

Orange Polska

FY'18 results

.one

24 April 2019

orange™

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>).

<i>in PLNm</i>	4Q'18	4Q'18	4Q'17	FY'18	FY'18	FY'17
	IFRS15	IAS18	IAS18	IFRS15	IAS18	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

2018 business review and 2019 outlook

Jean-François Fallacher
Chief Executive Officer

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

2018 guidance

adjusted EBITDA*

IAS18 – around PLN 3.0bn (stable vs 2017)

IFRS15 – around PLN 2.75bn

FY 2018 results



PLN **3.1**bn**

+3.1% yoy vs -4.8% in 2017

exceeded



PLN **2.9**bn

2018 expectations

revenues

lower pressure on revenues



PLN **11.3**bn**

-0.7% yoy vs -1.4% in 2017

met

adjusted capital expenditures*

PLN 2.0-2.2bn, including 700-800m on fibre rollout



PLN **2.25**bn

(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



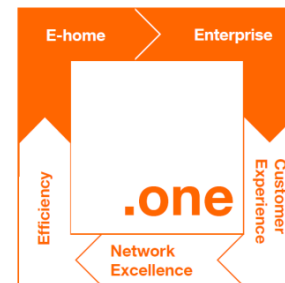
B2B

Development of competencies to support digital transformation of our customers



Efficiency

Business transformation through simplification



Value



Simplicity



Focus

2020 financial ambitions confirmed...



		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
Revenues	PLN 11,101m	PLN 11,101m	2019 expectations <ul style="list-style-type: none"> ▪ 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

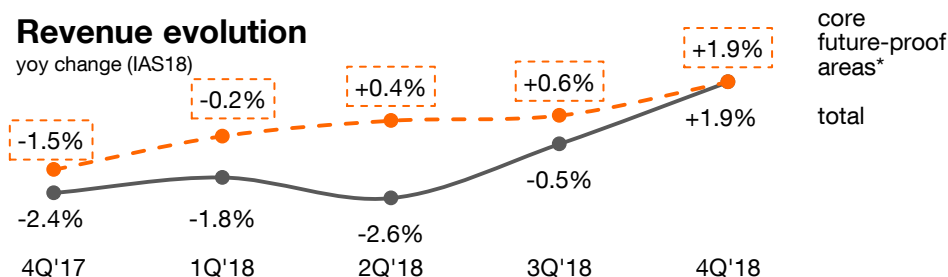
Financial review

Maciej Nowohoński
Chief Financial Officer

Revenues close to stabilisation in 2018

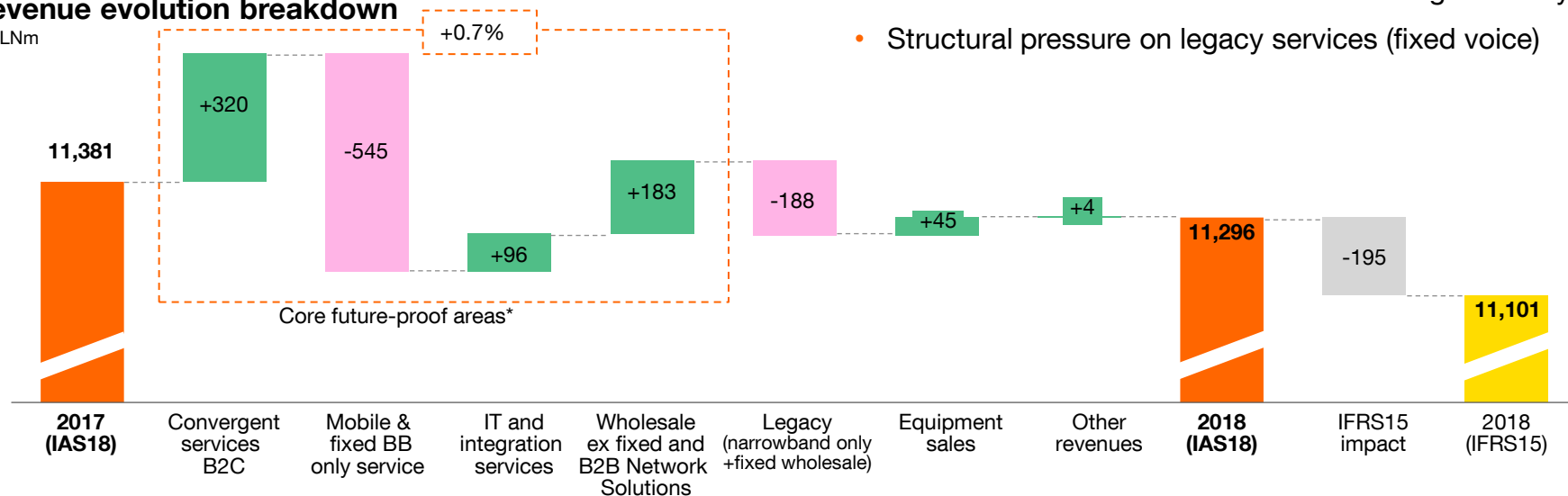
Revenue evolution

yoy change (IAS18)



Revenue evolution breakdown

in PLNm



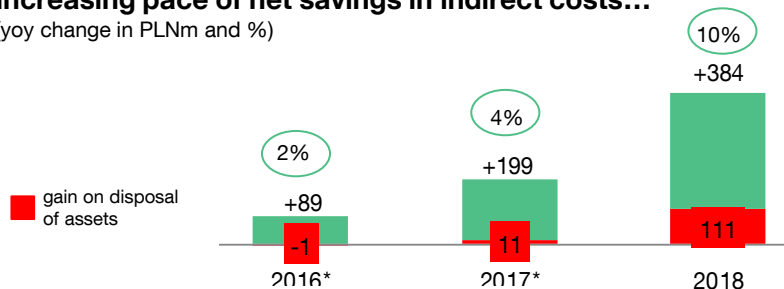
- 30% yoy growth of convergence revenues – strategic engine of improvement
- Mono services reflect shift to convergence, improving underlying trends and churn
- 20% yoy growth of IT/IS revenue, in line with adopted strategy
- Wholesale benefitted from national roaming with Play
- Structural pressure on legacy services (fixed voice)

* Areas core to future margin generation

2018 adjusted EBITDA growth due to better revenue trend and very strong cost savings

Increasing pace of net savings in indirect costs...

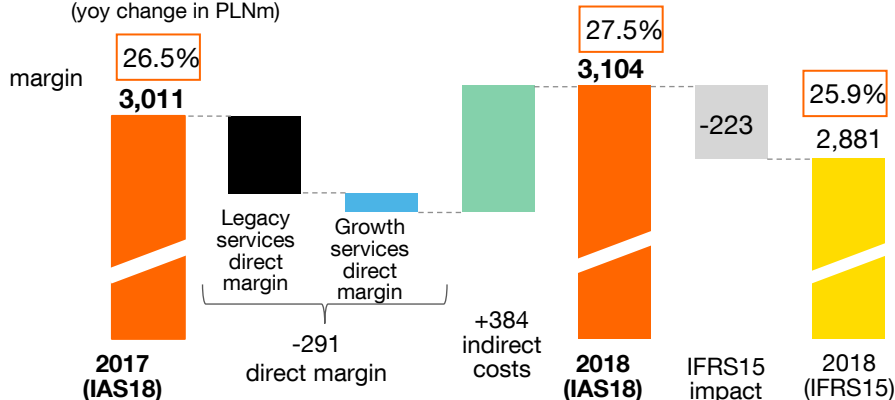
(yoy change in PLNm and %)



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

Adjusted EBITDA breakdown

(yoy change in PLNm)



Direct margin:

- Supported by value strategy in service pricing...
- ... and national roaming contract with Play
- Affected by the turmoil on the bad debts market (lower prices for sold receivables)

Indirect costs down 10% yoy due to:

- Business transformation resulting in simplification and automation of business processes...
- ... and record high gains of sale of real estate (PLN 192m, more than double versus 2017)

employment down

9.3% yoy

(in kFTE end of period)

14.9



4Q'17

13.5



4Q'18

Net income improves thanks to EBITDA hike

in PLNm	FY'18 IFRS15	FY'18 IAS18	FY'17 IAS18	Change (IAS18)
reported EBITDA	2,886	3,109	2,807 ¹	+302
depreciation and amortization	-2,544	-2,544	-2,572	+28
impairment of fixed assets	3	3	-6	+9
reported operating income	345	568	229	+339
net financial costs	-305	-305	-304	-1
income tax	-30	-73	15	-88
reported net income/loss	10	190	-60	+250

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

Cash flow improves thanks to better working capital and higher EBITDA

in PLNm	FY'18	FY'17	Change
Net cash flow from operating activities before change in working capital *	1,670	2,500	N/A
Change in working capital *	142	-436	N/A
Net cash flow from operating activities	1,812 ①	2,064	-252
Reported CAPEX	-2,282	-1,933	-349
Change in CAPEX payables**	+121	-133	+254
Investment grants received/paid to fixed assets suppliers***	-59	296	-355
Sales of assets	156	113	+43
Organic cash flow	-252 ②	407	-659
Investment grants received/paid to fixed assets suppliers***	+59	-296	+355
Payment of European Commission fine	+646	-	+646
Adjusted organic cash flow	453	111	+342

① PLN +394m
ex payment
of EC fine

② PLN -13m
ex payment
of EC fine

* 2017 presented under IAS18 while 2018 under IFRS15

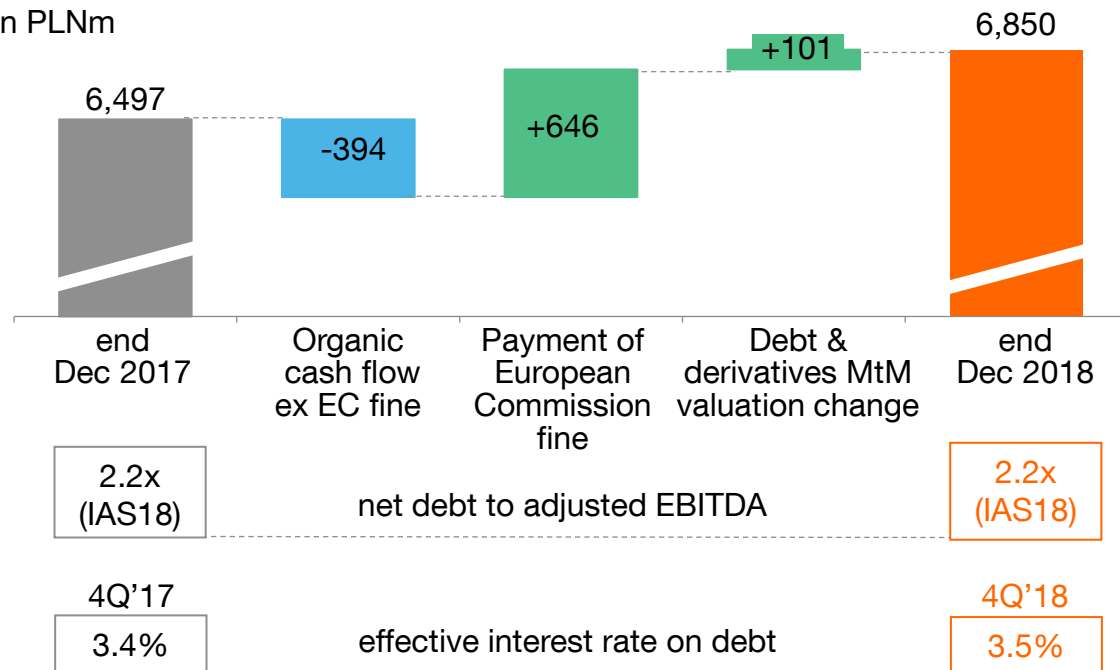
** including exchange rate effect on derivatives economically hedging capital expenditures, net

*** relating to EU subsidies for Digital Poland Operational Programme (POPC)

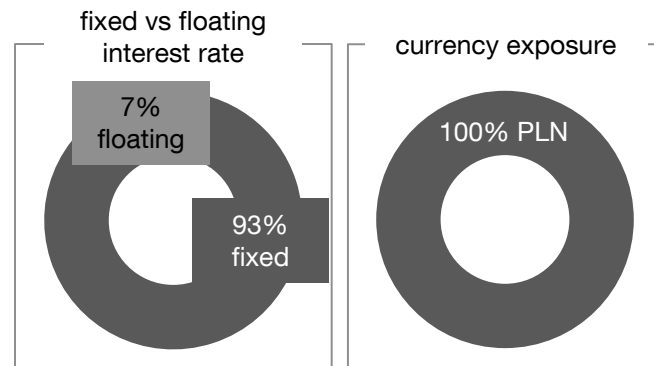
Leverage level unchanged despite EC fine payment

net debt evolution

in PLNm



Debt after hedging breakdown



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

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