Orange Polska

2Q'18 results

.one

25 July 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 Interim Consolidated Financial Statements of the Orange Polska Group for the 6 months ended 30 June 2018 (available at http://orange-ir.pl/results-center/results/2018)

	2Q'18	2Q'18	2Q'17	1H'18	1H'18	1H'17
in PLNm	IFRS15	IAS18	IAS18	IFRS15	IAS18	IAS18
Revenue	2,706	2,766	2,839	5,416	5,532	5,657
	0	0	0	0	0	0
Adjusted revenue	2,706	2,766	2,839	5,416	5,532	5,657
EBITDA	709	785	812	1,383	1,531	1,560
– Employment termination expense	0	0	8	0	0	8
Adjusted EBITDA	709	785	820	1,383	1,531	1,568
Capital expenditures	583	583	437	971	971	822
– Telecommunication licenses**	-32	-32	0	-32	-32	0
Adjusted capital expenditures	551	551	437	939	939	822
Organic cash flow	-32	-32	218	-187	-187	-36
– Investment grants received/paid to fixed assets suppliers*	+3	+3	0	6	6	0
Adjusted organic cash flow	-29	-29	218	-181	-181	-36

* 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

Contents

Highlights

Jean-François Fallacher
Chief Executive Officer

1H results on track with full-year expectations and Orange.one turnaround ambitions

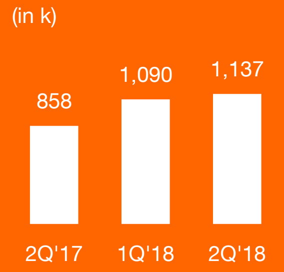
	2018 guidance/ outlook	1H2018 (IAS18)	
Revenue	decreasing	PLN 5.53bn -2.2% yoy	• Growth in convergence (36% yoy), IT/IS (27% yoy) and wholesale (11% yoy) • Overall trend impacted by stabilisation of equipment sales • Revenue evolution to improve in H2 thanks to value strategy
Adjusted EBITDA	stable vs 2017* (around PLN 3.0bn)	PLN 1.53bn** -2.4% yoy	• 51% of 2018 adjusted EBITDA target • Stable underlying business trends (+0.4% yoy ex gain on sale of assets) • Strongly supported by indirect costs optimisations (-8% yoy)
Adjusted CAPEX	PLN 2.0-2.2bn	PLN 0.94bn** +14.2% yoy	• Focus on fibre and mobile • In line with full-year outlook

* Under IAS18
** adjusted as presented on slide #3

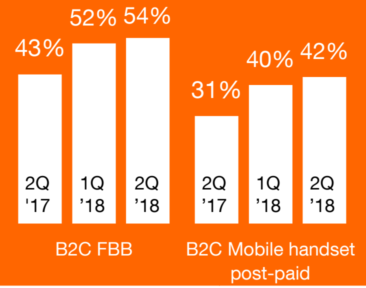
EBITDA trend improving thanks to convergence, fibre and business transformation

COMMERCIAL

Growing B2C convergent customers



Growing convergence penetration



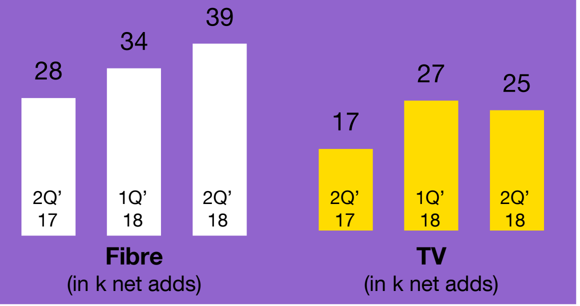
Less churn with convergence (annualised)

Churn rate benefit

-4pts convergent B2C customers vs total FBB B2C customers

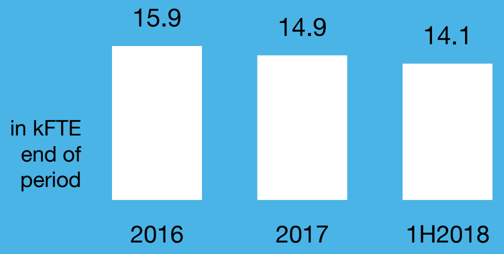
-5pts convergent B2C customers vs total post-paid mobile B2C customers

Growing fibre and TV customers

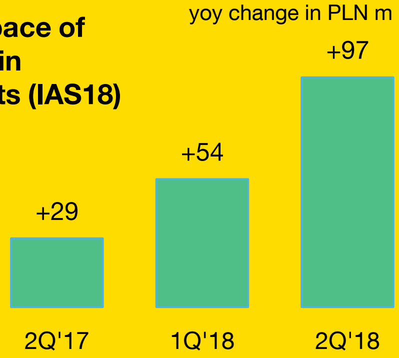


TRANSFORMATION

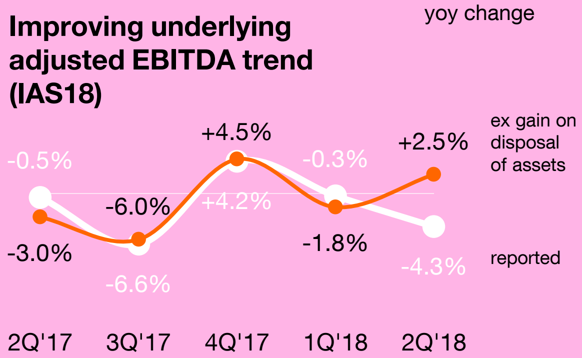
Simplification and automation drive employment evolution



Increasing pace of net savings in indirect costs (IAS18)



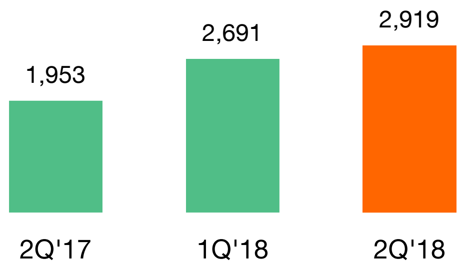
Improving underlying adjusted EBITDA trend (IAS18)



The highest quarterly customer net additions in fibre

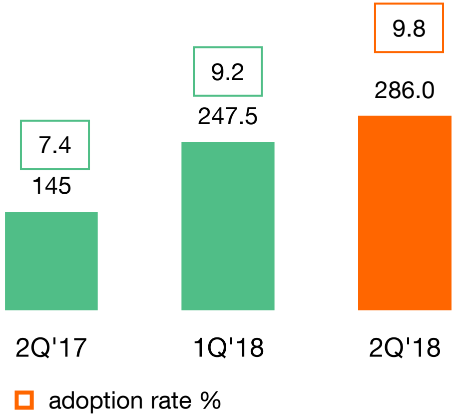
Fibre households connectable

(in k)



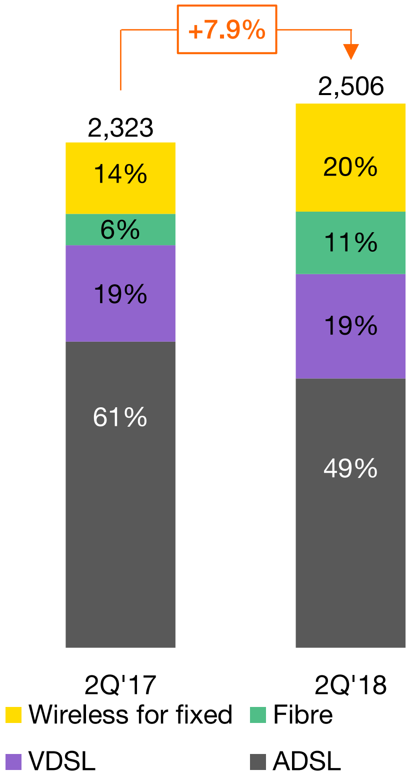
Fibre customer base

(in k)



FBB customer base

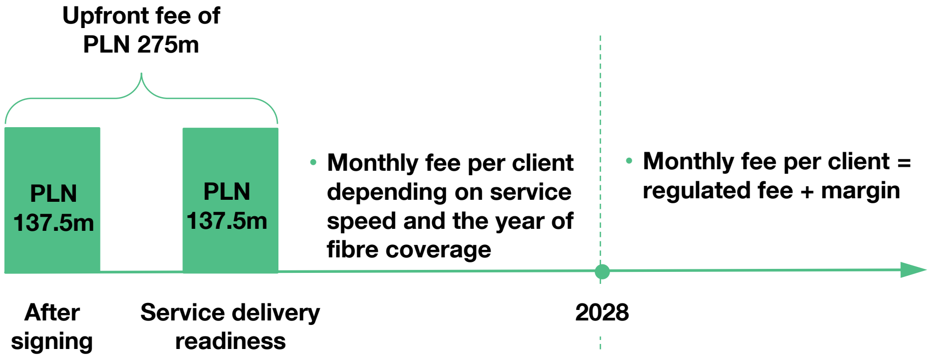
(in k)



- 39k net customer additions in 2Q – the highest ever quarterly result. Customer base almost x2 yoy
  - 82% of 2Q fibre gross adds were new customers to OPL
- Fibre services available in 116 cities (vs 98 cities at the end of 1Q2018)
- 228k new households connectable in 2Q of which 42k on third party infrastructure (full-year target of c. 1m confirmed)

Faster monetization of Orange Polska investments in the fibre network

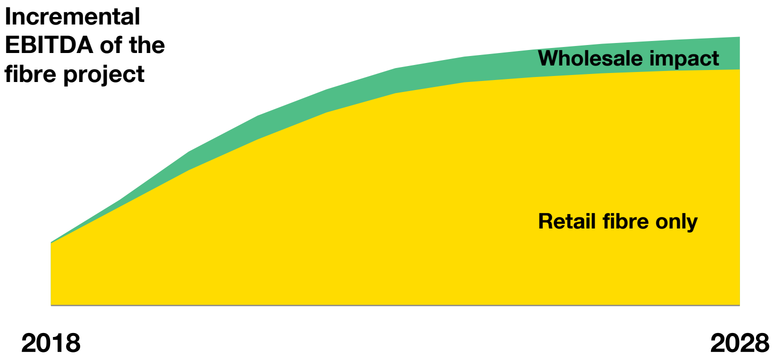
Cash flow perspective of the agreement with T-Mobile



- Wholesale access only to multi-family houses on deregulated areas built on OPL own infrastructure (~1.7m at the end of 2018)
- Valid for 10 years with possibility to be extended for next 5 years
- Option to extend co-operation for households connected to the fibre network beyond 2018 (requires new upfront fee depending on the number of households)
- Agreement regarding regulated areas also in place (regulated rates apply)

Benefits to OPL

- Faster monetization of fibre infrastructure
- Promotion of convergence through fibre in Poland vs alternatives (docsis)
- No overbuilding of fibre network
- Possibility to negotiate wholesale access to fibre with other operators



Financial review

Maciej Nowohoński
Chief Financial Officer

2Q/1H'18 financial results key highlights

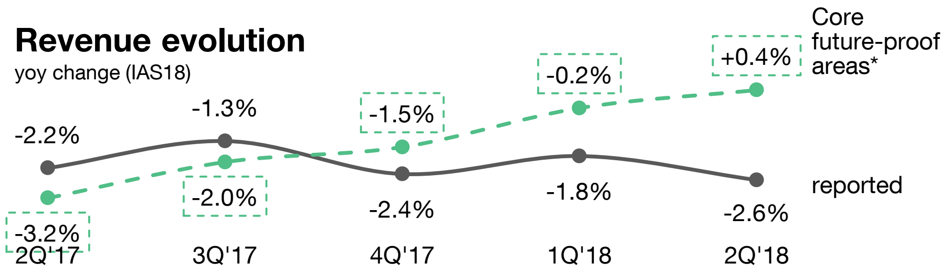
in PLNm	1H’18 (IAS18)	% yoy (IAS18)	2Q’18 (IAS18)	% yoy (IAS18)	key points for 2Q
revenues	5,532	-2.2	2,766	-2.6	▪ Growing convergence, wholesale, IT/IS ▪ Trend affected by equipment sales evolution
adjusted EBITDA*	1,531	-2.4	785	-4.3	▪ Reflects strong impact of cost optimisations and lower gains on assets disposals
% of revenues	27.7	0.0pp	28.4	-0.5pp	
adjusted CAPEX*	939	+14.2	551	+26.1	▪ Reflects timing of capex ▪ In line with FY outlook
% of revenues	17.0	+2.5pp	19.9	+4.5pp	
adjusted organic cash flow*	-181	n/a	-29	n/a	▪ Reflects working capital requirement, high capex and low proceeds from assets sales

* adjusted as presented on slide #3

2Q revenues supported by convergence, wholesale and IT/IS

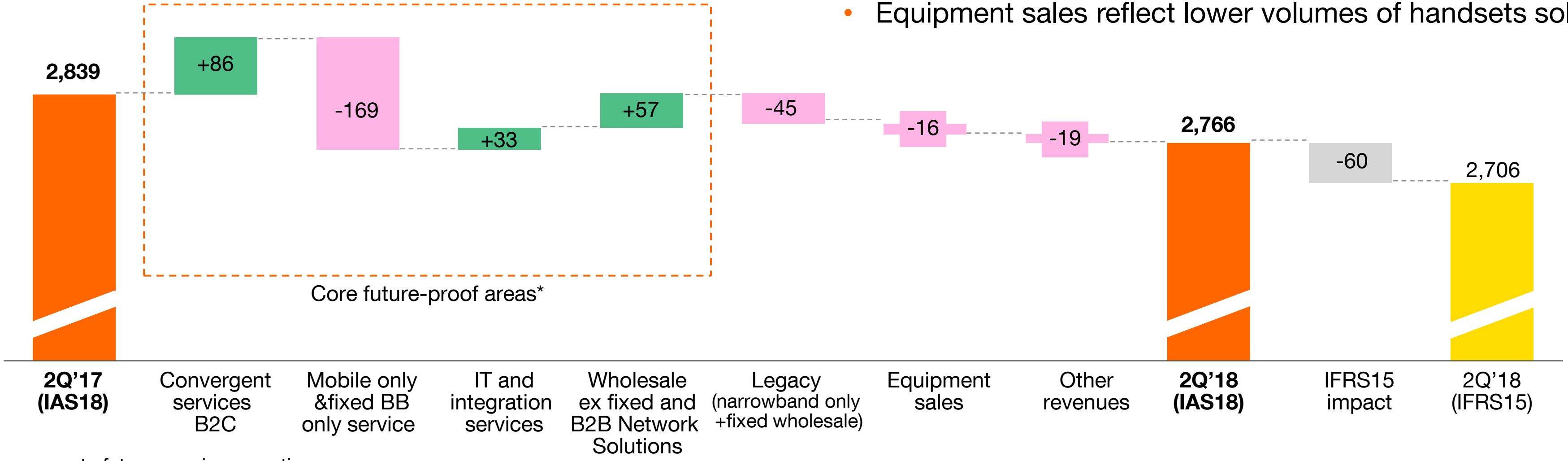
Revenue evolution

yoy change (IAS18)



Revenue evolution breakdown

in PLNm

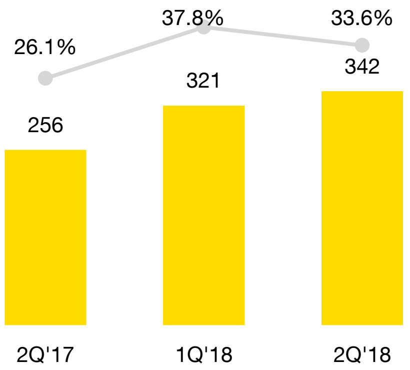


- Further dynamic growth of convergence revenues
- Mono services (mobile and broadband) decline reflects migration to convergence and churn
- Wholesale revenues supported by national roaming contract with Play
- Strong performance of IT/IS driven by service contracts to large customers and growing orders from public sector
- Equipment sales reflect lower volumes of handsets sold

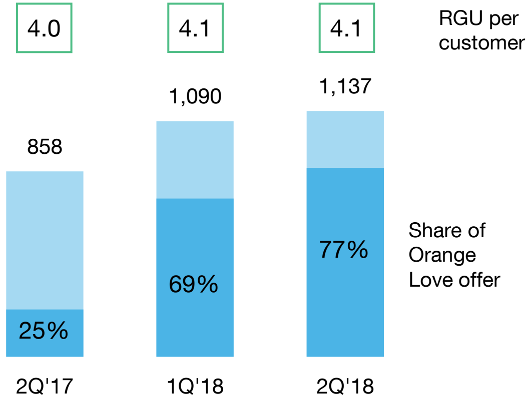
* Areas core to future margin generation

Much better ARPO trend due to upsell and value oriented changes in Orange Love offer

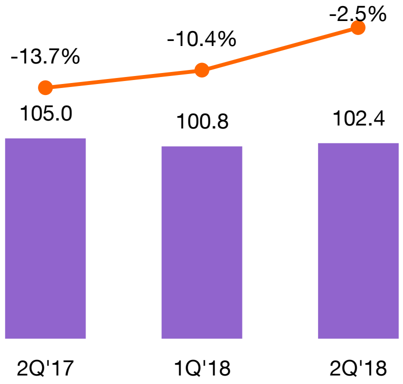
B2C convergence revenues
(in PLN m and yoy change in %)



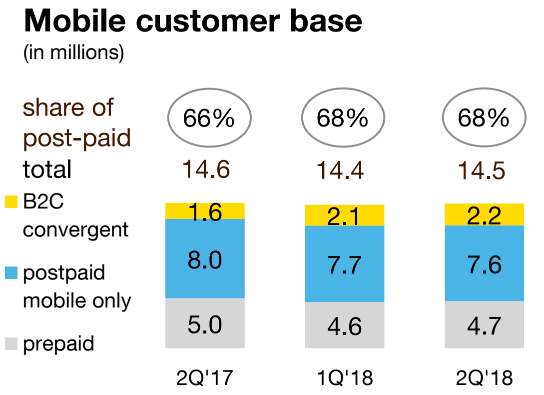
B2C convergent customers
(in k)

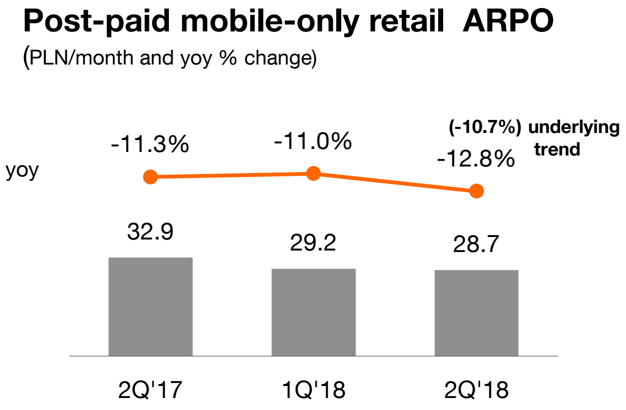


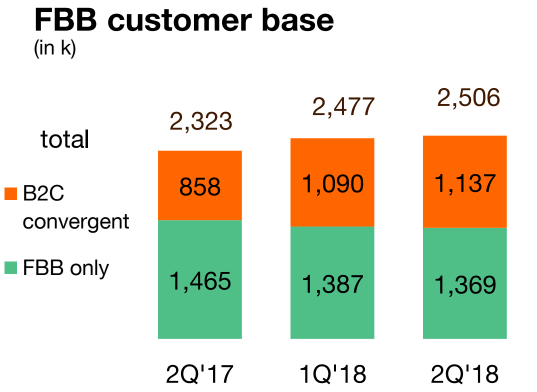
B2C convergent ARPO
(in PLN/month and yoy change in %)

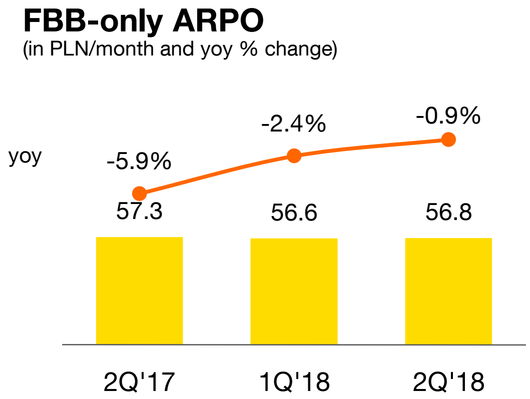


Convergence partially fuelled by migration from mobile-only and broadband-only customers





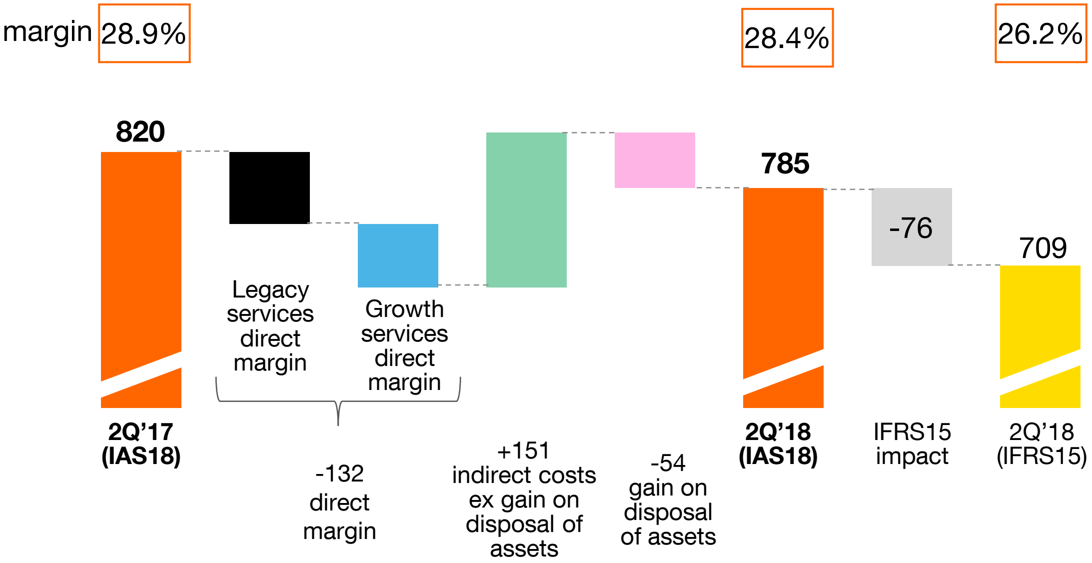




- Much lower decline of mono mobile post-paid base mainly due to effective retention
- Fixed broadband-only ARPO improves due to fibre and lower decline in B2B
- Mobile-only ARPO reflects shift to multisim offers and market competition
- Growing pre-paid base reflects attractive customer proposal and past effects of registration obligations
- Continuing focus on value pricing

2Q EBITDA reflects business transformation and lower asset disposals (under IAS18)

Adjusted EBITDA* evolution
(yoy change in PLNm)



- **Direct margin**:
  - Q2 evolution in line with full-year plans
  - Improvement expected starting Q3
- **Indirect costs:**
  - Strong impact from new Social Plan implementation
  - Ongoing optimisation of all business areas (IT, network, advertising, property expenses, general expenses)
  - Longer-than-expected negotiations regarding real estate disposal transactions

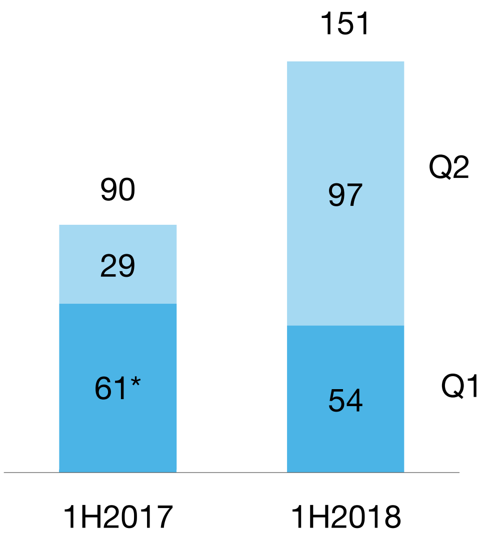
employment down 9.1% yoy
(in kFTE end of period)

* adjusted as presented on slide #3

Optimisations in all business areas through simplification of processes

Increasing pace of savings in indirect costs (IAS18)

yoy change in PLN m



Labour

- Simplification of processes with special focus on back office/headquarters
- Automation of processes through better IT tools
- Leaner management structure

Sales & customer care

- Outsource of outbound telesales channel
- Automation of processes
- Optimisation of POS formats
- More efficient advertising spend

Network maintenance & energy

- Efficiencies in technical interventions and network maintenance
- Savings in network energy consumption

G&A

- Optimisation of security costs through virtualisation and remote operations
- Reduction in the number of vehicles & other administrative costs

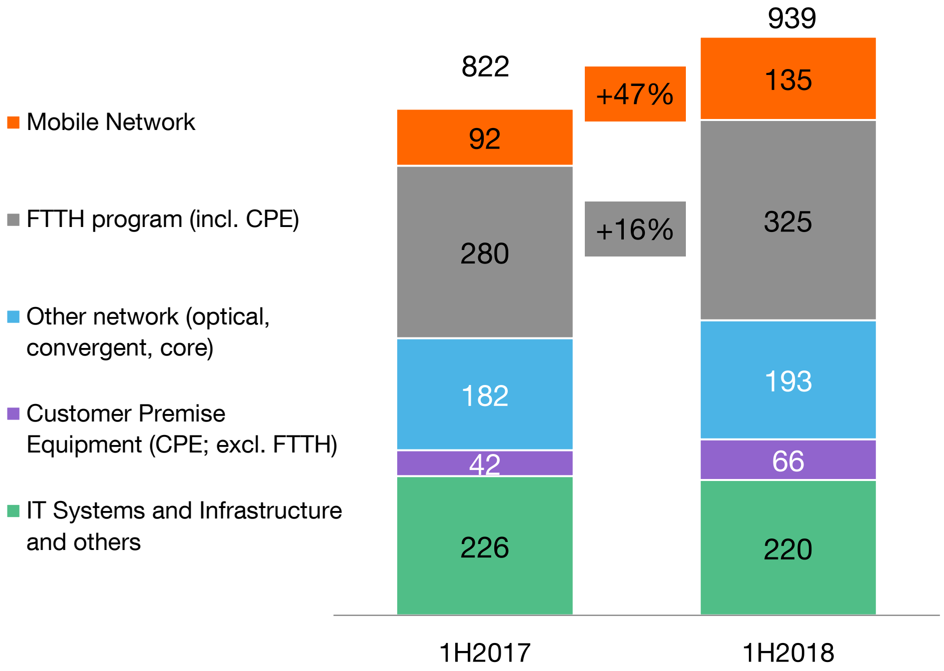
* Adjusted by PLN 94m provision reversal in labour costs in 1Q'16

Net income reflects lower operating income (under IAS18)

in PLNm	1H'18 IFRS15	1H'18 IAS18	1H'17 IAS18	2Q'18 IFRS15	2Q'18 IAS18	2Q'17 IAS18	Change (IAS18)
reported EBITDA	**1,383**	**1,531**	**1,560**	**709**	**785**	**812**	**-27**
depreciation and amortization	-1,277	-1,277	-1,281	-636	-636	-642	+6
impairment of non-current assets	0	0	-1	0	0	-1	+1
reported operating income	**106**	**254**	**278**	**73**	**149**	**169**	**-20**
net financial costs	-173	-173	-157	-87	-87	-86	-1
income tax	1	-27	-11	-2	-16	-12	-4
reported net income/loss	**-66**	**54**	**110**	**-16**	**46**	**71**	**-25**

Growth in adjusted capex reflects connectivity investments and optimisations

Investment areas
(in PLNm)



- Fibre capex up 16% yoy and constituted 35% of total:
  - Capex per household connectable ~PLN 530, up c.7% vs FY 2017 due to more investments in smaller cities and single family houses
  - Unit service delivery capex stable (inc. CPE)
- Mobile capex up 47% yoy due to investments in spectrum refarming and different phasing
- **Full-year capex outlook maintained:** PLN 2.0-2.2bn, including PLN 700-800m on fibre rollout

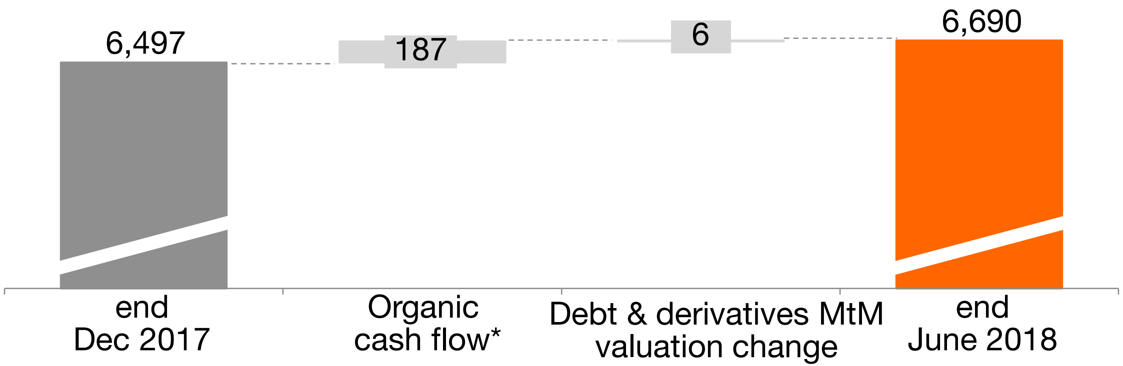
Cash flow impacted by working capital requirement, higher capex and lower proceeds from sale of assets

in PLNm	1H'18	1H'17	Change	2Q'18	2Q'17	Change
Net cash flow from operating activities before change in working capital *	1,163	1,352	n/a	577	680	n/a
Change in working capital *	-313	-347	n/a	-109	-117	n/a
Net cash flow from operating activities	**850**	**1,005**	**-155**	**468**	**563**	**-95**
Reported CAPEX	-971	-822	-149	-583	-437	-146
Change in CAPEX payables**	-97	-306	+209	81	15	+66
Investment grants received/paid to fixed assets suppliers***	-6	0	-6	-3	0	-3
Sales of assets	37	87	-50	5	77	-72
Organic cash flow	**-187**	**-36**	**-151**	**-32**	**218**	**-250**
Investment grants received/paid to fixed assets suppliers***	6	0	6	3	0	3
Adjusted organic cash flow	**-181**	**-36**	**-145**	**-29**	**218**	**-247**

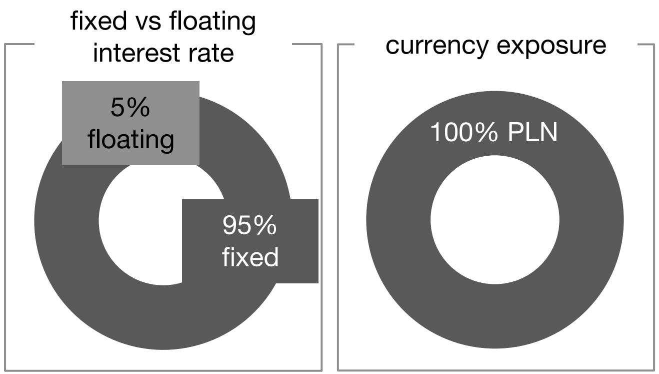
* 2017 presented under IAS18 while 2018 under IFRS15
** including exchange rate effect on derivatives economically hedging capital expenditures, net
*** relating to EU subsidies for Digital Poland Operational Programme (POPC)

Stable net debt to EBITDA ratio

net debt evolution
change in PLNm



Debt after hedging breakdown



- 2.6 years – debt average duration

2.2x (IAS18)	net debt to adjusted EBITDA	2.2x (IAS18)
2Q'17		2Q'18
3.4%	effective interest rate on debt	3.5%

* as presented on slide #3

Conclusions

Jean-François Fallacher
Chief Executive Officer

Conclusion

- 1H2018 results key highlights:
  - Improving trend in convergent ARPO
  - Fibre customer additions gain momentum
  - Significant impact from business transformation

- Wholesale deal with T-Mobile to enhance monetisation of investments in fibre network

- We reiterate our full-year guidance for 2018 adjusted EBITDA at around PLN 3.0 billion under IAS 18 and PLN 2.75 billion under IFRS 15
  - New value oriented commercial moves in the pipeline
  - Preparation of new transformation initiatives for 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
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
GB	Gigabyte
Households (HH) connectable in fibre technology	Households where broadband access service based on fibre technology can be rendered

Glossary (2/3)

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
VDSL	Very-high-bit-rate Digital Subscriber Line
VHBB	Very high speed broadband above 30Mbps

Glossary (3/3)

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