



Current Report (3/2020)
Orange Polska S.A., Warsaw, Poland
12 February, 2020

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 4Q and full year 2019.

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

In 2019 Orange Polska reports the second consecutive year of EBITDAaL* growth driven by increase in revenues and continued strong cost optimisations. 2020 objectives confirm growth ambitions

key figures (PLN million)	4Q 2019 (IFRS16)	4Q 2018 comparable basis (IFRS16)	Change	4Q 2018 reported (IAS17)	2019 (IFRS16)	2018 comparable basis (IFRS16)	Change	2018 reported (IAS17)
revenue	2,999	2,923	+2.6%	2,930	11,406	11,087	+2.9%	11,101
EBITDAaL**	707	686	+3.1%	n/a	3,006	2,809	+7.0%	n/a
EBITDAaL margin**	23.6%	23.5%	+0.1p.p.	n/a	26.4%	25.3%	+1.1p.p.	n/a
operating income	-155	n/a	n/a***	64	416	n/a	n/a***	345
net income/loss	-186	n/a	n/a***	-15	91	n/a	n/a***	10
capex**	700	767	-8.7%	813	2,140	2,114	+1.2%	2,250
organic cash flow**	334	327	+2.1%	351	737	411	+79.3%	453

* For 2018 the growth refers to adjusted EBITDA. Both adjusted EBITDA (until 2018) and EBITDAaL (from 2019) are key measures of operating profitability used by the Management Board

** 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. Unaudited figures were provided for 2018 for comparative purposes including estimation of EBITDAaL. More information is presented in the Note 3 to the financial statements for FY 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 FY and 4Q 2018 were prepared under previous accounting standard IAS17.

KPI ('000)	4Q 2019	4Q 2018	Change
convergent customers (B2C)	1,369	1,236	+10.8%
mobile accesses (SIM cards)	15,284	14,805	+3.2%
post-paid	10,237	9,922	+3.2%
pre-paid	5,047	4,883	+3.4%
fixed broadband accesses (retail)	2,607	2,560	+1.8%
o/w fibre	520	366	+42.1%
fixed voice lines (retail)	3,109	3,407	-8.7%

Highlights:

- **The second consecutive year of operating profitability growth: 2019 EBITDAaL (EBITDA after Leases) up 7% year-on-year (guidance met) reflecting:**
 - Revenue growth
 - Continued strong cost optimisations: indirect costs down 7% year-on-year in 2019
 - Record high PLN 271 million gains on asset disposals
- **2019 EBITDAaL excluding gains on asset disposals up 4.5% year-on-year**
- **4Q EBITDAaL up 3.1% year-on-year and 15.4% year-on-year ex. gains on asset disposals**
- **2019 revenues up 2.9% year-on-year (reported revenue growth for the first time in 13 years), reflecting:**
 - Strong growth rate of convergence, IT/IS (incl. first year of consolidation of BlueSoft) and equipment revenues
 - Improving trend in mobile-only revenues, reflecting lower erosion of post-paid customer base and gradual improvement in ARPO trend
 - Ongoing pressure on legacy areas
- **Strong commercial performance in convergence, fibre and mobile services:**
 - 11% year-on-year growth of B2C convergent customers, +38k net adds in 4Q
 - 42% year-on-year growth of fibre customers, +47k net adds in 4Q (the highest ever quarterly result)
 - 3.3% year-on-year growth of post-paid mobile handsets, +76k net adds in 4Q
- **2019 Capex at PLN 2140 million, +1% year-on-year, consistent with strategy**
- **4.2 million households connectable with fibre at the end of December (219k added in 4Q)**
- **2019 Organic Cash Flow at PLN 737 million driven by sale of assets and sale of instalment receivables**
- **To better capture economic transformation of fixed asset base EBITDAaL definition from 2020 will exclude gains on asset disposals**
 - **Management guides for EBITDAaL in 2020 to be higher vs 2019 on comparable basis**
- **Unchanged approach to dividends:** As we prioritise investments in long-term value creation and also taking into account that we are just in front of 5G spectrum auction, the management will not recommend paying any dividend in 2020 (in line with strategy)

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

“Orange Polska’s turnaround is progressing well. I am very pleased to say that we managed to sustain growth in 2019: our operating profitability performance measure (EBITDAaL) increased for the second consecutive year. Moreover, we also report growing revenues for the first time in 13 years. We deliver on our commitments because we are very consistent in the execution of our strategy. This achievement would not be possible without the concerted efforts of our entire organisation.

2019 saw a changing landscape in the Polish telecom market, with operators implementing a ‘more for more’ approach. We are pleased that our value-based strategy has been well received by Orange Polska customers. Net additions in post-paid handset offers were better than in 2018, and churn rate was lower. In this context, it is very important to note that we improved our position in NPS (Net Promoter Score) in 2019, vindicating our customer-centric focus.

With net customer additions of 47,000, Q4 was by far the best quarter ever for our fibre offer. After growing more than 40% last year, our fibre customer base now accounts for 20% of fixed broadband base. These outstanding results indicate that there is a big appetite for this technology and that customers appreciate the superiority of fibre. It allows us to regain market share, especially in big cities. Building our fibre network means investing in future-proof technology that will serve us for decades to come.

We are confident that 2020 will be another year of growth for Orange Polska. We will continue to execute our value strategy in all business areas. But it will also be a year of challenges, coming mainly from the external inflationary environment. This motivates us to implement more efficiency improvements to boost our capacity for growth in the years to come. In 2020 we will also work intensively on our new strategy, which we will present to the market in due course”

Financial Review

2019 revenues up by 2.9% year-on-year driven by convergence, ICT and equipment

Revenues totalled PLN 11,406 million in 2019 and were up year-on-year 2.9% or PLN 319 million. It was the first growth reported by the company in 13 years despite continued structural pressure on legacy business lines (retail and wholesale fixed telephony).

There were five main factors influencing this revenue trend. Firstly, high growth of revenues from convergent services (20% year-on-year) driven by customer growth and upsell of new services. Secondly, revenues from mobile-only and fixed broadband-only services decline (5.3% year-on-year) mainly as a result of migration to convergence and market competition. However combined revenues of these three categories were up 1.4% year-on-year in 2019. Thirdly, revenues from IT and integration services grew 30% year-on-year, thanks to a combination of continued strong organic growth (16% year-on-year) and the consolidation of newly acquired subsidiary BlueSoft (a contribution of PLN 86 million for the period of June-December). Fourthly, revenues from equipment sales advanced by 11% year-on-year reflecting our commercial push on handset sales. Finally, other revenues grew 44% year-on-year as a result of the development of our energy resale business.

In 4Q alone, revenues were up 2.6% or PLN 76 million year-on-year. It was mainly supported by three factors. Firstly, trend in mobile-only service revenues improved (a decline of 3.1% year-on-year versus a decline of 5.2% year-on-year for 9M 2019) as a result of value pricing strategy. Secondly, equipment revenues advanced 16% year-on-year (the highest increase of all quarters of 2019) as a result of very good reception of our Christmas offers by customers. Thirdly,

revenues from IT and integration services grew 20% year-on-year as a result of 2.7% organic growth (despite a high comparable base of 4Q 2018) and PLN 38 million contribution of BlueSoft.

Commercial performance reflects focus on value

Our commercial activity is mainly 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 2019 our B2C convergent customer base increased by 133,000 and 11% year-on-year. At the end of December, 62% of our B2C broadband customers were convergent versus 57% a year ago. In B2C mobile handset customer base, penetration of convergence increased to 50% versus 46% at the end of December 2018. The total number of services used by B2C convergent customers exceeded 5.6 million, which implies that on average every customer uses more than four services. ARPO from convergent customers slightly increased as compared to 2018 and amounted to PLN 102.4. It was a result of our value strategy and upsell of additional services. In 4Q alone customer net additions were at 38,000, which was the second best quarterly result of last year.

Total fixed broadband customer base increased in 2019 by 47,000 and 1.8% year-on-year. The share of high-speed broadband customers increased to 41% from 34% a year ago. It was driven by growth of fibre customer base which expanded 42% year-on-year, adding 154,000 in 2019. In 4Q alone, the fibre customer base grew by 47,000, which was the highest ever quarterly result. Our non-convergent broadband customer base continues to shrink as a result of migration to convergence but also due to churn. ARPO from broadband only services was down 1.8% year-on-year mainly because of decreasing number of customers with TV service who migrate to convergence. Our pay-TV customer base continued to increase. With net additions of 51,000 in 2019, it reached 994,000 and increased 5.4% year-on-year. Already 83% of our TV services are part of convergent packages.

Total mobile post-paid customer base increased by 315,000 in 2019, or by 3.2% year-on-year. This growth rate was higher than achieved in 2018. In 4Q alone the post-paid customer base expanded by 109,000, the most in more than two years.

In handset offers, net customer additions of 250,000 in 2019 reflected good new sales volumes and successful churn management. In 2019 post-paid churn ratio stood at 2.6% compared to 2.9% in 2018. The trend in post-paid ARPO from mobile-only services improved. It declined 5.6% year-on-year in 2019 vs. a drop of 10.1% year-on-year in 2018 as a result of our value pricing strategy. In 4Q alone, this ARPO decline was contained to only 3.6% year-on-year.

In fixed voice, the net loss of lines was 298,000 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 continues to reflect structural negative market trends.

EBITDAaL up 7.0% year-on-year fuelled by record high gains on sale of assets, strong cost optimisations and improvement in direct margin

EBITDAaL for 2019 came in at PLN 3,006 million and was up 7.0% year-on-year. An important growth contributor were record high gains on asset disposals (higher by PLN 79 million year-on-year). However it should be underlined that EBITDAaL grew by 4.5% year-on-year excluding this factor. This was achieved despite constant pressure on high margin legacy services and revenue growth generated by lower margin areas (including IT&Integration, equipment, energy resale). EBITDAaL has been supported by focus on value in commercial activity, monetisation of investment in fibre network and strong cost optimisations. Indirect costs (costs not directly linked to revenues) were down by almost 5% year-on-year (excluding gains on asset disposals) year and

reflected mainly further savings in labour, IT&network, advertising & promotion, general costs and CRM subcontracting.

In 4Q alone, EBITDAaL increased 3.1% year-on-year and as much as 15.4% year-on-year excluding gains of asset disposals. Such robust growth was driven by good trend in the direct margin and very strong impact of cost optimisations. Indirect costs were down 11% year-on-year in 4Q with savings generated almost in all cost categories.

Bottom line reflects strong EBITDAaL and restructuring provision for the new Social Plan

Net income for 2019 was PLN 91 million, a growth from PLN 10 million reported in 2018. Bottom line improved despite it was impacted by PLN 181 million provision for the impact of employment termination programs. The improvement was driven by growth of EBITDAaL and PLN 93 million lower depreciation (mainly a consequence of extension of useful life of certain assets).

Organic Cash Flow reflects higher proceeds from asset disposals

Organic cash flow for 2019 was PLN 737 million, an improvement of PLN 326 million versus 2018. The growth was driven by PLN 344 million higher proceeds from sale of assets (mainly owing to sale of Nowogrodzka/Barbary real estate complex). Cash capital expenditures at PLN 2,267 million were up PLN 106 million year-on-year mainly as a result of different phasing of payments to capex suppliers. This growth was partly offset by higher working capital release supported by sale of selected receivables arising from sales of mobile handsets in instalments (PLN 291 million).

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

“We delivered on our financial objectives in 2019. Despite constant pressure on our legacy business, we managed to grow our EBITDAaL. Gains on asset disposals reached a record high in 2019; however I am especially pleased that EBITDAaL increased as much as 4.5% year-on-year even if we exclude this factor. This resulted both from better revenue evolution (the first increase in many years) and a continuation of strong cost optimisation efforts. Revenues were boosted by value-accretive commercial actions as well as successful development of ICT business. Efficiency savings in indirect costs are being driven by the transformation of business processes in all our areas of operations.

In 2020 we expect further growth of revenues and EBITDAaL. Both convergence and mono-service revenues will be supported by our ‘more for more’ strategy. In ICT we will work to monetise the benefits of our recent acquisition. Our growth ambitions also require that we find additional efficiencies to withstand continued structural decline in legacy services and expected cost inflation.

In line with the priorities set in the Orange.one strategy, the management will once again recommend not paying a dividend in 2020. We will continue to invest in rolling out our fibre network at full speed, and there is a 5G spectrum auction just around the corner.

Over the past few years Orange Polska has been rapidly evolving from an incumbent operator to a modern telco. On the one hand, between 2016 and 2019 we invested more than PLN 2.5 billion in a fibre network roll-out that will create value for many years to come. On the other hand, in the same timeframe we disposed of assets with a market value close to PLN 1 billion, mainly a result of our legacy status. Assets amounting to a similar value still remain to be sold in the years to come. To better capture this transformation of the fixed asset base we decided to revise reporting of the two alternative performance measures (APMs). From 2020, capex will be reported net of the proceeds from asset disposals – we will call it economic capex (eCapex). Consequently, EBITDAaL definition will also exclude gains on asset disposals.”

Orange Polska 2020 guidance

The Management Board of Orange Polska hereby publishes the Company's guidance for the full-year 2020.

From 2020 reporting we will revise definitions of capex and EBITDAaL alternative performance measures. Capex will be presented net of the proceeds from asset disposals and will be named economic capex (eCapex). Consequently, EBITDAaL will exclude gains on asset disposals.

This change reflects better transformation of Orange Polska fixed asset base which has been rapidly evolving over the past few years and will do so in the future. We invest in assets essential for our future value creation (fibre and mobile network) and dispose assets no longer necessary for our core operations. Economic benefits of this transformation will be shifted from EBITDAaL to Capex.

2019 EBITDAaL (comparable base)	2020 EBITDAaL guidance
PLN 2,735 million	Growth versus 2019

The management forecasts that EBITDAaL will grow in 2020 on comparable basis. The growth factors are expected to be unchanged versus previous year. We anticipate further growth of convergence, improving trends on mono services, continued value focus in commercial activity, growth of IT & integration revenues and further cost optimisation. We also expect further pressure on high margin legacy services (retail and wholesale fixed telephony).

Realisation of this guidance will be monitored by the Company on an ongoing basis. Should there occur material deviation from the forecast, the Company will make a revision to the forecast and immediately publish it in the form of a current report.

Reconciliation of operating performance measure to financial statements

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

<i>in PLNm</i>	4Q 2019 IFRS16	4Q 2018 IAS17	2019 IFRS16	2018 IAS17
Operating income	-155	64	416	345
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	698	647	2,448	2,541
Interest expense on lease liabilities	-15	-1	-50	-4
Estimation of IFRS 16 impact on operating leases for 2018	-	-6*	-	-26*
Depreciation of property, plant and equipment financed by finance lease in 2018	-	-12	-	-41
Adjustment for the impact of employment termination programs	176	-5	181	-5
Adjustment for costs related to acquisition and integration of new subsidiaries	3	-	10	-
Adjustment for the impact of deconsolidation of subsidiaries	-	-1	1	-1
EBITDAaL (EBITDA after Leases)	707	686*	3,006	2,809*

* Data constitutes company's best estimate and was provided for comparative purposes

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 4Q and full year 2019 results presentation.

13th February 2020

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> and via a live conference call

Time:

11:00 (Warsaw)

10:00 (London)

05:00 (New York)

Dial in numbers:

Conference Code: 411064

Poland: 48 22 124 49 59

Canada: 1 587 855 1318

Germany: 49 30 25 555 323

Russia: 7 495 283 98 58

United Kingdom: 44 203 984 9844

United States: 1 718 866 4614

Orange Polska Group Consolidated

Disclosures on performance measures are presented in the Note 3 to IFRS Consolidated Financial Statements of the Orange Polska Group for the year ended 31 December 2019 (available at <http://orange-ir.pl/results-center/results/2019>)

amounts in PLN millions	2018										2019					
	1Q		2Q		3Q		4Q		FY	FY	1Q	2Q	3Q	4Q	FY	
	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	IFRS16	IFRS16	IFRS16	IFRS16	
Income statement																
Revenues																
Mobile services only	688	686	682	680	690	687	676	673	2,736	2,726	640	646	660	652	2,598	
Fixed services only	627	629	628	620	610	602	596	590	2,461	2,441	569	552	540	531	2,192	
Narrowband	287	285	275	274	265	263	257	255	1,084	1,077	244	233	224	216	917	
Broadband	232	232	233	232	230	229	226	225	921	918	219	213	211	211	854	
B2B Network Solutions	108	112	120	114	115	110	113	110	456	446	106	106	105	104	421	
Convergent services B2C	291	291	316	316	336	336	353	353	1,296	1,296	369	384	399	406	1,558	
Equipment sales	351	351	307	307	336	336	410	410	1,404	1,404	367	352	359	477	1,555	
IT and integration services	112	112	134	144	127	138	216	225	589	619	147	163	224	269	803	
Wholesale	579	579	571	572	576	576	582	582	2,308	2,309	560	568	585	565	2,278	
Mobile wholesale	312	312	329	329	332	332	334	334	1,307	1,307	310	324	323	330	1,287	
Fixed wholesale	188	188	176	176	176	176	176	176	716	716	177	169	186	157	689	
Other	79	79	66	66	68	68	72	72	285	285	73	75	76	78	302	
Other revenues	62	60	68	65	80	77	97	91	307	293	126	94	103	99	422	
Total revenues	2,710	2,708	2,706	2,704	2,755	2,752	2,930	2,923	11,101	11,087	2,778	2,759	2,870	2,999	11,406	
Labour expenses**	(432)	(431)	(397)	(395)	(370)	(368)	(383)	(383)	(1,582)	(1,577)	(403)	(377)	(361)	(349)	(1,490)	
External purchases	(1,549)	(1,491)	(1,529)	(1,470)	(1,582)	(1,518)	(1,789)	(1,721)	(6,449)	(6,200)	(1,570)	(1,555)	(1,590)	(1,799)	(6,514)	
- Interconnect expenses	(448)	(447)	(471)	(471)	(470)	(469)	(460)	(460)	(1,849)	(1,847)	(446)	(461)	(478)	(442)	(1,827)	
- Network and IT expenses	(148)	(146)	(152)	(157)	(148)	(150)	(160)	(162)	(608)	(615)	(148)	(152)	(142)	(148)	(590)	
- Commercial expenses	(578)	(578)	(551)	(551)	(562)	(561)	(743)	(743)	(2,434)	(2,433)	(583)	(578)	(589)	(764)	(2,514)	
- Other external purchases	(375)	(320)	(355)	(291)	(402)	(338)	(426)	(356)	(1,558)	(1,305)	(393)	(364)	(381)	(444)	(1,582)	
Other operating incomes & expenses	(51)	(46)	(33)	(31)	(58)	(56)	(77)	(70)	(219)	(203)	(54)	(55)	(62)	(8)	(179)	
Impairment of receivables and contract assets	(23)	(23)	(41)	(41)	(46)	(46)	(52)	(52)	(162)	(162)	(32)	(27)	(39)	(40)	(138)	
Gains on disposal of assets***	19	19	3	3	93	93	77	77	192	192	5	44	218	4	271	
Amortization and impairment of right-of-use assets		(67)		(66)		(70)		(74)		(277)	(71)	(67)	(77)	(85)	(300)	
Interest expense on lease liabilities		(10)		(13)		(14)		(14)		(51)	(10)	(12)	(13)	(15)	(50)	
Adjusted EBITDA	674		709		792		706		2,881		643	710	946	707	3,006	
EBITDAaL (EBITDA after Leases)		659		691		773		686		2,809		643	710	946	707	3,006
% of revenues	24.9%	24.3%	26.2%	25.6%	28.7%	28.1%	24.1%	23.5%	26.0%	25.3%	23.1%	25.7%	33.0%	23.6%	26.4%	
Depreciation, amortisation and impairment of property, plant and equipment and intangibles assets	(641)		(636)		(617)		(647)		(2,541)		(583)	(575)	(592)	(698)	(2,448)	
Add-back of interest expense on lease liabilities											10	12	13	15	50	
Adjustment for the impact of employment termination programs**	0		0		0		5		5		2	(6)	(1)	(176)	(181)	
Adjustment for the costs related to acquisition and integration of new subsidiaries											0	(3)	(4)	(3)	(10)	
Adjustment for the impact of deconsolidation of subsidiaries***											(1)	0	0	0	(1)	
Operating income / (loss)	33		73		175		64		345		71	138	362	(155)	416	
% of revenues	1.2%		2.7%		6.4%		2.2%		3.1%		2.6%	5.0%	12.6%	-5.2%	3.6%	
Finance costs, net	(86)		(87)		(61)		(71)		(305)		(74)	(68)	(88)	(68)	(298)	
- Interest expense on lease liabilities											(10)	(12)	(13)	(15)	(50)	
- Other Interest expenses, net (excl. Interest expense on lease liabilities)	(62)		(54)		(54)		(52)		(222)		(50)	(45)	(55)	(50)	(200)	
- Discounting expense	(24)		(33)		(7)		(19)		(83)		(14)	(11)	(20)	(3)	(48)	
Income tax	3		(2)		(23)		(8)		(30)		1	(15)	(50)	37	(27)	
Consolidated net income / (loss)	(50)		(16)		91		(15)		10		(2)	55	224	(186)	91	

*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 and some costs related to acquisition and integration of new subsidiaries

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

Orange Polska Group key performance indicators

Customer base (in thousands)	2018				2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Convergent customers	1,376	1,436	1,483	1,547	1,592	1,628	1,656	1,697
o/w B2C	1,090	1,137	1,178	1,236	1,276	1,307	1,331	1,369
o/w B2B	287	298	304	311	316	321	325	329
Fixed telephony accesses								
PSTN	2,738	2,623	2,527	2,426	2,322	2,228	2,140	2,046
VoIP	875	918	953	981	1,006	1,031	1,046	1,063
Total retail main lines	3,613	3,541	3,480	3,407	3,328	3,259	3,186	3,109
o/w B2C convergent	678	718	755	755	778	800	807	825
o/w B2C PSTN convergent	110	104	100	54	44	38	31	27
o/w B2C VoIP convergent	568	614	655	701	734	762	776	799
Fixed broadband access								
ADSL	1,278	1,238	1,200	1,149	1,098	1,056	1,017	958
VHBB (VDSL+Fibre)	724	767	807	869	921	961	998	1,063
o/w VDSL	476	481	484	503	522	527	525	543
o/w Fibre	248	286	324	366	399	434	473	520
Wireless for fixed	475	502	522	542	557	565	574	586
Retail broadband - total	2,477	2,506	2,530	2,560	2,576	2,582	2,589	2,607
o/w B2C convergent	1,090	1,137	1,178	1,236	1,276	1,307	1,331	1,369
TV client base								
IPTV	359	386	410	435	455	476	495	521
DTH (TV over Satellite)	515	514	511	508	503	496	484	473
TV client base - total	875	900	921	943	958	972	979	994
o/w B2C convergent	597	641	680	725	758	788	802	828
Mobile accesses								
Post-paid								
Mobile Handset	7,310	7,358	7,416	7,498	7,553	7,611	7,672	7,748
Mobile Broadband	1,164	1,104	1,052	989	934	895	865	831
M2M	1,273	1,328	1,385	1,436	1,483	1,534	1,591	1,658
Total postpaid	9,747	9,790	9,853	9,922	9,970	10,040	10,128	10,237
o/w B2C convergent	2,085	2,183	2,259	2,369	2,434	2,486	2,528	2,589
Total pre-paid	4,621	4,694	4,761	4,883	4,867	4,924	5,012	5,047
Total	14,368	14,484	14,614	14,805	14,837	14,964	15,140	15,284
Wholesale customers								
WLR	507	487	467	437	408	381	354	328
Bitstream access	165	156	151	144	137	133	129	128
LLU	87	83	80	76	73	69	66	63

Quarterly ARPO in PLN per month	2018				2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Convergent services B2C	100.8	102.4	103.0	101.9	101.4	101.9	103.4	102.8
Fixed services only - voice	36.6	36.4	36.2	36.5	36.3	36.2	36.2	36.3
Fixed services only - broadband	56.5	56.6	56.4	56.0	55.5	54.9	55.2	56.0
Mobile services only	21.9	21.7	21.7	20.9	20.0	20.1	20.3	20.0
Postpaid excl M2M	29.1	28.7	29.0	27.7	26.9	27.0	27.1	26.7
Mobile Handset	31.0	30.5	30.5	29.5	28.6	28.7	28.9	28.5
Mobile Broadband	19.0	18.3	17.7	17.0	16.4	15.9	15.4	14.3
Prepaid	11.9	12.3	12.6	12.2	11.4	11.6	12.1	11.9
Mobile wholesale (convergent + mono)	7.2	7.6	7.6	7.6	7.1	7.5	7.4	7.5

Other mobile operating statistics	2018				2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Number of smartphones (thousands)	6,886	7,006	7,223	7,447	7,521	7,658	7,778	7,857
AUPU (in minutes)								
post-paid	353.9	349.7	344.6	353.3	357.9	356.6	349.5	354.3
pre-paid	162.0	166.3	164.1	163.6	161.9	163.0	158.8	158.6
blended	285.8	284.7	279.9	284.7	286.5	285.8	279.3	281.8
Quarterly mobile customer churn rate (%)								
post-paid	3.1	2.7	2.8	2.8	2.8	2.5	2.4	2.8
pre-paid	14.6	11.3	10.4	8.9	10.8	10.2	10.7	10.2
SAC post-paid (PLN)	75.2	79.9	95.8	116.1	82.4	99.1	94.8	116.6
SRC post-paid (PLN)	39.7	29.5	35.8	45.8	43.9	43.1	45.7	60.9
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	12,429	12,219	12,034
50% of Networks	348	345	347	348	355	353	351	342
Total	14,720	14,075	13,839	13,545	13,432	12,782	12,570	12,376

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.

Household connectable with fibre - an apartment in multi-family building or a single family house within the reach of our fibre to the home service that allows to provide service with a speed of at least 100Mb/s

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.