



Current Report (11/2019)
Orange Polska S.A., Warsaw, Poland
29 April, 2019

Pursuant to Article 17(1) of the Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, the Management Board of Orange Polska S.A. hereby provides selected financial and operating data related to the activities of the Orange Polska Capital Group ("the Group", "Orange Polska") for 1Q 2019.

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

Orange Polska in 1Q2019 reports solid commercial performance and stable underlying business trends. Full-year plans confirmed

key figures (PLN million)	1Q 2019 (IFRS16)	1Q 2018 comparable basis (IFRS16)	Change	1Q 2018 reported (IAS17)
revenue	2,778	2,708	+2.6%	2,710
EBITDAaL*	643	659	-2.4%	n/a
EBITDAaL margin*	23.1%	24.3%	-1.2 p.p.	n/a
operating income	71	n/a	n/a**	33
net loss	-2	n/a	n/a**	-50
capex*	463	351	+31.9%	388
organic cash flow*	-99	-159	+37.7%	-155

* EBITDAaL (EBITDA after Leases) is management's new principal financial indicator of operating performance using IFRS16 figures. Since the adoption of IFRS16, EBITDA is considered less representative of operating performance because it excludes operating expenses due to leases. Operating income is considered less representative of operating performance owing to the impact of changes in asset lives. At the same time, to preserve consistency, certain other alternative performance measures (capex, organic cash flow and net debt) were slightly amended and comparative unaudited figures were provided for 2018. More information is presented in the note 2 to the financial statements for 1Q 2019.

**Year-on-year evolution of operating income and net income is not comparable because of the changes in accounting standards. Starting from 2019 Orange Polska applied a new accounting standard IFRS16 without restatement of comparative periods. Data for 1Q 2018 were prepared under previous accounting standard IAS17.

KPI ('000)	1Q 2019	1Q 2018	Change
convergent customers (B2C)	1,276	1,090	+17.1%
mobile accesses (SIM cards)	14,837	14,368	+3.3%
post-paid	9,970	9,747	+2.3%
pre-paid	4,867	4,621	+5.3%
fixed broadband accesses (retail)	2,576	2,477	+4.0%
fixed voice lines (retail)	3,328	3,613	-7.9%

1Q 2019 highlights:

- **EBITDAaL (EBITDA after Leases) down 2.4% year-on-year mainly reflecting:**
 - Stable underlying business trends (excluding gains on sale of assets EBITDAaL is flat year-on-year)
 - Further support from business transformation: indirect costs down 4% year-on-year (excluding gains on sale of assets)
 - PLN 14 million lower year-on-year gains on sale of assets
- Full-year guidance for growth of revenues and EBITDAaL confirmed
- Revenue up 2.6% yoy, reflecting:
 - Strong growth rate of convergence revenues, IT/IS and other (boosted by energy resale)
 - Lower mobile-only and fixed broadband-only revenues due to migration to convergence and churn
 - Ongoing pressure on legacy areas
- Solid commercial performance in convergence, fibre and post-paid mobile:
 - 17% year-on-year growth of B2C convergent customers, +40k net adds in 1Q
 - 61% year-on-year growth of fibre customers, +34k net adds in 1Q (adoption rate at 11.3%)
 - 2.3% year-on-year growth of post-paid mobile, +48k net adds in 1Q
- Capex at PLN 463m, +32% year-on-year, reflecting more even phasing of capex between quarters in 2019
- 3.5 million households connectable with fibre at the end of March (168k added in 1Q)
- Organic Cash Flow at PLN -99 million reflects seasonally high payments for capex

Commenting on 1Q 2019 performance, Jean-François Fallacher, Chief Executive Officer, said:

“In 1Q, in line with the priorities set out in our Orange.one strategic plan, we maintained our focus on value: pushing convergence, monetising fibre and continuing to transform the business. These are the critical factors for the success of our turnaround strategy. In March we refreshed our Orange Love offer: we created two new packages for customers looking for richer TV content and more abundant mobile data packages. We anticipate good customer reception and higher value generation. Our convergent customer base keeps on increasing, and already includes almost 60% of individual fixed broadband customers.

Our fibre network now covers in excess of 3.5 million households – almost 25% of all households in Poland. Furthermore, in all the major cities (above 100,000 population) our reach is already close to 50%. Such a wide, truly fibre-to-the-home network is a unique asset that gives us a powerful advantage in the competitive marketplace. Our fibre customer base passed the 400,000 milestone at the beginning of April. The service adoption rate exceeded 11% and keeps on increasing every quarter.

We are satisfied with the solid commercial performance and stable underlying business trends in 1Q, and we are looking forward to the second quarter when we plan to launch a number of attractive and value-accretive offers.”

Financial Review

Revenues up by 2.6% year-on-year

Revenues totalled PLN 2,778 million in 1Q, up 2.6% or PLN 70 million year-on-year. There were five main factors influencing the revenue trend.

Firstly, high growth of revenues from convergent services (27% year-on-year) driven by robust customer growth and upsell of new services. Secondly, revenues from mobile-only and fixed broadband-only services decline (6.4% year-on-year) as a result of migration to convergence, value focus reflected in service pricing and market competition. However combined revenues of these three categories were up 1.6% year-on-year in 1Q.

Thirdly, revenues from IT and integration services continued to grow quickly advancing by 31% year-on-year. This is consistent with the adopted strategy of focusing on process digitalisation of business customers. Fourthly, the year-on-year trend of wholesale revenues is no longer supported by higher national roaming revenues. Finally, successful development of energy resale business boosted other revenues (up 110% year-on-year).

Commercial performance reflects focus on convergence

Our commercial activity is very much focused on delivering a package of mobile and fixed services, which we define as convergence. It is our competitive edge, it increases customer loyalty and allows us to upsell more services, winning a higher share of household media and telecom budgets.

In 1Q our B2C convergent customer base increased by 40,000 or 17% year-on-year. At the end of March, 59% of our B2C broadband customers were convergent versus 52% a year ago. In B2C mobile handset customer base, penetration of convergence increased to 48% versus 40% at the end of March 2018. The total number of services used by B2C convergent customers exceeded 5.2 million, which implies that on average every customer uses more than four services. ARPO from convergent customers was broadly stable, both year-on-year and quarter-on-quarter.

Total fixed broadband customer base increased by 16,000 or 4% year-on-year. The share of high-speed broadband customers increased to 35% from 29% a year ago. It is driven by growth of fibre customer base which expanded 61% year-on-year, adding 34,000 in 1Q. Our non-convergent broadband customer base continues to shrink as a result of migration to convergence but also due to churn.

Total post-paid customer base increased by 48,000 in 1Q 2019. In handset offers, net customer additions of 55,000 reflected solid performance of convergence and low erosion of mobile-only customer base. ARPO from mobile-only handset offers was down 8% year-on-year, an improvement over 9% year-on-year decline in 4Q 2018 and 10% decline year-on-year in full-year 2018.

In fixed voice, the net loss of lines was 79,000 with key trends broadly unchanged. The number of VoIP services is growing, as they are part of the Orange Love package. Excluding VoIP services, the loss of lines is stable and continues to reflect structural negative market trends.

EBITDAaL down 2.4% year-on-year but stable excluding gains on disposal of assets

EBITDAaL for 1Q 2019 came in at PLN 643 million and was down 2.4% year-on-year. However it was broadly flat excluding PLN 14 million year-on-year lower gains on sale of assets. Decline in the direct margin was almost entirely compensated by further indirect costs optimisations. Lower direct margin resulted from ongoing pressure on high-margin legacy services that was only partly offset by growth in convergence and IT/IS. Indirect costs (excluding gains on sale of assets) were down 4% year-on-year and reflected mainly further savings in labour (the second year of social plan implementation), advertising & promotion and CRM subcontracting.

Bottom line reflects EBITDAaL performance, extension of useful life of certain assets and lower financial costs

Net loss for 1Q 2019 came in at PLN 2 million. It was a result of EBITDAaL performance, depreciation (that reflected PLN 48 million positive impact of extension of useful life of certain assets) and lower year-on-year financial costs (as discount expense benefitted from lower provisions and favorable FX movements). The net result in 1Q 2019 is not entirely comparable with 1Q 2018 due to the change in accounting standards.

Organic Cash Flow reflects mainly seasonally high payments for capex

Organic cash flow for 1Q 2019 came in at PLN -99 million, an improvement over PLN -159 million in 1Q 2018. Capital expenditure cash outflows were PLN 664 million in 1Q 2019 and were around PLN 100 million up year-on-year as a result of higher capex of the current quarter. This was however offset by two positive developments. Firstly, working capital requirement was around PLN 100 million lower than in 1Q 2018, mainly due to lower incremental growth of instalment receivables and higher year-on-year positive effect of reverse factoring transactions. Secondly proceeds from sale of assets amounted to PLN 103 million and included cash from certain transactions finalised in 2018.

Commenting on 1Q 2019 results, Maciej Nowohoński, Chief Financial Officer, said:

“Our financial performance in 1Q 2019 was in line with our expectations. Excluding variations in the closure dates of real estate disposals, EBITDA after Leases (our new operating performance indicator under IFRS16 accounting standard) was stable year-on-year. We continue to execute our value-oriented commercial strategy and to optimise indirect costs. We are confident that this approach will allow us to grow our profitability in the quarters to come. We reiterate our guidance for growth of both revenues and EBITDAaL in 2019 as well as outlook for capex.”

Reconciliation of operating performance measure to financial statements

<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

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>)

Forward-looking statement

This press release 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', 'adjusted' 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 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.

Orange Polska's Management Board are pleased to invite you to the Company's 1Q 2019 results presentation.

30th April 2019

Start: 11.00 CET

Venue address:

Orange Polska S.A.

Aleje Jerozolimskie 160,

(Conference room – ground floor)

02-326 Warsaw, Poland

The presentation will also be available via a live webcast (<http://infostrefa.tv/orange/en>) and via a live conference call

Time:

11:00 (Warsaw)

10:00 (London)

05:00 (New York)

Dial in numbers:

PIN: 51708305#

Poland Toll-Free: 008001215222

Poland Toll: 48225839021

Canada Toll: 14162164194

France Toll: 33172727403

Germany Toll: 4969222225429

Netherlands Toll: 31207095119

United Kingdom Toll: 442071943759

United Kingdom Toll-Free: 08003766183

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Orange Polska Group Consolidated

amounts in PLN millions	2018										2019
	1Q		2Q		3Q		4Q		FY	FY	1Q
	reported (IAS17)	comparable basis (IFRS16)*	reported (IAS17)	comparable basis (IFRS16)*	reported (IAS17)	comparable basis (IFRS16)*	reported (IAS17)	comparable basis (IFRS16)*	reported (IAS17)	comparable basis (IFRS16)*	IFRS16
Revenues											
Mobile services only	688	686	682	680	690	687	676	673	2,736	2,726	640
Fixed services only	627	629	628	620	610	602	596	590	2,461	2,441	569
Narrowband	287	285	275	274	265	263	257	255	1,084	1,077	244
Broadband	232	232	233	232	230	229	226	225	921	918	219
B2B Network Solutions	108	112	120	114	115	110	113	110	456	446	106
Convergent services B2C	291	291	316	316	336	336	353	353	1,296	1,296	369
Equipment sales	351	351	307	307	336	336	410	409	1,404	1,403	367
IT and integration services	112	112	134	144	127	138	216	225	589	619	147
Wholesale	579	579	571	572	576	576	582	582	2,308	2,309	560
Mobile wholesale	312	312	329	329	332	331	334	334	1,307	1,306	310
Fixed wholesale	188	188	176	176	176	176	176	176	716	716	177
Other	79	79	66	66	68	68	72	72	285	285	73
Other revenues	62	60	68	65	80	77	97	91	307	293	126
Total revenues	2,710	2,708	2,706	2,704	2,755	2,752	2,930	2,923	11,101	11,087	2,778
Labour expenses**	(432)	(431)	(397)	(395)	(370)	(368)	(383)	(383)	(1,582)	(1,577)	(403)
External purchases	(1,549)	(1,491)	(1,529)	(1,470)	(1,582)	(1,518)	(1,789)	(1,721)	(6,449)	(6,200)	(1,570)
- Interconnect expenses	(448)	(447)	(471)	(471)	(470)	(469)	(460)	(460)	(1,849)	(1,847)	(446)
- Network and IT expenses	(148)	(146)	(152)	(157)	(148)	(150)	(160)	(162)	(608)	(615)	(148)
- Commercial expenses	(578)	(578)	(551)	(551)	(562)	(561)	(743)	(743)	(2,434)	(2,433)	(583)
- Other external purchases	(375)	(320)	(355)	(291)	(402)	(338)	(426)	(356)	(1,558)	(1,305)	(393)
Other operating incomes & expenses	(51)	(46)	(33)	(31)	(58)	(56)	(77)	(70)	(219)	(203)	(54)
Impairment of receivables and contract assets	(23)	(23)	(41)	(41)	(46)	(46)	(52)	(52)	(162)	(162)	(32)
Gains on disposal of assets***	19	19	3	3	93	93	77	77	192	192	5
Amortization and impairment of right-of-use assets		(67)		(66)		(70)		(74)		(277)	(71)
Interest expense on lease liabilities		(10)		(13)		(14)		(14)		(51)	(10)
Adjusted EBITDA	674		709		792		706		2,881		
EBITDAaL (EBITDA after Leases)		659		691		773		686		2,809	643
% of revenues	24.9%	24.3%	26.2%	25.6%	28.7%	28.1%	24.1%	23.5%	26.0%	25.3%	23.1%
Depreciation, amortisation and impairment of property, plant and equipment and intangibles assets	(641)		(636)		(617)		(647)		(2,541)		(583)
Add-back of interest expense on lease liabilities											10
Adjustment for the impact of employment termination programs**	0		0		0		5		5		2
Adjustment for the impact of deconsolidation of subsidiaries***											(1)
Operating income / (loss)	33		73		175		64		345		71
% of revenues	1.2%		2.7%		6.4%		2.2%		3.1%		2.6%
Finance costs, net	(86)		(87)		(61)		(71)		(305)		(74)
- Interest expense on lease liabilities											(10)
- Other Interest expenses, net (excl. Interest expense on lease liabilities)	(62)		(54)		(54)		(52)		(222)		(50)
- Discounting expense	(24)		(33)		(7)		(19)		(83)		(14)
Income tax	3		(2)		(23)		(8)		(30)		1
Consolidated net income / (loss)	(50)		(16)		91		(15)		10		(2)

*2018 comparable basis includes the following effects resulting from developments in 2019:

(1) In 2019 we made certain changes in grouping of revenue categories between IT & integration services and other lines to better reflect business performance. 2018 figures were adjusted for comparability.

(2) Impact of deconsolidation of subsidiaries

(3) Introduction of EBITDAaL as new measure of operating profitability under IFRS16 resulting in changes in certain cost categories

** Labour expenses exclude adjustment due to employment termination program

*** Gains on disposal of assets exclude impact of deconsolidation of subsidiaries

Orange Polska Group key performance indicators

<i>customer base (in thousands)</i>	2018				2019
	1Q	2Q	3Q	4Q	1Q
Convergent customers	1,376	1,436	1,483	1,547	1,592
o/w B2C	1,090	1,137	1,178	1,236	1,276
o/w B2B	287	298	304	311	316
Fixed telephony accesses					
PSTN	2,738	2,623	2,527	2,426	2,322
VoIP	875	918	953	981	1,006
Total retail main lines	3,613	3,541	3,480	3,407	3,328
o/w B2C convergent	678	718	755	755	778
o/w B2C PSTN convergent	110	104	100	54	44
o/w B2C VoIP convergent	568	614	655	701	734
Fixed broadband access					
ADSL	1,278	1,238	1,200	1,149	1,098
VHBB (VDSL+Fibre)	724	767	807	869	921
o/w VDSL	476	481	484	503	522
o/w Fibre	248	286	324	366	399
CDMA	0	0	0	0	0
Wireless for fixed	475	502	522	542	557
Retail broadband - total	2,477	2,506	2,530	2,560	2,576
o/w B2C convergent	1,090	1,137	1,178	1,236	1,276
TV client base					
IPTV	359	386	410	435	455
DTH (TV over Satellite)	515	514	511	508	503
TV client base - total	875	900	921	943	958
o/w B2C convergent	597	641	680	725	758
Mobile accesses					
Post-paid					
Mobile Handset	7,310	7,358	7,416	7,498	7,553
Mobile Broadband	1,164	1,104	1,052	989	934
M2M	1,273	1,328	1,385	1,436	1,483
Total postpaid	9,747	9,790	9,853	9,922	9,970
o/w B2C convergent	2,085	2,183	2,259	2,369	2,434
Total pre-paid	4,621	4,694	4,761	4,883	4,867
Total	14,368	14,484	14,614	14,805	14,837
Wholesale customers					
WLR	507	487	467	437	408
Bitstream access	165	156	151	144	137
LLU	87	83	80	76	73

<i>quarterly ARPO in PLN per month</i>	2018				2019
	1Q	2Q	3Q	4Q	1Q
Convergent services B2C	100.8	102.4	103.0	101.9	101.4
Fixed services only - voice	36.6	36.4	36.2	36.5	36.3
Fixed services only - broadband	56.5	56.6	56.4	56.0	55.5
Mobile services only	21.9	21.7	21.7	20.9	20.0
Postpaid excl M2M	29.1	28.7	28.6	27.7	26.9
Mobile Handset	31.0	30.5	30.5	29.5	28.6
Mobile Broadband	19.0	18.3	17.7	17.0	16.4
Prepaid	11.9	12.3	12.6	12.2	11.4
Mobile wholesale (convergent + mono)	7.2	7.6	7.6	7.6	7.1

Other mobile operating statistics	2018				2019
	1Q	2Q	3Q	4Q	1Q
Number of smartphones (thousands)	6,886	7,006	7,223	7,447	7,521
AUPU (in minutes)					
post-paid	353.9	349.7	344.6	353.3	357.9
pre-paid	162.0	166.3	164.1	163.6	161.9
blended	285.8	284.7	279.9	284.7	286.5
Quarterly mobile customer churn rate (%)					
post-paid	3.1	2.7	2.8	2.8	2.8
pre-paid	14.6	11.3	10.4	8.9	10.8
SAC post-paid (PLN)	75.2	79.9	95.8	116.1	82.4
SRC post-paid (PLN)	39.7	29.5	35.8	45.8	43.9
Employment structure of Group as reported					
Active full time equivalents (end of period)					
Orange Polska	14,372	13,730	13,492	13,197	13,077
50% of Networks	348	345	347	348	355
Total	14,720	14,075	13,839	13,545	13,432

Terms used:

ARPO – average revenue per offer

Average Usage per User (AUPU) – The average monthly total usage of minutes divided by the average number of SIM cards (excluding M2M) in a given period.

Churn rate – the number of customers who disconnect from a network divided by the weighted average number of customers in a given period.

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.

Convergent services B2C ARPO – The average monthly revenues from convergent services generated by retail customers (B2C) divided by the **average** number of B2C convergent customers in a given period.

Fixed broadband-only services – Revenues from fixed broadband offers (excluding B2C convergent offers and equipment sales), including TV and VoIP services.

Fixed broadband-only services ARPO – The average monthly revenues from fixed broadband only services divided by the average number of accesses in a given period.

Mobile-only services – Revenues from mobile offers (excluding consumer market convergent offers) and Machine to Machine (M2M) connectivity. Mobile-only services revenues do not include equipment sales and incoming and visitor roaming revenues.

Mobile-only services ARPO – The average monthly retail revenues from mobile only services excluding M2M connectivity, divided by the average number of SIM cards (excluding M2M) in a given period.

Mobile-only broadband ARPO – The average monthly retail revenues from SIM cards dedicated to mobile broadband access (excluding B2C convergent offers and equipment sales) divided by the average number of these SIM cards in a given period.

Mobile-only handset ARPO – The average monthly retail revenues from SIM cards dedicated to mobile handset access (excluding B2C convergent offers and equipment sales) divided by the average number of these SIM cards in a given period.

Subscriber Acquisition Cost (SAC) – Customer acquisition costs divided by the number of gross customers added during the respective period. Customer acquisition costs comprise commissions paid to distributors and net subsidies resulting from the sale of the handset.

Subscriber Retention Cost (SRC) – Customer retention costs divided by the number of customers retained during the respective period. Customer retention costs comprise commissions paid to distributors and net subsidies resulting from the sale of the handset.