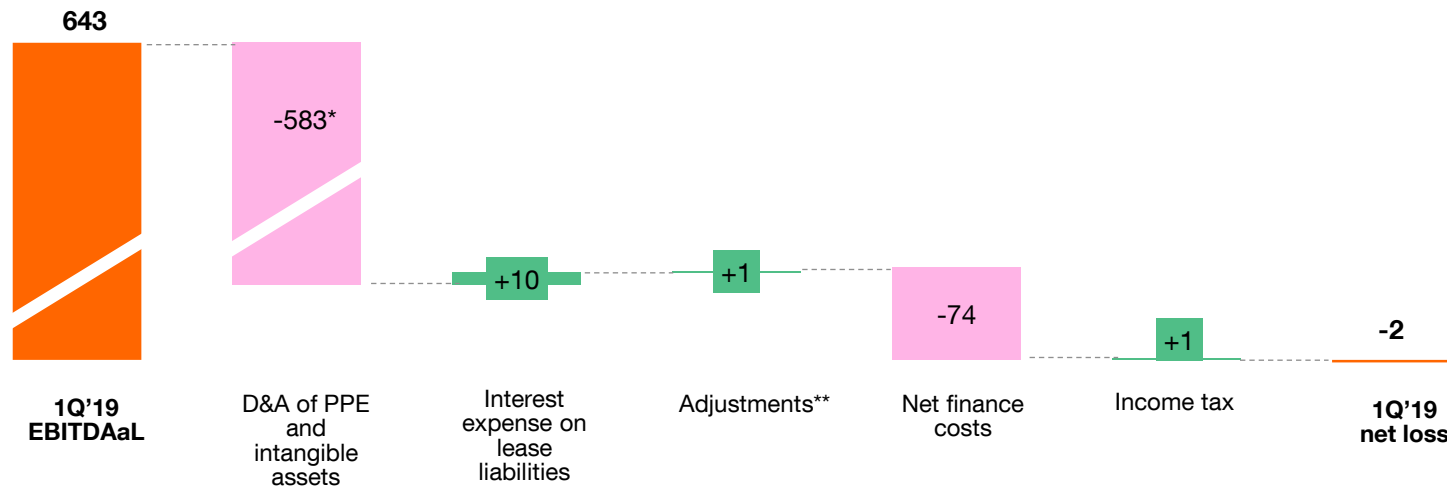


1Q'19

Bottom line supported by lower depreciation and financial costs

Evolution from EBITDAaL to the bottom line in 1Q 2019

(PLNm)



* reflects PLN 48m positive impact of extension of useful life of certain assets

** as presented on slide 3

Cash flow in 1Q reflects seasonally high payments for capex and high proceeds from sale of assets

in PLNm	1Q'19 IFRS16	1Q'18 IAS17	Change
Net cash flow from operating activities before change in working capital	630	586	n/a*
Change in working capital	-101	-204	+103
Net cash flow from operating activities	529	382	n/a*
CAPEX	-463	-351	-112
Change in CAPEX payables**	-201	-215	+14
Sales of assets	103	32	+71
Repayment of lease liabilities	-67	-7	n/a*
Organic cash flow	-99	-159	+60

* 2018 presented under IAS17 while 2019 under IFRS16

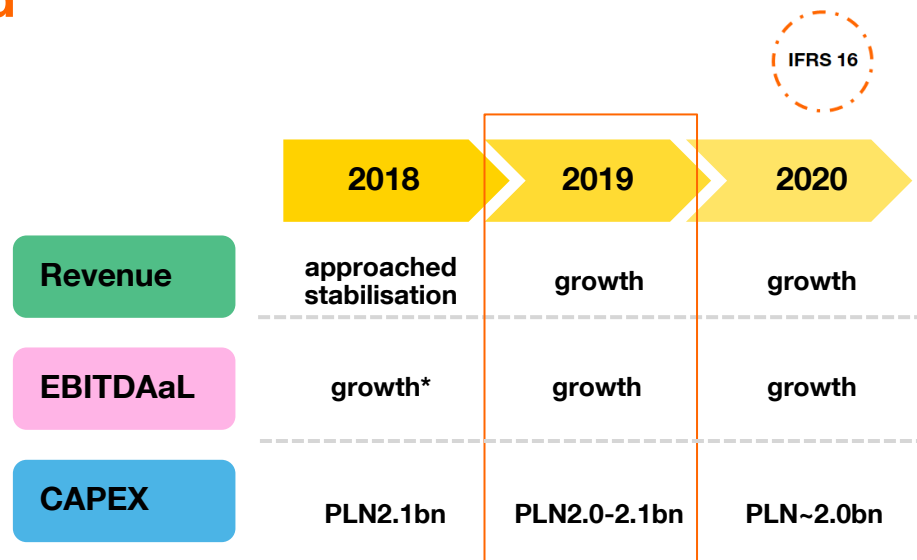
** including exchange rate effect on derivatives economically hedging capital expenditures, net

Conclusions

Jean-François Fallacher
Chief Executive Officer

2019 financial ambitions confirmed

- Solid commercial performance and stable underlying business trends in 1Q
 - Value accretive actions in the pipeline
- Transformation of the business continues, in line with Orange.one strategy:
 - Business processes continue to be simplified, automatised and digitalised
- We reiterate our full-year guidance for growth of revenues and EBITDAaL



* Adjusted EBITDA growth under IAS18

Q&A

Orange Polska published 2018 Integrated Report

available at:
[http://orange-ir.pl/sites/default/files/
Orange Polska Integrated Raport 2018.pdf](http://orange-ir.pl/sites/default/files/Orange_Polska_Integrated_Raport_2018.pdf)



Orange Polska
Integrated Report 2018

Glossary (1/2)

4G	fourth generation of mobile technology, sometimes called LTE (Long Term Evolution)
ARPO	Average Revenue per Offer
data user	a customer who used mobile data transmission in a given month
Convergent services	Revenues from B2C convergent offers (excluding equipment sales). A convergent offer is defined as an offer combining at least a broadband access (xDSL, FTTx, cable or wireless for fixed) and a mobile voice contract (excluding MVNOs) with a financial benefit. Convergent services revenues do not include incoming and visitor roaming revenues
Core future-proof areas	Areas core to future margin generation consisting of: convergent services B2C, mobile only, fixed BB only, IT and integration services, B2B network solutions, wholesale revenues excluding fixed wholesale
EBITDA	Operating income + depreciation and amortization + impairment of goodwill + impairment of non-current assets
EBITDAaL	EBITDA after leases
FBB	Fixed Broadband
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
Fibre access network project	rollout of fixed broadband access network based on fibre technology which provides the end user with speed of above 100Mbps
Fixed broadband-only services	Revenues from fixed broadband offers (excluding B2C convergent offers and equipment sales) including TV and VoIP services
FTE	Full time equivalent

Glossary (2/2)

Growth services	Convergent services, mobile retail and wholesale, fixed broadband, IT and integration services, equipment and B2B network solutions and adjacent services
Households (HH) connectable in fibre technology	Households where broadband access service based on fibre technology can be rendered
ICT	Information and Communication Technologies
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
VoIP	Voice over Internet Protocol
Mobile-only services	Revenue from mobile offers (excluding consumer market convergent offers) and Machine to Machine (M2M) connectivity. Mobile only services revenue does not include equipment sales, incoming and visitor roaming revenue
Wireless for fixed	fixed broadband cell-locked wireless access offered by Orange Poland for home/office zone with rich data packages
Organic Cash Flow	Organic Cash Flow = Net cash provided by Operating Activities – (CAPEX + CAPEX payables) + proceeds from sale of assets
SIMO	mobile SIM only offers without devices
VDSL	Very-high-bit-rate Digital Subscriber Line
VHBB	Very high speed broadband above 30Mbps