

# Orange Polska

## FY2017 results

.one

20 April 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.

## 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 2017 (available at <http://orange-ir.pl/results-center/results/2017>)

<i>in PLNm</i>	FY'16	FY'17
EBITDA	3,163	2,807
– The impact of Social Agreements net of related curtailment of long-term employee benefits	-	204
Adjusted EBITDA	3,163	3,011
Capital expenditures	5,169	1,933
– Acquisition of telecommunications licences	-3,168	-
Adjusted capital expenditures	2,001	1,933
Organic cash flow	-2,528	407
– LTE auction deposits / Acquisition of LTE spectrum	3,148	-
– Investment grants received/paid to fixed assets suppliers*	-	-296
Adjusted organic cash flow	620	111

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

# Operational review and 2018 outlook

**Jean-François Fallacher**  
Chief Executive Officer

# 2017 full-year commitments achieved

## 2017 expectations

## FY2017

top-line evolution

- Mobile service impacted by new roaming regulations and uncertainty on pre-paid
- Slower growth of mobile equipment sales
- Legacy revenue (PSTN, wholesale) in continued structural decline

✓ PLN **11.4**bn  
-1.4% yoy vs -2.4% in 2016

capital expenditures

Around PLN 2bn, including around 0.8bn on fibre rollout  
(>1m new households connectable in fibre)

✓ PLN **1.9**bn  
(including 0.7bn on fibre rollout)

net debt to adjusted  
EBITDA

Not higher than 2.6x including potential EC fine payment

✓ **2.2x**

## 2017 guidance

adjusted EBITDA

"around PLN 3.0bn" (raised from "PLN 2.8-3.0bn" in October 2017)

✓ PLN **3.0**bn\*

\* adjusted as presented on slide #3

# Summary 2017



**Orange.one  
strategy**



**Shift in the  
commercial  
approach**



**Success of  
convergence**

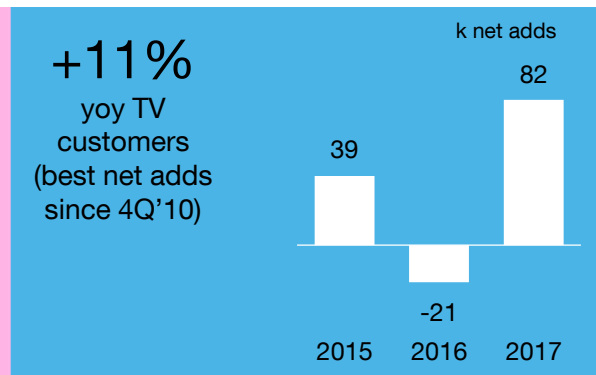
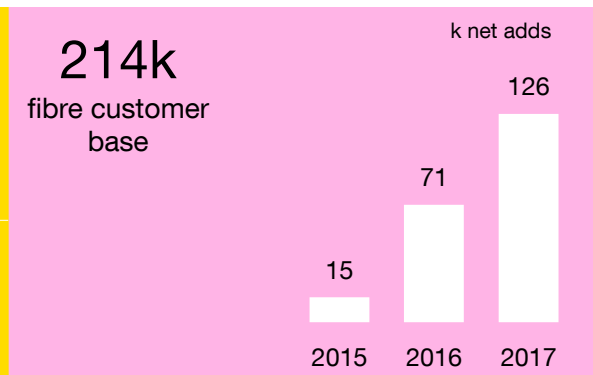
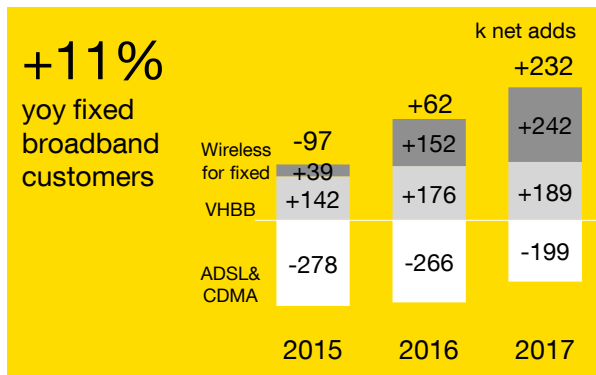
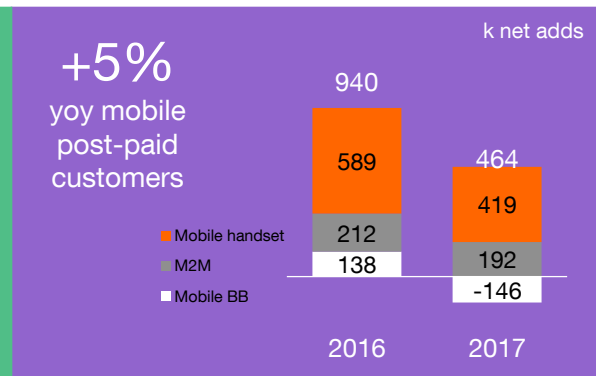
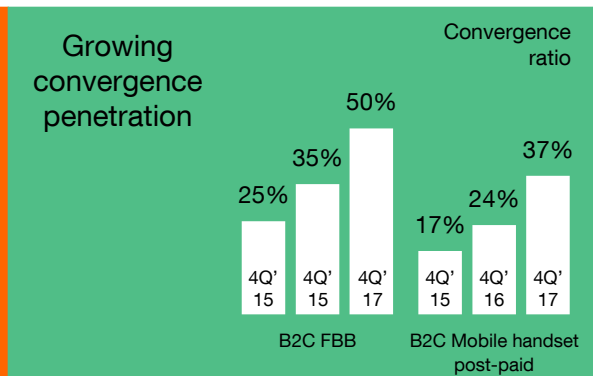
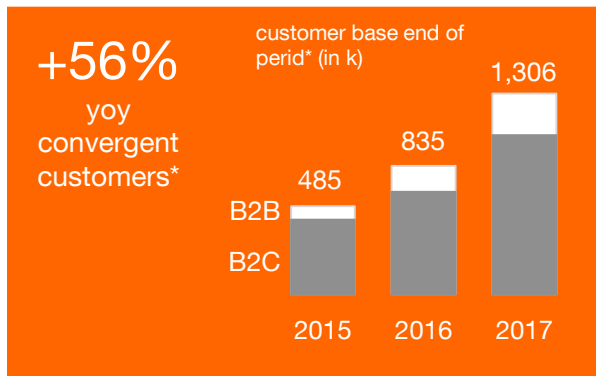


**Rebound in fixed  
broadband**



**Better financial  
performance**

# Our convergent strategy is working



\* Since 1Q'17 convergent customer definition has been modified and reflects only a combination of fixed broadband (incl. wireless for fixed) and mobile handset offer, with financial benefit



# 2020 vision

#1 Very High-Speed Broadband

#1 Customer experience

#1 Digital

#1 Value creation





# Orange.one strategy on track



## Our ambitions by 2020



**+1M-1.5M**

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



**+0.3M-0.6M**

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



**55%**

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



**X2**

**ICT revenues**  
vs 2016 by 2020

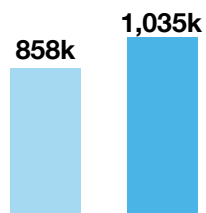


**NPS #1**

**The most recommended operator & partner by 2020**

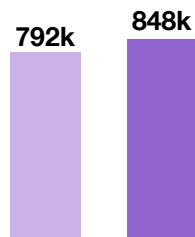
## 2017 achievements

**+177k**



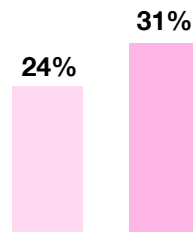
Jun'17 Dec'17

**+56k**



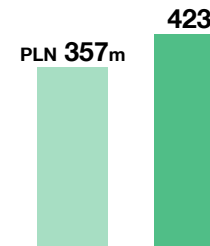
Jun'17 Dec'17

**31%**



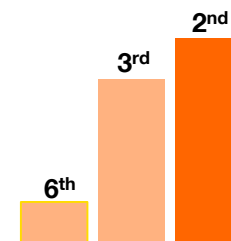
Jun'17 Dec'17

**+18%**



2016 2017

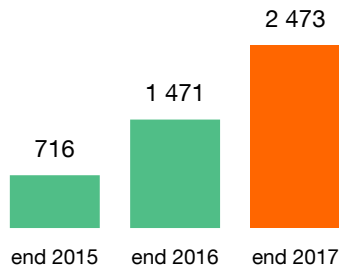
**#2**



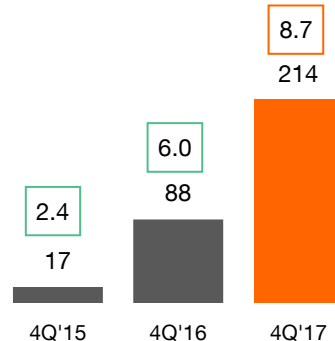
2013 2015 2017

# Fibre network deployment ambitions confirmed

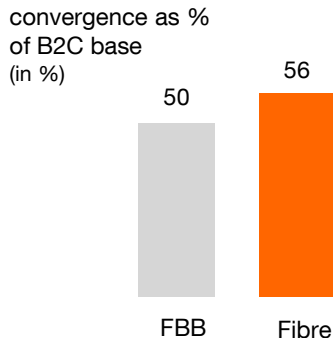
**Fibre**  
households  
connectable  
(in k)



**Fibre**  
customer  
base  
(in k)



**56%**  
of Fibre  
base is  
convergent



- 126k net customer additions (customer base up 143% yoy) in FY 2017
  - 77% of FY gross adds new customers to OPL
  - Services available in 75 cities (vs 37 cities at the end of 2016)
- 1,002k new households connectable in 2017 of which 186k on third party infrastructure
- Letter of Intent with T-Mobile signed on wholesale access to fibre network – new monetisation opportunity

# 2018 key anticipated trends and guidance

## 2017

## 2018 expectations

top-line evolution	PLN 11.4bn -1.4% yoy	<ul style="list-style-type: none"> <li>Supported by national roaming contract with Play</li> <li>Further focus on convergence strategy</li> <li>Legacy revenue (PSTN, wholesale) in continued structural decline</li> </ul>
capital expenditures	PLN 1.9bn 17.0% of revenue	PLN 2.0-2.2bn, including 700-800m on fibre rollout (c.1m new households connectable in fibre)
net debt to adjusted EBITDA	2.2x	Not higher than 2.6x including potential EC fine payment***

## 2018 guidance

adjusted EBITDA	PLN 3.0bn*	Around PLN 3.0bn (stable vs 2017)****
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## 2018 dividend recommendation

dividend	none	Management has decided to maximise cash allocation to strategic investment projects and implementation of Orange.one strategy and therefore will recommend not paying any dividend in 2018**
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\* adjusted as presented on slide #3

\*\* proposal subject to approval of Annual General Meeting of Shareholders

\*\*\* Under IAS18 accounting standard (not higher than 2.8x under IFRS15 accounting standard)

\*\*\*\* Under IAS18 accounting standard (around PLN 2.75bn under IFRS 15 accounting standard)

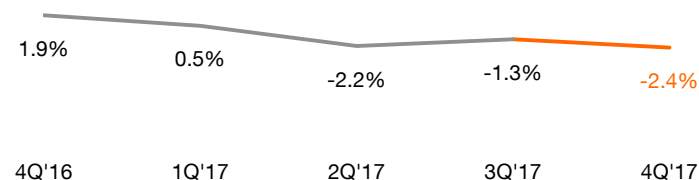
# Financial review

**Maciej Nowohoński**  
**Chief Financial Officer**

# Revenue trend improved driven by fixed business

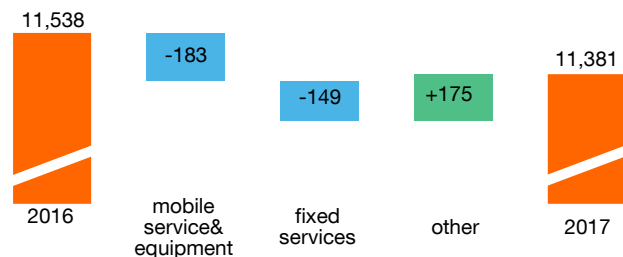
## Adjusted revenue evolution

yoy change



## Revenue evolution breakdown

in PLNm



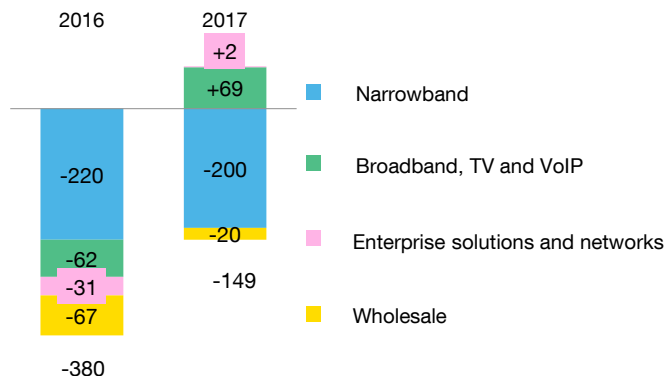
## Mobile revenue

- Reflect shift from volume to value and convergent strategy (value recognised in fixed broadband)

## Fixed revenue

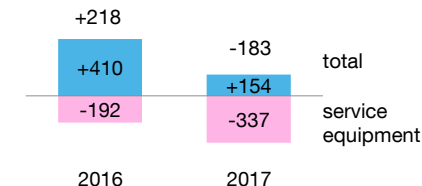
- Broadband reflects growing customer base and convergence strategy
- Better trend in wholesale owing to higher traffic termination in fixed network

(yoy in PLNm)



## Mobile revenue

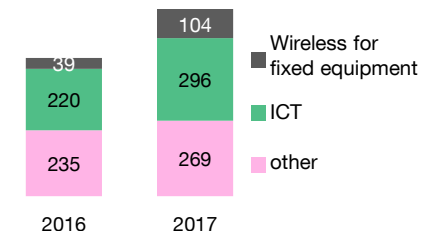
(yoy in PLNm)



## Other revenue

Good performance of ICT, growth of wireless for fixed equipment and consolidation on MMP Energia

(in PLNm)

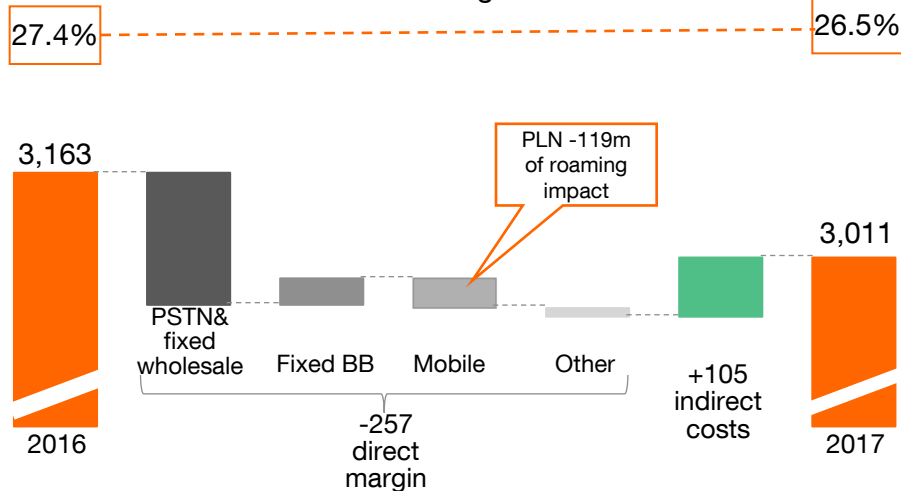


# 2017 adjusted EBITDA performance: substantial progress towards stabilisation and return to growth

## Adjusted EBITDA evolution

yoy change in PLNm

margin



### Direct margin:

- Mobile reflects much lower handset subsidies, optimisations of commissions and negative impact of roaming like at home
- Fixed broadband has improved driven by operating leverage and convergent strategy
- Further decline of legacy business lines

### Indirect costs:

- Underlying indirect costs down 4.8% yoy driven labour, IT & network as well as advertising and promotion

**employment down**

**6.0% yoy**

(in kFTE end of period)

15.9

14.9

end 2016

end 2017



# Net income reflects provisions related to new Social Agreement

in PLNm	FY'16	FY'17	Change
reported EBITDA	3,163	2,807	-356
depreciation and amortization	-2,725	-2,572	+153
impairment of non-current assets	-1,792	-6	+1,786
reported operating income/(loss)	-1,354	229	+1,583
net financial costs	-359	-304	-55
income tax	-33	15	+48
reported net loss	-1,746	-60	+1,686

Reported EBITDA includes PLN 204m effect of provisions related to new Social Agreement for the years 2018–2019 and the final settlement of the Social Agreement for the years 2016–2017

D&A trend includes PLN 103m effect of extension of useful life for some fixed assets

2016 impairment driven by reassessment of future projected cash flows coupled with an increase in the discount rate

Net financial costs lower mainly owing to stronger PLN vs EUR impacting discount expense

## Adjusted organic cash flow reflects lower EBITDA and higher working capital requirement

in PLNm	FY'16	FY'17	Change
Net cash flow from operating activities before change in working capital	2,604	2,500	-104
Change in working capital	-55	-436	-381
CAPEX ex LTE spectrum	-2,001	-1,933	+68
Change in CAPEX payables*	-47	-133	-86
LTE auction deposits / Acquisition of LTE spectrum	-3,148	-	+3,148
Investment grants received**/paid to fixed assets	-	296	+296
Sales of assets	119	113	-6
<b>Organic cash flow</b>	<b>-2,528</b>	<b>407</b>	<b>+2,935</b>
LTE auction deposits / Acquisition of LTE spectrum	3,148	-	-3,148
Investment grants received**/paid to fixed assets suppliers	-	-296	-296
<b>Adjusted organic cash flow</b>	<b>620</b>	<b>111</b>	<b>-509</b>

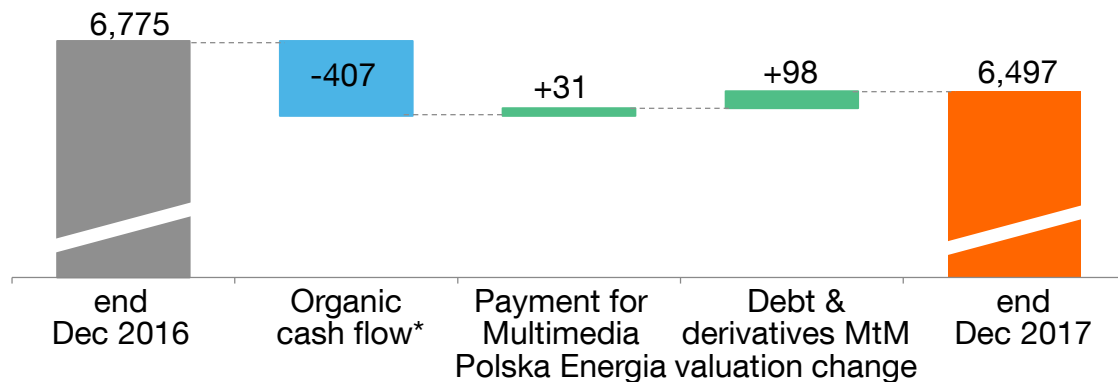
\* including exchange rate effect on derivatives economically hedging capital expenditures, net

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

# Excluding investment grants net debt flat vs end of 2016

## net debt evolution

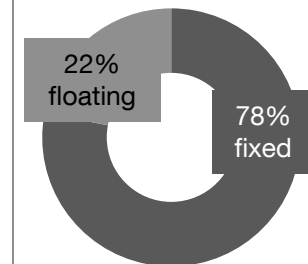
change in PLNm



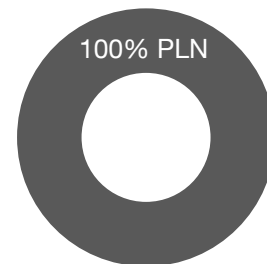
2.1x	net debt to adjusted EBITDA	2.2x
4Q'16		4Q'17
3.3%	effective interest rate on debt	3.4%

## Debt after hedging breakdown

fixed vs floating  
interest rate



currency exposure



- 3.0 years – debt average duration after refinancing of PLN 2.25bn in February (sourced by Orange SA)

\* as presented on slide #3

# 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

# Q&A

## Glossary (1/2)

3P customer	a customer who purchased a bundle of fixed broadband, TV and VoIP services
4G	fourth generation of mobile technology, sometimes called LTE (Long Term Evolution)
ARPU	Average Revenue per User
CDMA	Code Division Multiple Access, second generation wireless mobile network used also as a wireless local loop for locations where cable access is not economically justified
data user	a customer who used mobile data transmission in a given month
EBITDA	Operating income + depreciation and amortization + impairment of goodwill + impairment of non-current assets
FBB	Fixed Broadband
Fibre access network project	rollout of fixed broadband access network based on fibre technology which provides the end user with speed of above 100Mbps
FTE	Full time equivalent
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
GB	Gigabyte
Households (HH) connectable in fibre technology	Households where broadband access service based on fibre technology can be rendered
ICT	Information and Communication Technologies



## Glossary (2/2)

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
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
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
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