

.one

4 September 2017



# Agenda

- 1. Orange.one**
- 2. Consumer market**
- 3. Business market**
- 4. Financial & efficiency ambitions**
- 5. Conclusion**
- 6. Q&A**



# Orange.one

**Jean-François Fallacher**  
Chief Executive Officer

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orange™

A person is running on a cobblestone street. The person is wearing black leggings, patterned socks, and black sneakers. The street is made of large, irregular cobblestones. The person's shadow is cast on the ground to the right. The text is overlaid on the left side of the image.

# 2020 vision

**#1** Very High-Speed Broadband

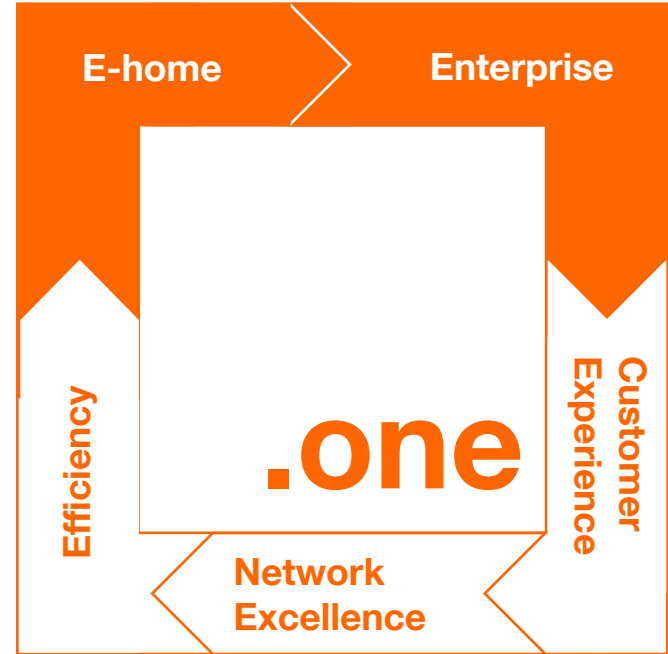
**#1** Customer experience

**#1** Digital

**#1** Value creation

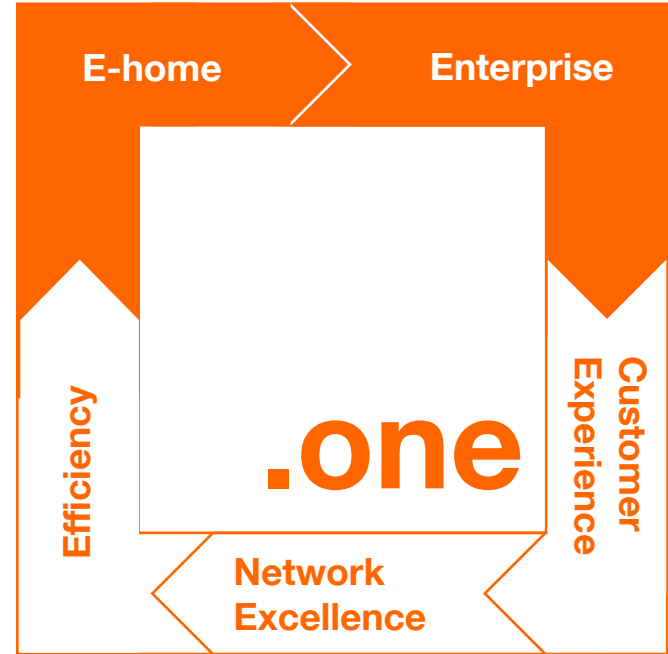
## Five in one

- **Orange New E-home**
- **Orange New Enterprise**
- **Orange New Customer Experience**
- **Orange New Network Excellence**
- **Orange New Efficiency**





# All for one, one for all

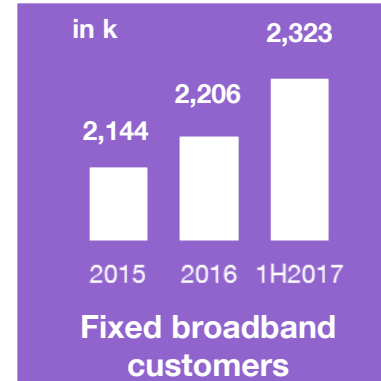
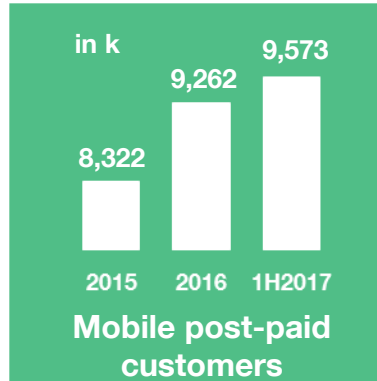
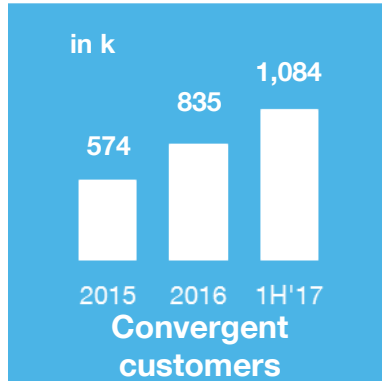
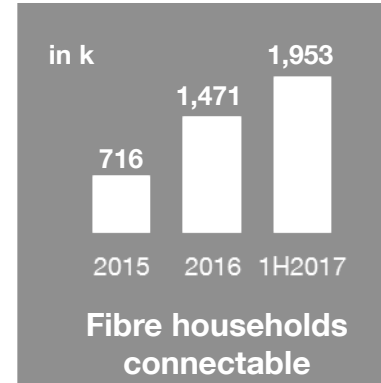
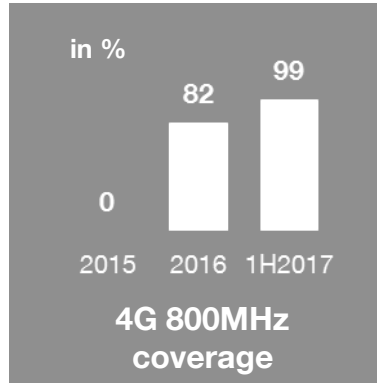
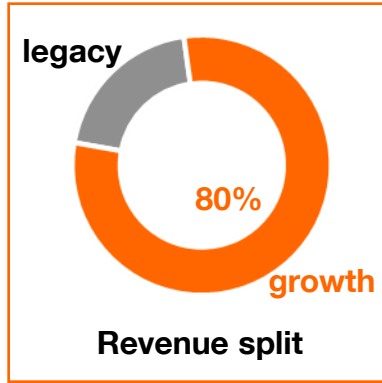
- One team
- One mind
- One goal
  
- **Number one** integrated telecom operator:
  - ✓ Consumers
  - ✓ Businesses
  - ✓ Shareholders



# Focus on value through business cycle

	Revenue trend 2017-2020	Action
<b>Legacy services</b>  Fixed voice Fixed wholesale		<ul style="list-style-type: none"><li>• Optimise costs and maximise cash out</li></ul>
<b>Growth services</b>  Mobile Broadband TV		<ul style="list-style-type: none"><li>• Increasing growth rate and improving profitability</li></ul>
<b>Adjacent and new areas</b>  ICT Energy Finance Devices Smart Care		<ul style="list-style-type: none"><li>• OPL as challenger – explore new opportunities</li></ul>

# Transformation on track and bearing first fruits



# Focus on execution by leveraging on our value creation assets in order to accelerate



**Customers  
focus**



**Committed  
employees**



**Powerful brand**



**Convergent  
network**

# Consumer market

**Mariusz Gaca**  
VP in charge of consumer market

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## Convergence has a big potential



**over 90%**

Households with services from various operators



**~ 50%**

Households equipped with OPL services (contract & prepaid)



Average RGU per household

**2.4**

OPL RGU

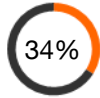
# There are battlefields with different competitive environment

OPL  
market share  
(1H2017)



**Big cities**

**4.6m households**



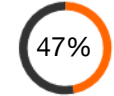
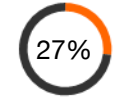
**Small cities**

**4.3m households**



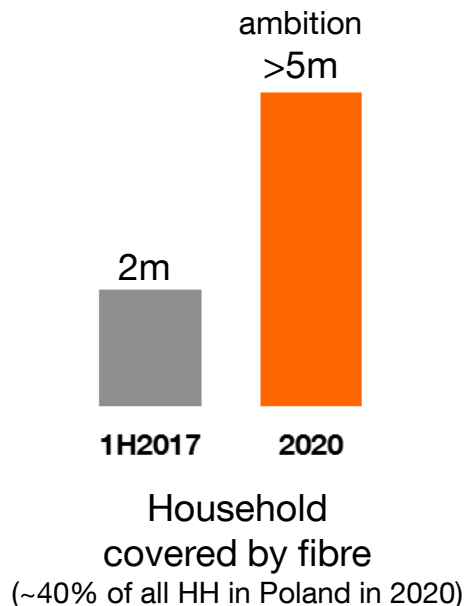
**Rural**

**4.2m households**



**~70% convergence share in FBB by 2020**

# Network coverage and capacity are essential to the best customer experience



87% LTE indoor coverage by 2020



Spectrum aggregation, network densification

**5G**

Core network and fibre network 5G ready

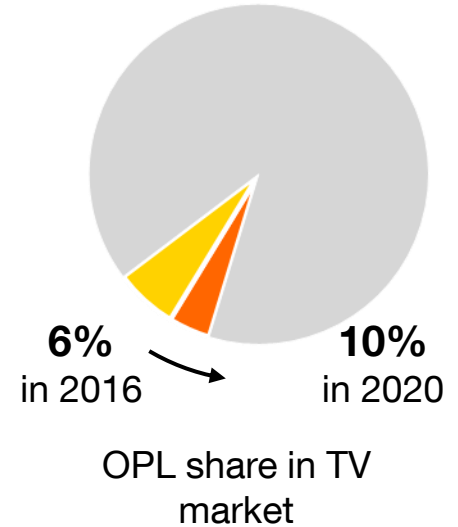
# Our content value proposition is now back to the game



TV and VoD available on all screens



Orange is a gateway to all possible content



## Commercial effort is focused on households...



Ambitions by 2020



**+1M-1.5M**

**B2C convergent customer base**  
(vs 858k @1H2017)



**x5-6**

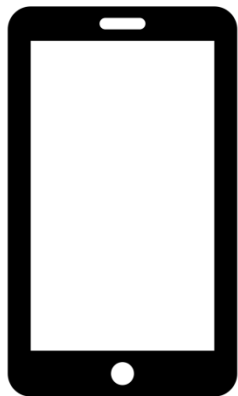
**B2C fibre customer base**  
(vs 140k @1H2017)



**+0.3M-0.6M**

**TV customer base**  
(vs 792k @1H2017)

## ...but we remain highly committed to mobile only customers



Ambitions by 2020



**#1**

**High-speed network**



**#1**

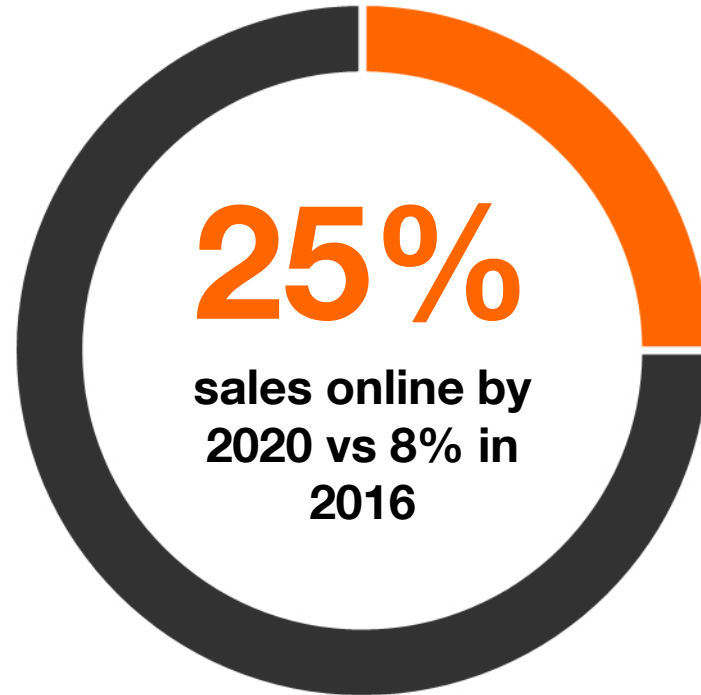
**Offers best fitting customer needs**



**Best place to buy**

**Portfolio**

## Digital shift in customer relations will boost efficiency



# Process and portfolio simplification will drive NPS



**Simplicity**



**Consistency**



**Focus**

**The most recommended operator by 2020**

## Adjacent areas are important for customer loyalty and revenue growth

Orange Finance

Orange Finance



Orange Energy



Devices



Orange Smart Care

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**>PLN 300M revenue in 2020  
(x20 growth vs 2016)**

# Business market

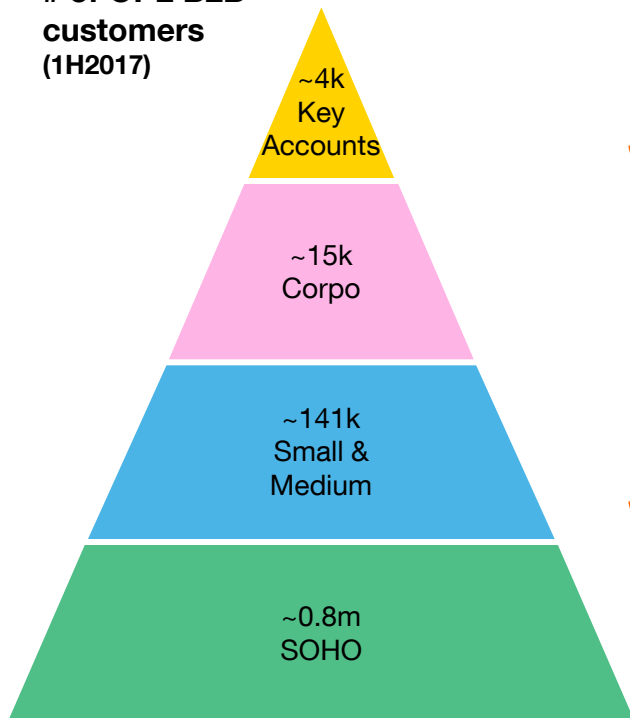
**Bożena Leśniewska**  
VP in charge of business market

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# Digital transformation of business customers

# of OPL B2B  
customers  
(1H2017)



**50%** of companies to be soon digitally transformed\*

**75%** cloud computing market growth by 2020\*\*\*

**50%** of companies to increase spending on cybersecurity\*\*

**6x** data traffic to increase by 2020\*\*\*\*

**Companies seek for trusted business partner in this sweeping transformation**

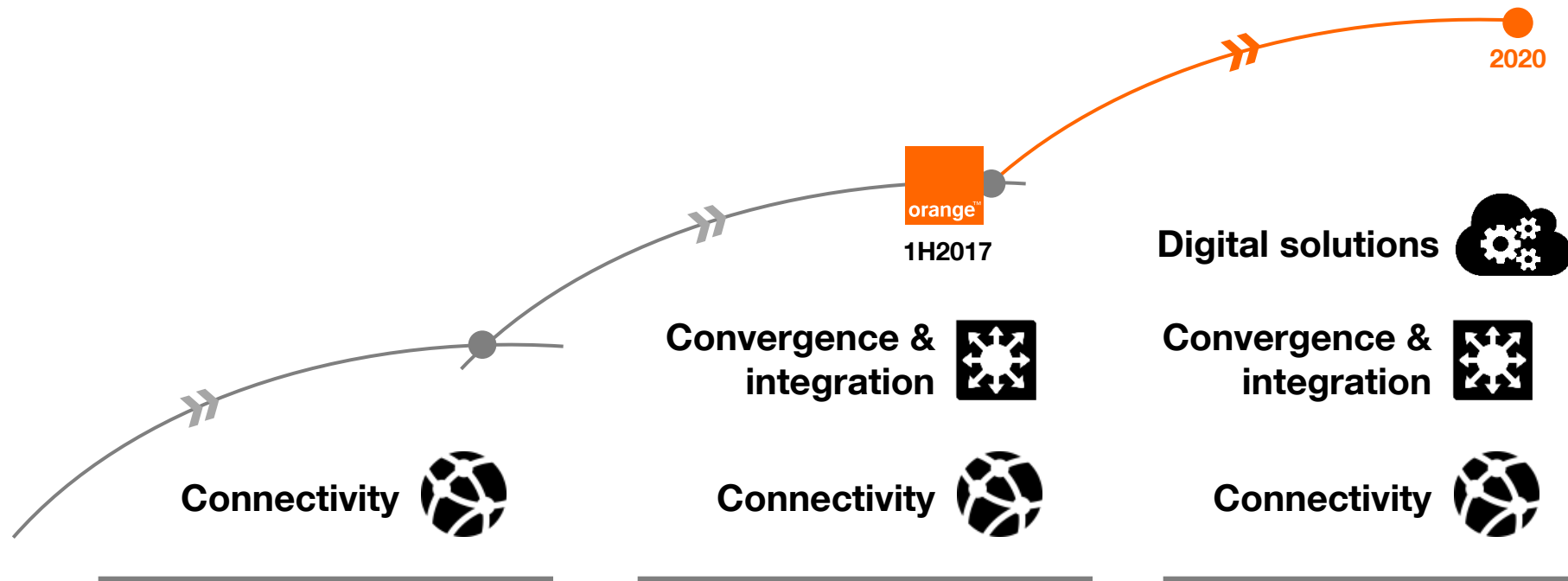
\* IDC forecast of the Polish Cloud Market

\*\* <http://www.cyberdefence24.pl/292079.raport-znaczny-wzrost-cyberatakow-wykrytych-w-polsce>

\*\*\* <http://it-filolog.pl/idc-cyfrowa-transformacja-roznych-predkosci-polska-lepiej-ale-daleko-za-liderami/>

\*\*\*\* [http://www.cisco.com/c/pl\\_pl/about/press/press-information-2016/20160617.htm](http://www.cisco.com/c/pl_pl/about/press/press-information-2016/20160617.htm)

# Trusted partner of choice in digital transformation for business customers



## Connectivity ambitions by 2020



**#1 Network** (coverage and speed)



**>40%** companies within FTTH range  
(vs 12% 1H2017)



Virtualized & programmable networks

# Convergence & mobile ambitions by 2020

All you  
need is  
**Love**



**55%**

**convergent customers in SOHO/SME**  
(vs 24% 1H2017)



**+0.6M**

**mobile handset postpaid base  
increase**  
(vs 2.4m 1H2017)



**Value &  
quality**

**focus**

# Integration & digital solutions ambitions by 2020



**x2**

**ICT revenues**  
vs 2016 by 2020



**B4B**

**Consultative selling**



**Leader in**  
**Internet of Things**

**First projects in 2018**

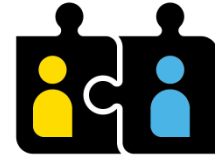
# Transformation leading to success



**Automation  
and process  
simplification**



**Digital  
workplace  
and internal  
robotisation**



**Top-class and  
agile team**

# The most recommended operator & partner by 2020



**NPS #1**

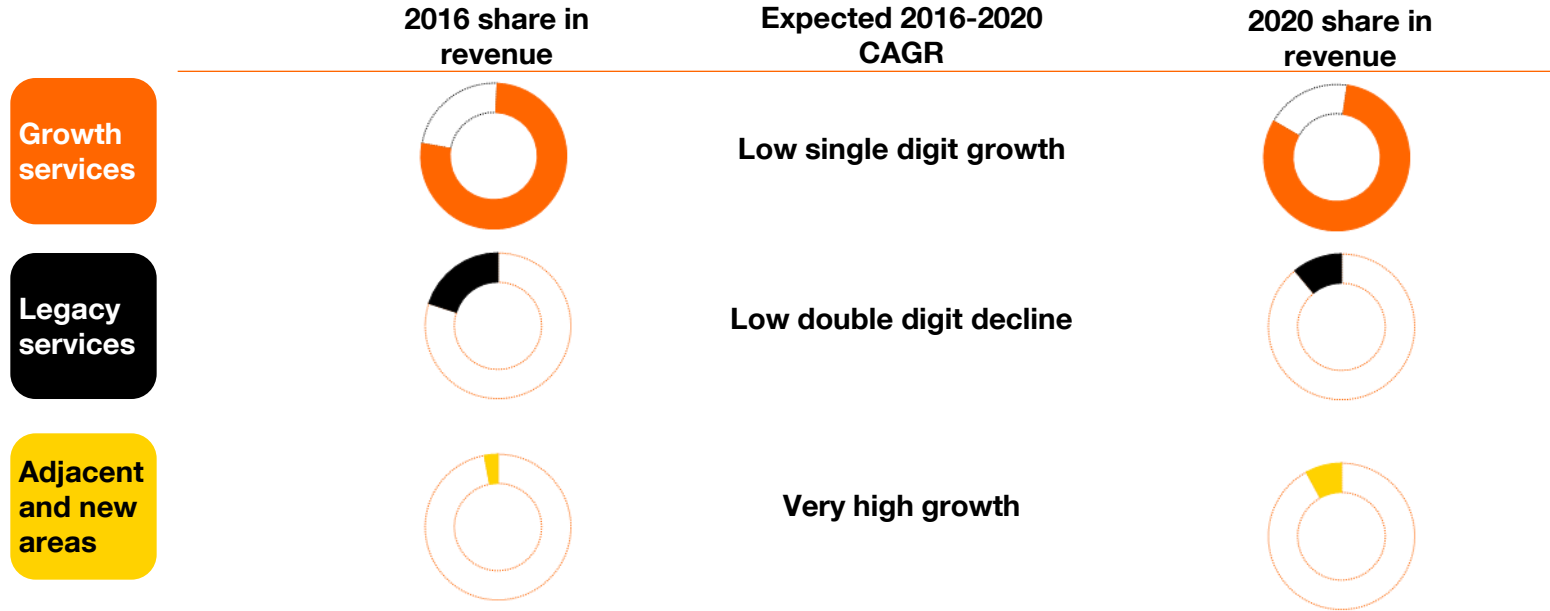
**unmatched customer experience  
simplification of Customer Journey in B2B**

# Financial & efficiency ambitions

**Maciej Nowohoński**  
Chief Financial Officer

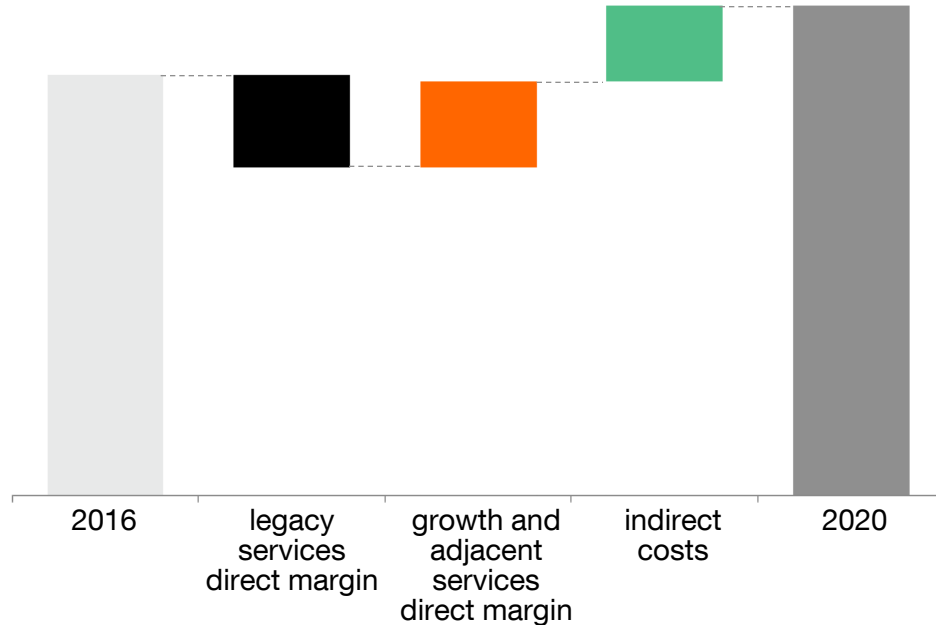
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# Revenues to stabilise in 2019 and grow from 2020



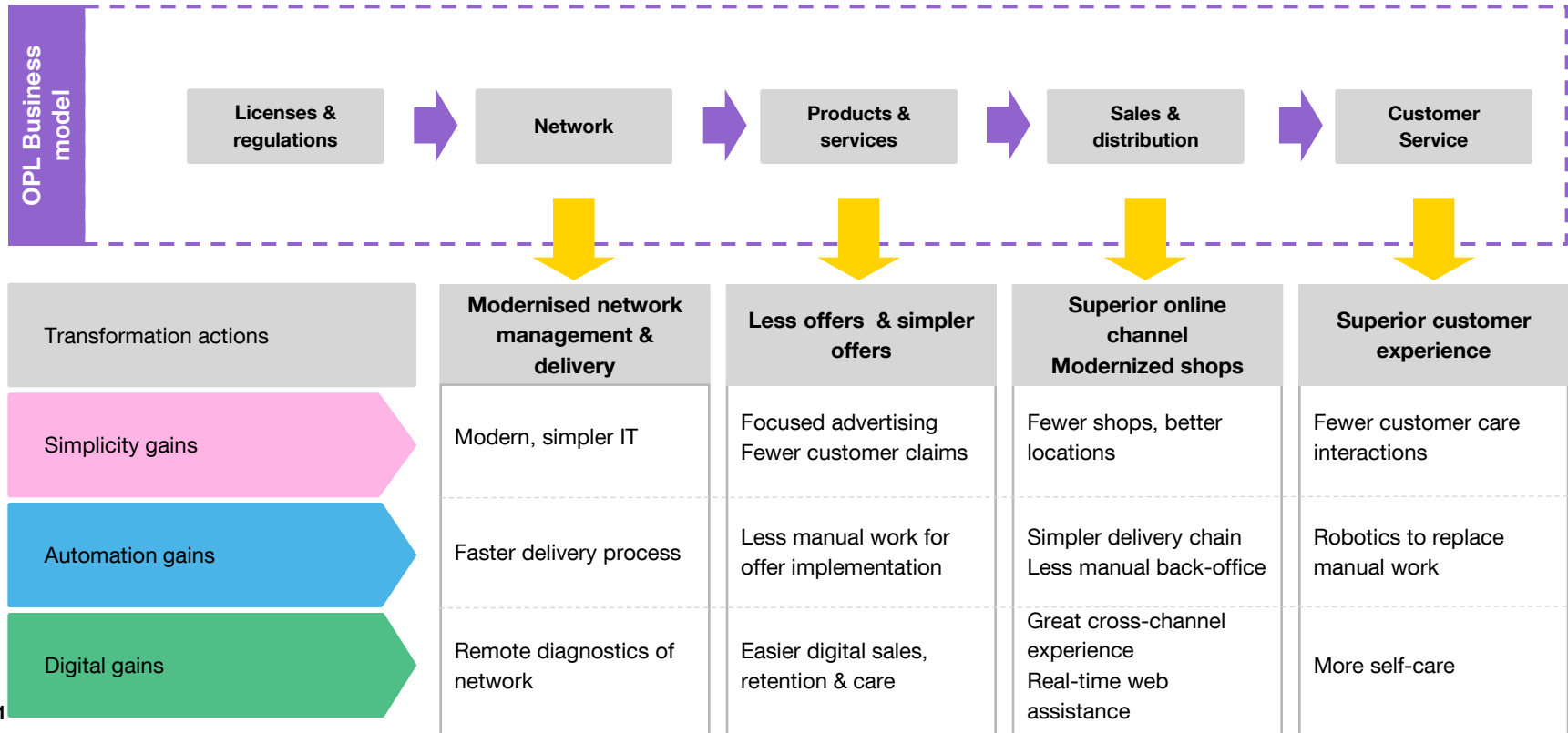
# Adjusted EBITDA to stabilise in 2018 and grow from 2019

Adjusted EBITDA expected evolution



- **Direct margin to be supported mainly by:**
  - Better revenue trend
  - Handset subsidies optimisation
  - More balanced volume vs value approach to customer acquisition
  - Shift to digital distribution channel mix
  - Optimization of the sales support
- **Indirect costs** to be optimised thoroughly and consequently through simplification
  - 12-15% reduction of underlying indirect costs expected in 2020 vs 2016

# Comprehensive transformation plan for OPL key processes



# Process transformation – examples of on-going implementations

## Example 1



### Transformation of service delivery & trouble ticketing system for fibre

#### Features:

- One data repository
- Automated provisioning
- Allows to manage technical partners
- Remote diagnostics

#### Benefits:

- Almost full automation (95%)
- 4x less costs
- Payback around 3 years
- First benefits already in 2018

## Example 2



### Integrated platform for sales and care across all channels

#### Features:

- One interface for all core products including convergence
- Strong improvement of online channel
- Omnichannel, allowing seamless process across all channels
- Automated back office process

#### Benefits:

- 2x faster sales process
- One front-end tool (instead many today)
- Payback starting from 2020
- First benefits in 2018

# Vast indirect cost optimisation programme

OPEX for latest 12 months  
(through June 2017)

## 41% Labour

- Ambition to continue headcount optimization

## 8% Other

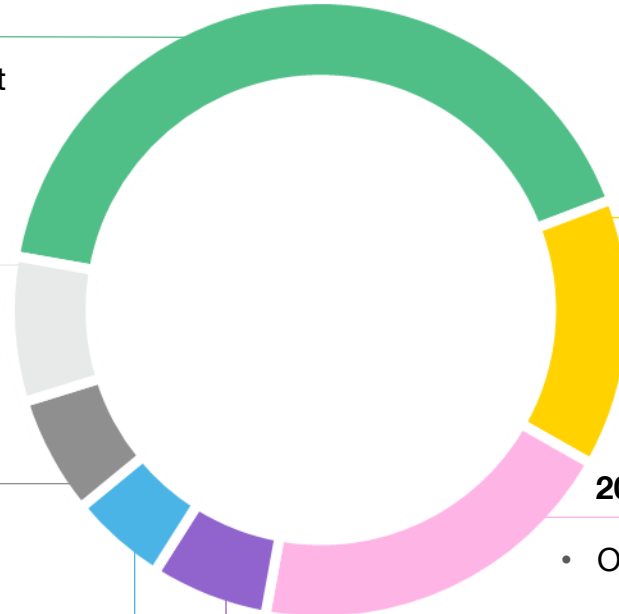
- Streamlining of communication platforms and optimisation of advertising

## 6% Network maintenance

- Progressive move towards IP

## 5% Energy

- Smart Energy consumption management



## 14% Outsourcing

- Process, CRM, telesales optimization

## 20% Taxes & properties

- Optimization of real estate portfolio

## 6% G&A

- Simplification of back office and internal support function

# Employment: right skills and right efficiency

## Towards Digital Employer

### The right skills for tomorrow

- Responsible employment policy
- Digital employer of choice

### Develop agile ways of working

- Collective work
- Motivating workplace

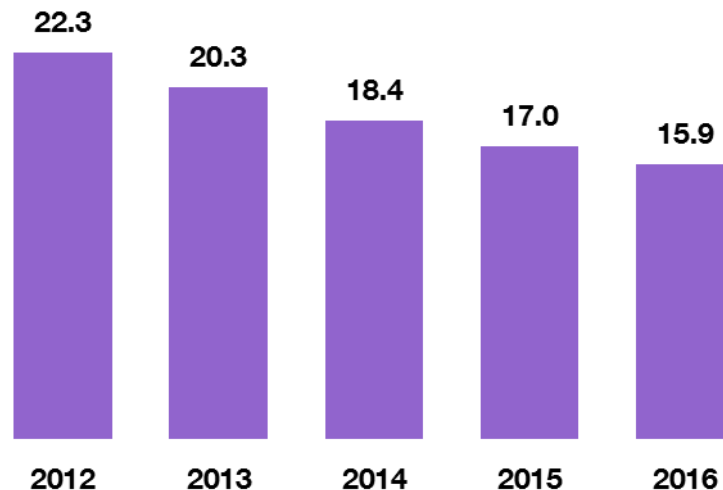
### Encourage employee engagement

- Values each employee's voice
- Recognizes each individual's contribution

## Proved ability to optimize employment

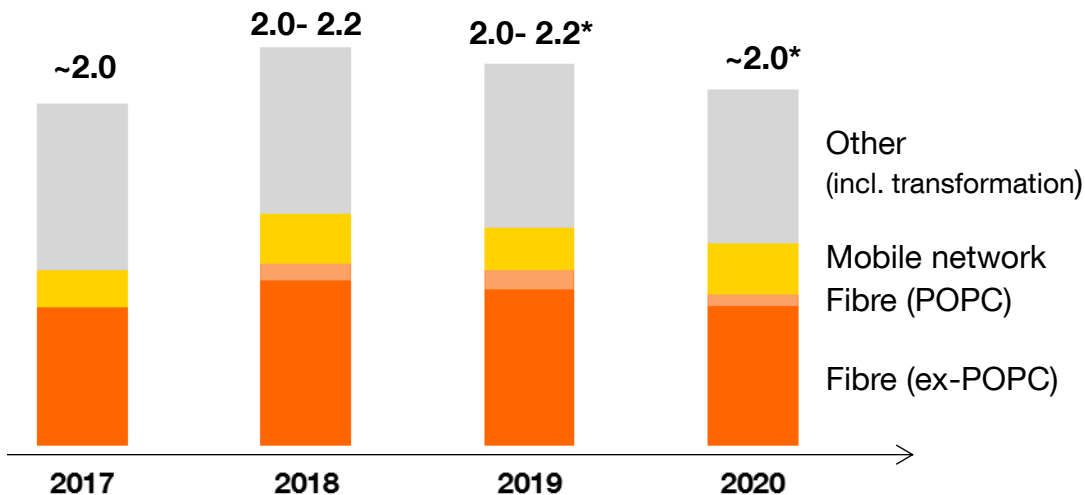
29% down since 2012

(Full time equivalents at end of period in k)



# Capex to be driven by fibre investment

bn PLN



\* ambitions

- **Scale of fibre capex** conditional on commercial success and financing capabilities
- POPC to be realised along with fibre project
- **Mobile network** capex reflects further expansion and maintenance
- Business transformation capex included in the range provided
- **All other areas of capex to be optimised**

# Return to growth backed by more focus on value creation

		2018	2019	2020
<b>Revenue</b>	Growth areas to increasingly offset pressure on legacy		stabilisation	growth
<b>Adjusted EBITDA</b>	To be supported by better revenue trend, operating leverage and continued cost optimisation	stabilisation	growth	growth
<b>CAPEX</b>	Reflects connectivity programme and business transformation needs	PLN2.0-2.2bn	PLN2.0-2.2bn*	PLN~2.0bn*
<b>Net debt</b>	Decreasing from 2019			

\* ambitions

# Conclusion

**Jean-François Fallacher**  
Chief Executive Officer

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A low-angle, close-up shot of a person's legs and feet as they run on a cobblestone path. The person is wearing black leggings, patterned socks, and dark running shoes. The path is made of irregular, greyish-brown stones. The scene is brightly lit, casting a sharp shadow of the runner onto the ground. The text is overlaid on the left side of the image.

**By 2020 we will be:**

**Loved by customers**

**Preferred by employees**

**Valued by shareholders**



**Q&A**

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## 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.