

Orange Polska 1Q'17 results

27 April 2017



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 2 to Condensed IFRS Quarterly Consolidated Financial Statements of the Orange Polska Group for the 3 months ended 31 March 2017 (available at <http://orange-ir.pl/results-center/results/2017>)

<i>in PLNm</i>	1Q'16	1Q'17
Capital expenditures	3,545	385
-acquisition of telecommunications licences	-3,168	-
Adjusted capital expenditures	377	385
Organic cash flow	-3,204	-254
-LTE auction deposits / Acquisition of LTE spectrum	+3,148	-
Adjusted organic cash flow	-56	-254

Contents

1. Highlights

2. Financial review

3. Conclusion

4. Q&A session

Highlights

Jean-François Fallacher
Chief Executive Officer

1Q financial results consistent with full-year targets

PLN 2.82bn
revenue,
+0.5% yoy

PLN 748m
EBITDA,
-13.8% yoy*
(FY guidance confirmed)

26.5%
EBITDA margin,
-4.5 pp yoy*

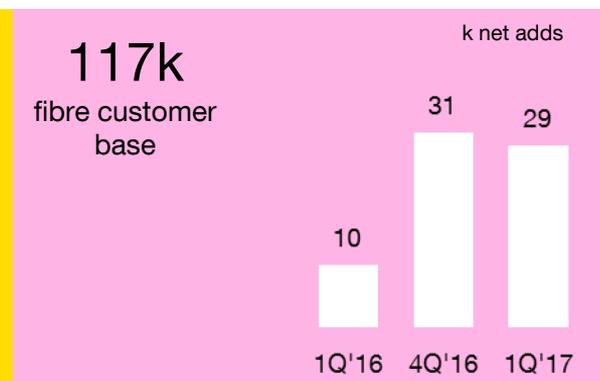
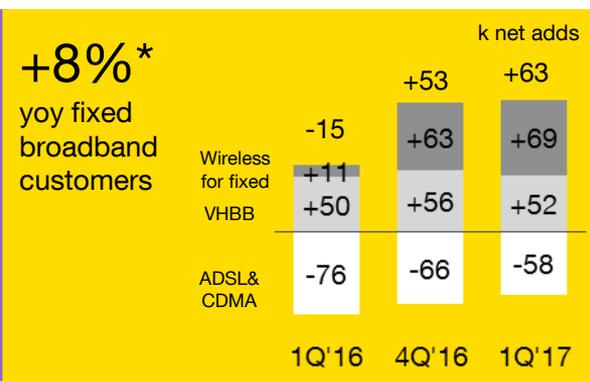
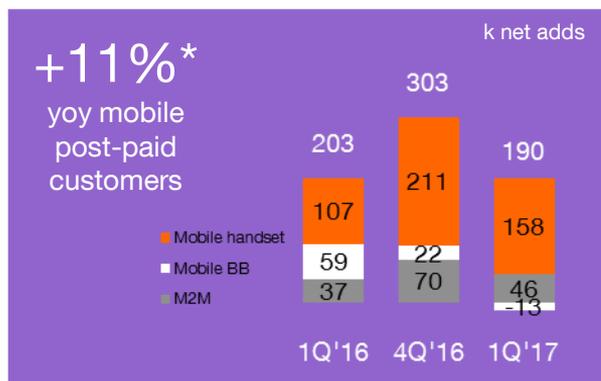
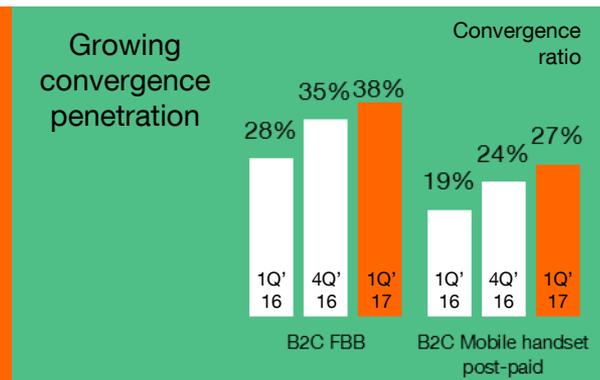
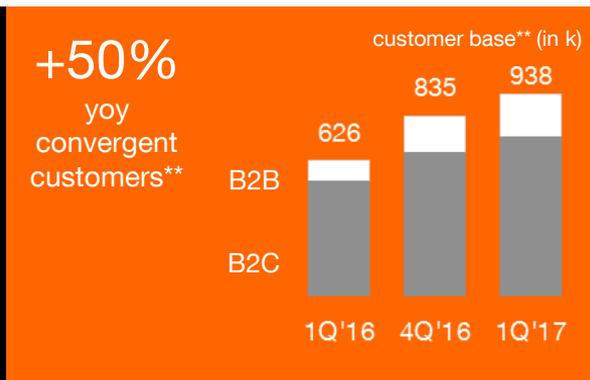
* Please note that 1Q16 EBITDA included PLN 94m provision release in labour costs

* Please note that 1Q16 EBITDA included PLN 94m provision release in labour costs

PLN 385m
capex
13.7% of revenue

PLN -254m
organic cash flow
(affected by payments
for seasonally high
Q4'16 purchases)

Commercial performance driven by convergence and fibre



* Includes effects of customer base revision made in 3Q2016

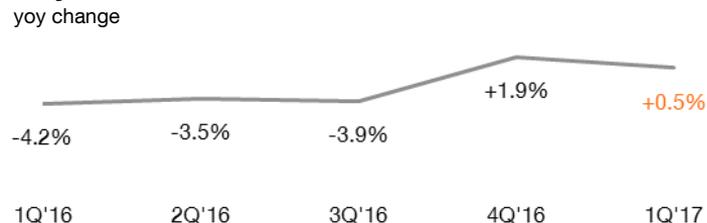
** Since 1Q'17 convergent customer definition has been modified and reflects only a combination of fixed broadband (incl. wireless for fixed) and mobile handset offer, with financial benefit

Financial review

Maciej Nowohoński
Chief Financial Officer

1Q revenues supported by equipment sales and better ICT

Adjusted revenue evolution

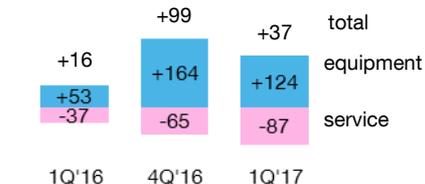


Mobile revenue

- Share of instalment offers continues to grow
- Service revenues affected by pre-paid

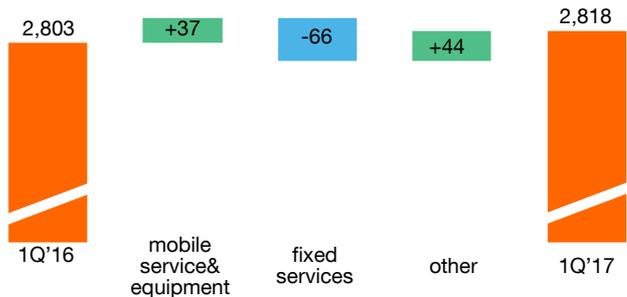
Mobile revenue

(yoy in PLNm)



Revenue evolution breakdown

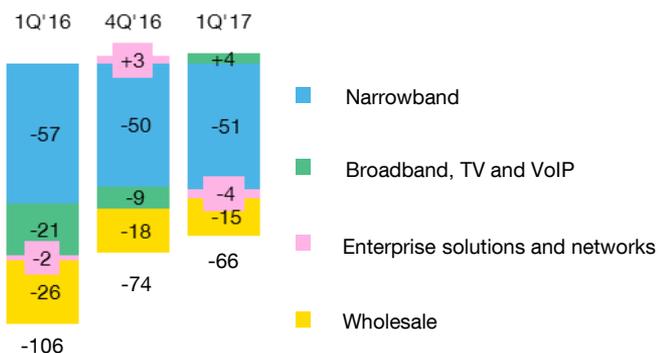
in PLNm



Fixed revenue

- Better trend in broadband owing to growing customer volume of VHBB and wireless for fixed

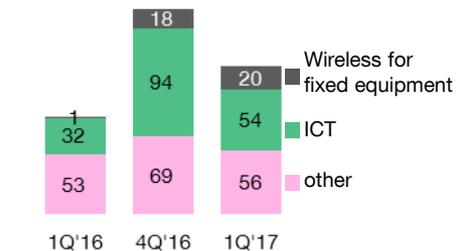
(yoy in PLNm)



Other revenue

Reflects higher ICT revenues vs Q1'16

(in PLNm)



Mobile supported by equipment sales and growing post-paid base

1Q mobile revenue
 PLN 1,554m
 +2.4% yoy

service
 PLN 1,239m
 -6.6%yoy

equipment
 PLN 315m
 +65%yoy

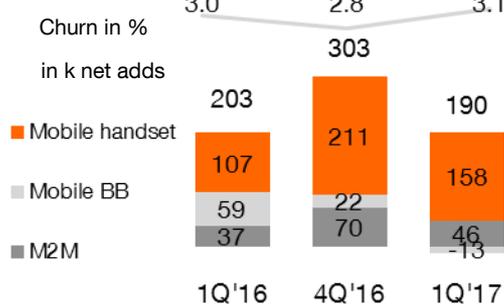
- Equipment sales reflect further shift to instalment offers, more high-end handsets and rigorous control of subsidies
- Service revenues mainly affected by pre-paid registration bonuses and loss of revenues of not registered pre-paid customers
- Customer base trends:
 - Post-paid: strong net adds in handset offers continue; mobile broadband reflects shift to wireless for fixed and growing data packages in smartphones
 - Pre-paid: further impact of registration obligation
- Post-paid ARPU reflects mainly shift to instalments and growing share of SIM only

Mobile customers

in millions

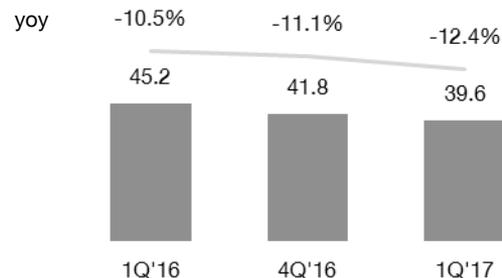


Post-paid net adds & quarterly churn



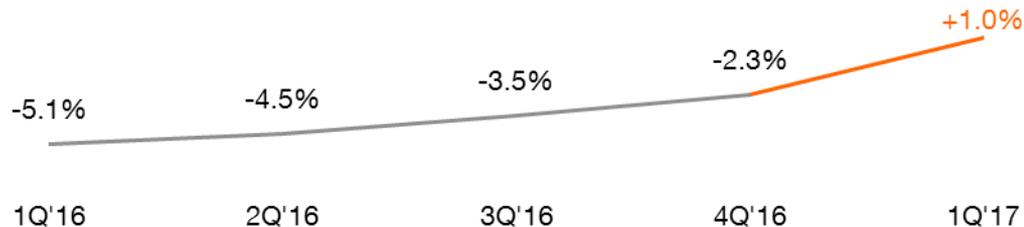
Post-paid ARPU trend

(PLN/month) and yoy % change

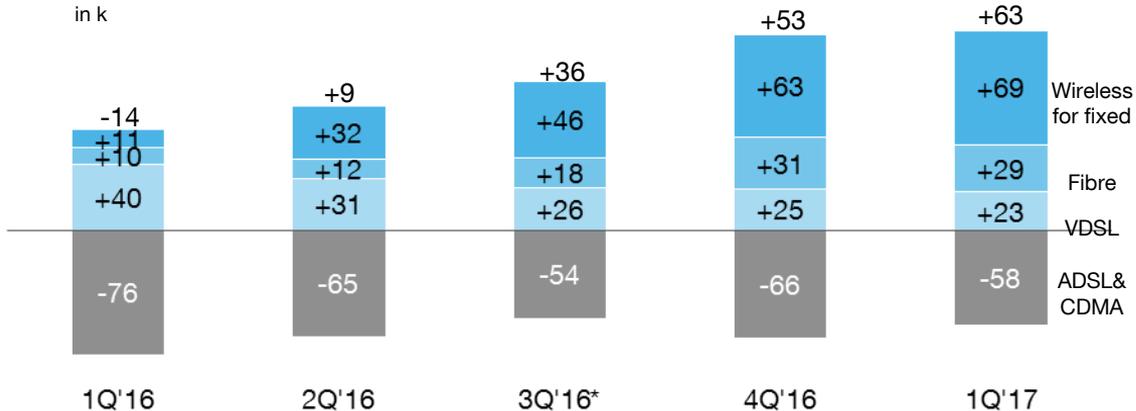


Fixed broadband revenues higher driven by volume effect

Improving revenue trend...
yoy change

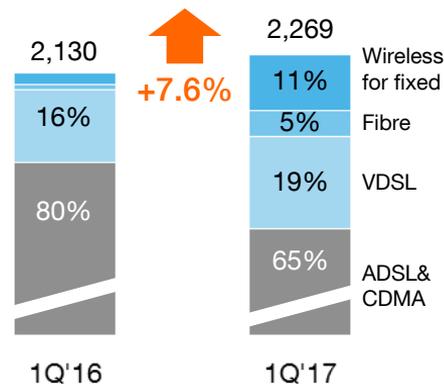


...driven by better customer additions
in k



Customer base

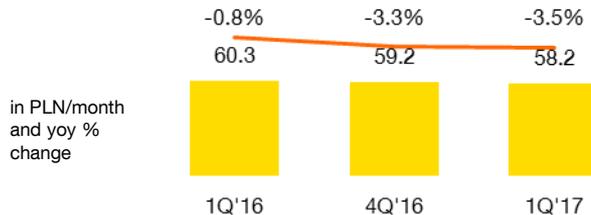
(in k)



38%

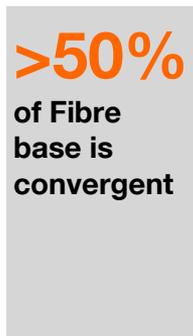
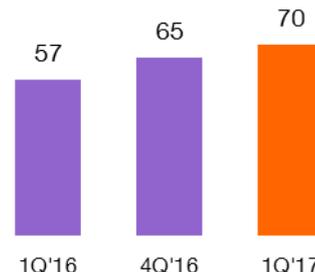
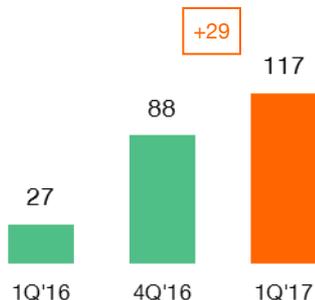
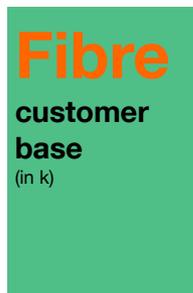
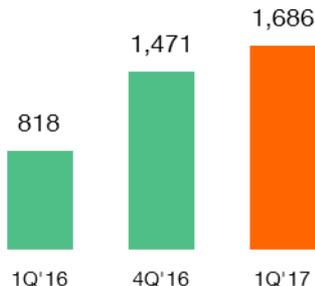
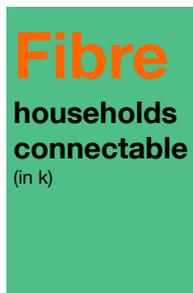
FBB B2C base on **convergent** offers (+10 pp yoy)

ARPU trend offset by growing customer volumes

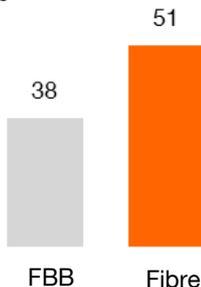


* Includes effects of customer base revision made in 3Q2016

Fibre customer take-up in 1Q in line with annual plan



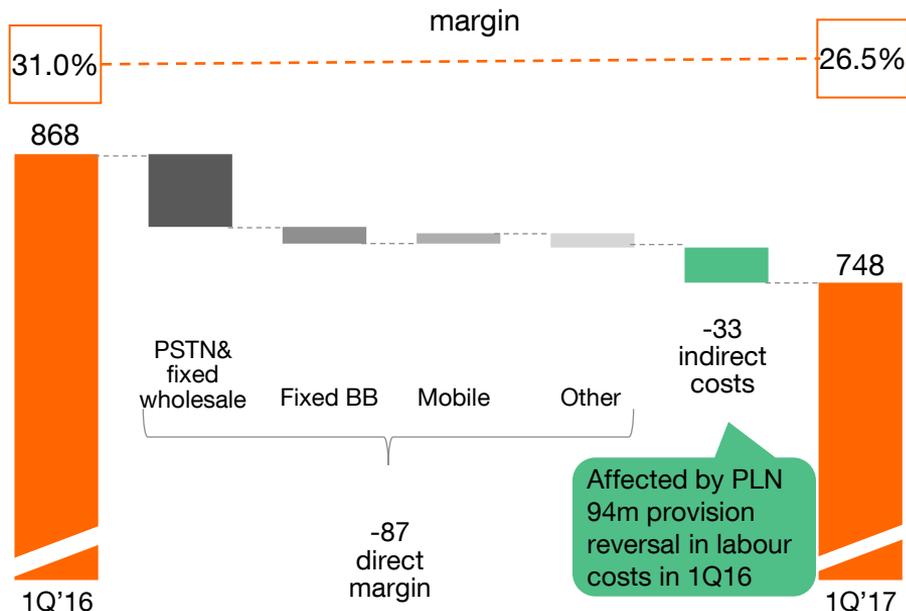
convergence as %
of B2C base
(in %)



- 29k net customer additions in 1Q vs 31k in 4Q and 10k in 1Q'16
 - 78% of 1Q gross adds new customers to OPL
- 215k new households connectable in 1Q of which 42k on third party infrastructure (full-year target of >1 million households maintained)
- PLN 126m capex in 1Q'17 - full-year outlook of c. PLN 800m capex maintained

1Q EBITDA in line with full-year guidance

EBITDA evolution yoy change in PLNm



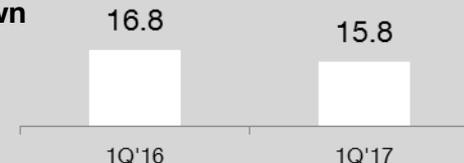
Direct margin:

- Majority of evolution explained by fall in legacy business lines
- Fixed broadband reflects higher customer acquisition and content costs
- In mobile, shift to instalments and rigorous control of subsidies offset pressure on ARPU and customer acquisition costs

Indirect costs:

- Underlying optimisation trend continues supported by implementation of social plan
- Year-on-year comparison distorted by PLN 94m provision reversal in labour costs a year ago

**employment down
6.0% yoy**
(in kFTE end of period)



Bottom line reflects lower operating profit

in PLNm	1Q'16	1Q'17	Change
EBITDA	868	748	-120
depreciation and amortization	-653	-639	+14
operating income	215	109	-106
net financial costs	-96	-71	+25
income tax	-21	1	+22
net income	98	39	-59

D&A trend includes PLN 41m effect of extension of useful life for some fixed assets

Net financial costs reflect strengthening of PLN to EUR positively impacting discount expense (mainly related to UMTS licence)

Cash flow in 1Q affected by working capital requirement

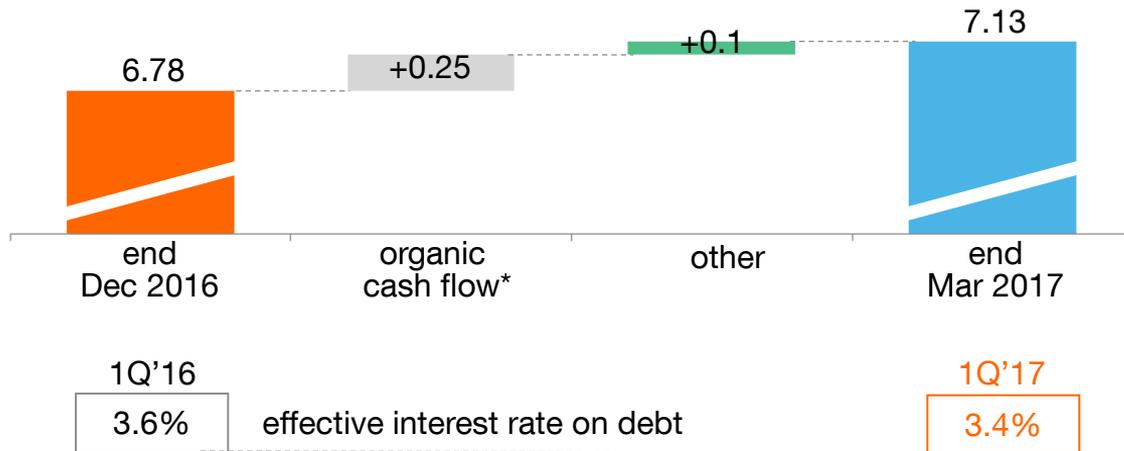
in PLNm	1Q'16	1Q'17	Change
Net cash flow from operating activities before income tax paid and change in working capital	702	683	-19
Change in working capital	-15	-230	-215
CAPEX ex LTE spectrum	-377	-385	-8
Change in CAPEX payables*	-338	-321	+17
LTE auction deposits / Acquisition of LTE spectrum	-3,148	-	+3,148
Income tax received/(paid)	-53	-11	+42
Sales of assets	25	10	-15
Reported organic cash flow	-3,204	-254	+2,950
LTE auction deposits / Acquisition of LTE spectrum	3,148	-	-3,148
Adjusted organic cash flow	-56	-254	-198

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

Net debt to EBITDA ratio below maximum guided level of 2.6x

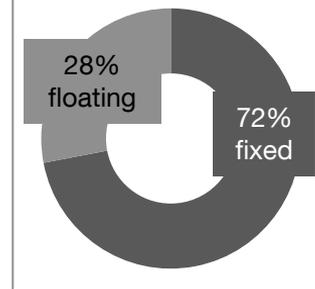
net debt evolution

change in PLN bn

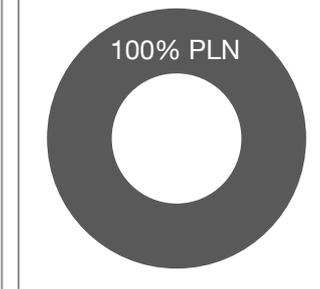


Debt after hedging breakdown

fixed vs floating
interest rate



currency exposure



- 2.9 years – debt average duration
- net debt to adjusted EBITDA at 2.3x

* as presented on slide #3

Conclusions

Jean-François Fallacher
Chief Executive Officer

Conclusion

- **Strong focus to continue on:**
 - Convergence following launch of Orange Love as our new market differentiator
 - Fibre network rollout and monetisation
- **Preparing for strategic update and efficiency initiatives**
 - Results will be presented in July along with 1H results
- **We reiterate our full-year guidance** for adjusted EBITDA in the range of PLN 2.8-3.0bn and net debt to EBITDA ratio not higher than 2.6x

Q&A

Orange Polska published its first Integrated Report

available at:
<http://orange-ir.pl/results-center/annual-reports>



Orange Polska
Integrated Report

2016

orange™

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