



Current Report (5/2020)
Orange Polska S.A., Warsaw, Poland
28 April, 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 1Q 2020.

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 2020 (available at <http://orange-ir.pl/results-center/results/2020>).

In 1Q 2020 Orange Polska reports strong commercial and financial results confirming solid fundamentals built within the Orange.one strategy

key figures (PLN million)	1Q 2020 (IFRS16)	1Q 2019 (IFRS16) comparable basis*	Change
Revenue	2,804	2,778	+0.9%
EBITDAaL*	676	638	+6.0%
EBITDAaL margin*	24.1%	23.0%	+1.1p.p.
operating income	87	71	+22.5%
net income/loss	-36	-2	-34
eCapex*	343	451	-23.9%
organic cash flow	-78	-99	+21.2%

* From 2020 we have revised definitions of capex and EBITDAaL alternative performance measures. Capex is now presented net of the accrued proceeds from asset disposals and is named economic capex (eCapex). Consequently, EBITDAaL excludes 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 have been shifted from EBITDAaL to Capex. Data for 2019 have been revised for comparative purposes.

KPI ('000)	1Q 2020	1Q 2019	Change
convergent customers (B2C)	1,387	1,276	+8.7%
mobile accesses (SIM cards)	15,436	14,837	+4.0%
post-paid	10,342	9,970	+3.7%
pre-paid	5,095	4,867	+4.7%
fixed broadband accesses (retail)	2,616	2,576	+1.6%
o/w fibre	564	399	+41.4%
fixed voice lines (retail)	3,034	3,328	-8.8%

1Q 2020 Highlights:

- **EBITDAaL (EBITDA after Leases) up 6% year-on-year reflecting:**
 - Improving direct margin as a consequence of good performance of core service revenues
 - Continued strong cost optimisation: indirect costs down 4% year-on-year
- **Results of next quarters will be impacted by COVID-19 crisis**
 - In response to the crisis, the management is adopting counteractive measures in many areas, therefore despite the uncertainty, as of today we do not change our 2020 EBITDAaL growth guidance
- **Revenues up 0.9% year-on-year reflecting:**
 - Revenues combining convergence, mono mobile and mono broadband up 3.3% yoy as 'more for more' strategy translates into better ARPO trend
 - 59% yoy growth of IT/IS combining robust organic growth and contribution of BlueSoft
 - Mobile wholesale reflecting much higher voice traffic since the start of the pandemic
 - Decline in equipment sale reflects closure of major part of points of sale in March due to the pandemic
- **Strong commercial performance in fibre and mobile services:**
 - 9% year-on-year growth of B2C convergent customers, +18k net adds in 1Q
 - Convergent ARPO +3.4% year-on-year reflecting value strategy
 - 41% year-on-year growth of fibre customers, +44k net adds in 1Q (the second highest ever quarterly result)
 - 3.4% year-on-year growth of post-paid mobile handset customers, +62k net adds in 1Q
- **eCapex (economic capex) at PLN 343 million, -24% year-on-year, reflects different phasing of fibre network rollout**
- **4.4 million households connectable with fibre at the end of March (189k added in 1Q)**
- **Organic Cash Flow at PLN -78 million reflects EBITDAaL growth and seasonally high payments for capex**

Commenting on 1Q 2020 performance, Jean-François Fallacher, Chief Executive Officer, said:

“With the outbreak of the COVID-19 pandemic we had to immediately revise our short-term priorities. Top focus was given to the safety of our employees and our customers, as well as to business continuity. I am extremely impressed and proud of how quickly our organisation managed to adapt to this situation. All services to customers are being rendered normally and our networks are handling tremendous increase in traffic without disruptions. This crisis particularly validates the investments in network quality that have always been in the centre of our strategy. Data and voice connectivity has become more essential than ever to the needs of consumers and businesses. Therefore we believe we are in a favourable position versus other industries that are likely to suffer much more.

In the shadow of these developments I am pleased to present our results for the first quarter, which are strong commercially and financially. Our revenues and EBITDAaL continued to grow. Despite the closure of around half of our shops in March, our net additions in mobile and fibre were very solid. We see fibre as especially resilient in the current environment: with 44,000 net customer additions it was the second-best quarter ever for fibre, as we nearly repeated the commercial peak reached in 4Q 2019.

We are aware that the near future will present us with unprecedented challenges. There will be a lot of risks, but I am sure, some opportunities as well in the longer term as our customers will increasingly rely on digital solutions. Orange Polska has very strong fundamentals and we are already working hard to adapt to this new environment.”

Financial Review

Revenues up 0.9% year-on-year reflecting much better trend in core telco services and very strong quarter for IT/IS

Revenues totalled PLN 2,804 million in 1Q 2020 and were up 0.9% year-on-year or PLN 26 million. There were five main factors influencing this revenue trend.

Firstly, combined revenues of convergence, mobile-only and fixed-broadband were up 3.3% year-on-year. This performance is a significant improvement versus 4Q'19 and 3Q'19 when this revenue group was up 1.4% year-on-year in both of these quarters. This is mainly driven by better trend in ARPO, an outcome of our 'more for more' strategy.

Secondly revenues from IT and integration services grew 59% year-on-year, thanks to a combination of robust organic growth (33% year-on-year) and the consolidation of BlueSoft (a contribution of PLN 38 million in 1Q). Thirdly, revenues from equipment sales declined by 17% year-on-year mainly as a result of closure of major part of points of sale in March. Fourthly, mobile wholesale revenues were up 13% year-on-year reflecting much higher voice traffic since the start of the COVID-19 pandemic. Finally, overall trend was impacted by 33% year-on-year decline in other revenues due to particularly high energy resale revenues in 1Q 2019.

Strong commercial performance in fibre and mobile services

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 1Q 2020 our B2C convergent customer base increased by 18,000 and 9% year-on-year. At the end of March, 63% of our B2C broadband customers were convergent versus 59% a year ago. In B2C mobile handset customer base, penetration of convergence increased to 50% versus 47% at the end of March 2019. It needs to be highlighted that ARPO from convergent customers was up 3.4% year-on-year and increased to PLN 104.8 (after it was up 0.4% year-on-year in full-year 2019). It was a result of our value strategy and upsell of additional services.

Total fixed broadband customer base increased in 1Q 2020 by 9,000 and 1.6% year-on-year. The share of high-speed broadband customers increased to 42% from 35% a year ago. It was driven by growth of fibre customer base which expanded 41% year-on-year, adding 44,000 in 1Q, which was the second highest ever quarterly result. Our non-convergent broadband customer base continues to shrink, but at a much slower pace. It is a result of migration to convergence but also due to churn. ARPO from broadband-only services was up 2.2% year-on-year as a result of value strategy.

Total mobile post-paid customer base increased by 105,000 in 1Q 2020, or by 3.7% year-on-year. This growth rate was higher than achieved in 2019. In handset offers, net customer additions of 62,000 in 1Q 2020 reflected good new sales volumes and lower churn. In 1Q post-paid churn ratio stood at 2.5% compared to 2.8% in 1Q 2019. Total blended mobile ARPO was down only 2.5% year-on-year and this dynamics significantly improved versus a decline of 4.3% year-on-year in 4Q 2019. Improvement came both from pre-paid and post-paid mobile-only services. Pre-paid services benefitted from higher traffic in March that followed outbreak of the pandemic. Better trend in post-paid ARPO reflects our value pricing strategy.

In fixed voice, the 1Q net loss of lines was 75,000 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 6.0% year-on-year as a result of improving direct margin evolution and further cost optimisation

EBITDAaL for 1Q 2020 came in at PLN 676 million and was up 6.0% year-on-year. Direct margin (a difference between revenues and direct costs) was down only PLN 3 million year-on-year reflecting better performance of core service revenue lines responsible for margin generation. Focus on cost optimisation was maintained: indirect costs were down by PLN 41 million or 4.4% year-on-year. The decline mainly came from further savings in advertising & promotion, general costs and CRM subcontracting. IT&Network costs reflected higher energy costs as a result of strong increase in the unit energy cost.

Bottom line affected by non-cash foreign exchange losses on EURO denominated long-term leasing liabilities

Net loss for 1Q 2020 came in at PLN 36 million versus a loss of PLN 2 million in 1Q 2019. There were two key factors affecting bottom line. Firstly, 4% year-on-year higher depreciation resulting from our continuous investments in the telecommunication networks. Secondly, net finance costs included PLN 42 million of foreign exchange losses mainly on EURO denominated long-term leasing liabilities.

Organic Cash Flow reflects EBITDAaL growth and seasonally high payments for capex

Organic cash flow for 1Q 2020 was PLN -78 million. It was slightly better than PLN -99 million generated in 1Q 2019 despite PLN 88 million lower cash from sale of assets. It was supported by growing EBITDAaL and PLN 54 million lower year-on-year capital expenditure cash outflows. Lower capital expenditures reflect different phasing of fibre network rollout.

Commenting on 1Q 2020 results, Jacek Kunicki, Chief Financial Officer, said:

“I am satisfied with the solid 1Q results, namely almost 1% yoy revenue growth and 6% EBITDAaL increase, as they confirm our turnaround and strength of our fundamentals. The ‘more for more’ value strategy we initiated two years ago has resulted in improving ARPO trends in convergence and mobile services, which is positively influencing revenue evolution in these key service areas. The first quarter results include the very earliest impacts of the pandemic: limited monetization of higher traffic, lower commercial volumes and sales of equipment, as well as the weakening of the Polish currency.

The COVID-19 crisis has brought a lot of risks and uncertainties for the near future. Its impact on the results of the next quarters will largely depend on the duration of the lockdown, the impact on the Polish economy and the effectiveness of the anti-crisis measures announced by the government. As of today, we are not changing our EBITDAaL growth ambition, because we believe that our core services, which constitute the majority of our margin, are essential to the needs of our customers, and also because we will launch additional measures to compensate for the impact on our results. However taking into account uncertainty we will closely monitor the situation and re-evaluate the COVID-19 impact on our results on continuous basis.”

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 2020 (available at <http://orange-ir.pl/results-center/results/2020>)

<i>in PLNm</i>	1Q 2020 IFRS16	1Q 2019 IFRS16
Operating income	87	71
Less gains on disposal of assets	-10	-4
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	608	583
Interest expense on lease liabilities	-12	-10
Adjustment for the impact of employment termination programs	-	-2
Adjustment for the costs related to acquisition and integration of new subsidiaries	3	-
EBITDAaL (EBITDA after Leases)	676	638

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 2020 results presentation.

29th April 2020

The presentation will be available 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

amounts in PLN millions	2019 comparable basis*					2020
	1Q	2Q	3Q	4Q	FY	1Q
Income statement	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
Revenues						
Mobile services only	640	646	660	652	2,598	638
Fixed services only	569	552	540	531	2,192	523
Narrowband	244	233	224	216	917	208
Broadband	219	213	211	211	854	211
B2B Network Solutions	106	106	105	104	421	104
Convergent services B2C	369	384	399	406	1,558	419
Equipment sales	367	352	359	477	1,555	306
IT and integration services	147	163	224	269	803	233
Wholesale	560	568	585	565	2,278	601
Mobile wholesale	310	324	323	330	1,287	349
Fixed wholesale	177	169	186	157	689	171
Other	73	75	76	78	302	81
Other revenues	126	94	103	99	422	84
Total revenues	2,778	2,759	2,870	2,999	11,406	2,804
Labour expenses**	(403)	(377)	(361)	(349)	(1,490)	(402)
External purchases	(1,581)	(1,559)	(1,595)	(1,779)	(6,514)	(1,574)
- Interconnect expenses	(446)	(461)	(478)	(442)	(1,827)	(483)
- Network and IT expenses	(148)	(152)	(142)	(148)	(590)	(151)
- Commercial expenses	(583)	(578)	(589)	(764)	(2,514)	(546)
- Other external purchases	(404)	(368)	(386)	(425)	(1,583)	(394)
Other operating incomes & expenses	(43)	(51)	(43)	(48)	(185)	(21)
Impairment of receivables and contract assets	(32)	(27)	(39)	(40)	(138)	(36)
Amortization and impairment of right-of-use assets	(71)	(67)	(77)	(85)	(300)	(83)
Interest expense on lease liabilities	(10)	(12)	(13)	(15)	(50)	(12)
EBITDAaL (EBITDA after Leases)*	638	666	742	683	2,729	676
% of revenues	23.0%	24.1%	25.9%	22.8%	23.9%	24.1%
Gains on disposal of assets***	5	44	218	4	271	10
Depreciation, amortisation and impairment of property, plant and equipment and intangibles assets	(583)	(575)	(592)	(698)	(2,448)	(608)
Add-back of interest expense on lease liabilities	10	12	13	15	50	12
Adjustment for the impact of employment termination programs**	2	(6)	(1)	(176)	(181)	0
Adjustment for the costs related to acquisition and integration of new subsidiaries**	0	(3)	(4)	(3)	(10)	(3)
Adjustment for the impact of deconsolidation of subsidiaries***	(1)	0	0	0	(1)	0
Operating income / (loss)	71	138	376	(175)	410	87
% of revenues	2.6%	5.0%	13.1%	-5.8%	3.6%	3.1%
Finance costs, net	(74)	(68)	(102)	(48)	(292)	(128)
- Interest expense on lease liabilities	(10)	(12)	(13)	(15)	(50)	(12)
- Other Interest expenses, net (excl. Interest expense on lease liabilities)	(50)	(45)	(69)	(30)	(194)	(93)
- Discounting expense	(14)	(11)	(20)	(3)	(48)	(23)
Income tax	1	(15)	(50)	37	(27)	5
Consolidated net income / (loss)	(2)	55	224	(186)	91	(36)

* From 2020 definition of EBITDAaL was revised and it excludes gains on asset disposals. Data for 2019 have been revised for comparative purposes.

** 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)	2019				2020
	1Q	2Q	3Q	4Q	1Q
B2C convergent customers	1,276	1,307	1,331	1,369	1,387
Fixed telephony accesses					
PSTN	2,322	2,228	2,140	2,046	1,962
VoIP	1,006	1,031	1,046	1,063	1,072
Total retail main lines	3,328	3,259	3,186	3,109	3,034
<i>o/w B2C convergent</i>	778	800	807	825	830
<i>o/w B2C PSTN convergent</i>	44	38	31	27	23
<i>o/w B2C VoIP convergent</i>	734	762	776	799	807
Fixed broadband access					
ADSL	1,098	1,056	1,017	958	923
VHBB (VDSL+Fibre)	921	961	998	1,063	1,101
<i>o/w VDSL</i>	522	527	525	543	537
<i>o/w Fibre</i>	399	434	473	520	564
Wireless for fixed	557	565	574	586	592
Retail broadband - total	2,576	2,582	2,589	2,607	2,616
<i>o/w B2C convergent</i>	1,276	1,307	1,331	1,369	1,387
TV client base					
IPTV	455	476	495	521	539
DTH (TV over Satellite)	503	496	484	473	456
TV client base - total	958	972	979	994	994
<i>o/w B2C convergent</i>	758	788	802	828	836
Mobile accesses					
Post-paid					
<i>Mobile Handset</i>	7,553	7,611	7,672	7,748	7,810
<i>Mobile Broadband</i>	934	895	865	831	822
<i>M2M</i>	1,483	1,534	1,591	1,658	1,710
Total postpaid	9,970	10,040	10,128	10,237	10,342
<i>o/w B2C convergent</i>	2,434	2,486	2,528	2,589	2,612
Total pre-paid	4,867	4,924	5,012	5,047	5,095
Total	14,837	14,964	15,140	15,284	15,436
Wholesale customers					
WLR	408	381	354	328	310
Bitstream access	137	133	129	128	128
LLU	73	69	66	63	60

Quarterly ARPO in PLN per month	2019				2020
	1Q	2Q	3Q	4Q	1Q
Convergent services B2C	101.4	101.9	103.4	102.8	104.8
Fixed services only - voice	36.3	36.2	36.2	36.3	36.5
Fixed services only - broadband	55.5	54.9	55.2	56.0	56.7
Mobile services only	20.0	20.1	20.3	20.0	19.5
Postpaid excl M2M	26.9	27.0	27.1	26.7	26.3
<i>Mobile Handset</i>	28.6	28.7	28.9	28.5	28.0
<i>Mobile Broadband</i>	16.4	15.9	15.4	14.3	13.6
Prepaid	11.4	11.6	12.1	11.9	11.6
Mobile wholesale (convergent + mono)	7.1	7.5	7.4	7.5	9.7

<i>Other mobile operating statistics</i>	2019				2020
	1Q	2Q	3Q	4Q	1Q
Number of smartphones (thousands)	7,521	7,658	7,778	7,857	7,857
AUPU (in minutes)					
post-paid	357.9	356.6	349.5	354.3	397.3
pre-paid	161.9	163.0	158.8	158.6	173.2
blended	286.5	285.8	279.3	281.8	314.2
Quarterly mobile customer churn rate (%)					
post-paid	2.8	2.5	2.4	2.8	2.5
pre-paid	10.8	10.2	10.7	10.2	9.1
SAC post-paid (PLN)	82.4	99.1	94.8	116.6	82.1
SRC post-paid (PLN)	43.9	43.1	45.7	60.9	48.0
Employment structure of Group as reported Active full time equivalents (end of period)	2019				2020
	1Q	2Q	3Q	4Q	1Q
Orange Polska	13,077	12,429	12,219	12,034	11,885
50% of Networks	355	353	351	342	330
Total	13,432	12,782	12,570	12,376	12,215

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.