

Orange Polska

3Q'19 results

.one

28 October 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 30 September 2019 (available at <http://orange-ir.pl/results-center/results/2019>)

<i>in PLNm</i>	3Q 2019 IFRS16	3Q 2018 IAS17	9M 2019 IFRS16	9M 2018 IAS17
Operating income	362	175	571	281
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	592	617	1,750	1,894
Interest expense on lease liabilities	-13	-1	-35	-3
Estimation of IFRS 16 impact on operating leases for 2018	-	-7*	-	-20*
Depreciation of property, plant and equipment financed by finance lease in 2018	-	-11	-	-29
Adjustment for the impact of employment termination programs	1	-	5	-
Adjustment for costs related to acquisition and integration of new subsidiaries	4	-	7	-
Adjustment for the impact of deconsolidation of subsidiaries	-	-	1	-
EBITDAaL (EBITDA after Leases)	946	773*	2,299	2,123*

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

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Highlights

Jean-François Fallacher
Chief Executive Officer

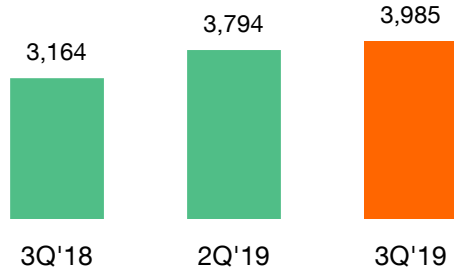
9M results on track with full-year plans and Orange.one strategy

	2019 guidance/ outlook	9M 2019	
Revenue	growth	PLN 8.41bn +3.0% yoy	<ul style="list-style-type: none">+3.5% yoy growth of core revenues driven by IT/IS (+36% yoy) and convergence (+22% yoy)
EBITDAaL	growth	PLN 2.3bn +8.3% yoy	<ul style="list-style-type: none">+1.2% yoy excluding gains on sale of assetsStrong impact of business transformationFull-year guidance confirmed
CAPEX	PLN 2.0-2.1bn	PLN 1.44bn +7% yoy	<ul style="list-style-type: none">Front-end loaded capex resulting from ongoing projectsFull-year outlook confirmed

Fibre: steady growth in commercial penetration along with fast network rollout

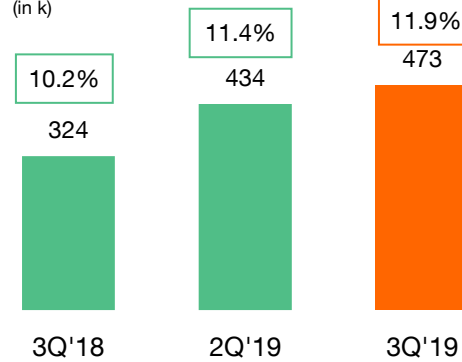
Fibre households connectable – network rollout on track

(in k)



Fibre customer base up 46% yoy

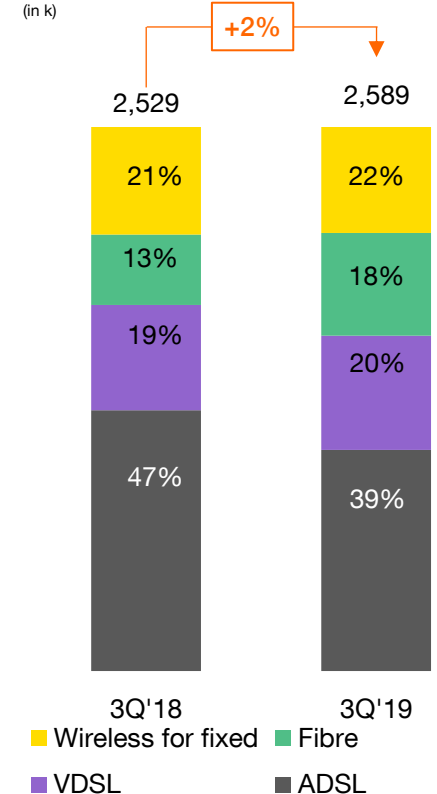
(in k)



□ adoption rate %

VHBB (fibre+VDSL): 38% of total broadband customer base

(in k)

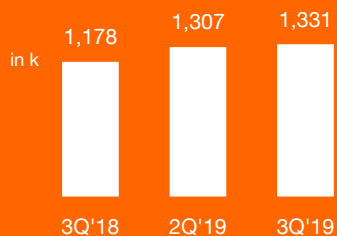


- 191k new households connectable in 3Q (610k in 9M, full-year target of 800-900k maintained)
- Fibre services available in 141 cities (vs 117 cities at the end of 2018). In 74 of them coverage exceeds 50% of all households
- 39k net customer additions in 3Q (+1k yoy and +4k qoq) – **the 2nd best quarter ever**
 - 85% of gross adds are new customers to OPL

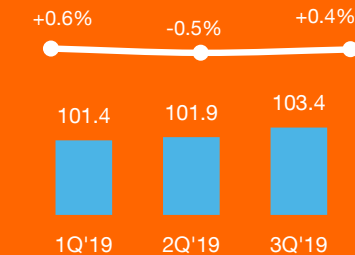
Value creation balancing solid commercial performance and ongoing business transformation

COMMERCIAL

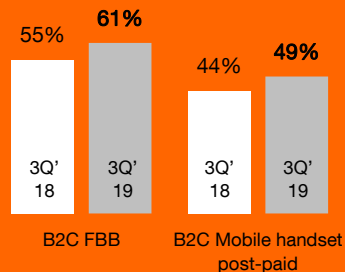
Growing B2C convergent customers



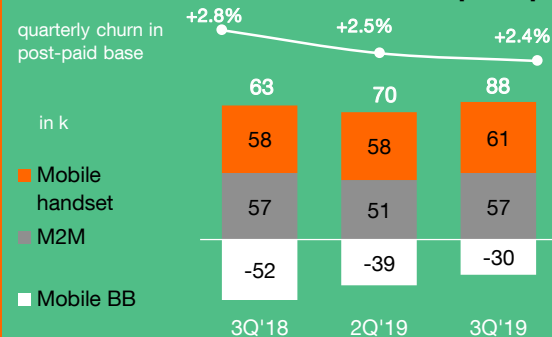
Growing convergence ARPO



Growing convergence penetration

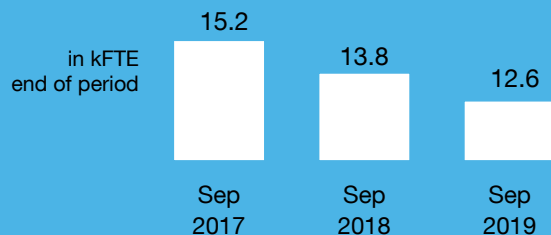


Record low churn rate in mobile post-paid

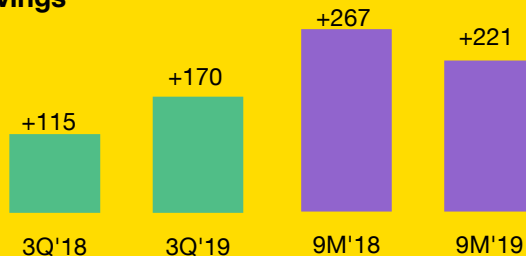


TRANSFORMATION

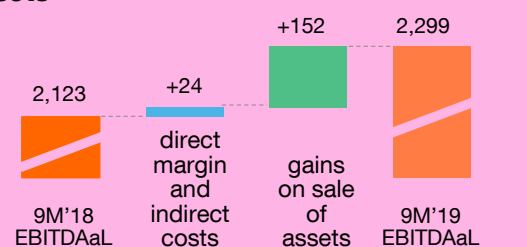
Simplification and automation drive employment evolution



Acceleration in indirect costs net savings



EBITDAaL growing excluding gains on sale of assets



Financial review

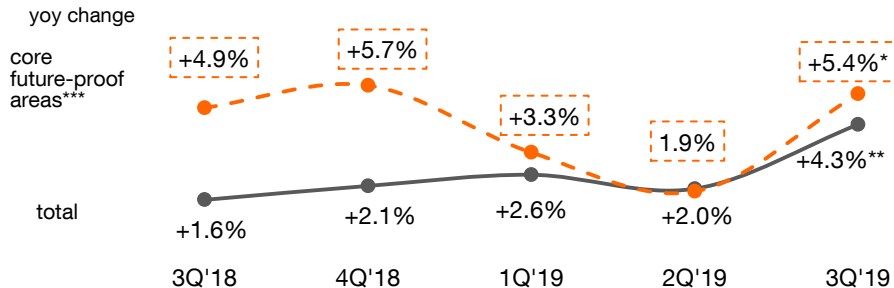
Maciej Nowohoński
Chief Financial Officer

3Q/9M'19 financial results key highlights

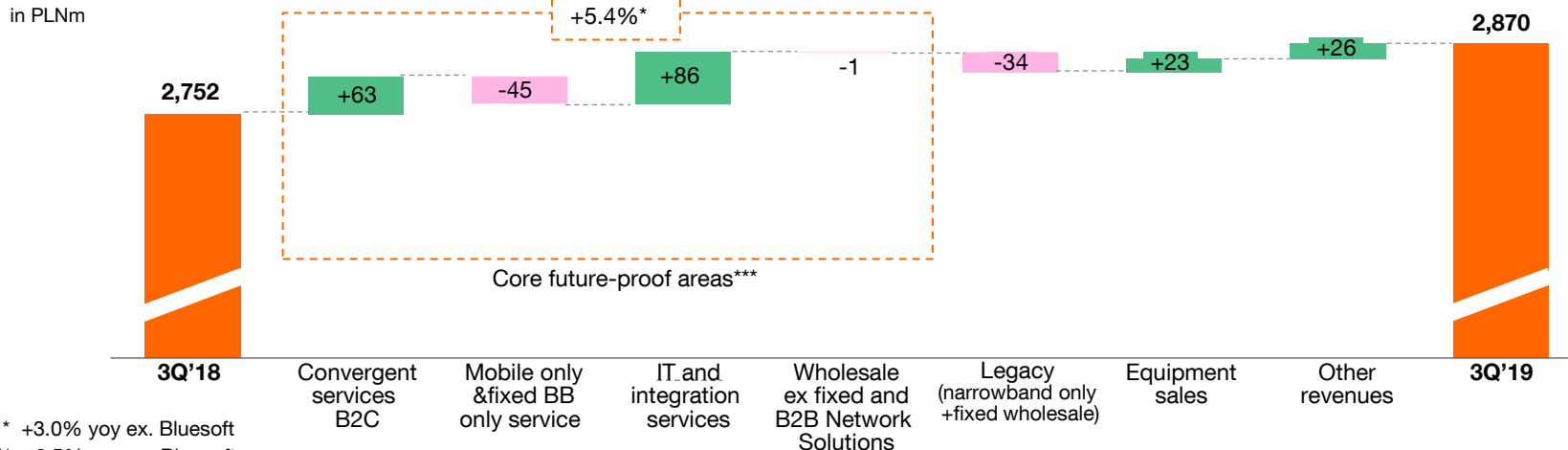
in PLNm	9M'19	yoy	3Q'19	yoy	key points for 3Q
revenues	8,407	+3.0%	2,870	+4.3%	<ul style="list-style-type: none"> ▪ Growth driven by convergence, IT&IS and equipment ▪ Better performance of mono mobile
EBITDAaL	2,299	+8.3%	946	+22.4%	<ul style="list-style-type: none"> ▪ Strong support from cost optimisation and sales of assets
% of revenues	27.3%	+1.3pp	33.0%	+4.9pp	
CAPEX	1,440	+6.9%	421	-10.0%	<ul style="list-style-type: none"> ▪ Reflects different phasing in the year
% of revenues	17.1%	+0.6pp	14.7%	-2.3pp	
organic cash flow	403	+380%	419	+51%	<ul style="list-style-type: none"> ▪ Supported by proceeds from sale of assets and from sale of instalment receivables (c.PLN 90m)

Revenue growth driven by convergence, IT/IS and equipment

Revenue evolution



Revenue evolution breakdown



- 62% yoy growth of IT/IS combines strong organic growth (27% yoy) and first time consolidation of BlueSoft (contribution of PLN 48m for 4 months)
- Continued solid growth of convergence (+19% yoy)
- Improving trend in mono mobile reflects lower erosion of post-paid customer base and gradual improvement in ARPO trend
- Growth of equipment revenues reflects our focus on attractive smartphone offer

* +3.0% yoy ex. Bluesoft

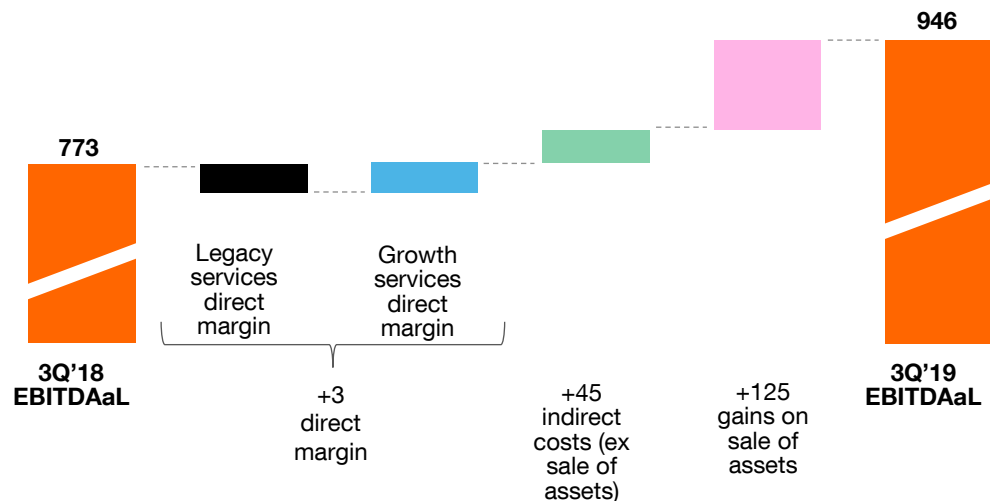
** +2.5% yoy ex. Bluesoft

*** Areas core to future margin generation

22% yoy EBITDAaL growth fuelled by record high gains on sale of assets, strong cost optimisations and solid direct margin

EBITDAaL evolution

(yoy change in PLNm)



Full-year guidance for EBITDAaL growth in 2019 confirmed

Direct margin:

- Growth areas (convergence, fibre and IT/IS) increasingly offset ongoing pressure from high-margin legacy (PSTN revenues down 15% yoy)
- Supported by BlueSoft contribution

Indirect costs:

- Lower labour costs reflect the second year of Social Plan implementation
- Ongoing transformation of business areas (network, advertising & promotion, general expenses, CRM subcontracting)
- PLN 218m gain on sale of assets driven by disposal of Nowogrodzka/Barbary real estate complex

employment down

9% yoy

(in kFTE end of period)

13.8



Sep 18

12.6

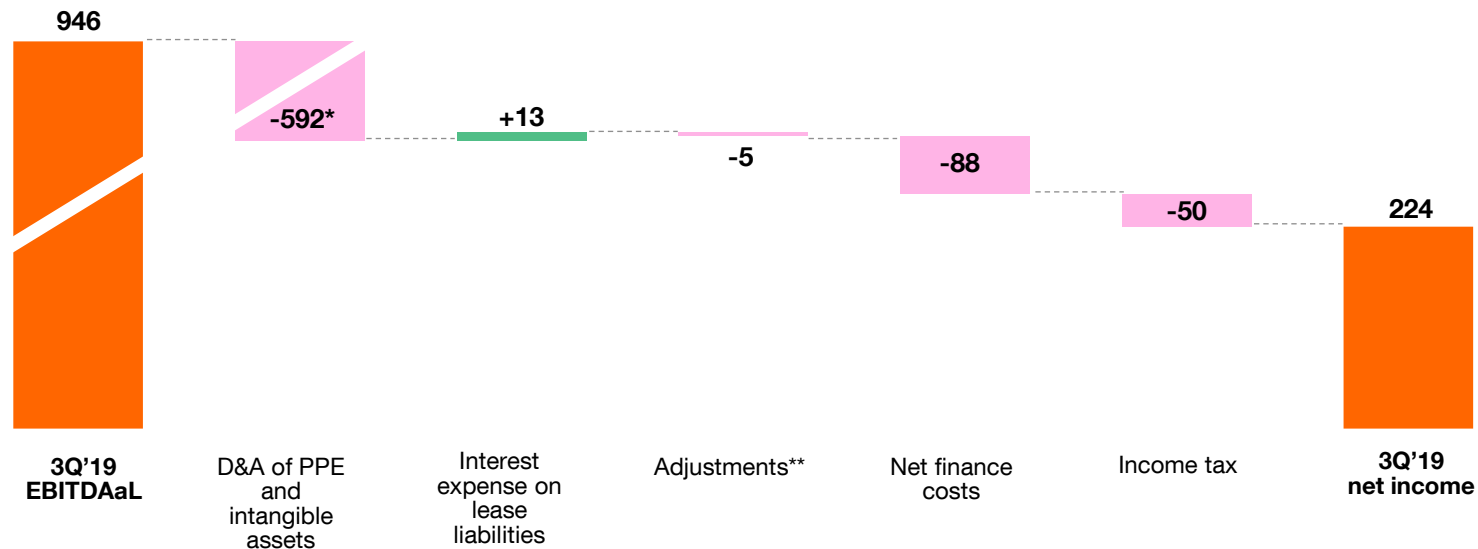


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Net income reflects strong EBITDAaL

Evolution from EBITDAaL to the bottom line in 3Q 2019

(PLNm)



* includes PLN 48 million positive impact of extension of useful life of certain assets

** as presented on slide 3

Cash flow supported by sale of Nowogrodzka/Barbary real estate complex

in PLNm	9M'19 IFRS16	9M'18 IAS17	Change	3Q'19 IFRS16	3Q'18 IAS17	Change
Net cash flow from operating activities before change in working capital	1,888**	1,097	n/a*	685	-66	n/a*
Change in working capital	-24	-80	+56	-20	233	-253
Net cash flow from operating activities	1,864**	1,017	n/a*	665	167	n/a*
CAPEX	-1,440	-1,379	-61	-421	-468	+47
Change in CAPEX payables	-299	-249	-50	-114	-92	-22
Sales of assets	488	67	+421	355	30	+325
Repayment of lease liabilities	-210	-18	n/a*	-66	-5	n/a*
Adjustment for payment of European Commission fine		646			646	
Organic cash flow	403	84	+319	419	278	+141

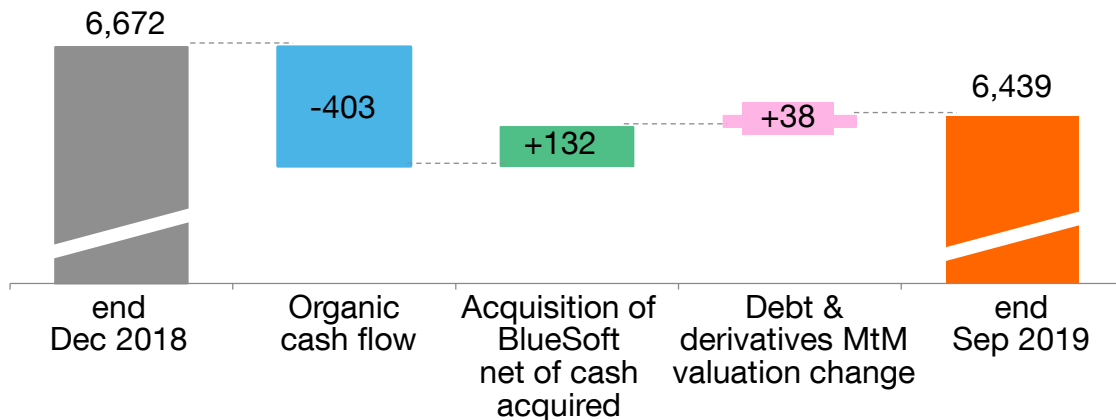
* year-on-year evolution is not comparable because of the changes in accounting standards

** adjusted for PLN 3m of payments for costs related to acquisition and integration of new subsidiaries in Q2

Falling leverage and cost of debt

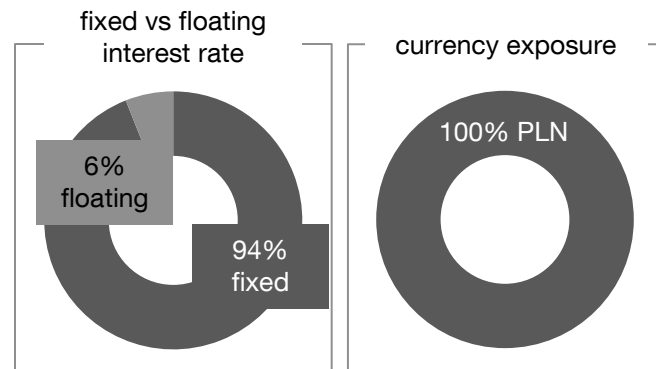
net debt evolution

in PLNm



2.4x	net debt to EBITDAaL	2.2x
3Q'18	effective interest rate on debt	3Q'19
3.5%		3.0%

Debt after hedging breakdown



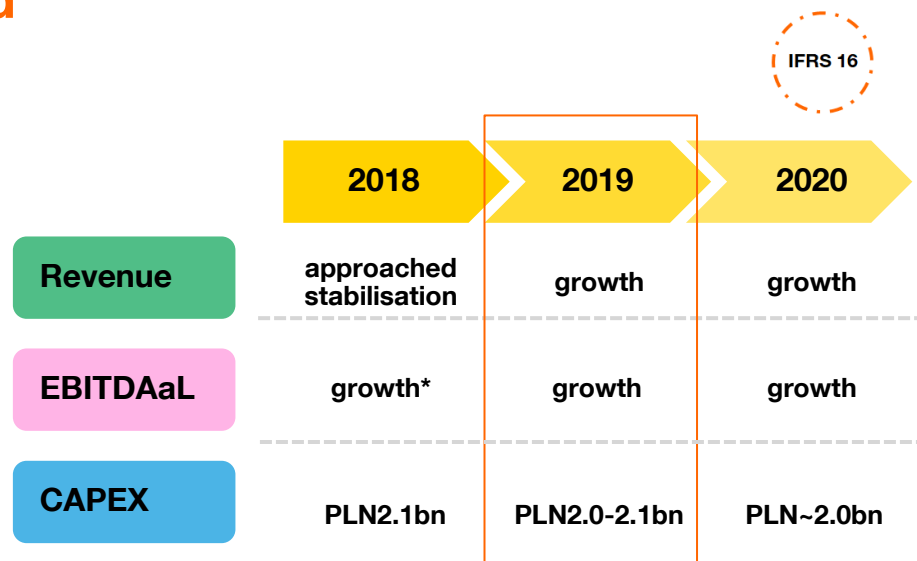
2.7 years – debt average duration

Conclusions

Jean-François Fallacher
Chief Executive Officer

2019 financial ambitions confirmed

- Strong commercial and financial results in Q3 underpin our full-year plans:
 - We reiterate full-year guidance for growth of revenues and EBITDAaL, and outlook for lower capex
- In the peak commercial season focus on monetisation of recent commercial actions
- Detailed 2020 plan under preparation (value creation strategy, business transformation, fibre rollout, 5G)



* Adjusted EBITDA growth under IAS18

Q&A

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