# Orange Polska (TPSA)
## results for 2012

Warsaw
April 11th, 2013

# 2012 in review

- **throughout 2012 we observed deteriorating operating conditions**
  - price war on the mobile post-paid market brought retail ARPU evolution to -7% year-on-year by Q4 2012, and its effects will continue to be visible in 2013
  - deterioration of the macro environment has hampered our cash generation
  - new price war has been launched in January 2013, threatening further market decline
- **as a result, we were forced to adjust shareholder remuneration**
- **nevertheless, we have delivered commercial progress in 2012**
  - mobile customer base grew by 237k since 2011 and data usage continues to increase
  - broadband ARPU increased by 5% year-on-year in 4Q, due to 193k additional triple-play users
  - decline in number of fixed voice clients was halved to 91k in 4Q as compared to 182k in 4Q 2011
  - TPSA services were rebranded to Orange, in order to facilitate convergence
  - we continued to develop the ICT activity, growing its revenues to PLN 234mn (+79% year-on-year)
  - we provided infrastructure and services for UEFA during the EURO 2012

# 2012 in line with the revised objectives

| | | outlook and guidance (revised in October 2012) | results | |
|---|---|---|---|---|
| outlook on trends | market value and revenue | ▪ annual revenue currently anticipated to decline by between -4%* and -5%* | PLN14.1bn | -4.1% yoy* |
| | costs and EBITDA | ▪ EBITDA margin anticipated between 34%* and 36%* | 34.2% | |
| | capex to sales | ▪ capex anticipated between 15% and 17% of revenue* | 16.5% | |
| guidance | net free cash flow | ▪ cash generation* anticipated between PLN 1.5 bn and PLN 1.6bn | PLN 1.54bn** | |

* excluding exceptional items, impact of claims and litigation, change in consolidation scope and unpredictable regulatory impact
** adjusted for the payment to DPTG a total of €550mn

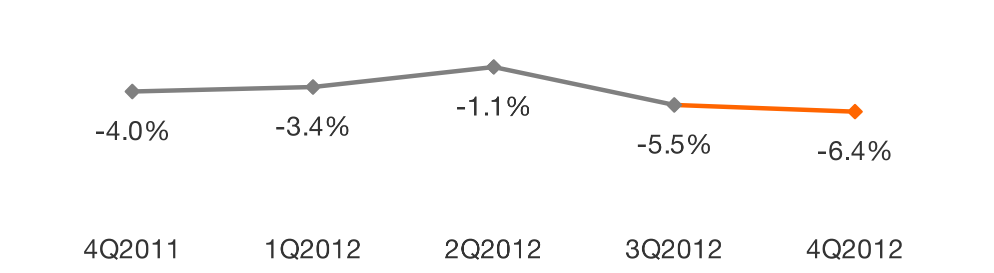
# shareholder remuneration in 2013

- we have the **financial capability** to pay shareholder remuneration of PLN 1 per share in 2013
- but **we face market volatility** as well as uncertain **significant cash outflows** (spectrum opportunity, EC fine)
- **we act responsibly**, to the long term benefit of the Company and all its stakeholders
- we strive to **preserve our sound balance sheet**
  - therefore, we propose the floor **shareholder remuneration in 2013 of PLN 0.5 per share** in July, in form of an ordinary cash dividend
  - our articles of association allow an **interim shareholder remuneration**

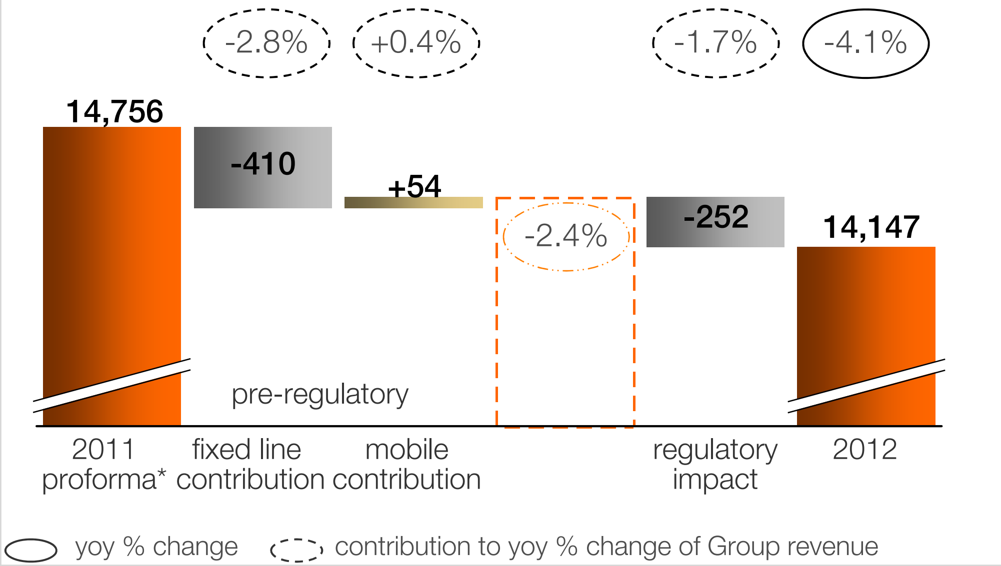
# financial review

# Group revenues evolution

## Group revenue evolution y-o-y (in %)*




## Group revenue evolution (in PLN mn)




## insight

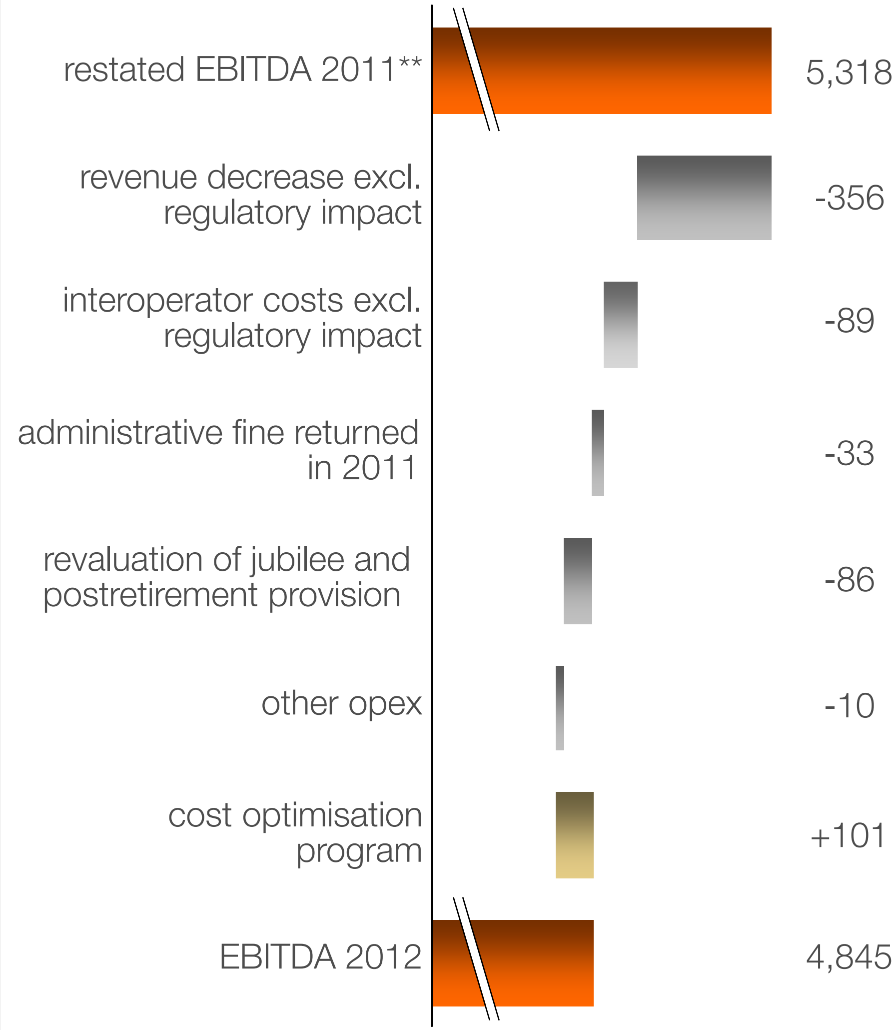
- revenue evolution affected by regulatory
  - PLN -140mn due to voice MTR cuts
  - PLN -46 mn due to SMS MTR cuts
  - PLN -66 mn due to EU roaming cut and others
- pre-regulation, mobile contributed to top-line, albeit it turned negative in 2H, as:
  - number of customers grew by 1.6%, but
  - adoption of unlimited offers by customers drove retail ARPU down, by as much as -7.3% year-on-year in 4Q
- fixed revenue evolution limited to PLN -410mn in 2012 vs. PLN -648mn in 2011:
  - decline of POTS was slowed down by 3P bundles (TV+BB+VoIP), which reached 248k
  - modest growth of data revenue, as 3P bundles fuelled Broadband ARPU up, (+5% in 4Q)
  - ICT revenues rose by PLN 103mn year-on-year



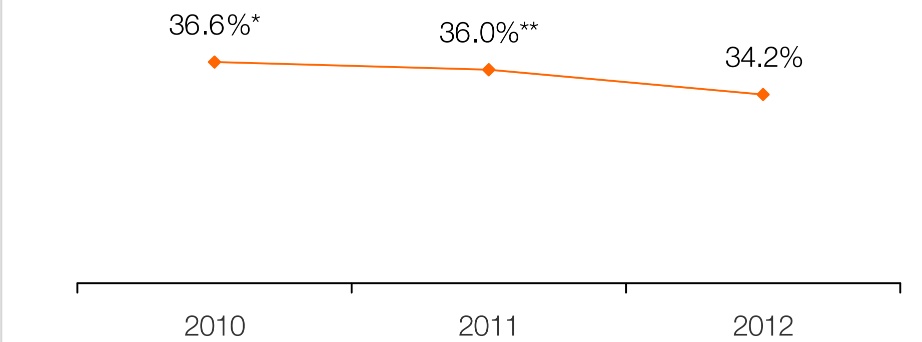
* vs. pro-forma, adjusted for de-consolidation of Emitel and Paytel

# mobile price war weighs down on 2012 EBITDA

## Group EBITDA evolution (in PLN mn)




## restated EBITDA margin (in %)




## insight

- EBITDA down by PLN 473mn since 2011, mostly due to lower revenue
- regulatory impact in 2012 neutral to EBITDA
- interconnect costs (pre MTR impact) driven up by higher traffic, stimulated by unlimited plans.
- other opex up by PLN 10mn mostly due to higher brand fee (-PLN 15 mn)
- actualisation of jubilee and post-retirement provisions
- cost base -1.4% since 2011 driven down by PLN 101mn savings delivered by optimisation program

* 2010 pro-forma and excluding impact of DPTG provision revision (PLN -1,061mn)
** pro-forma adjusted for the deconsolidation of Emitel and Paytel, excluding gain on Emitel disposal (PLN +1,183mn), provision for EC fine (PLN -458mn), restructuring costs (PLN -172mn) and increase in DPTG provision (PLN -35mn)

# 2012 net income reached PLN 855mn

| in million PLN | FY2011 | FY2012 |
|---|---|---|
| EBITDA as reported in 2011 | 5,928 | 4,845 |
| *depreciation and amortization* | *-3,703* | *-3,261* ① |
| *impairment of non-current assets* | *-9* | *-16* |
| *share of profit of investments accounted for using the equity method* | *1* | *5* |
| operating income | 2,217 | 1,573 |
| *net financial costs** | *-432* | *-557* ② |
| of which foreign exchange gains / (losses) | 7 | 28 |
| *income taxes* | *133* | *-161* ③ |
| net income | 1,918 | 855 |
| EPS (PLN per share) | 1.44 | 0.65 |

① fall in 2012 vs. 2011 due to underlying trend and less accelerated charges

② financial costs above 2011 due to an increase of net debt

③ tax charge in 2011 included recognition of deferred tax asset

* including discounting expenses

# 2012 cash flow evolution reflected the deterioration of our operating environment

| in million PLN | FY2011 reported | FY2012 reported excluding DPTG*** | change in absolute terms |
|---|---|---|---|
| net cash flow from operating activities before income tax paid and change in working capital | 5,004 | 4,460 | -544 |
| change in working capital | 353 | -101 | -454 |
| CAPEX* | -2,598 | -2,319 | +279 |
| CAPEX payables** | -168 | -452 | -284 |
| income tax paid | -188 | -46 | +142 |
| net free cash flow after tax paid | 2,403 | 1,542 | -861 |
| *as % of revenues* | *16.1%* | *10.9%* | *-5.2 ppts* |
| sales of assets | 55 | 59 | +4 |
| Decrease/(increase) in receivables related to leased fixed assets | -7 | -7 | - |
| organic cash flow | 2,451 | 1,594 | -857 |

cash flow operating activities decreased due to lower EBITDA

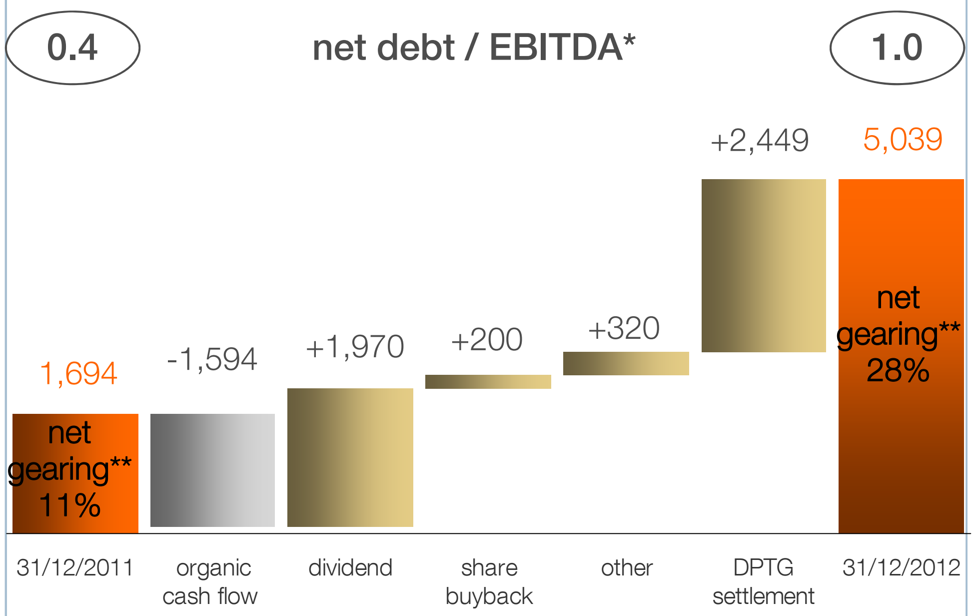
higher requirements for working capital mainly due to lower accounts payable

lower tax paid due to utilisation of deferred tax asset

* excluding capex financed by lease and including exchange rate effect on derivatives economically hedging capital expenditures, net
** including decrease/(increase) in receivables related to leased fixed assets
*** According to the settlement signed Jan. 12, 2012, TP S.A. paid DPTG a total of €550mn (PLN 2,449mn o/w change in provisions PLN -2,167mn and change in working capital PLN -282mn)

# our balance sheet is sound, despite a debt increase that reflected shareholder remuneration and settlement with DPTG

**net debt evolution** (in PLN mn)




## insight

- **available liquidity** position as of Dec 31, 2012:
  - – cash & equivalents at PLN 0.4 bn
  - – unused credit lines at PLN 0.9bn
- back-up facility at EUR 400 mn
- credit ratings at Baa1 / BBB+ with a negative outlook
- we remain **committed to keep debt metrics down** within the stated limits in the long term
  - **net debt to EBITDA at max 1.5x**
  - **net gearing at max 40%**

* annualised restated EBITDA,
** net gearing after hedging ratio = net debt after hedging / (net debt after hedging + shareholders' equity)

# we strive to protect revenues and improve those drivers of our business that are within our control

**main trends going forward**

| | |
|---|---|
| top line | revenue will erode in 2013 due to steep MTR / F2M cuts and price pressure. Further on, it will be less affected by MTR cuts. |
| intensified cost optimisation | costs will be continuously decreased, driven down by headcount reduction, business transformation and benefits from network sharing, with commercial costs contained at around 20% of sales |
| capex lighter business model | capital expenses decreased below PLN 2bn* in 2013. To be pushed further in subsequent years, with the aim to drive capex to 12-13%* of sales |
| **Organic Cash Flow** | above PLN 0.8bn* in 2013 |



* excluding spectrum acquisition, change in consolidation scope and impact of risk and litigation