



**Orange Polska**

**4Q'20 and FY'20  
results**

**18 February  
2021**

**.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, including information on data restatements for the year 2019 in connection with changes in accounting policies, have been presented in the Notes 2 and 3 to IFRS Consolidated Financial Statements of the Orange Polska Group for the year ended 31 December 2020 (available at <http://orange-ir.pl/results-center/results/2020>).

<i>in PLNm</i>	4Q 2020	4Q 2019	2020	2019
<b>Operating income/ (loss)</b>	<b>57</b>	<b>-176</b>	<b>404</b>	<b>415</b>
Less gains on disposal of assets	-40	-4	-61	-270
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	649	698	2,511	2,448
Interest expense on lease liabilities	-15	-15	-62	-66
Adjustment for the impact of employment termination programs	-13	176	-22	181
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries	16	3	27	10
<b>EBITDAaL (EBITDA after Leases)</b>	<b>654</b>	<b>682</b>	<b>2,797</b>	<b>2,718</b>

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- 5. Q&A session**

# Highlights & Business review

**Julien Ducarroz**  
**Chief Executive Officer**

# 2020 guidance met: EBITDAaL up 3% year-on-year

## 2020 guidance



### EBITDAaL

Growth vs 2019

## 2020 expectations



### Revenues

Growth vs 2019



### eCapex (excluding spectrum)

PLN 1.7-1.9bn, depending on proceeds from asset disposal

## FY 2020 results

PLN **2.8**bn  
+2.9% yoy



PLN **11.5**bn  
+0.9% yoy



PLN **1.8**bn



# 2020 goals achieved in particularly challenging environment

## Business continuity secured

- 85% of staff on remote work with no disruptions in business processes
- Quality of networks more essential than ever: mobile voice traffic +19% yoy, mobile data +43% yoy, fixed data +51% yoy
- Numerous actions to support our customers, hospitals and schools



## Commercial performance recovered in 2H

- 1H affected by shops closure and lower traffic after; push of online sales (in 2Q online sales c.+50% yoy)
- 2H recovery: accelerated growth in convergence, fibre and mobile (2H MV net adds +60% yoy, 2H FBB net adds 2.5x yoy)
- ICT rebounding in 4Q



## Key areas of covid impact – main services resilient

- Roaming
- Equipment sales
- Real estate disposals
- Additional risk provisions



## Exceptional mitigating measures executed

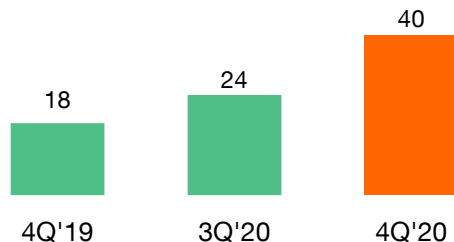
- OPEX: ongoing transformation coupled with curtailment of jubilee awards, renegotiation of the Social Plan, cost freeze
- CAPEX: prioritisation of projects in the light of tougher real estate market



# Fibre customer base up c.10% in 4Q (63k record net additions)

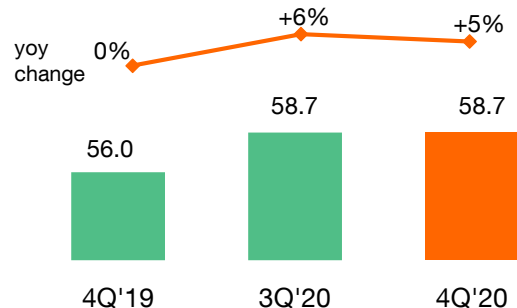
## Significant growth in total FBB net additions (the best in 3 years)

(in k)



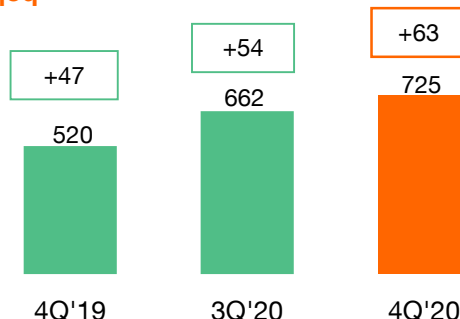
## Turnaround in FBB mono ARPO driven by our value strategy

(in PLN)



## Fibre customer base up 39% yoy and 10% qoq

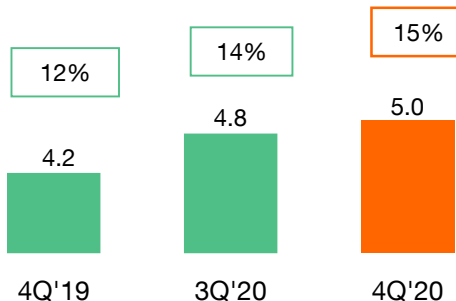
(in k)



net adds in k (retail only)

## Fibre network rollout reached 5m HHC – strategic ambition delivered

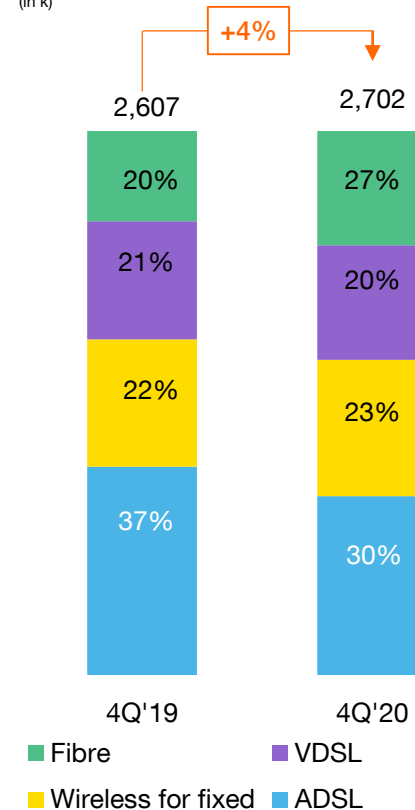
(in k)



adoption rate % (retail + wholesale)

## Fibre accounts for 27% of total broadband customer base

(in k)



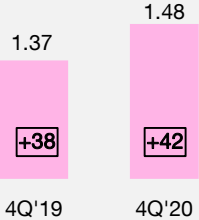


# Value creation visible through strong commercial performance and consistent cost optimisation

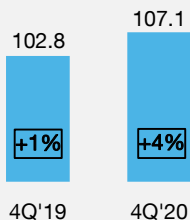
## Convergence:

Net adds best in 2 years... ...and ARPO growth accelerating

Customer base  
in m



ARPO  
in PLN



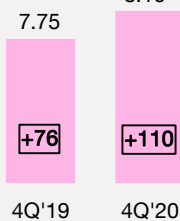
□ net adds

□ yoy change

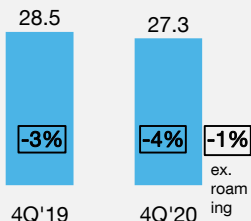
## Mobile handset:

Strong net adds... ... and improving ARPO trend

Customer base  
in m



ARPO  
in PLN



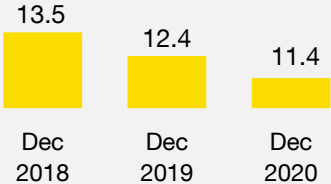
□ net adds

□ yoy change

ex. roam  
ing

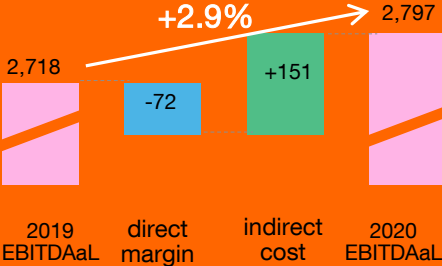
## Simplification and automation drive employment evolution

in kFTE  
end of period



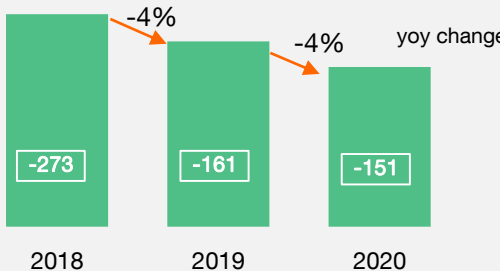
## EBITDAaL growth delivered

yoy change in PLNm



## Consistent indirect costs savings supported by mitigating measures in 2020

in PLNm



# Financial review

**Jacek Kunicki**  
**Chief Financial Officer**

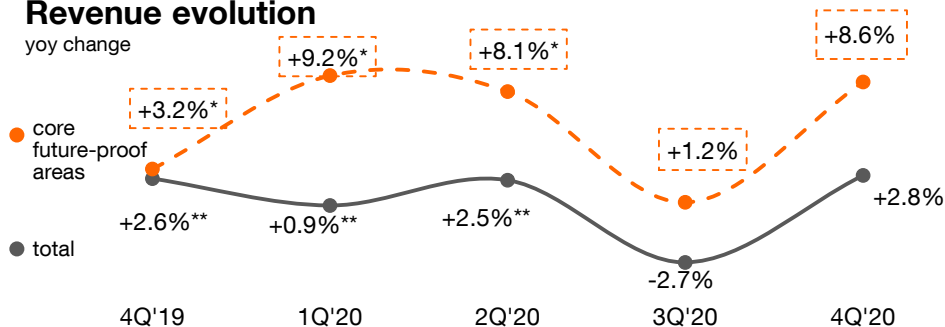
## 4Q/FY 2020 financial results key highlights

in PLNm	2020	yoy	4Q'20	yoy	key points
revenues	11,508	+0.9%	3,083	+2.8%	▪ Growth driven by convergence, IT/IS and mobile wholesale
EBITDAaL	2,797	+2.9%	654	-4.1%	▪ FY supported by 4% yoy decline in indirect costs
% of revenues	24.3%	+0.5pp	21.2%	-1.5pp	▪ 4Q affected by provisioning for claims and litigations
eCAPEX	1,801	+5.9%	595	-14.4%	▪ FY reflects less real estate sales, partly offset by lower capex spending
% of revenues	15.6%	+0.7pp	19.3%	-3.9pp	
organic cash flow	642	-12.9%	224	-32.9%	▪ FY reflects strong cash flow from operating activities and much lower proceeds from sale of assets

# 4Q revenue growth thanks to strong performance of core telecom services and IT/IS

## Revenue evolution

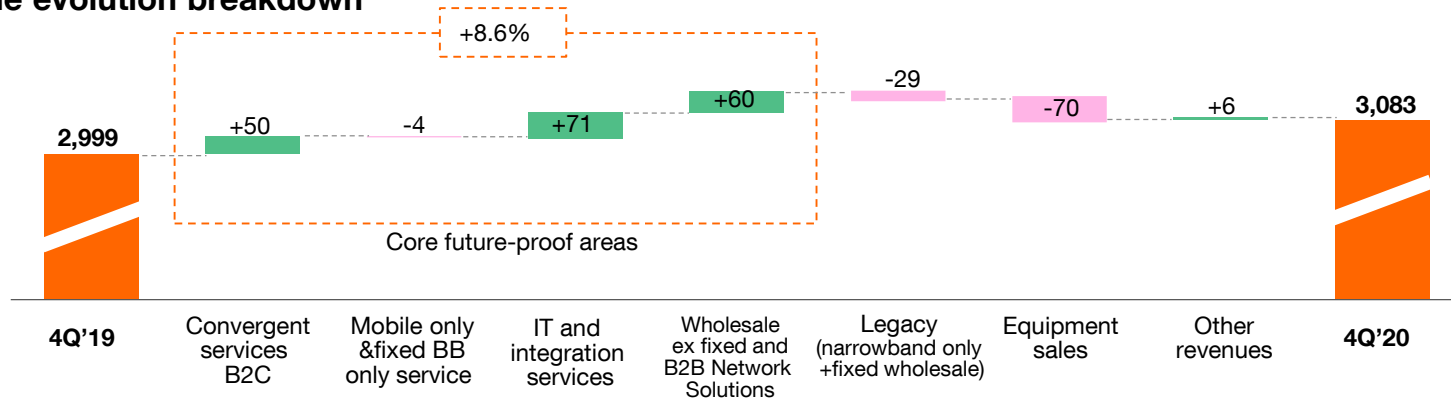
yoy change



- **Core telecom services\*\*\*** (+3.6% yoy)  
growth accelerating thanks to strong growth of customer volumes and improving ARPO trends (driven by our value strategy)
- **IT/IS revenue back to strong growth** (+26% yoy)  
demand for software and solutions supporting digitisation and security accelerated at year-end
- **Equipment revenues** (-15% yoy)  
lower demand in B2B and less generous use of subsidised equipment in Xmas campaign in B2C

## Revenue evolution breakdown

in PLNm



\* core future-proof areas: ex. BlueSoft: +1.3% yoy for 4Q'19 , +7.2% yoy for 1Q'20 and +6.1% yoy for 2Q'20

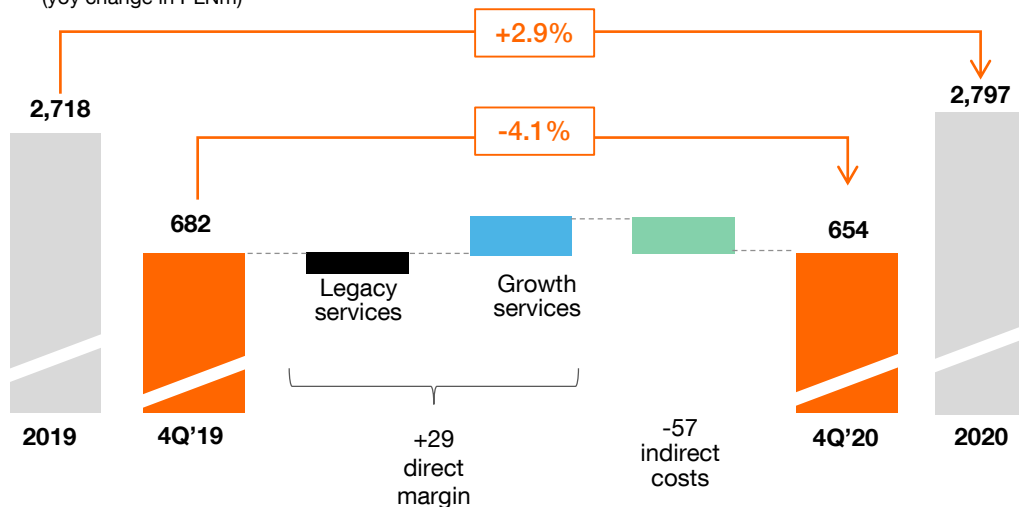
\*\* total revenues: ex. BlueSoft : +1.3% yoy for 4Q'19 , -0.4% yoy for 1Q'20 and +1.1% yoy for 2Q'20

\*\*\* combining convergence, mobile only and broadband only

# 4Q EBITDAaL reflecting growing direct margin and increased provisioning; FY objective delivered

## EBITDAaL evolution

(yoy change in PLNm)



### Direct margin up 2% yoy:

- Thanks to growth of core telecom services & IT/IS
- Despite structural drop of legacy services and much less roaming (Covid-19 impact)

### Indirect costs reflect savings and increased provisioning:

- Labour costs reflect ~1k headcount optimisation in line with the Social Plan
- IT&Network costs reflect growth of energy prices
- ~PLN 35m impact of provisions for claims and litigations

### employment down 8.0% yoy

(in kFTE end of period)

12.4

4Q'19

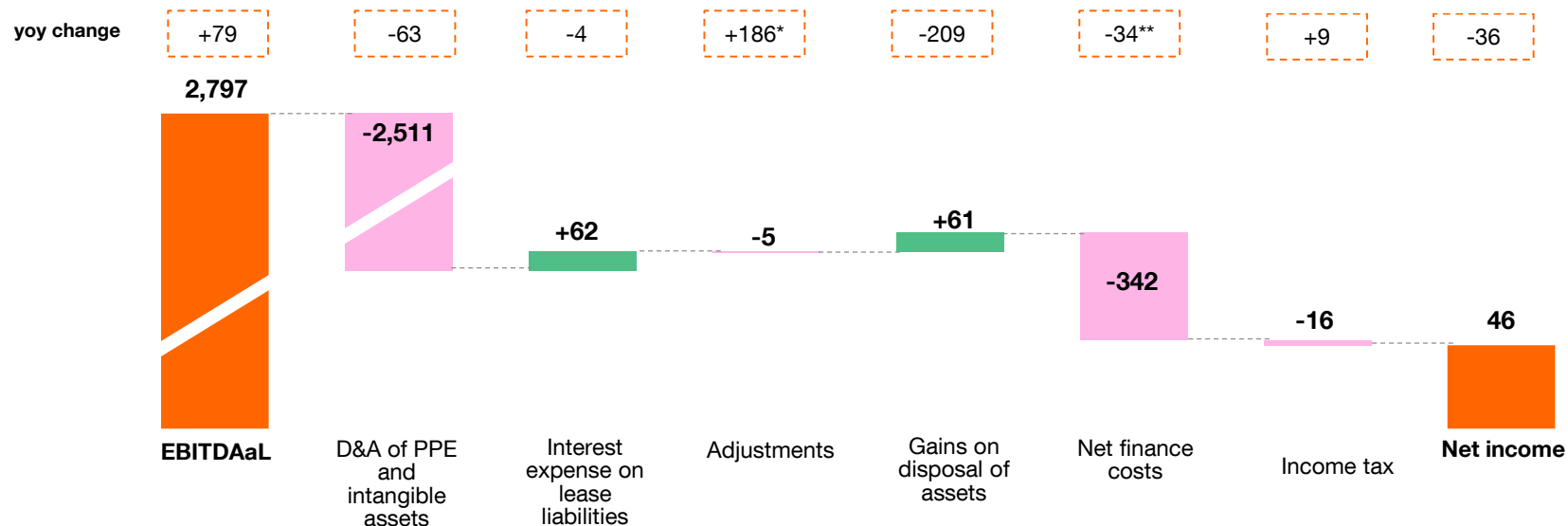
11.4

4Q'20

# Bottom line evolution reflects growing EBITDAaL, Social Plan provisioning in 2019 and much less gains on sale of assets in 2020

## Evolution from EBITDAaL to the bottom line in FY 2020

(PLNm)



\*Mainly due to adjustments related to employment termination program booked in 2019

\*\*o/w PLN -56m of foreign exchange losses

# 2020 eCapex reflects much lower proceeds from sale of assets

## Investment areas

(in PLNm)

### Capex

■ Mobile Network

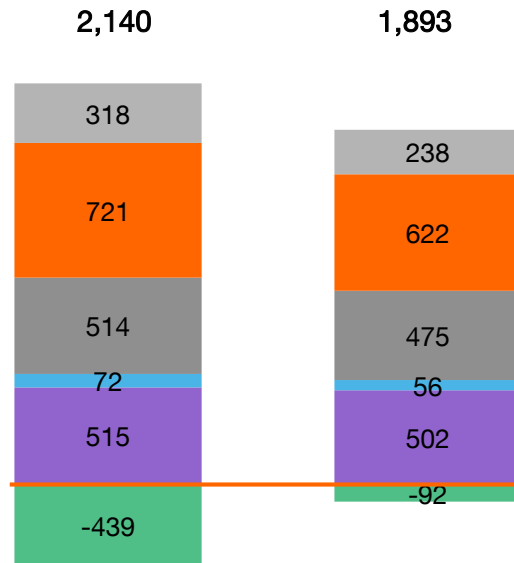
■ FTTH program (incl. CPE)

■ Other network (optical, convergent, core)

■ Customer Premise Equipment (CPE excl. FTTH)

■ IT Systems and Infrastructure and others

■ Proceeds from assets disposal



### eCapex\*

1,701

1,801

2019

2020

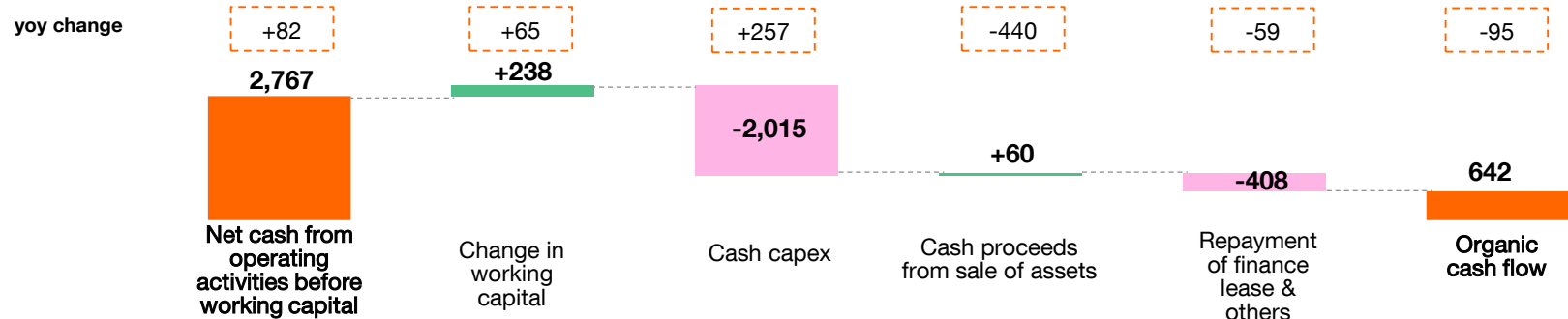
- **Fibre capex** down 14% yoy mainly reflecting:
  - Lower investments in backbone
  - Higher share of 3rd party in the footprint expansion (vs own build)
- **Mobile capex** down 25% yoy following completion of 4G spectrum refarming
- Lower **other network capex** mainly due to disruptions caused by the pandemic among business customers in 1H
- Much lower proceeds from asset disposals reflect real estate market slowdown in 2020 (caused by the pandemic) and record high sales in 2019

\*From 2020 capex is presented net of the accrued proceeds from asset disposals and is named economic capex (eCapex).

# Cash flow reflects cash strong generation from operating activities and much lower proceeds from sale of assets. Falling financial leverage

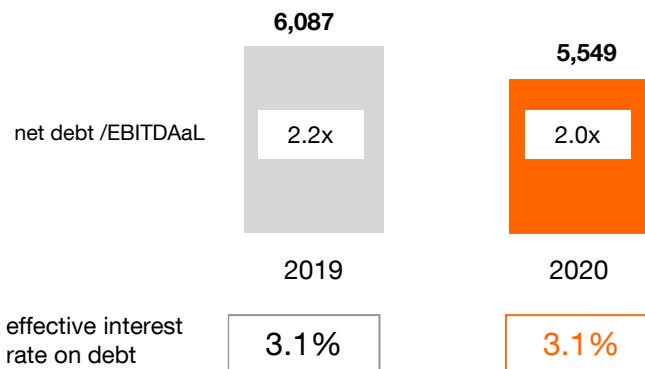
## Cash flow evolution breakdown in FY 2020

in PLNm



## Net Debt

in PLNm



- 3.7 years – debt average duration following PLN 2.7bn refinancing completed in January with maturity in 2026
- From 2Q'21 cost of debt will fall below 3% as a result of refinancing



# Orange.one summary

**Julien Ducarroz**  
Chief Executive Officer

**Bożena Leśniewska**  
Deputy CEO in charge of business market

**Jacek Kunicki**  
Chief Financial Officer



# Orange.one strategy well executed



**Shift in the  
commercial  
approach**



**Focus on  
convergence**



**Fibre driving  
rebound in fixed  
broadband**



**Transformation  
leading to higher  
efficiency**



**NPS #1**

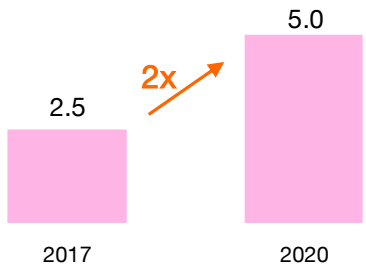
**The most  
recommended  
operator by  
2020**



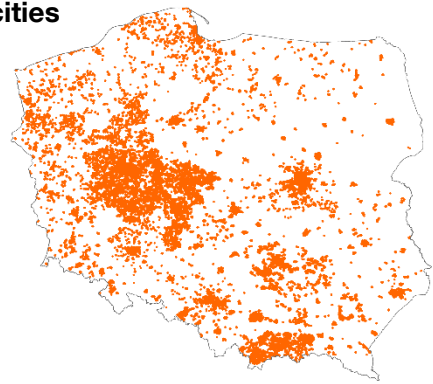
# Fibre brings competitive advantage and gives support to convergence

## Fibre network reached c.35% of Polish households

Households connectable in m

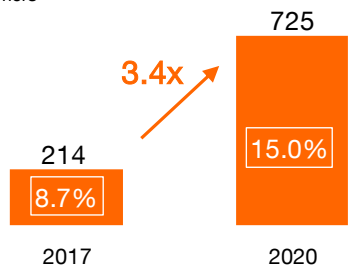


## Orange fibre network available in 154 cities



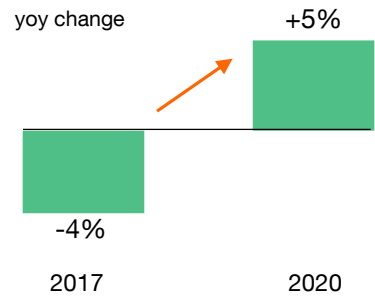
## Monetisation of fibre network has accelerated in 2020...

Retail fibre customers in k



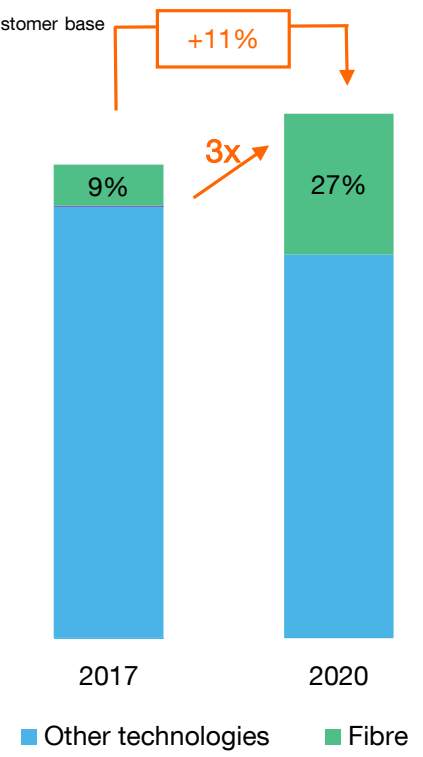
□ adoption rate % (retail + wholesale)

## Turnaround in FBB mono ARPO driven by fibre and our value strategy



## ...driving transformation and growth of FBB customer base

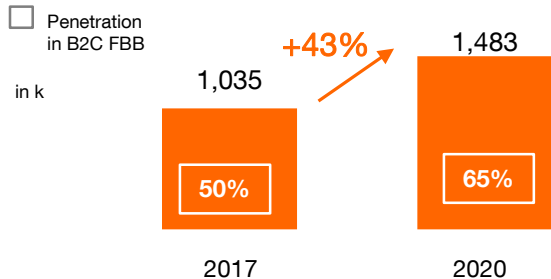
FBB customer base growth





# Convergence as a bedrock of our commercial strategy

## Strong growth of convergent customer base...



## ...who is more loyal

**Less churn with convergence**  
(average churn difference for 2020)

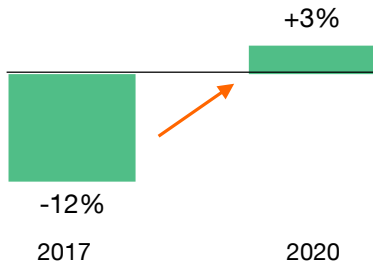


convergent customers vs mono FBB  
B2C customers (for ADSL, VDSL, Fibre)



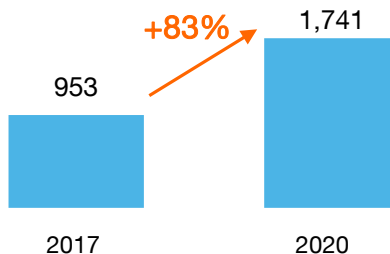
## Turnaround in convergence ARPO driven by value pricing and upsell

Convergence ARPO yoy change



## Convergence a key revenue growth driver\*

PLNm



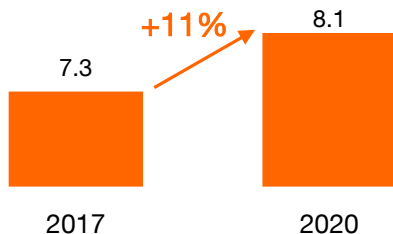
\* 2017 -2020 IFRS15



# Strong trends in mobile reflect effective value strategy

## Steady growth of mobile handset customer base ...

Mobile handset customers in m



## Quality of our mobile network confirmed by independent speed ranking

critical network failures

**-57%**  
vs  
2017



**#1 operator in Poland in data transmission speed\***

\*Orange Polska was ranked 1st in 2020, 2nd in 2019 and 1st in 2018 in RF Benchmark ranking in terms of speed of mobile data transmission download in Poland

## ...coupled with churn reduction

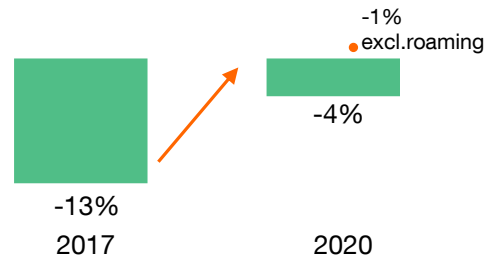
Average quarterly churn rate in mobile post-paid customer base



**-0.7pp or -23%**  
vs 2017

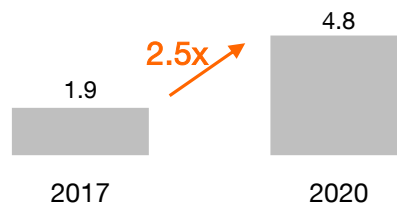
## Value pricing helps improving trend in mobile handset ARPO trend

yoy % change



## Soaring demand for data

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

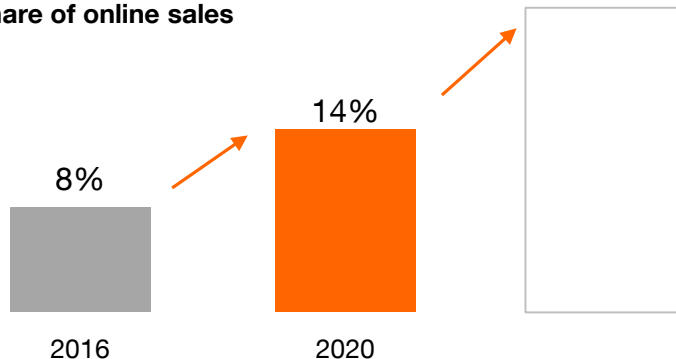




# Digital and adjacent areas: progress made, room for further growth

Digital transformation to further boost our journey to online customer relations

Share of online sales



## Adjacent areas

2020

Orange Finance

Orange Finance



Orange Energy



Devices



Orange Smart Care



2020 revenues

PLN 420m

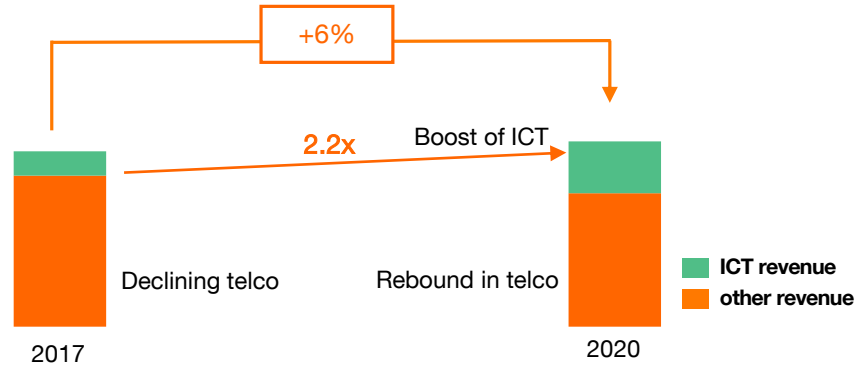
(vs >PLN 300m target)





# Since 2017 B2B has travelled a long way from legacy telco operator towards network-native digital service company

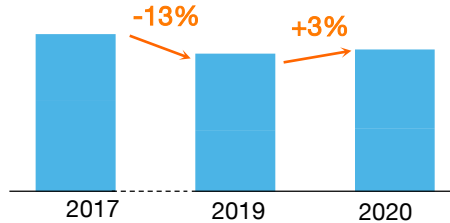
A leap in revenue growth...



... accelerated by:

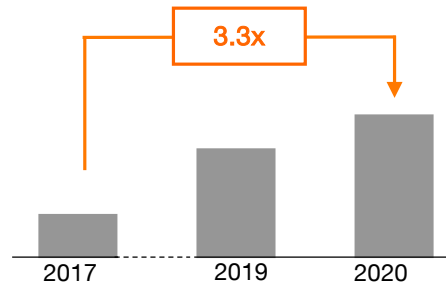
value management of legacy

Data transmission revenue (PLNm)



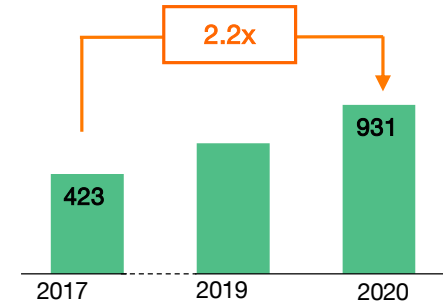
investments in fibre network creating  
a bridge towards ICT

Number of fibre accesses [FBB&DT]



development of ICT

Revenues (PLNm)





# We have doubled ICT revenue whilst focusing on the most profitable domains

Over the recent years we have gathered competences to address emerging market trends...



digital partner in security, cloud and IT infrastructure & networking



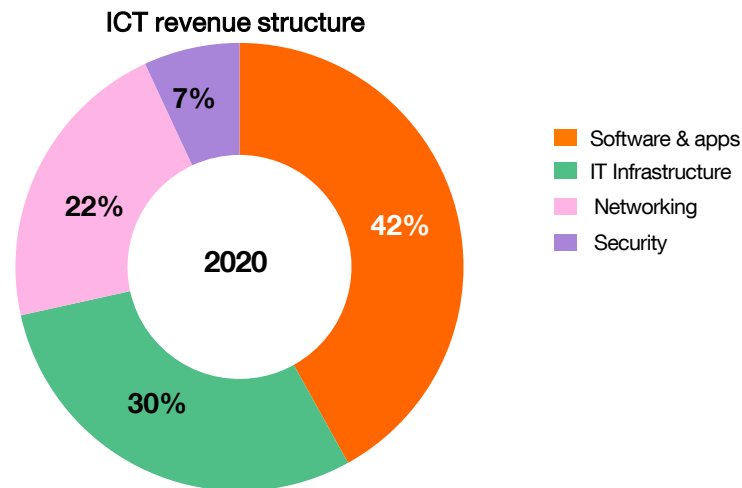
leading business systems and applications integrator



expert in connected CRM (SalesForce)



... which resulted in growth of the most margin-attractive domains







# We met all our financial promises

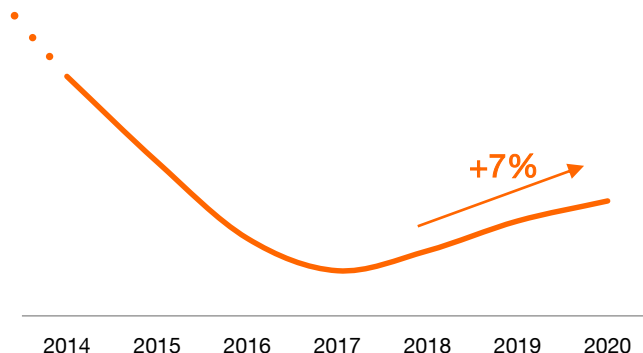
Financial commitments as presented in September 2017 (strategy announcement)

	2018	2019	2020	
Revenue		stabilisation	growth	✓
Adj. EBITDA(aL)	stabilisation	growth	growth	✓
CAPEX (PLNbn)	2.0-2.2	2.0-2.2	~2.0	✓
Net debt		decreasing	decreasing	✓



# We reversed multi-year negative trends and delivered a financial turnaround

Turnaround of EBITDAaL\*



Revenues

**+4%**

vs  
2017

EBITDAaL\*\*

**+7%**

vs  
2018

Indirect costs

**-15%**

vs  
2017

Net debt

**-13%**

vs  
2017

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

\*\*Growth on comparable basis (EBITDAaL excluding gains on asset disposals)

# 2021 outlook

**Julien Ducarroz**  
**Chief Executive Officer**

# Key priorities for 2021



## Sustaining strong commercial momentum

- Further focus on fibre and convergence
- B2B & ICT



## Covid impact management

- Post pandemic plan



## Execution on FiberCo project

- Project on track with expected signing in 1H



## Acquisition of 5G spectrum

- New auction process not yet started



## Further cost transformation

- Automation & digital customer interactions



## Increased focus on digital and Green

- Increasing energy consumption from renewables



Strategy update in 2Q

# 2021 guidance

## 2020

**EBITDAaL**

PLN **2,797m**

**Revenues**

PLN **11,508m**

**eCapex**  
(excluding spectrum)

PLN **1.80bn**

## 2021 guidance

Low single digit growth vs 2020

Low single digit growth vs 2020

PLN 1.7-1.9bn, depending on proceeds from asset disposal

# Q&A

# Appendix

## Details of bottom line evolution in 4Q and FY 2020

in PLNm	2020	2019	Change	4Q'20	4Q'19	Change
<b>EBITDAaL</b>	<b>2,797</b>	<b>2,718</b>	<b>+79</b>	<b>654</b>	<b>682</b>	<b>-28</b>
D&A of PPE and intangible assets	-2,511	-2,448	-63	-649	-698	+49
add-back interest expense on lease liabilities	62	66	-4	15	15	0
Adjustments*	-5	-191	+186	-3	-179	+176
gains on disposal of assets	61	270	-209	40	4	+36
<b>operating income/ (loss)</b>	<b>404</b>	<b>415</b>	<b>-11</b>	<b>57</b>	<b>-176</b>	<b>+233</b>
net financial costs	-342	-308	-34	-78	-48	-30
<i>o/w foreign exchange losses</i>	<i>-54</i>	<i>2</i>	<i>-56</i>	<i>-10</i>	<i>19</i>	<i>-29</i>
income tax	-16	-25	+9	0	+37	-37
<b>net income/ (loss)</b>	<b>46</b>	<b>82</b>	<b>-36</b>	<b>-21</b>	<b>-187</b>	<b>+166</b>

\*Adjustments related mainly to employment termination programs



## Details of organic cash flow evolution in 4Q and FY 20

in PLNm	2020	2019	Change	4Q'20	4Q'19	Change
Net cash flow from operating activities before change in working capital	2,767	2,685	+82	707	734	-27
Change in working capital	238	173	+65	42	197	-155
<b>Net cash flow from operating activities</b>	<b>3,005</b>	<b>2,858</b>	<b>+147</b>	<b>749</b>	<b>931</b>	<b>-182</b>
CAPEX	-1,893	-2,140	+247	-651	-700	+49
Change in CAPEX payables*	-112	-127	+15	+208	+172	+36
Cash proceeds from sale of assets	60	500	-440	28	12	+16
Repayment of lease liabilities	-421	-361	-60	-113	-85	-28
Adjustment for payment for costs related to acquisition, disposal and integration of subsidiaries	3	7	-4	3	4	-1
<b>Organic cash flow</b>	<b>642</b>	<b>737</b>	<b>-95</b>	<b>224</b>	<b>334</b>	<b>-110</b>

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

# Orange.one financial commitments and outcomes

	2018		2019		2020	
	promise	result	promise	result	promise	result
<b>Revenue</b>			stabilisation	+2.9% ✓	growth	+0.9% ✓
<b>Adj. EBITDA(aL)</b>	stabilisation	+3.1% ✓	growth	+4.5% ✓	growth	+2.9% ✓
<b>CAPEX (PLNm)</b>	2.0-2.2	2.2 ✓	2.0-2.2	2.1 ✓	~2.0	1.8 ✓
<b>Net debt</b>		ND/EBITDAaL 2.5x	decreasing	- PLN 0.6bn ND/EBITDAaL 2.2x ✓	decreasing	-PLN 0.5bn ND/EBITDAaL 2.0x ✓

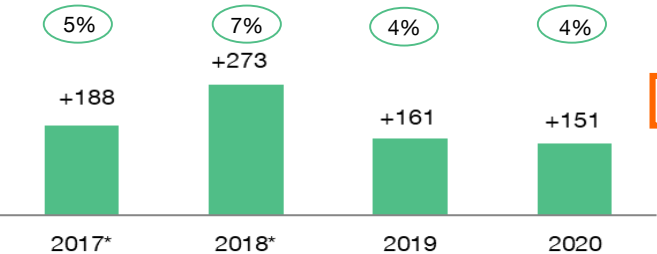


# Indirect costs down c.20% in the past 4 years

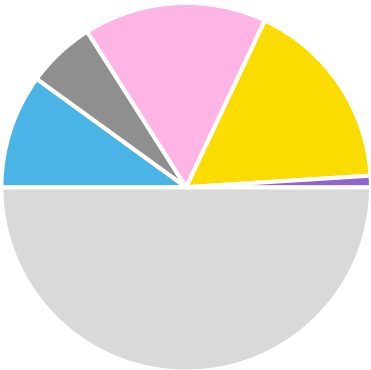
Strong pace of net savings in indirect costs...

...with 50% coming from non-labour areas

yoy change in PLNm and in %



Indirect costs cumulative: 2017- 2020



- 50% Labour
- 10% CRM subcontracting services
- 6% IT & Network
- 16% General expenses & other
- 17% Advertising & Promotion
- 1% Property expenses

\* 2017-2018 IAS17, 2019-2020 IFRS16

# We successfully combine business turnaround with social responsibility

## Environment



Clean environment

We implement our business goals with respect for ecology rules and in harmony with the environment.

- More energy efficient networks:
  - fibre replacing copper
  - mobile network sharing
- Recycling and refurbishing of handsets and routers
- ~200 energy consumption optimisation initiatives launched

## Social



Social and digital development

We make new technologies a supporter of economic and social development

- Our connectivity investments positively impact local societies through:
  - digital inclusion
  - local digital activity centres
  - digital skills programmes in schools
- We actively promote safe use of internet among children (4,000 schools in the programme)
- Co-operation with suppliers based on Code of Conduct covering social and environmental responsibility and prohibited business practices

## Governance



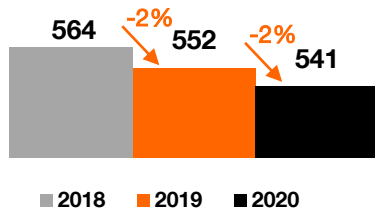
Responsible management

Our corporate governance is designed to provide responsible management and supervisions to achieve strategic goals and enhance value

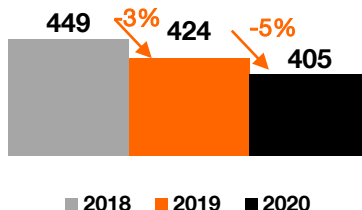
- We conduct active dialogue with all stakeholders to respond better to their expectations
- We adopt zero tolerance approach towards corruption in all aspects of our activities
- Corporate governance model ensures proper distribution of responsibilities to guarantee transparency of all management decisions

## Key Environmental Performance Indicators

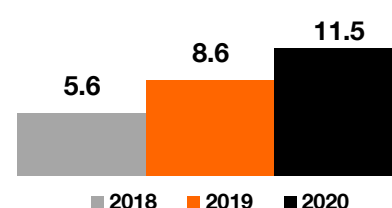
Energy consumption (GWh)



CO2 emission (000' tonnes)



Refurbished and relaunched handsets (000)



## 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