Orange Polska

4Q'18 and FY'18 results

.one

21 February 2019

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 IAS18 accounting standard. IFRS15 accounting standard has been implemented by Orange Polska in 2018 prospectively, i.e. no comparative figures for past years restated to IFRS15 were provided. In the opinion of the Company, such an approach provides continuity of performance measurement vis- à-vis the strategy announced in 2017.

Adjustments to financial data

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 2018 (available at http://orange-ir.pl/results-center/results/2018).

in PLNm	4Q’18 IFRS15	4Q’18 IAS18	4Q'17 IAS18	FY’18 IFRS15	FY’18 IAS18	FY’17 IAS18
Revenue	2,930	2,964	2,910	11,101	11,296	11,381
	0	0	0	0	0	0
Adjusted revenue	2,930	2,964	2,910	11,101	11,296	11,381
EBITDA	711	744	471	2,886	3,109	2,807
– Employment termination expense	-5	-5	196	-5	-5	204
Adjusted EBITDA	706	739	667	2,881	3,104	3,011
Capital expenditures	813	813	673	2,282	2,282	1,933
– Telecommunication licences**	0	0	0	-32	-32	0
Adjusted capital expenditures	813	813	673	2,250	2,250	1,933
Organic cash flow	299	299	153	-252	-252	407
– Investment grants (received)/paid to fixed assets suppliers*	52	52	-30	59	59	-296
– Payment of European Commission fine	0	0	0	646	646	0
Adjusted organic cash flow	351	351	123	453	453	111

* 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 & Business review

Jean-François Fallacher
Chief Executive Officer

Mariusz Gaca
Deputy CEO in charge of consumer market

Bożena Leśniewska
Deputy CEO in charge of business market

Maciej Nowohoński
Chief Financial Officer

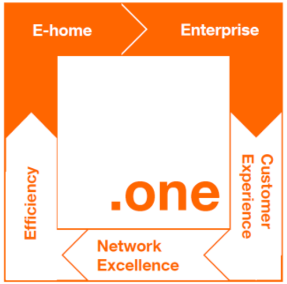
2018 guidance exceeded: adjusted EBITDA up 3% year-on-year

2018 guidance	FY 2018 results	
adjusted EBITDA* IAS18 – around PLN 3.0bn (stable vs 2017) IFRS15 – around PLN 2.75bn	✓ PLN 3.1bn** **+3.1% yoy** vs -4.8% in 2017 ✓ PLN 2.9bn	**exceeded**
2018 expectations		
revenues lower pressure on revenues	✓ PLN 11.3bn** -0.7% yoy vs -1.4% in 2017	**met**
adjusted capital expenditures* PLN 2.0-2.2bn, including 700-800m on fibre rollout	✓ PLN 2.25bn (including 0.7bn on fibre rollout)	**met**
net debt to adjusted EBITDA IAS18 - not higher than 2.6x IFRS15 - not higher than 2.8x	✓ 2.2x** ✓ 2.4x	**met**

* adjusted as presented on slide #3

** Under IAS18 accounting standard

2018 achievements are a consequence of well implemented strategy



B2C Households conquest through convergence and fibre

B2B Development of competencies to support digital transformation of our customers

Efficiency Business transformation through simplification

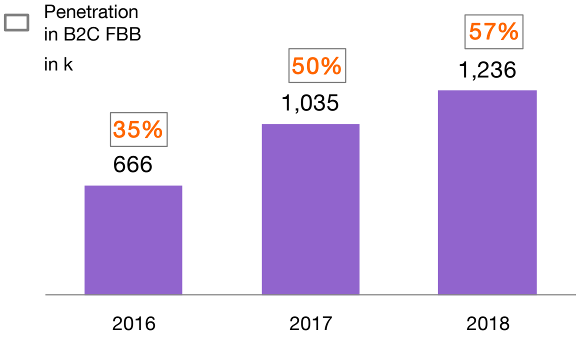
Value

Simplicity

Focus

Convergence is the bedrock of our turnaround

Dynamic growth of convergent customer base…



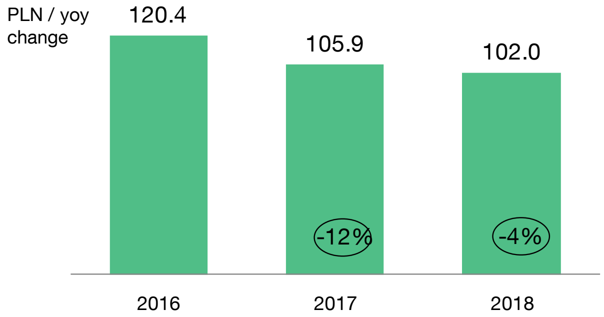
…who are more loyal…

Less churn with convergence (annualised)

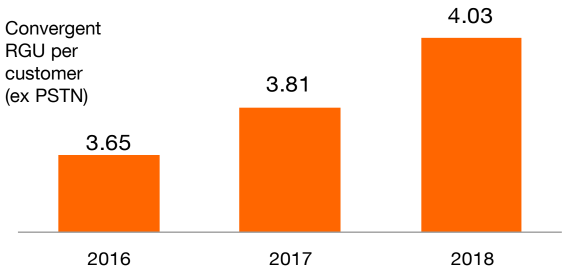
-5pts convergent B2C customers vs total FBB B2C customers

-4pts convergent B2C customers vs total post-paid mobile B2C customers

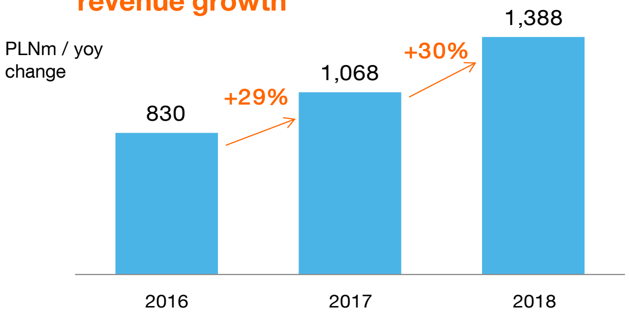
… combined with stabilisation of convergence ARPO…



…which is driven by value strategy and upsell…

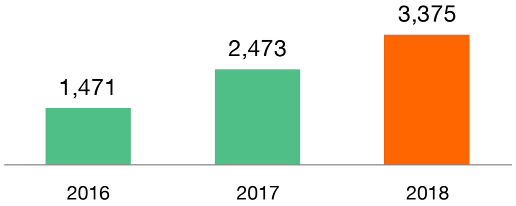


… result in 30% yoy convergence revenue growth



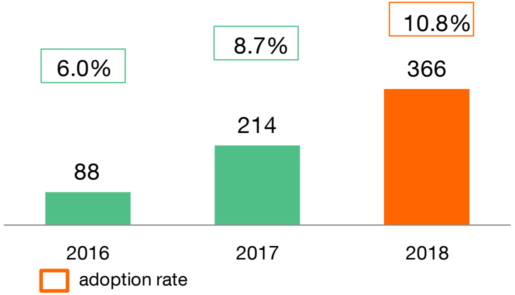
The highest ever customer growth underlines fibre competitive advantage and support it gives to convergence

Fibre network roll-out on track…
(households connectable - in k)

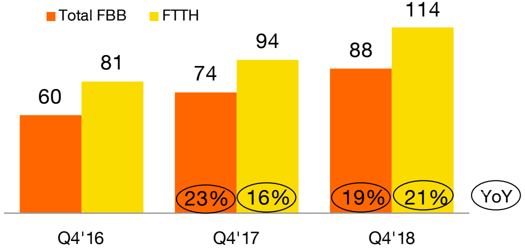


…and already available in 117 cities…

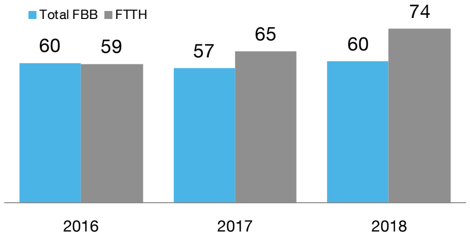
…is attracting customers (fibre base up 70% in 2018)…
(fibre customers in k)



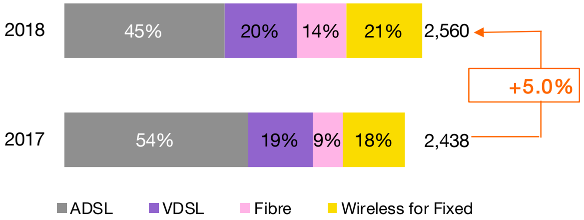
…who can meet their demand for data (growing traffic driven by take-up of higher speeds and TV)…
(GB/customer per month in fixed network)



… which translates into growing fibre ARPO…
(PLN/month)



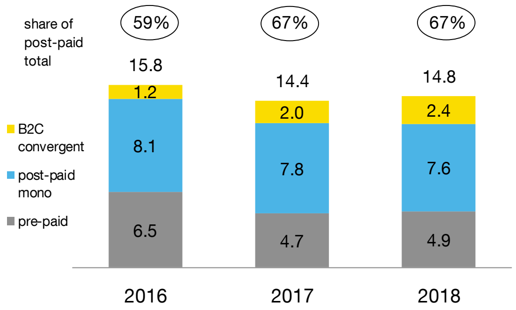
…and drives transformation and growth of total FBB customer base
(FBB customer base in k)



Strong footprint in mobile in big cities supports cross sell of fibre and convergence

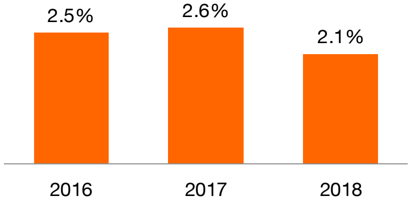
We are growing our mobile customer base improving its value mix…

(in millions)



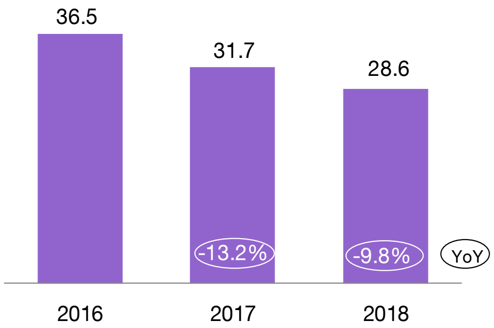
…and reducing churn

(average quarterly churn rate in mobile handset customer base)



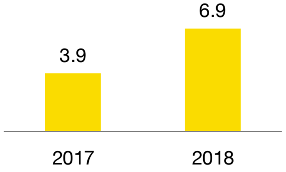
Value pricing helped improving the trend in postpaid mobile-only retail ARPO

(PLN/month and yoy % change)

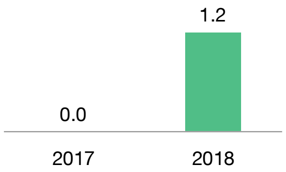


We are investing in the network quality to enhance customer experience …

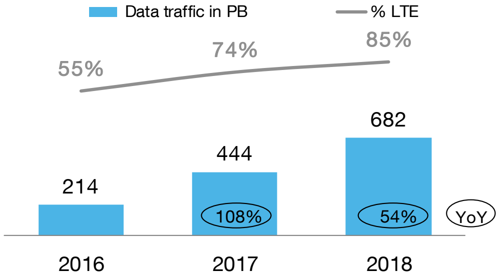
Base stations with spectrum aggregation (k)



Base stations with four LTE frequencies (k)



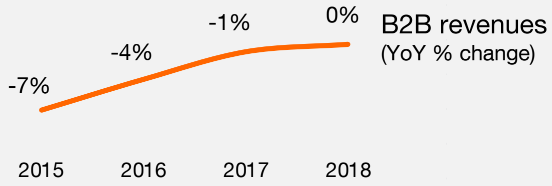
… as their demand for data is soaring



B2B revenues stabilised. ICT growth ambition confirmed

B2B accounts for c. 1/3 of OPL revenues

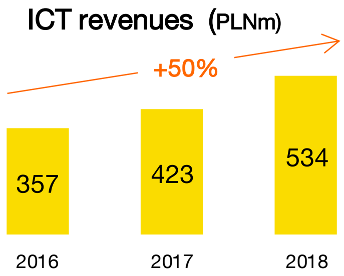
- Revenue trend stabilised



✓ ICT as one of key drivers

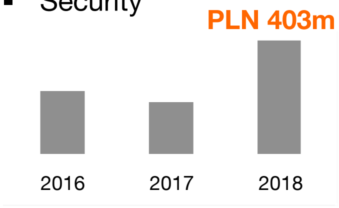
- Volume to value approach
- Mobile handset base growth **+5%**
- Fiber base **x2**

ICT: 50% revenue growth 2016-2018 on track with strategic ambition to double revenues by 2020 driven by…



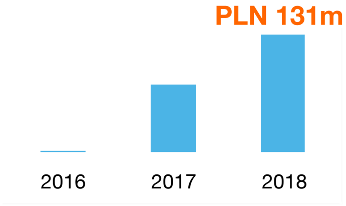
…improving trend in revenues from traditional ICT areas (+16% yoy growth in 2018)…

- IT Infrastructure
- Networking & Communication
- Security



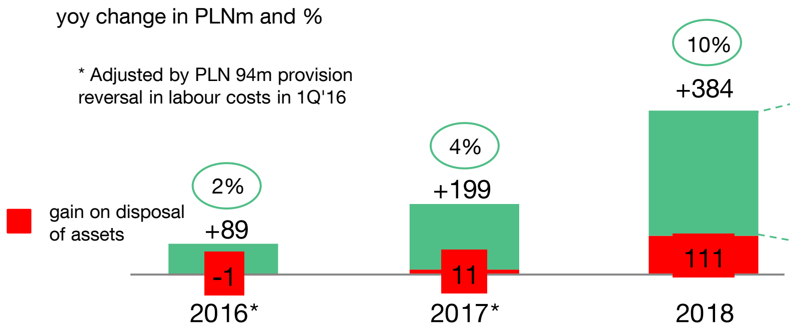
…and rapid development of new competencies (+73% yoy revenue growth in 2018)

- Software & Applications

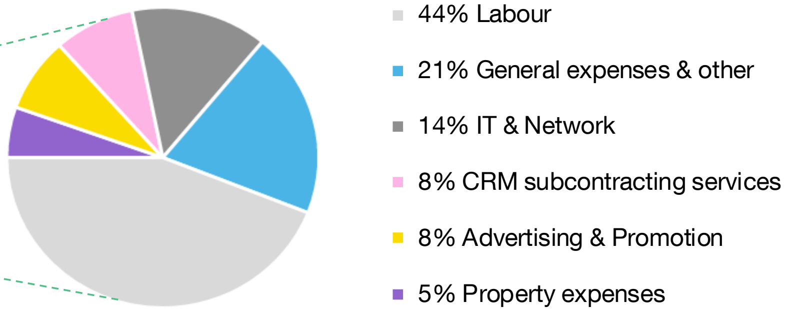


Indirect costs down 10% yoy in 2018: strategic target of 12-15% cut by 2020 (vs 2016) met 2 years in advance. More savings to come

Increasing pace of net savings in indirect costs…



…with more than 50% coming from non-labour areas…



… driven by comprehensive transformation of business processes

Transformation actions	Modernised network management & delivery	Less offers & simpler offers	Superior online Modernized shops	Superior customer experience
Simplicity gains	Modern, simpler IT	Focused advertising Fewer customer claims	Fewer shops, better locations	Fewer customer care interactions
Automation gains	Faster delivery process	Less manual work for offer implementation	Simpler delivery chain Less manual back-office	Robotics to replace manual work
Digital gains	Remote diagnostics of network	Easier digital sales, retention & care	Great cross-channel experience Real-time web assistance	More self-care in digital channels. Artificial Intelligence: VoiceBot & ChatBot

Financial review

Maciej Nowohoński
Chief Financial Officer

4Q/FY' 2018 financial results key highlights - turnaround in main KPIs

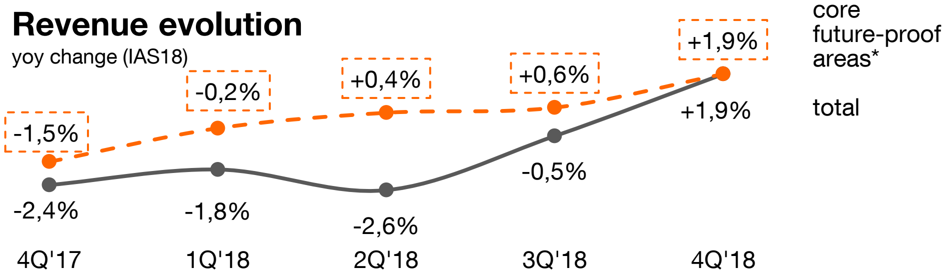
in PLNm	FY'18 (IAS18)	% yoy (IAS18)	4Q'18 (IAS18)	% yoy (IAS18)	key points for 4Q
Revenue	11,296	-0.7	2,964	+1.9	▪ Further improvement in core future-proof areas driven by convergence, IT/IS and mono services
Adjusted EBITDA*	3,104	+3.1	739	+10.8	▪ Supported by better trend in direct margin, cost optimisations and much higher gains on sale of assets
% of revenues	27.5%	+1.0pp	24.9%	+2.0pp	
Adjusted CAPEX*	2,250	+16.4	813	+20.8	▪ Reflects phasing of projects in mobile, optical fibre network and IT
% of revenues	19.9%	+2.9pp	27.4%	+4.3pp	
Adjusted organic cash flow*	453	+308	351	+185	▪ Supported by EBITDA and working capital

* adjusted as presented on slide #3

Revenues returning to growth in 4Q: +1.9% yoy thanks to convergence, better IT/IS and mono services

Revenue evolution

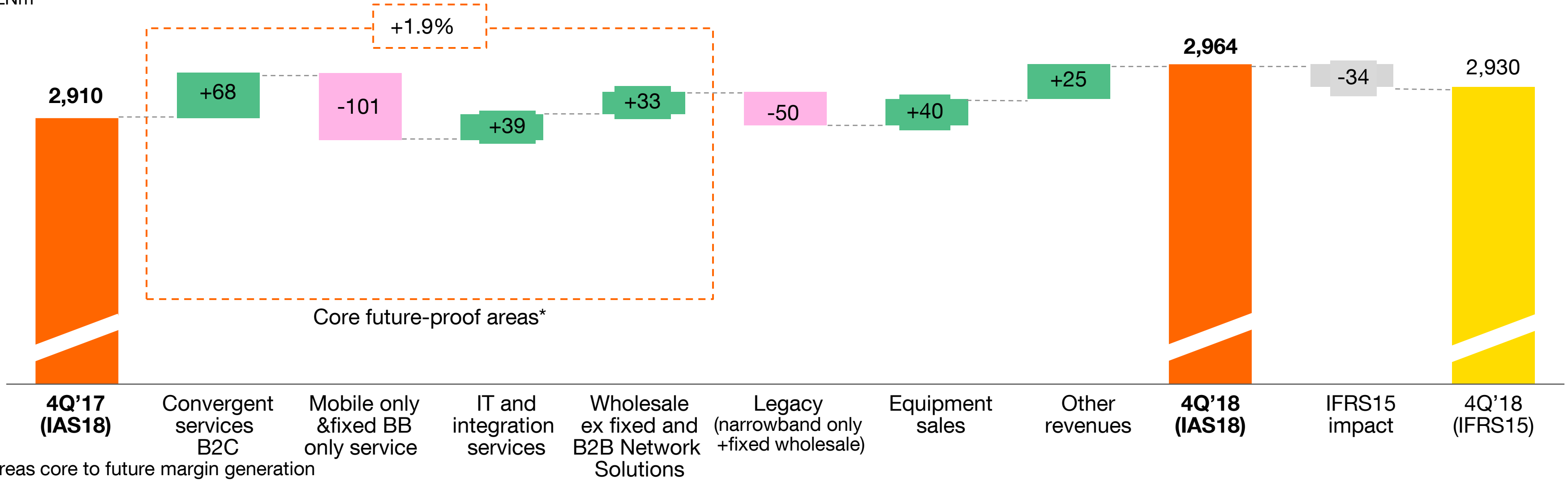
yoy change (IAS18)



- Further dynamic growth of convergence revenues
- Mono services reflect better underlying trends and positive impact of roaming
- >20% yoy growth of IT/IS revenue
- Equipment sales benefit from launch of instalment handset sales during lifetime of the contract
- Other revenues benefit from much higher energy resale

Revenue evolution breakdown

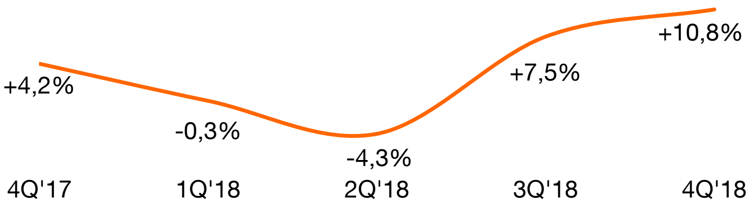
in PLNm



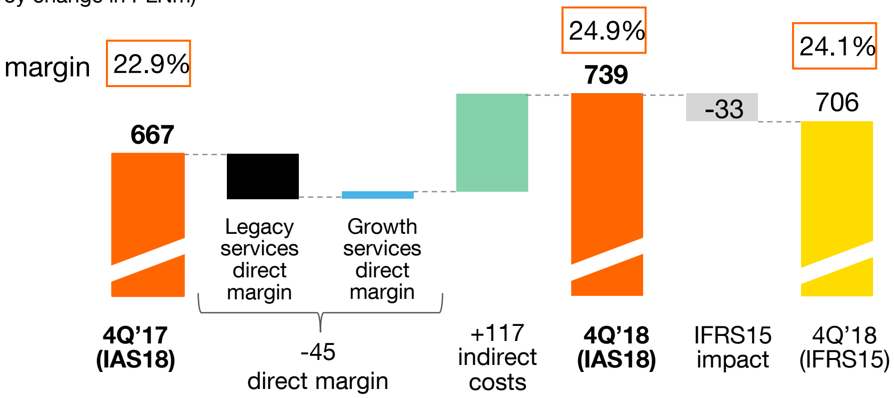
* Areas core to future margin generation

4Q EBITDA +11% yoy confirming our turnaround: better revenues & direct margin and strong indirect cost savings

adjusted EBITDA evolution
yoy change (IAS18)



adjusted EBITDA breakdown
(yoy change in PLNm)



Improved trend in direct margin due to:

- Better trend in core future-proof revenues
- Value focus in commercial Christmas season
- Positive roaming impact
- And despite turmoil on the bad debts market (lower prices for sold receivables)

Continued good savings in indirect costs:

- Strong positive impact from real estate disposals (PLN 64m yoy in 4Q)
- Total indirect costs down 10% yoy in 2018 and down 14% since 2016 (vs target of 12-15% reduction in 2020 vs 2016)

employment down 9.3% yoy
(in kFTE end of period)

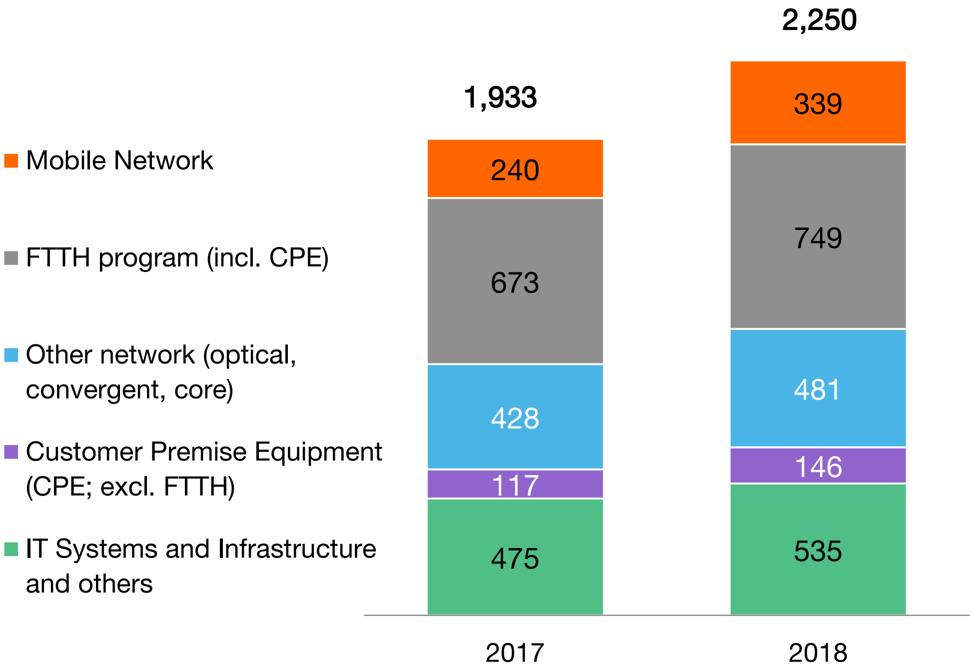
Net income improves thanks to EBITDA hike

in PLNm	FY'18 IFRS15	FY'18 IAS18	FY'17 IAS18	4Q'18 IFRS15	4Q'18 IAS18	4Q'17 IAS18	Change (IAS18)
reported EBITDA	**2,886**	**3,109**	**2,807** [1]	**711**	**744**	**471** [1]	**+273**
depreciation and amortization	-2,544	-2,544	-2,572	-648	-648	-648	0
impairment of fixed assets	3	3	-6	1	1	-	+1
reported operating income	**345**	**568**	**229**	**64**	**97**	**-177**	**+274**
net financial costs	-305	-305	-304	-71	-71	-59	-12
income tax	-30	-73	15	-8	-15	38	-53
reported net income/loss	**10**	**190**	**-60**	**-15**	**11**	**-198**	**+209**

1 Reported EBITDA in 2017 included PLN 196m effect of provisions related to Social Agreement

2018 capex at its peak and consistent with strategy

Investment areas
(in PLNm)



- Fibre capex up 11% yoy and constituted 33% of total:
  - Capex per household connectable ~PLN570, up 17% yoy as a result of higher costs of subcontractors and different structure of production (focus on single family houses and less dense areas in cities)
- Mobile capex up 41% yoy driven by spectrum refarming and investments in coverage & capacity
- IT & infrastructure capex reflects business development and transformation
- Other network capex increase driven mainly by:
  - business development (B2B projects and network infrastructure for other operators)
  - Investments in mobile backhaul

Cash flow improves thanks to better working capital and higher EBITDA

in PLNm	FY'18	FY'17	Change	4Q'18	4Q'17	Change
Net cash flow from operating activities before change in working capital *	1,670	2,500	N/A	573	507	N/A
Change in working capital *	142	-436	N/A	222	34	N/A
Net cash flow from operating activities	**1,812**	**2,064**	**-252** (1)	**795**	**541**	**+254**
Reported CAPEX	-2,282	-1,933	-349	-813	-673	-140
Change in CAPEX payables**	+121	-133	+254	280	239	+41
Investment grants received/paid to fixed assets suppliers***	-59	296	-355	-52	30	-82
Sales of assets	156	113	+43	89	16	+73
Organic cash flow	**-252**	**407**	**-659** (2)	**299**	**153**	**+146**
Investment grants received/paid to fixed assets suppliers***	+59	-296	+355	+52	-30	+82
Payment of European Commission fine	+646	-	+646	-	-	-
Adjusted organic cash flow	**453**	**111**	**+342**	**351**	**123**	**+228**

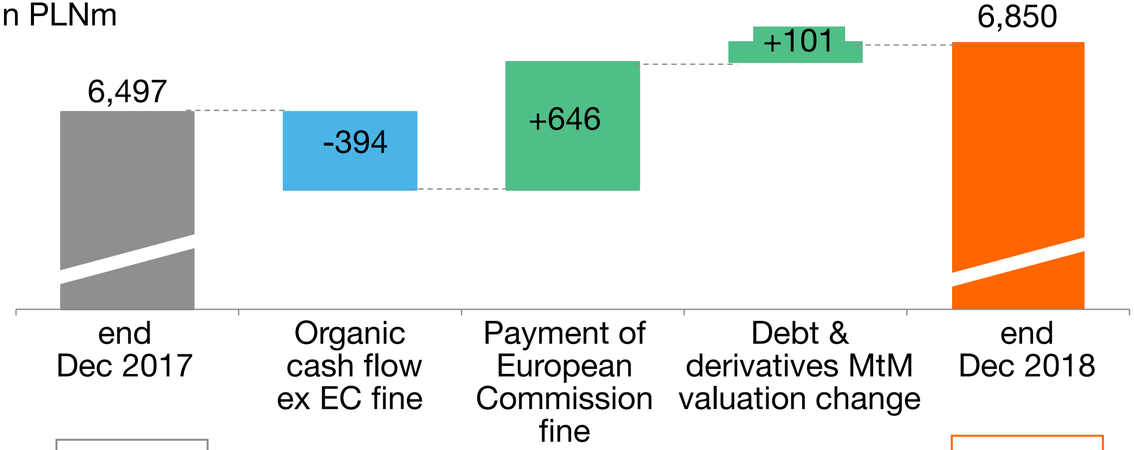
1 PLN +394m ex payment of EC fine

2 PLN -13m ex payment of EC fine

* 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)

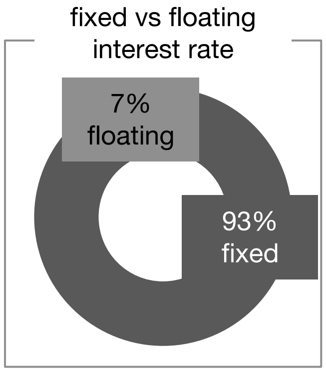
Leverage level unchanged despite EC fine payment

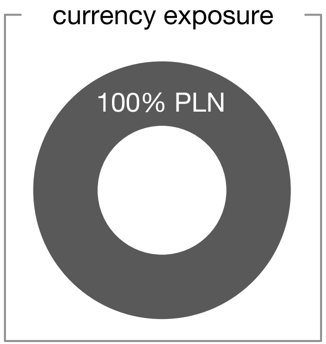
net debt evolution
in PLNm



end Dec 2017		end Dec 2018
2.2x (IAS18)	net debt to adjusted EBITDA	2.2x (IAS18)
4Q'17 3.4%	effective interest rate on debt	4Q'18 3.5%

Debt after hedging breakdown





- 3.0 years – debt average duration after refinancing of PLN 1.5bn in February (sourced by Orange SA)

Alternative Performance Measures (APMs) under IFRS16

(all IFRS16 corrections and values after these corrections for 2018 are company's best estimates)

(in PLNm)

IAS18	IFRS15	After IFRS16 implementation

Operating leases in OPEX
Finance leases **below EBITDA**
(depreciation & interests)

Operating and finance leases
treated equally
as operating costs.

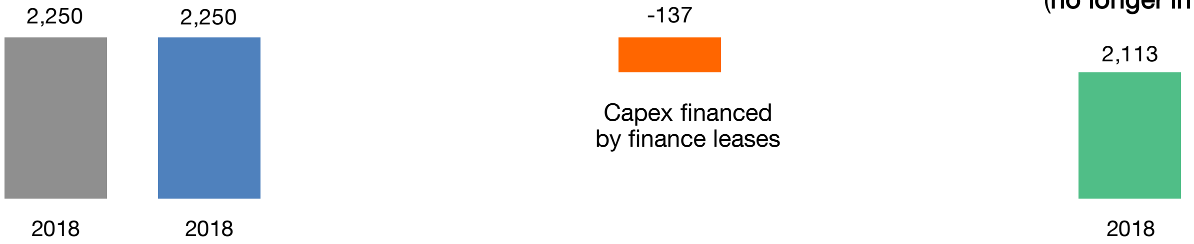
EBITDAaL (EBITDA after leases)
to become new main operating
profitability measure **since 2019**

adj. EBITDA

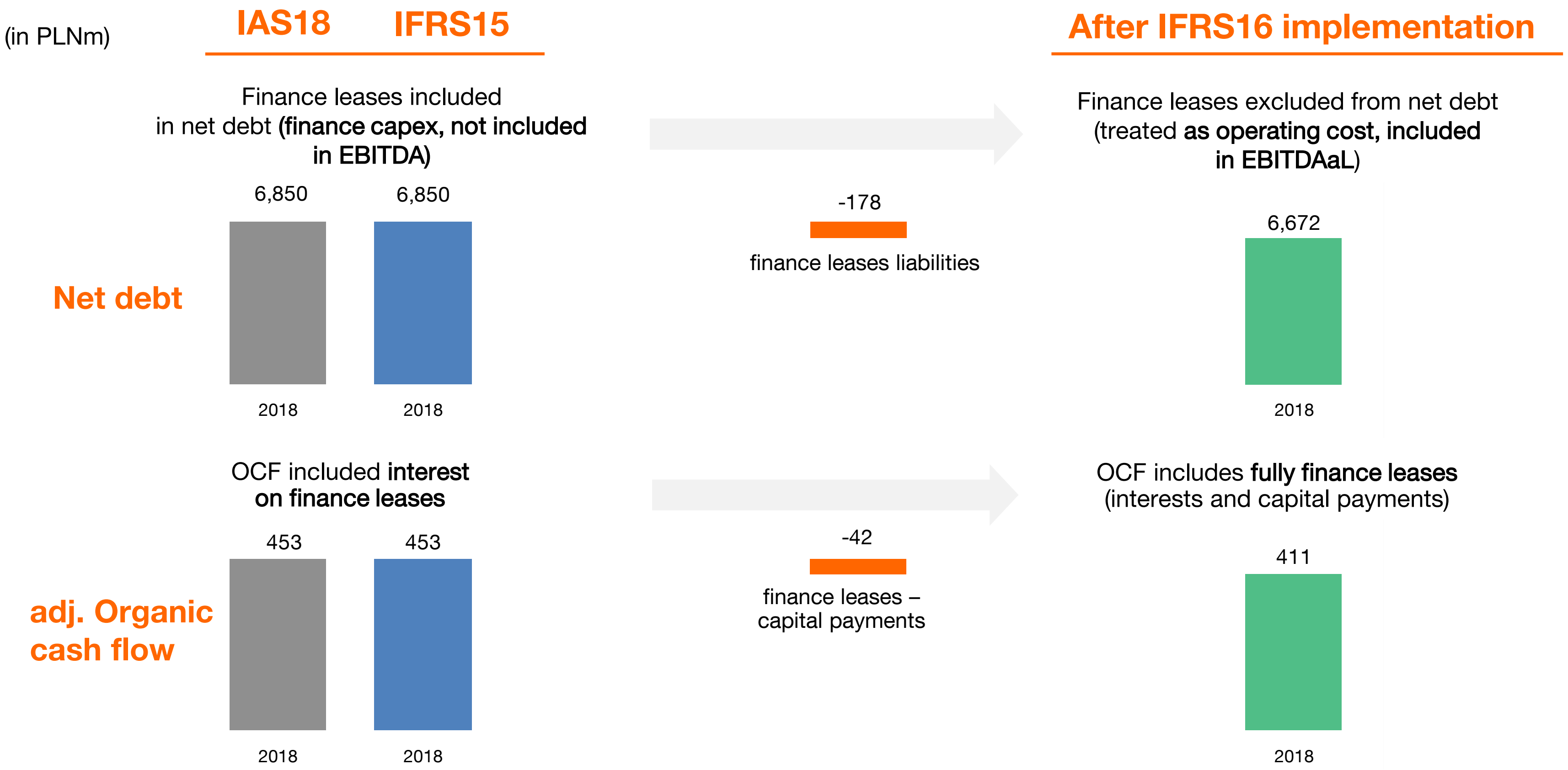
Finance leases treated
as capex

Finance leases treated
as operating expense
(**no longer in capex**)

adj. CAPEX



Alternative Performance Measures (APMs) after IFRS16
(all IFRS16 corrections and values after these corrections for 2018 are company's best estimates)



2019 outlook

Jean-François Fallacher
Chief Executive Officer

2020 financial ambitions confirmed…

IFRS 16

		2018	2019	2020
Revenue	Growth areas to increasingly offset pressure on legacy	approached stabilisation	~~stabilisation~~* growth	growth
EBITDAaL	To be supported by better revenue trend, operating leverage and continued cost optimisation	~~stabilisation~~* growth**	growth	growth
CAPEX	Reflects connectivity programme and business transformation needs	PLN2.1bn	PLN2.0-2.1bn	PLN~2.0bn
Net debt	Decreasing from 2019			

* As presented during strategy presentation in September 2017

** Adjusted EBITDA growth under IAS18

…with 2019 guidance as an interim step

IFRS 16

	2018 (IFRS15)	2018 comparable basis (IFRS16)	2019 guidance
EBITDAaL	PLN 2,881m*	PLN 2,811m**	Growth vs 2018
			2019 expectations
Revenues	PLN 11,101m	PLN 11,101m	▪ Growth vs 2018 ▪ Further focus on convergence and value strategy ▪ Legacy revenue (PSTN, wholesale) in continued structural decline but at a diminishing pace
adjusted capex	PLN 2.25bn*	PLN 2.11bn	PLN 2.0-2.1bn, including 700-800m on fibre rollout (0.8-0.9m new households connectable in fibre)
Net debt to EBITDAaL	2.4x	2.4x **	Decreasing
Dividend	Unchanged approach to dividends		

** adjusted EBITDA as presented on slide #3*
*** EBITDAaL - (EBITDA after leases) new main profitability measure since 2019*

Appendix

P&L treatment of operating leases

Before (IAS17):
EBITDA impacted by operating lease

Revenues
External purchases
…
EBITDA
Depreciation and amortization
….
EBIT
Cost of gross financial debt
….
Finance costs, net

Income tax
Consolidated net income after tax

IFRS16:
EBITDA no longer impacted by operating leases

Revenues
External purchases
…
EBITDA
Depreciation and amortization
….
EBIT
Cost of gross financial debt
Lease interest expense
….
Finance costs, net

Income tax
Consolidated net income after tax

IFRS16 new indicator:
EBITDAaL impacted by ALL lease categories

Revenues
External purchases
…
ROU amortization
Lease interest expense
EBITDAaL
Depreciation and amortization
….
EBIT
Cost of gross financial debt
….
Finance costs, net

Income tax
Consolidated net income after tax

ROU – Right of use

Differences between EBITDA and EBITDAaL

Old – EBITDA under IAS17		EBITDAaL under IFRS16 – New
Revenue	=	Revenue
- Other Opex	=	- Other Opex
- Operating lease Opex	actualisation impact **PLN 25m***	- ROU amortisation (Op. Lease)
		- Interest exp. (Op. Lease)
Adj. EBITDA		
- Amortisation – fin. Lease	reclassification impact **PLN 45m***	- ROU amortisation – fin. Lease
- Interest exp. – fin. Lease		- Interest exp. – fin. Lease
		EBITDAaL

* Estimated impact for 2018

ROU – Right of use

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
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 (2/3)

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
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

Glossary (3/3)

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
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