

Orange Polska

**4Q'19 and FY'19
results**

12 February 2020

.one



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 3 to IFRS Consolidated Financial Statements of the Orange Polska Group the year ended 31 December 2019 (available at <http://orange-ir.pl/results-center/results/2019>)

<i>in PLNm</i>	4Q 2019 IFRS16	4Q 2018 IAS17	2019 IFRS16	2018 IAS17
Operating income	-155	64	416	345
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	698	647	2,448	2,541
Interest expense on lease liabilities	-15	-1	-50	-4
Estimation of IFRS 16 impact on operating leases for 2018	-	-6*	-	-26*
Depreciation of property, plant and equipment financed by finance lease in 2018	-	-12	-	-41
Adjustment for the impact of employment termination programs	176	-5	181	-5
Adjustment for costs related to acquisition and integration of new subsidiaries	3	-	10	-
Adjustment for the impact of deconsolidation of subsidiaries	-	-1	1	-1
EBITDAaL (EBITDA after Leases)	707	686*	3,006	2,809*

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

Contents

1. Highlights & Business review

2. Financial review

3. 2020 outlook

4. Q&A session

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

2019 guidance met: EBITDAaL up 7% year-on-year

2019 guidance

EBITDAaL

Growth vs 2018

FY 2019 results



PLN **3.0**bn

+7.0% yoy

met

PLN 2.7bn (excluding gain on asset disposals)
+4.5% yoy

2019 expectations

Revenues

Growth vs 2018



PLN **11.4**bn

+2.9% yoy

met

Capital expenditures

PLN 2.0-2.1bn, including 0.7-0.8bn on fibre rollout



PLN **2.1**bn

(including 0.7bn on fibre rollout)

met

Net debt to EBITDAaL

Decreasing vs 2.4x at the end of 2018



2.0X

met

2019 performance confirms our turnaround



Implementation of the "more for more" strategy (B2C, pre-paid, B2B)



BlueSoft acquisition reinforces capacity in ICT and B2B

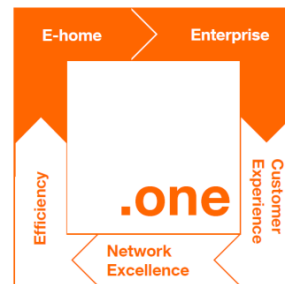
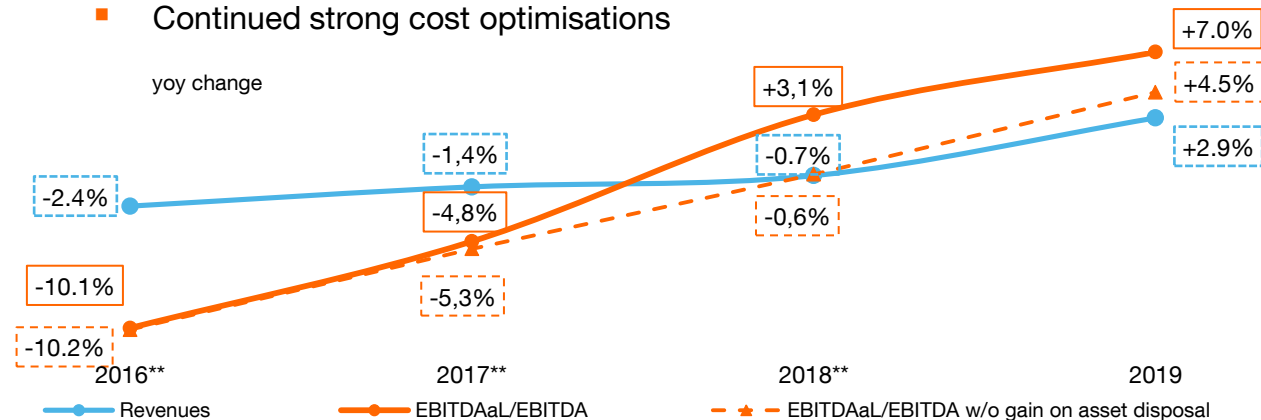


Launch of innovative Orange Flex offer



The 2nd consecutive year of EBITDAaL* growth driven by

- Constantly improving revenue trend (in 2019 first revenue growth in 13 years)
- Continued strong cost optimisations

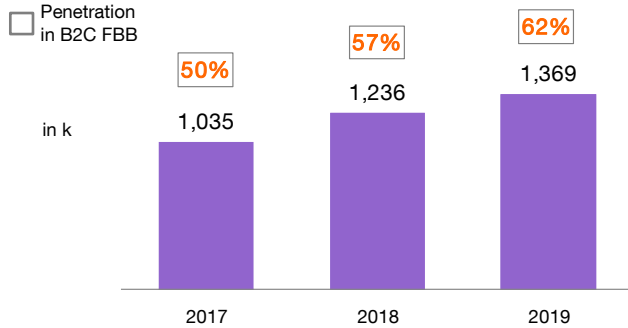


*For 2018 the growth refers to adjusted EBITDA. Both adjusted EBITDA (until 2018) and EBITDAaL (from 2019) are key measures of operating profitability used by the Management Board

**2016, 2017, 2018 yoy presents adjusted EBITDA evolution

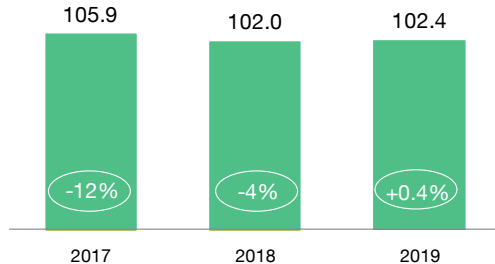
Convergence continues to support our turnaround

We are growing convergent customer base...



...at a slightly higher price...

Convergence ARPO
PLN / yoy change



...who is more loyal...

Less churn with convergence
(average churn difference for 2019)

-3pts

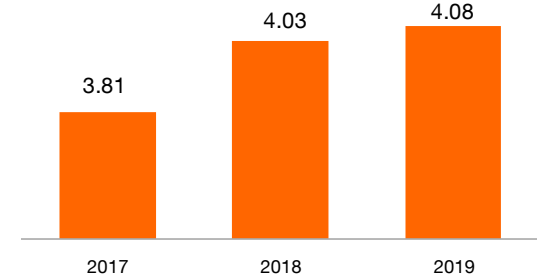
convergent B2C customers vs mono FBB B2C customers (for ADSL, VDSL, Fibre)

-4pts

convergent B2C customers vs total post-paid mobile B2C customers

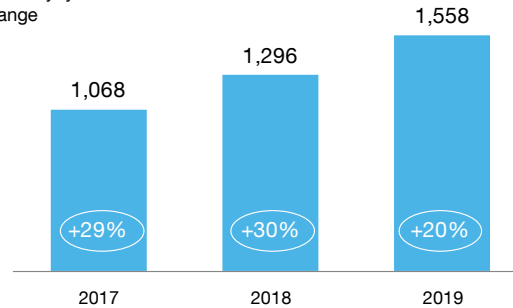
... and willing to buy more products...

Convergent RGU per customer (ex PSTN)



... which results in convergence revenues* driving growth

PLNm / yoy change



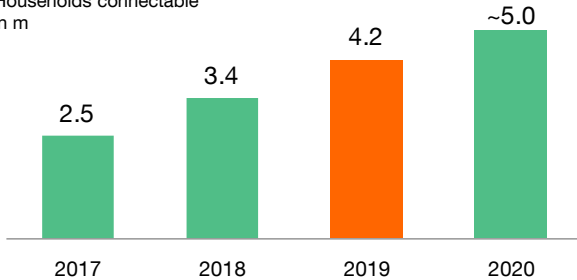
* 2017-2018 IAS18, 2019 IFRS15



Fibre brings competitive advantage and gives support to convergence

Fibre network reaches already c.30% of Polish households...

Households connectable in m

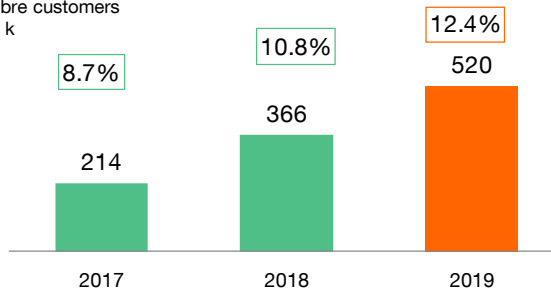


Fibre network already available in 142 cities – on track



...and is attracting customers at a faster pace...

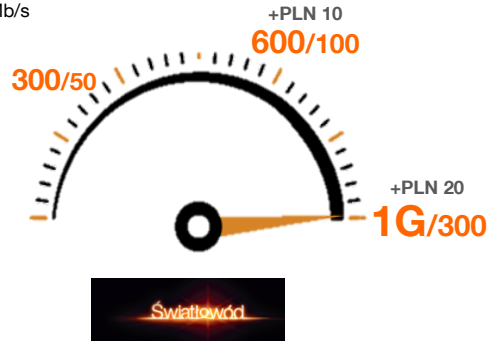
Fibre customers in k



□ adoption rate

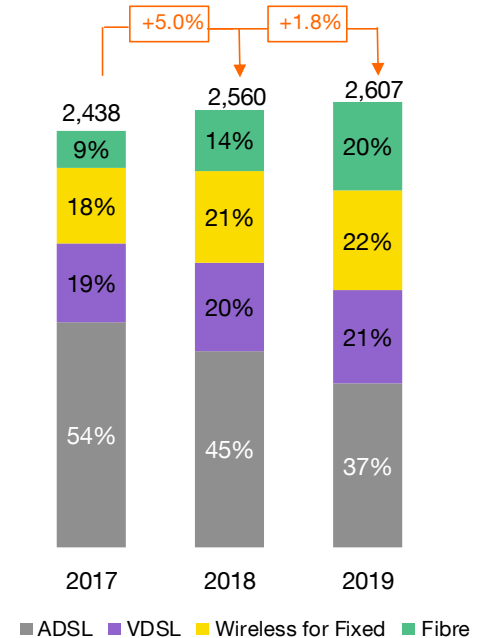
Faster speed options available at additional charge

Fibre download/upload speeds in Mb/s



...and drives transformation and growth of FBB customer base

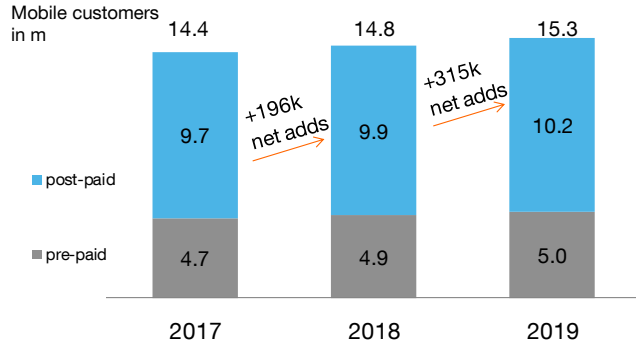
FBB customer base in k



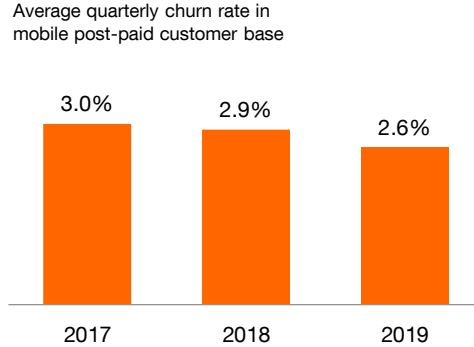
■ ADSL ■ VDSL ■ Wireless for Fixed ■ Fibre

Improving trends in mobile reflect effective value strategy

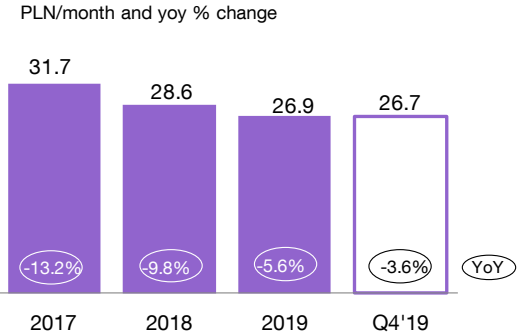
We are growing of our mobile customer base ...



...and reducing post-paid churn



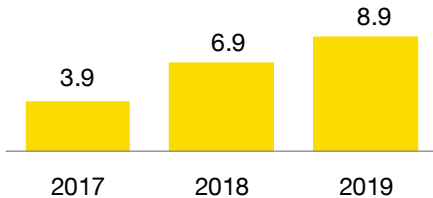
Value pricing helps improving trend in post-paid mobile-only ARPO trend



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

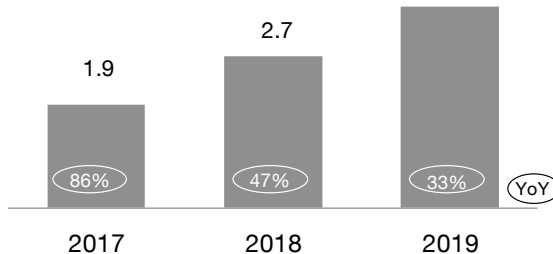


Base stations with spectrum aggregation in k

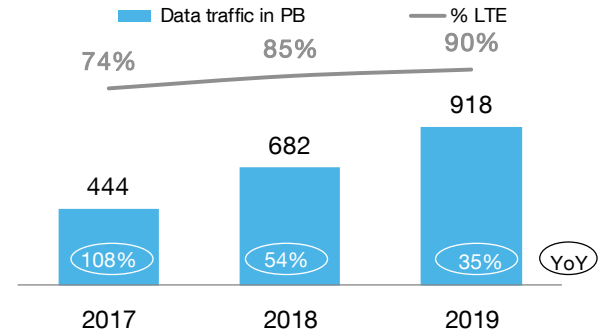


...as demand for data is soaring...

Mobile data AUPU post-paid & pre-paid in GiB per user / per month

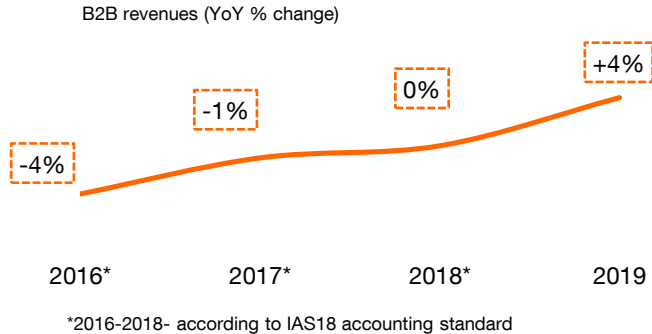


... and is increasingly accommodated by LTE



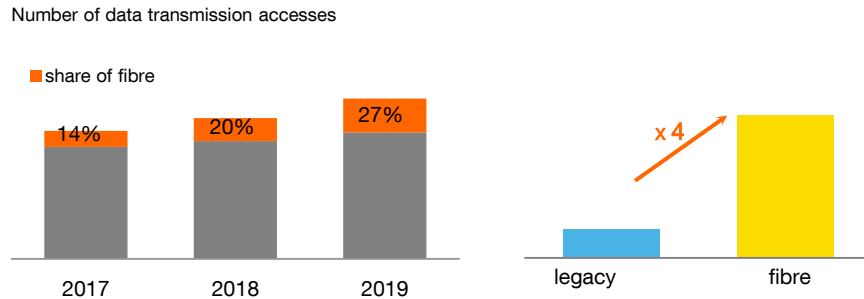
Constant improvement of B2B revenues and profitability driven by value strategy

B2B revenues back to growth



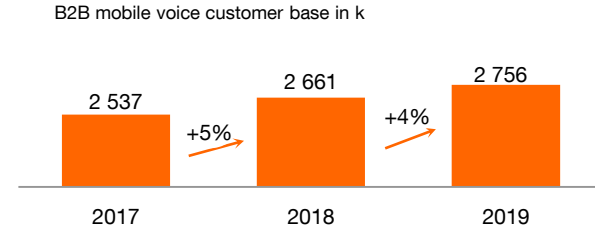
Investments in fibre network access enforce...

...transformation of data transmission base... ...and ARPU difference

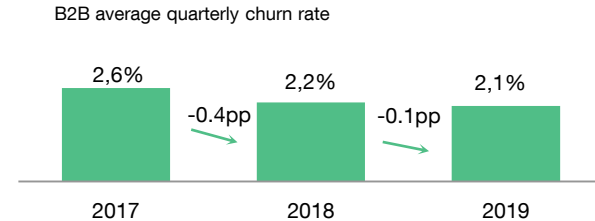


Mobile voice revenue growth driven by

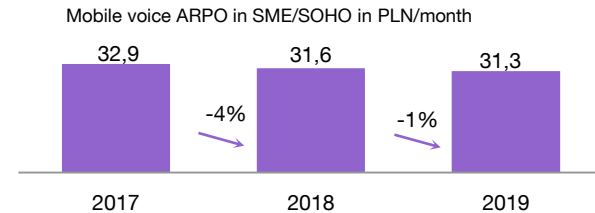
increase of customer base...



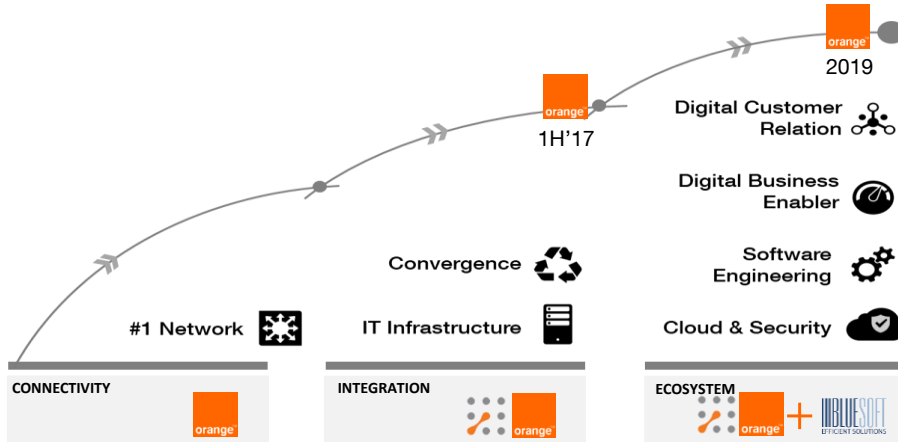
... record low churn rate...



... and pioneering policy of “more for more”



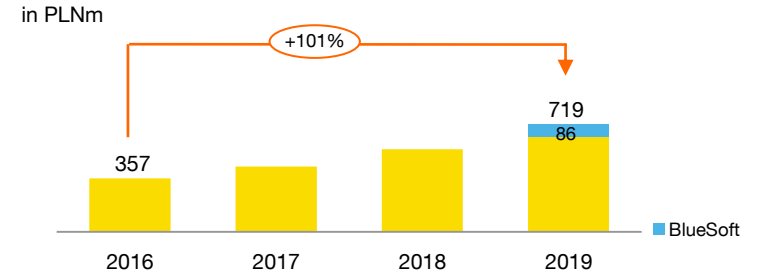
OPL as a trusted partner in digital transformation for business customers



BlueSoft acquisition strengthens OPL's competence as E2E ICT service provider

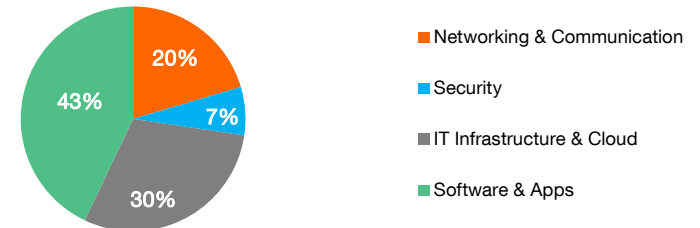
- 2019 financial targets delivered
- first successful joint projects launched, benefits of synergies to be visible from 2020

ICT revenue doubled vs 2016: strategic promise delivered one year in advance



- strong organic growth of IT Infrastructure & Cloud with strong focus on cloud business development
- concentration to provide advanced Software & Application solutions

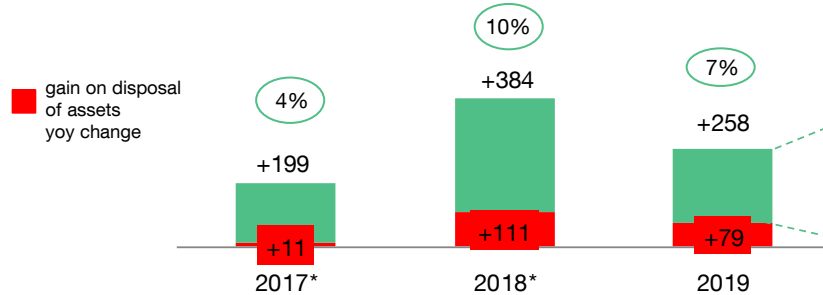
ICT revenue split 2019 incl. BlueSoft



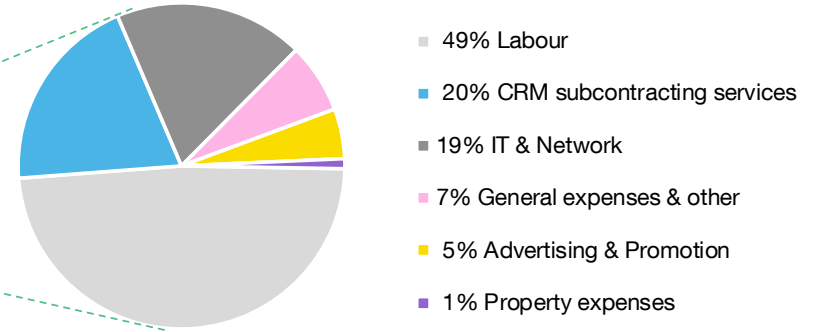
Indirect costs down >20% in the past 3 years. More savings to come

Strong pace of net savings in indirect costs continues...

yoy change in PLNm and in %



...with half coming from non-labour areas...



* 2017-2018 IAS17, 2019 IFRS16

... driven by comprehensive transformation of business processes

	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

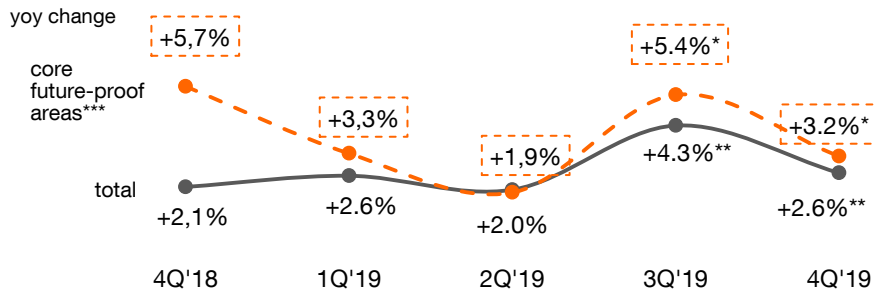
Maciej Nowohoński
Chief Financial Officer

4Q/FY 2019 financial results key highlights

in PLNm	2019	yoy	4Q'19	yoy	key points for 4Q
revenues	11,406	+2.9%	2,999	+2.6%	<ul style="list-style-type: none"> ▪ Growth driven by convergence, IT&IS and equipment ▪ Improving performance of mono mobile
EBITDAaL	3,006	+7.0%	707	+3.1%	<ul style="list-style-type: none"> ▪ Strong support from cost optimisation
% of revenues	26.4%	+1.1pp	23.6%	+0.1pp	
CAPEX	2,140	+1.2%	700	-8.7%	<ul style="list-style-type: none"> ▪ Reflects different phasing in the year
% of revenues	18.8%	-0.3pp	23.3%	-2.9pp	
organic cash flow	737	+79%	334	+2.1%	<ul style="list-style-type: none"> ▪ Supported by sale of instalment receivables (c.PLN 70m)

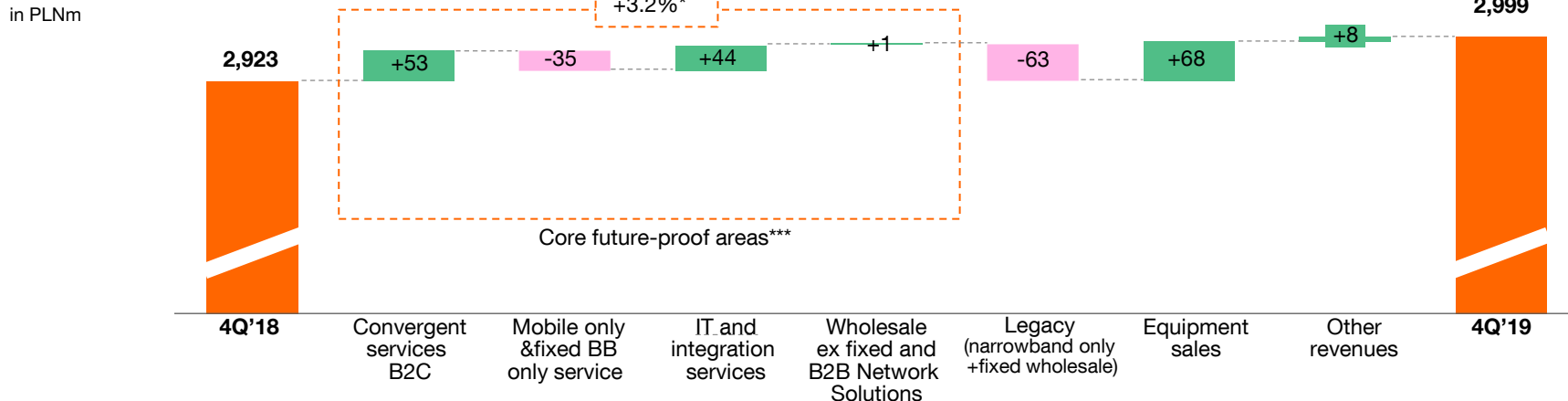
Revenue growth driven by convergence, IT/IS and equipment

Revenue evolution



- Continued solid growth of convergence (+15% yoy)
- Mono mobile revenues down only 3.1% yoy (vs. -5.2% yoy in 9M) due to lower erosion of post-paid customer base and improvement in ARPO trend (value strategy)
- 17% yoy growth of equipment revenues reflects very good customer traction of our Christmas offers
- 20% yoy growth of IT/IS combines continued organic growth (despite high base effect) and consolidation of BlueSoft (contribution of PLN 38m)

Revenue evolution breakdown



* core future-proof areas: ex. BlueSoft: +3.0% yoy for 3Q and +1.3% yoy for 4Q

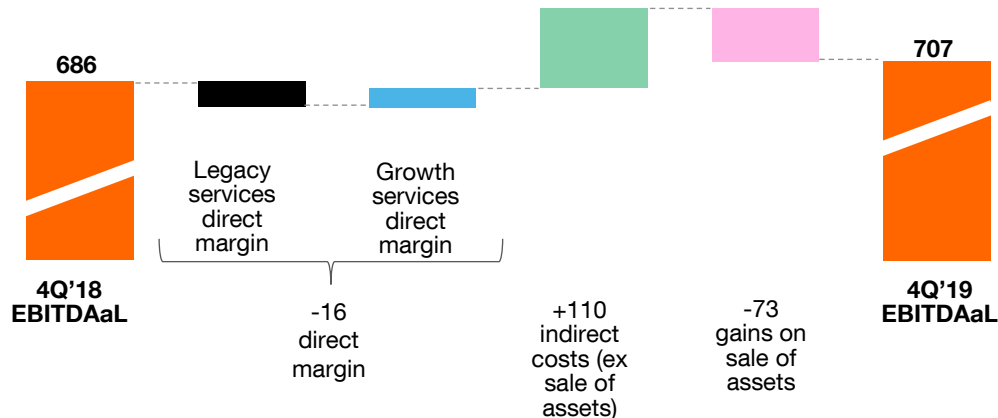
** total revenues: ex. BlueSoft : +2.5% yoy for 3Q and +1.3% yoy for 4Q

*** areas core to future margin generation

15% yoy 4Q EBITDAaL growth (excl. gains on asset disposals) driven by strong cost optimisations

EBITDAaL evolution

(yoy change in PLNm)



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 all business areas (network, advertising & promotion, general expenses, CRM subcontracting, property expenses)
- Much lower gains on sale of assets

employment down

9% yoy

(in kFTE end of period)

13,5

2018

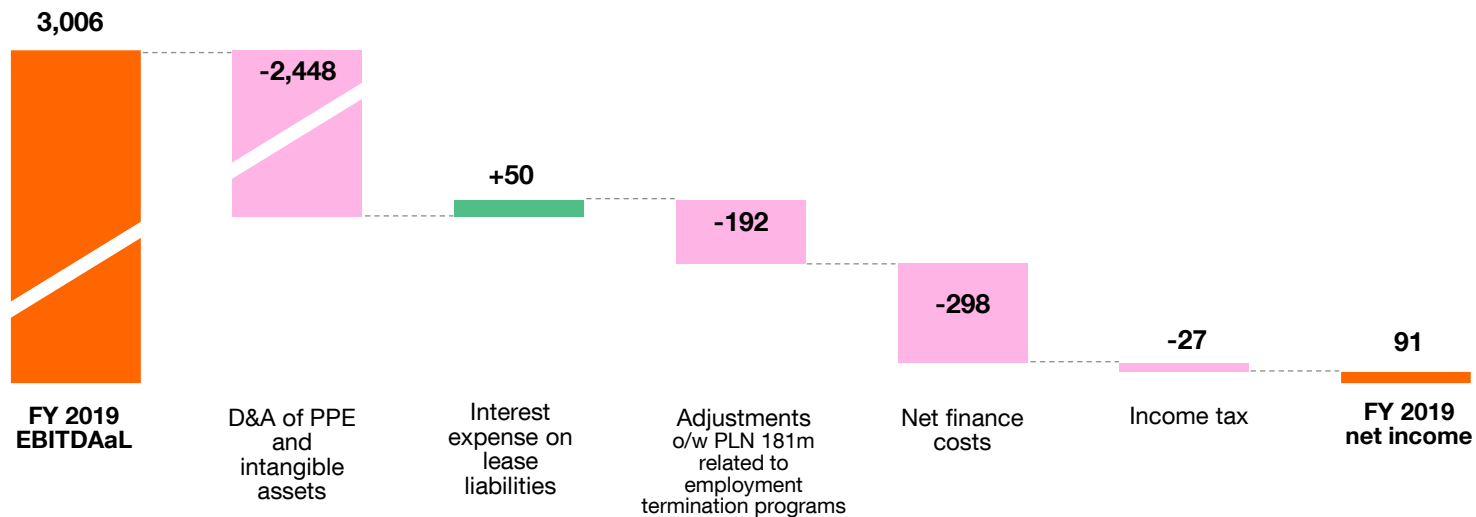
12,4

2019

Net income reflects restructuring provision for the new Social Plan

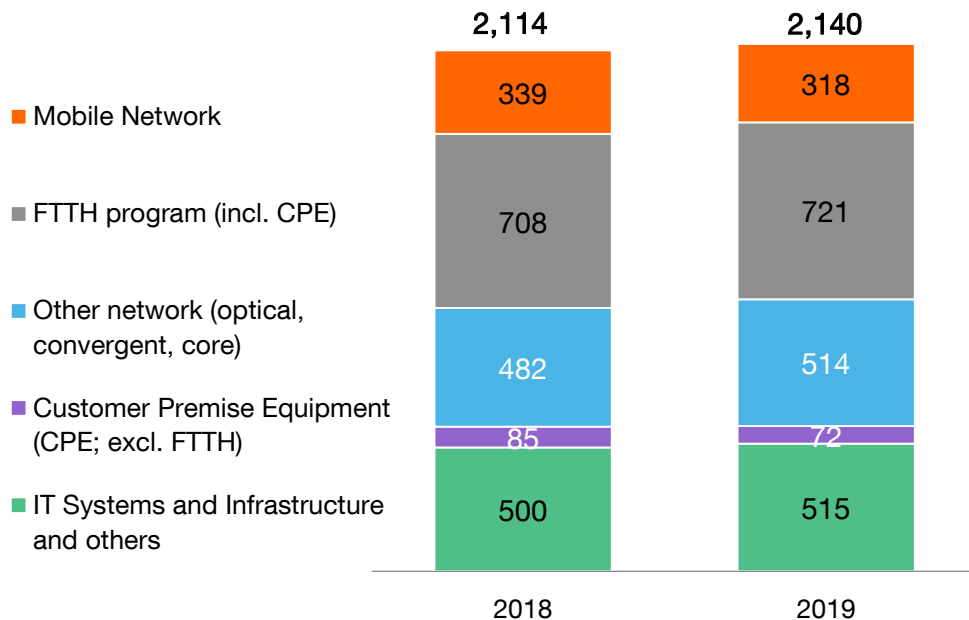
Evolution from EBITDAaL to the bottom line in 2019

(PLNm)



2019 capex consistent with strategy

Investment areas (in PLNm)



- Fibre capex (34% of total) up 2% yoy reflects:
 - Acceleration in POPC project
 - Small growth of capex per household connectable (higher share of single family houses)
 - Growing customer gross additions
- Mobile capex down 6% yoy due to lower investments in network capacity
- Other network capex increase driven by investments in transmission network to meet growing demand for data consumption both in mobile and fixed
- IT & infrastructure capex reflects business development and transformation
- Lower CPE capex reflects focus on refurbishment of devices

Much stronger cash flow generation in 2019 driven by sale of assets and sale of instalment receivables

in PLNm	2019 IFRS16	2018 IAS17	YoY	4Q'19 IFRS16	4Q'18 IAS17	YoY
Net cash flow from operating activities before change in working capital	2,610**	1,670	n/a*	722**	573	n/a*
Change in working capital	173	142	+31	197	222	-25
Net cash flow from operating activities	2,783**	1,812	n/a*	919**	795	n/a*
CAPEX	-2,140	-2,146	+6	-700	-767	+67
Change in CAPEX payables	-127	-15	-112	172	234	-62
Sales of assets	500	156	+344	12	89	-77
Repayment of lease liabilities	-279	-42	n/a*	-69	-24	n/a*
Adjustment for payment of European Commission fine		646				
Organic cash flow	737	411	+326	334	327	+7

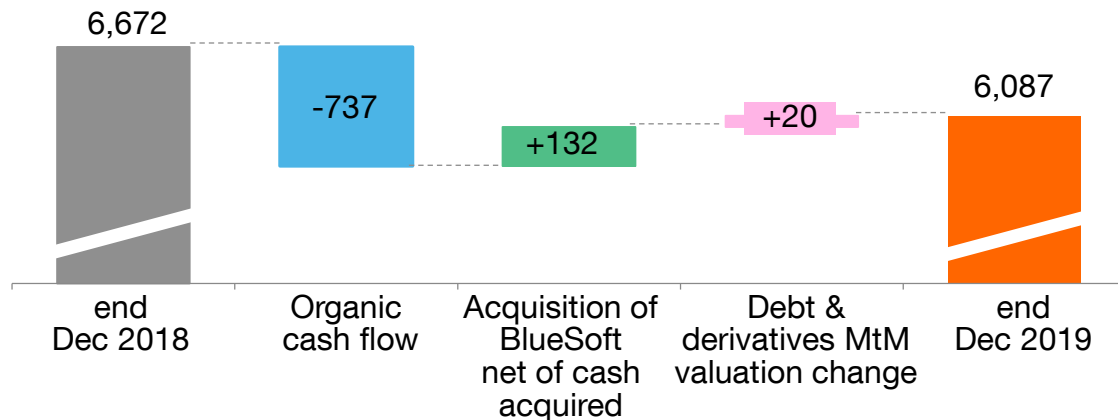
* year-on-year evolution is not comparable because of the changes in accounting standards

** adjusted for payments for costs related to acquisition and integration of new subsidiaries in Q2 (PLN 3m) and Q4 (PLN 4m)

Falling leverage and cost of debt

net debt evolution

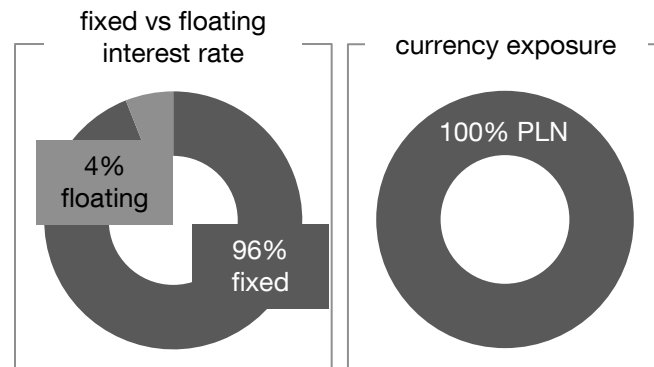
in PLNm



2.4x net debt to EBITDAaL 2.0x

3.5% effective interest rate on debt 3.1%

Debt after hedging breakdown



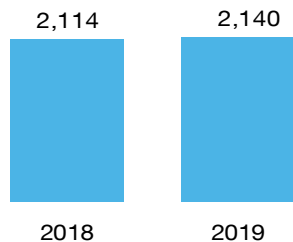
2.4 years – debt average duration

Changes in Alternative Performance Measures (APMs) to better capture economic transformation of fixed asset base

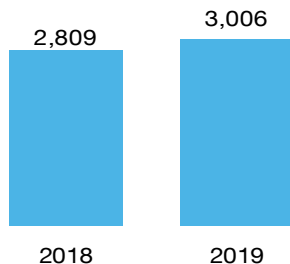
(in PLNm)

APM until 2019

CAPEX



EBITDAaL



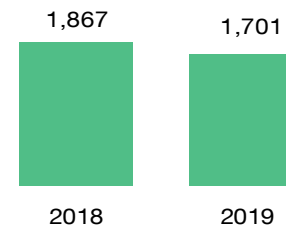
net debt to
EBITDAaL

2.4x

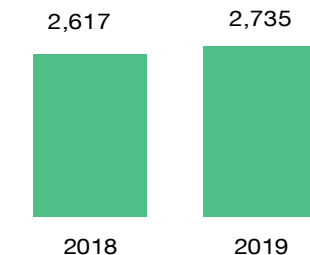
2.0x

new APM since 2020

eCAPEX (economic Capex)



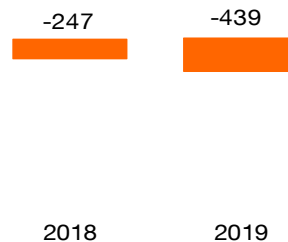
EBITDAaL (excluding gains on asset disposal)



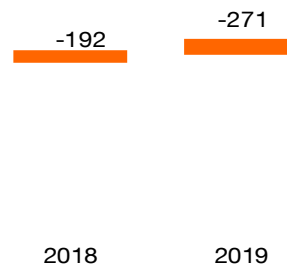
2.5x

2.2x

price of disposed assets



gains on asset disposals



2020 outlook

Jean-François Fallacher
Chief Executive Officer

2020 guidance...

	2019 (IFRS16)	2019 (IFRS16, new APMs)	2020 guidance
EBITDAaL	PLN 3,006m	PLN 2,735m*	Growth vs 2019
Revenues	PLN 11,406m	PLN 11,406m	2020 expectations <ul style="list-style-type: none">▪ Growth vs 2019▪ Further focus on convergence and value strategy▪ Legacy revenue (PSTN, wholesale) in continued structural decline but at a diminishing pace
eCapex (excluding spectrum)	PLN 2.14bn**	PLN 1.70bn	PLN 1.7-1.9bn, depending on proceeds from asset disposal. Similar structure of investments as in 2019.
Dividend	Management will not recommend any dividend payment in 2020 (unchanged approach to dividends)		

* EBITDAaL - now excludes gains on asset disposal, new APM since 2020

** Old definition of capex APM

...is consistent with our 2018-2020 financial ambitions

		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
eCAPEX	Reflects connectivity programme and business transformation needs	PLN2.1bn (capex)	PLN2.1bn (capex)	PLN 1.7- 1.9bn (eCapex)

* As presented during strategy presentation in September 2017

** 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