



Orange Polska

3Q'18 results

.one

25 October 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.

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

Adjustments to financial data

Disclosures on performance measures, including adjustments, are presented in the Note 2 to Condensed IFRS Quarterly Consolidated Financial Statements of the Orange Polska Group for the 3 months ended 30 September 2018 (available at <http://orange-ir.pl/results-center/results/2018>)

	3Q'18	3Q'18	3Q'17	9m'18	9m'18	9m'17
<i>in PLNm</i>	IFRS15	IAS18	IAS18	IFRS15	IAS18	IAS18
Revenue	2,755	2,800	2,814	8,171	8,332	8,471
	0	0	0	0	0	0
Adjusted revenue	2,755	2,800	2,814	8,171	8,332	8,471
EBITDA	792	834	776	2,175	2,365	2,336
– Employment termination expense	0	0	0	0	0	8
Adjusted EBITDA	792	834	776	2,175	2,365	2,344
Capital expenditures	498	498	438	1,469	1,469	1,260
– Telecommunication licenses**	0	0	0	-32	-32	0
Adjusted capital expenditures	498	498	438	1,437	1,437	1,260
Organic cash flow	-364	-364	290	-551	-551	254
– Investment grants received/paid to fixed assets suppliers*	1	1	-266	7	7	-266
– Payment of European Commission fine	646	646	0	646	646	0
Adjusted organic cash flow	283	283	24	102	102	-12

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

** capitalised future payments for T-Mobile related to usage of the 900 MHz frequency until 2020

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Highlights

Jean-François Fallacher
Chief Executive Officer

9M2018 results on track with full-year expectations and Orange.one turnaround ambitions

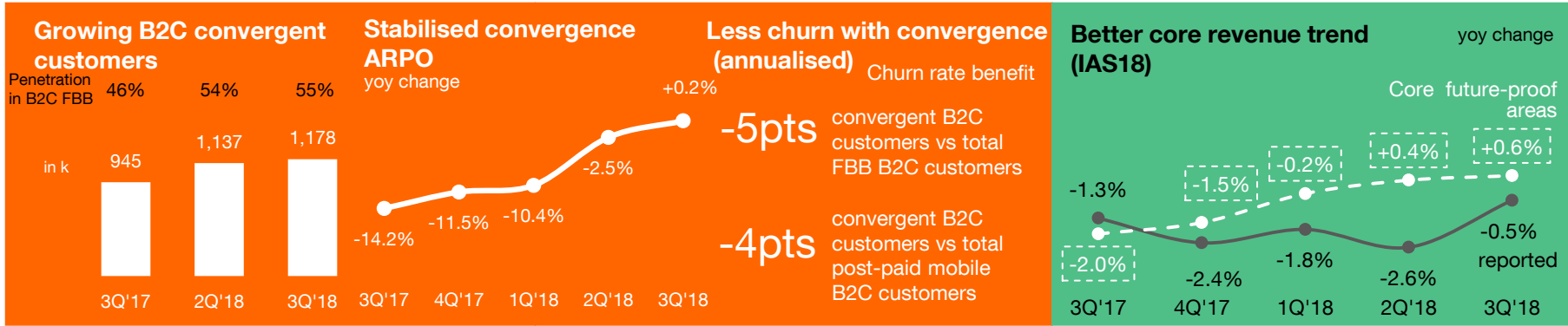
	2018 guidance/ outlook	9M2018 (IAS18)	
Revenue	decreasing	PLN 8.33bn -1.6% yoy	<ul style="list-style-type: none"> As expected trend improved in Q3 (-0.5% yoy) vs 1H (-2.2%) Growth in convergence (33% yoy), IT/IS (18% yoy) and mobile wholesale (16% yoy)
Adjusted EBITDA	stable vs 2017* (around PLN 3.0bn)	PLN 2.37bn** +0.9% yoy	<ul style="list-style-type: none"> Adjusted EBITDA stabilisation supported by growth in core future-proof revenue areas and cost savings
Adjusted CAPEX	PLN 2.0-2.2bn	PLN 1.44bn** +14.0% yoy	<ul style="list-style-type: none"> Fibre and mobile projects on track In line with full-year outlook

* Under IAS18

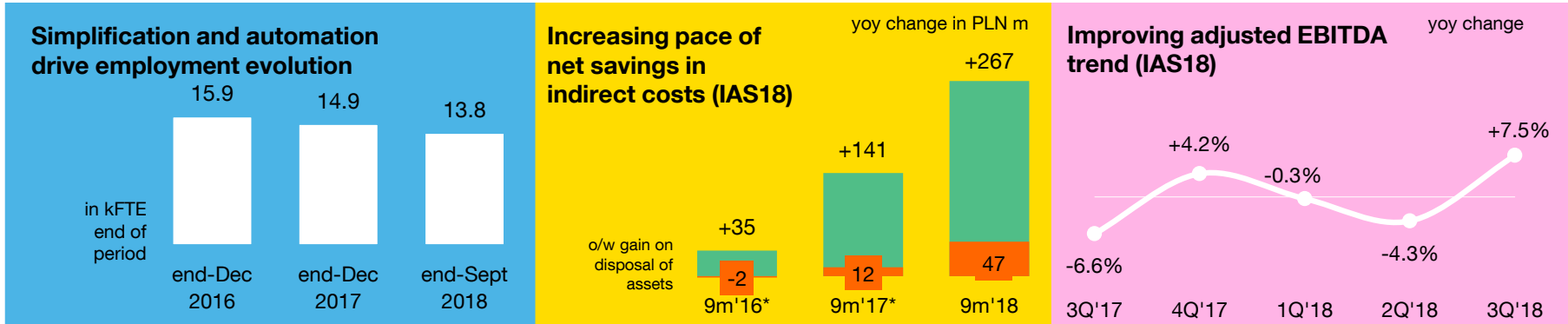
** adjusted as presented on slide #3

EBITDA trend improving mainly thanks to convergence, fibre and business transformation

COMMERCIAL



TRANSFORMATION

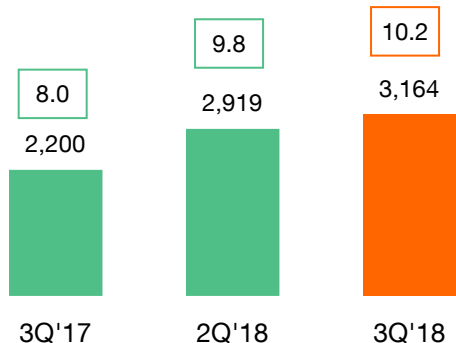


* Adjusted by PLN 94m provision reversal in labour costs in 1Q'16

Fibre as a key driver of BB market share improvement

Fibre households connectable

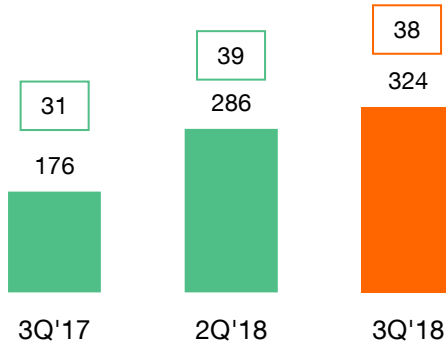
(in k)



□ adoption rate %

Fibre customer base

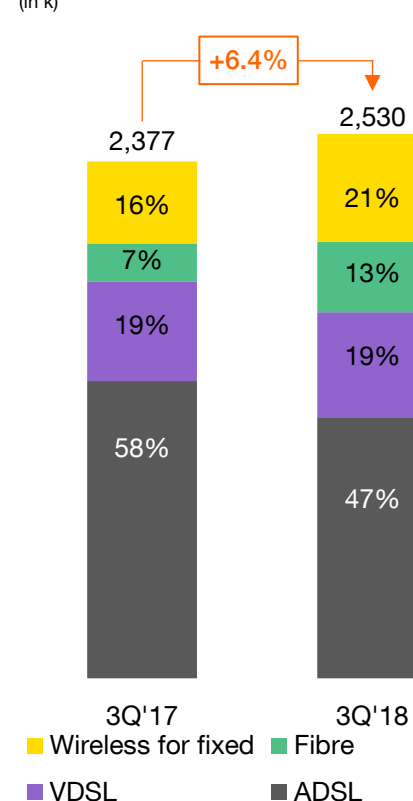
(in k)



□ net customer additions

FBB customer base

(in k)



- 38k net customer additions in 3Q, almost matching record quarter
 - 83% of 3Q fibre gross adds were new customers to OPL
- Fibre services available in 116 cities (vs 75 cities at the end of 2017)
- 245k new households connectable in 3Q of which 68k on third party infrastructure (full-year households target of c. 1m confirmed)
 - Growing share of single family houses

Financial review

Maciej Nowohoński
Chief Financial Officer

3Q/9M 2018 financial results key highlights

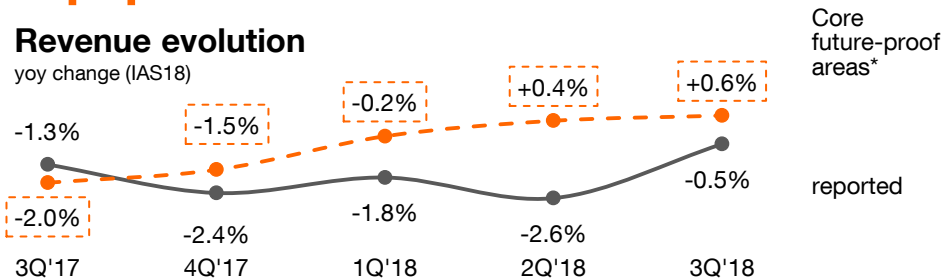
in PLNm	9M'18 (IAS18)	% yoy (IAS18)	3Q'18 (IAS18)	% yoy (IAS18)	key points for 3Q
Revenue	8,332	-1.6	2,800	-0.5	<ul style="list-style-type: none"> Trend improved in mobile-only, equipment and other category
Adjusted EBITDA*	2,365	+0.9	834	+7.5	<ul style="list-style-type: none"> Supported by gains on sale of assets and lower roaming costs
% of revenues	28.4	+0.7pp	29.8	+2.2pp	
Adjusted CAPEX*	1,437	+14.0	498	+13.7	<ul style="list-style-type: none"> In line with the full-year outlook
% of revenues	17.2	+2.3pp	17.8	+2.2pp	
Adjusted organic cash flow*	102	n/a	283	+11.8x	<ul style="list-style-type: none"> Supported by first payment from T-Mobile

* adjusted as presented on slide #3

3Q revenues supported mainly by better trend in mobile-only and equipment

Revenue evolution

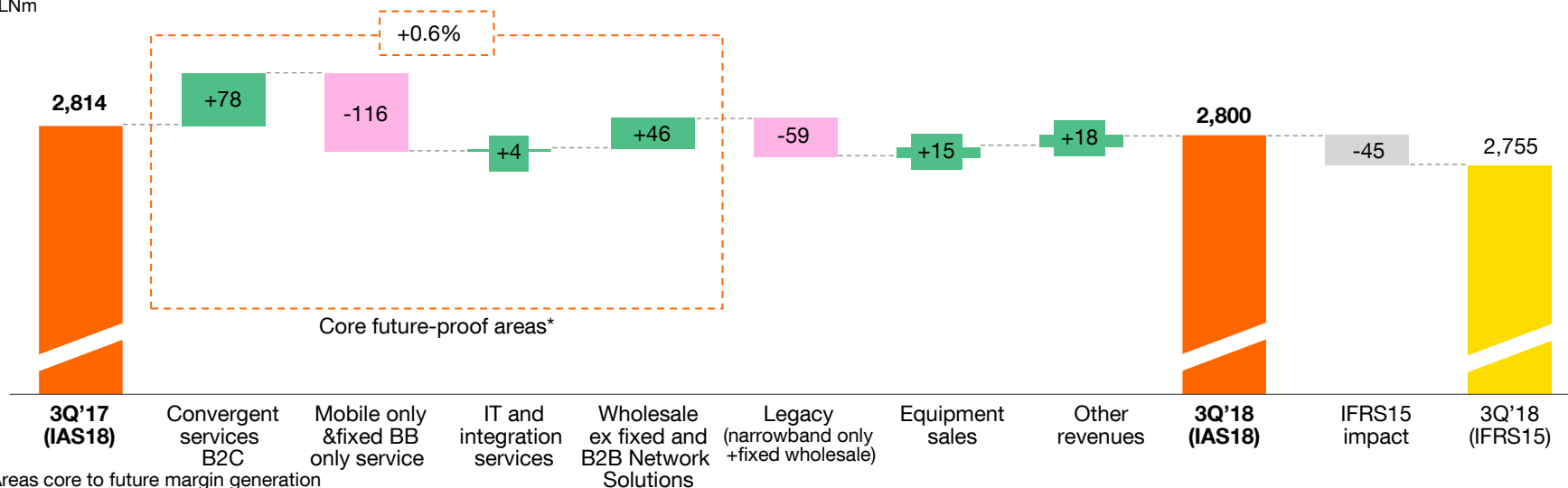
yoy change (IAS18)



- Evolution on mono services improved due to roaming and better underlying trends
- Further dynamic growth of convergence revenues
- Equipment sales improved due to launch of instalment handset sales during lifetime of the contract
- Other revenues benefit from much higher energy resale

Revenue evolution breakdown

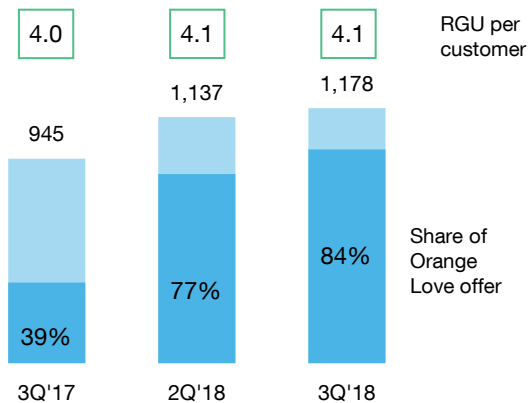
in PLNm



Stable ARPO due to value oriented changes in Orange Love offer and successful upsell

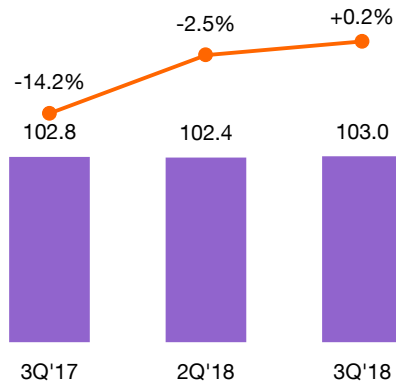
B2C convergent customers

(in k)



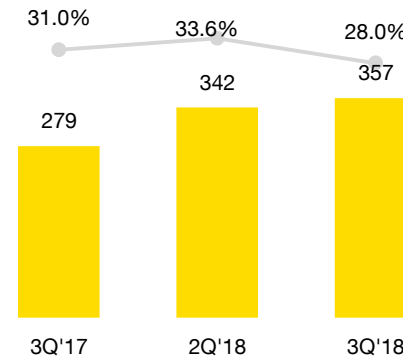
B2C convergent ARPO

(in PLN/month and yoy change in %)



B2C convergence revenues

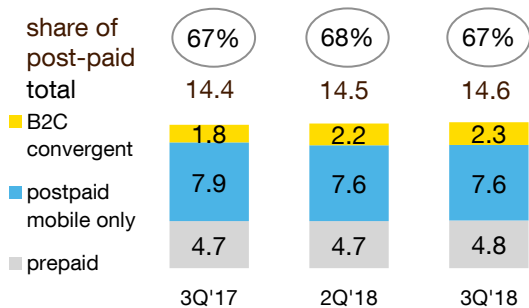
(in PLN m and yoy change in %)



Improving trends in mono services

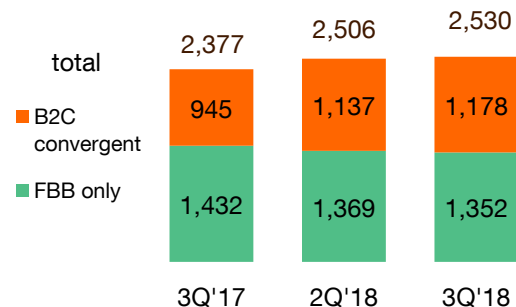
Mobile customer base

(in millions)



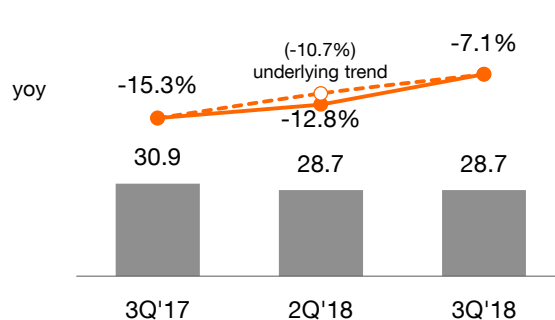
FBB customer base

(in k)



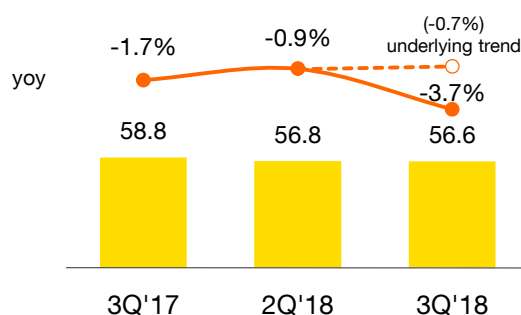
Post-paid mobile-only retail ARPO

(PLN/month and yoy % change)



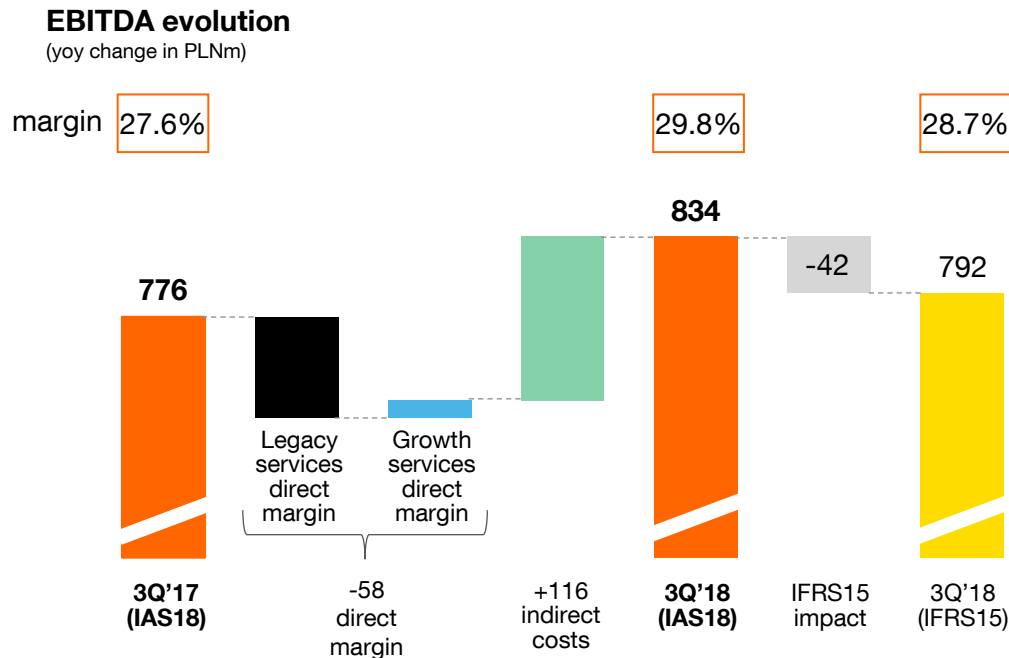
FBB-only ARPO

(in PLN/month and yoy % change)



- Decline of mobile-only post-paid base further contained mainly due to effective retention
- Improving trends in mobile-only ARPO supported by roaming revenues, lower reprice on retention and effective recent commercial initiatives
- Stable underlying trend in broadband-only ARPO
- Continuing focus on value pricing despite market getting more competitive

3Q EBITDA supported by higher asset disposals and lower roaming costs



- Improved trend in direct margin due to:

- Better trend in core future-proof revenues
- Positive roaming impact

- Continued good savings in indirect costs:

- Strong positive impact from real estate disposals (PLN 90m yoy)
- Last 12 months total indirect costs down 8%

employment down

8.7% yoy

(in kFTE end of period)

15.2

3Q'17

13.8

3Q'18

Higher net income reflects better EBITDA and lower net financial cost (under IAS18)

in PLNm	9m'18 IFRS15	9m'18 IAS18	9m'17 IAS18	3Q'18 IFRS15	3Q'18 IAS18	3Q'17 IAS18	Change (IAS18)
reported EBITDA	2,175	2,365	2,336	792	834	776	+58
depreciation and amortization	-1,896	-1,896	-1,924	-619	-619	-643	+24
impairment of non-current assets	2	2	-6	2	2	-5	+7
reported operating income	281	471	406	175	217	128	+89
net financial costs	-234	-234	-245	-61	-61	-88	+27
income tax	-22	-58	-23	-23	-31	-12	-19
reported net income/loss	25	179	138	91	125	28	+97

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

Cash flow supported by working capital release

in PLNm	9m'18	9m'17	Change	3Q'18	3Q'17	Change	
Net cash flow from operating activities before change in working capital *	1,097	1,993	N/A	-66	641	N/A	
Change in working capital *	-80	-470	N/A	233	-123	N/A	
Net cash flow from operating activities	1,017	1,523	-506	167	518	-351	PLN +295m ex payment of EC fine
Reported CAPEX	-1,469	-1,260	-209	-498	-438	-60	
Change in CAPEX payables**	-159	-372	+213	-62	-66	+4	
Investment grants received/paid to fixed assets suppliers***	-7	266	-273	-1	266	-267	
Sales of assets	67	97	-30	30	10	+20	PLN -8m ex payment of EC fine
Organic cash flow	-551	254	-805	-364	290	-654	
Investment grants received/paid to fixed assets suppliers***	+7	-266	+273	+1	-266	+267	
Payment of European Commission fine	+646	-	+646	+646	-	+646	
Adjusted organic cash flow	102	-12	+114	283	24	+259	

* 2017 presented under IAS18 while 2018 under IFRS15

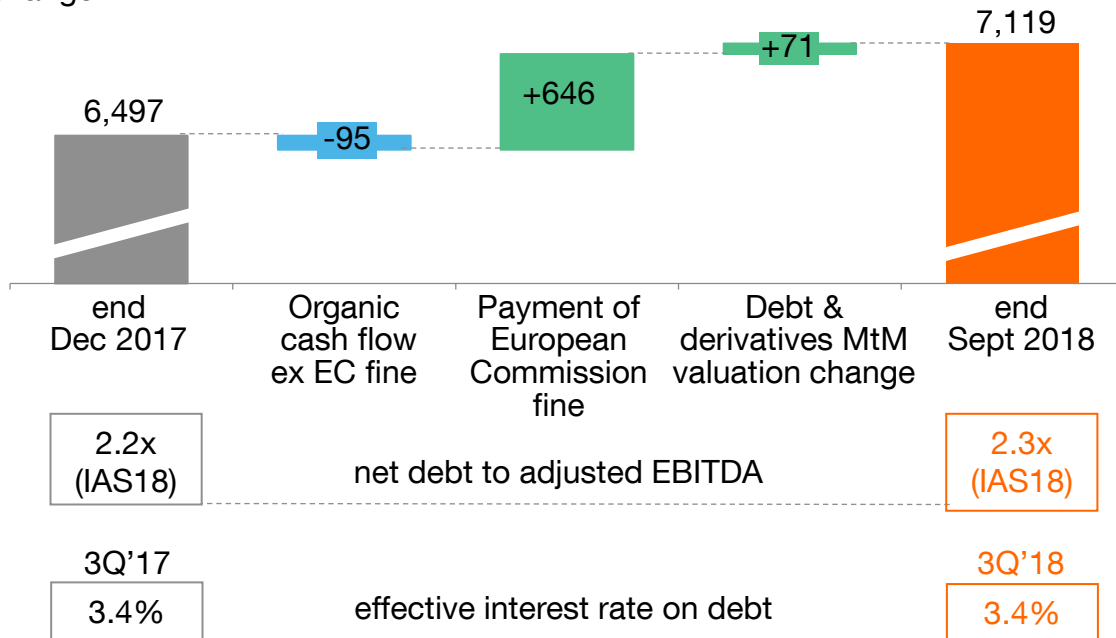
** including exchange rate effect on derivatives economically hedging capital expenditures, net

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

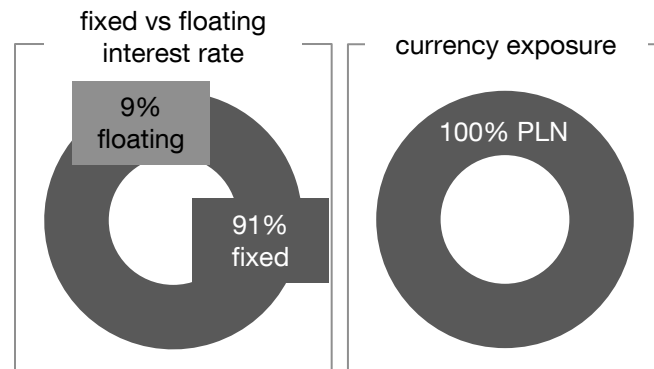
Higher net debt to EBITDA ratio reflects payment of EC fine

net debt evolution

change in PLNm



Debt after hedging breakdown



- 2.4 years – debt average duration

Conclusions

Jean-François Fallacher
Chief Executive Officer

Conclusion

- In the upcoming peak commercial season focus on well managed value proposition
 - Continued focus on value pricing in more competitive environment
- We reiterate our full-year guidance for 2018 adjusted EBITDA at around PLN 3.0 billion under IAS 18 and around PLN 2.75 billion under IFRS 15
- Preparation of business transformation actions to deliver optimisations in 2019

Q&A

Glossary (1/3)

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
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
Growth services	Convergent services, mobile retail and wholesale, fixed broadband, IT and integration services, equipment and B2B network solutions and adjacent services

Glossary (2/3)

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
MB	Megabyte
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
MVNO	Mobile Virtual Network Operator
Organic Cash Flow	Organic Cash Flow = Net cash provided by Operating Activities – (CAPEX + CAPEX payables) + proceeds from sale of assets
PB	Petabyte
RGU	Revenue Generating Unit
RLAH	Roam Like At Home
SAC	Subscriber Acquisition Costs
SIMO	mobile SIM only offers without devices
SRC	Subscription Retention Costs

Glossary (3/3)

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