

Orange Polska

3Q'15 results

22 October 2015



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.

Notice on pro forma comparison

All comparisons up to EBITDA unless otherwise stated are presented on the pro forma basis as presented in appendix (slide #26)

Contents

1. 3Q'15 highlights

2. Financial review

3. Conclusion

4. Q&A session

3Q'15 highlights

Bruno Duthoit
Chief executive officer

Satisfactory 3Q financial results

3Q2015 financial results

PLN 2.97bn
group revenue,
-2.4% yoy*

PLN 929m
EBITDA,
-13.1% yoy*

31.3%
EBITDA margin,
-3.8 pp yoy*

PLN 74m
savings
-8% yoy

PLN 398m
capex
+3.1% yoy*

PLN 302m
organic cash flow**
-18% yoy
PLN 833m in 9m'15**
-2% yoy
(guidance confirmed)

5

* change calculated based on restated figures as presented in appendix (slide #26)

** as defined on slide #19

Strong commercial momentum maintained

3Q2015
commercial
performance

+7% yoy mobile post-paid customer base, +190k net adds in 3Q

+28% yoy mobile broadband customers, +113k net adds in 3Q

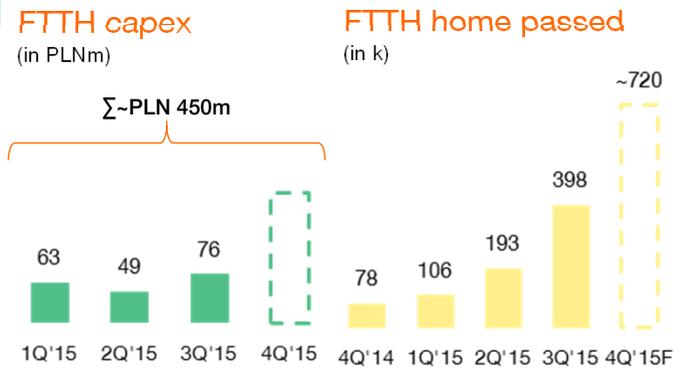
+94% yoy VHBB clients, +39k net adds in 3Q (ADSL base under pressure, with 56k net losses partly due to migration to VHBB and LTE)

+39% yoy convergent customers, +40k net adds in 3Q

+5% yoy TV base, +13k net adds in 3Q

Fibre project gains critical mass

Supernova	100Mb/s	300Mb/s	600Mb/s
Internet (PLN/month)	69	79	109
FunPack (PLN/month) (BB+TV+VoIP)	69.99	79.99	109.99
special offer			
FunPack 300Mb/s	+	mobile BB 5GB	+
		tablet 7"	+
		Alcatel Pixie and router	=
			PLN109.99 per month



- On 1 October launch of Supernova fibre broadband subbrand and start of national marketing campaigns
- OPL fibre network is already the widest in Poland
- 600Mb/s is one of the fastest option available on the market
- Attractive pricing vs cables especially in bundles with mobile services

OPL wins auction for LTE spectrum

LTE auction outcome

800MHz

Orange Polska	T-Mobile	Play	Netnet
5MHz	5MHz	5MHz	5MHz
5MHz			

2,600MHz

Orange Polska	T-Mobile	Play	Polkomtel
5MHz	5MHz	5MHz	5MHz
5MHz	5MHz	5MHz	5MHz
5MHz	5MHz	5MHz	5MHz
		5MHz	5MHz

Total price offered PLN 3,168m

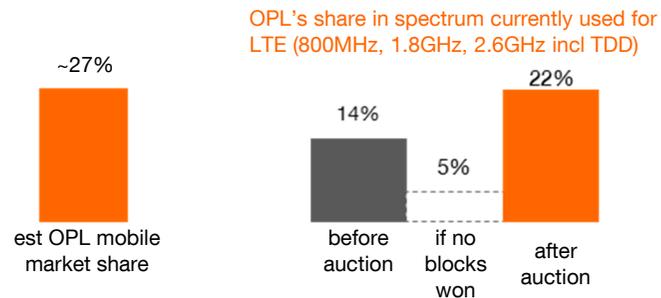
- 13-18% below average prices paid by competitors
- spectrum reservations valid for 15 years with a right for extension

Formal steps to completion:

- allocation/reservation process over the coming weeks or months
- payment expected before end of 2015 or in the beginning of 2016

Investment intentions

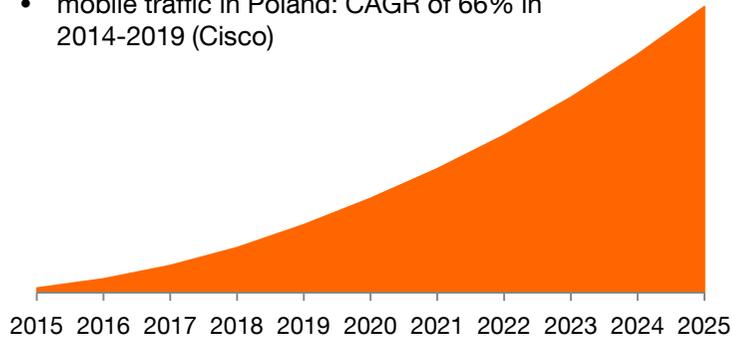
- LTE outdoor coverage >95% by end of 2016
- incremental LTE capex envisaged for 2016-'17 up to PLN 220m



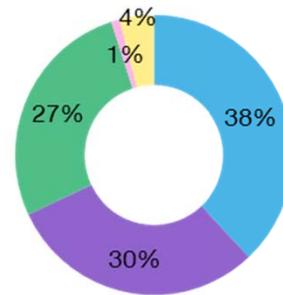
Key valuation aspects of LTE spectrum

LTE traffic to expand significantly

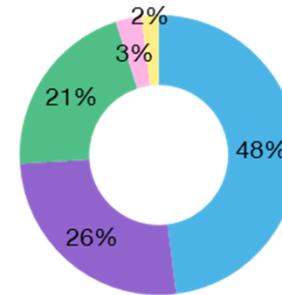
- mobile traffic in Poland: CAGR of 66% in 2014-2019 (Cisco)



4G supports fast growth in streaming usage



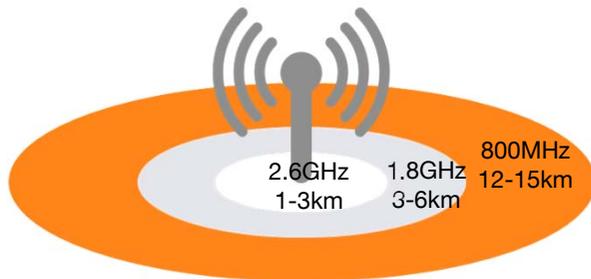
Oct 2014



Sept 2015

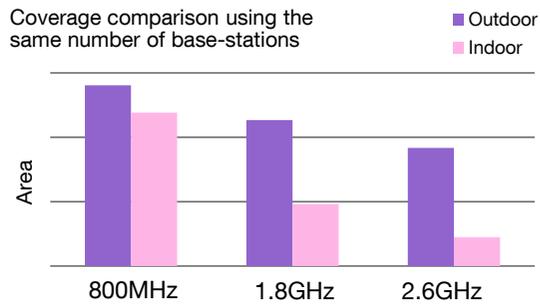
- Streaming
- Browsing
- Download/Upload/Gaming
- Communication/Messaging
- Others

800MHz spectrum covers larger area...



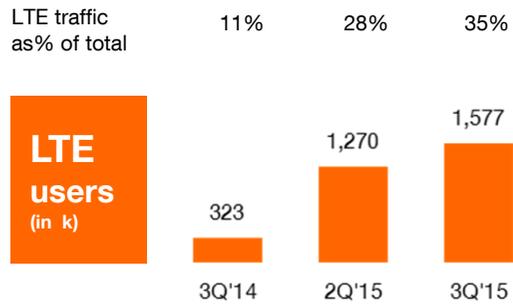
...and provides better indoor coverage

Coverage comparison using the same number of base-stations

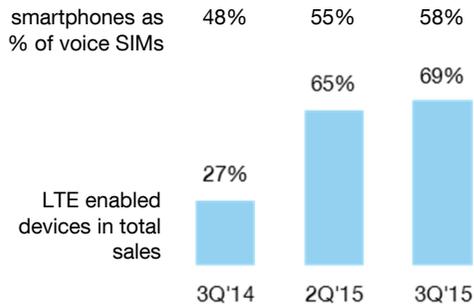


Growing data consumption

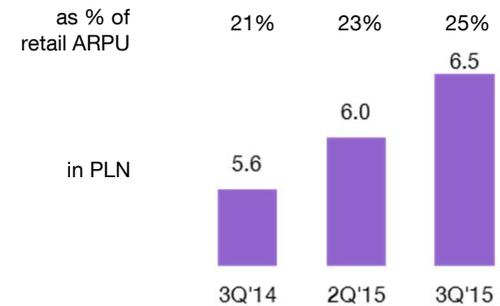
growing number of LTE users fuels LTE traffic



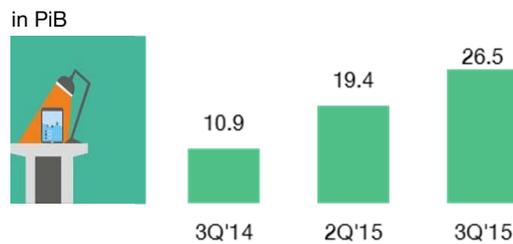
rising LTE enabled devices take-up in total sales



steady growth of mobile data ARPU (blended)



total mobile data consumed



fast growing demand for data per user in mobile and fixed



Financial review

Maciej Nowohoński
Chief financial officer

3Q/9M financial results

in PLNm	9m'15	% yoy	3Q'15	% yoy	key points
revenues	8,914	-2.1**	2,971	-2.4**	<ul style="list-style-type: none"> ▪ Much lower regulatory impact ▪ Better evolution of mobile services ▪ Good performance of ICT
excl. regulations		-1.6		-2.2	
restated EBITDA*	2,848	-6.8**	929	-13.1**	<ul style="list-style-type: none"> ▪ Marketing focus drives sales acts up 15% yoy resulting in commercial costs higher 13% yoy ▪ PLN 228m costs savings in 9M, +5% yoy
% of revenues	31.9	-1.6 pp	31.3	-3.8pp	
CAPEX	1,138	-1.4**	398	+3.1**	<ul style="list-style-type: none"> ▪ In line with FY outlook ▪ PLN 188m invested in fibre project in 9M (FY target of up to PLN 450m maintained)
in % of revenues	12.8	0.1 pp	13.4	+0.7 pp	
organic cash flow***	833	-2.1	302	-18.2	<ul style="list-style-type: none"> ▪ FY guidance of around PLN 900m confirmed – Q4 to be affected by lower revenues and higher commercial expenses

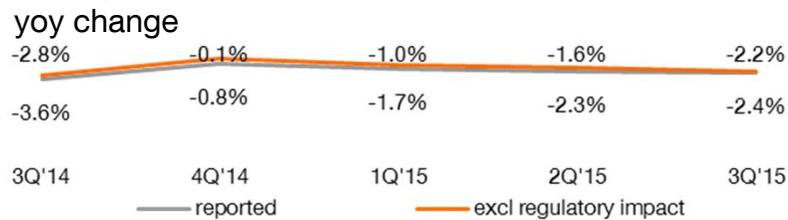
12 * restated as presented in appendix (slide #26)

** change calculated based on restated figures (slide #26)

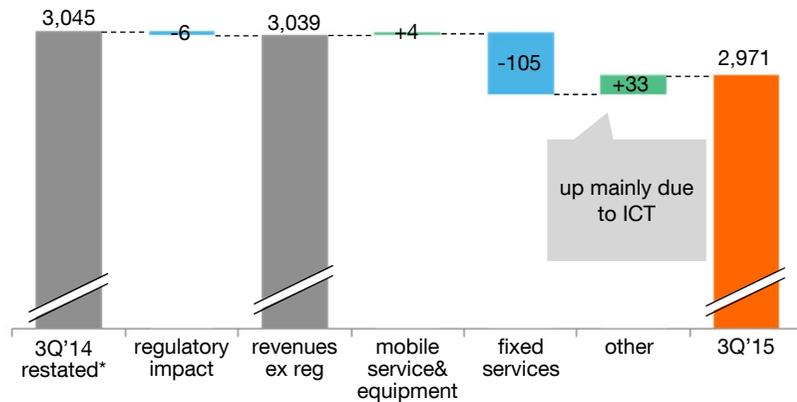
*** as defined on slide #19

Solid 3Q revenue performance

Group revenue evolution



Group revenue evolution breakdown in PLNm

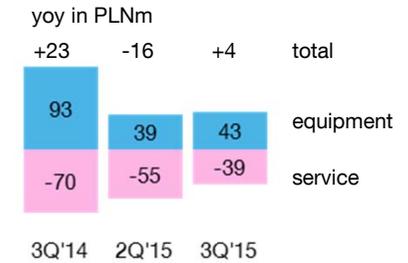


13

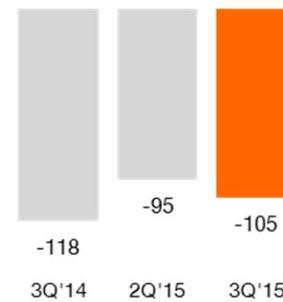
* restated as presented in appendix (slide #26)

mobile revenue, ex reg

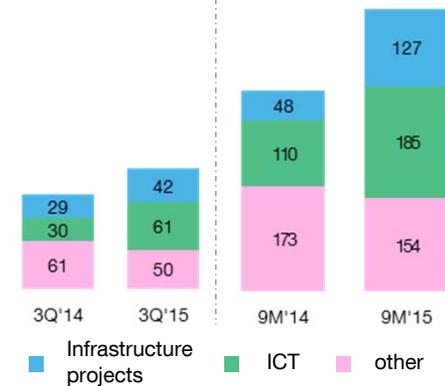
- service revenues benefit from lower ARPU erosion and customer take-up
- stable and solid growth of equipment sales



fixed revenue, ex reg (yoy in PLNm)

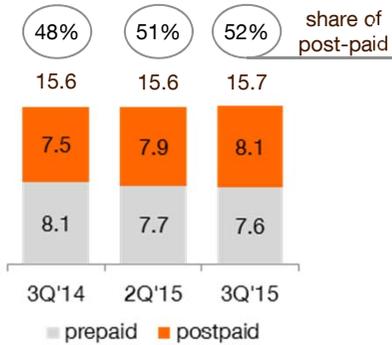


other revenue driven by ICT and infrastructure projects (in PLNm)

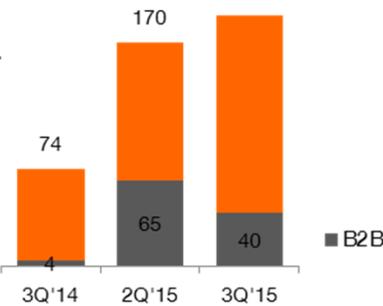


Mobile supported by customer take-up and better ARPU trend

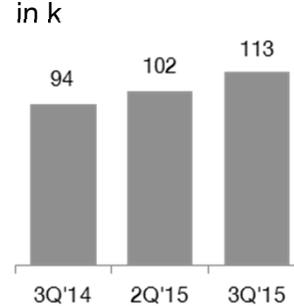
mobile customers
in millions



post-paid net adds
in k

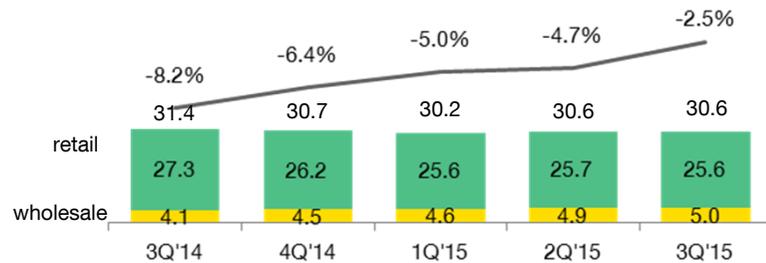


mobile broadband net adds
in k

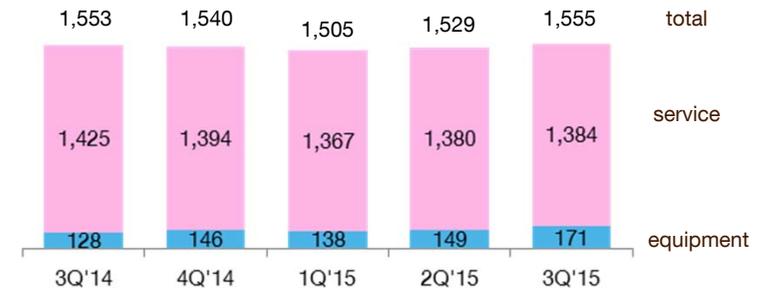


- Outstanding commercial momentum continued in Q3, in all segments
- Much better blended ARPU trend driven mainly by improvement in retail (down only 6% yoy)
- Quarterly post-paid churn the lowest in many years (effective anti-churn actions in B2B)

improving blended ARPU trend
(PLN/month) and yoy % change



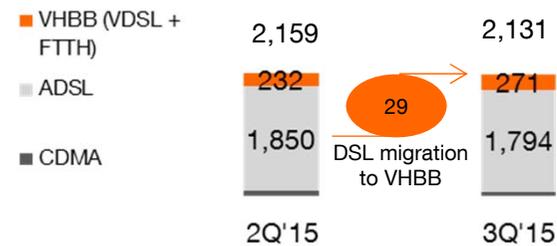
mobile revenue
(PLNm)



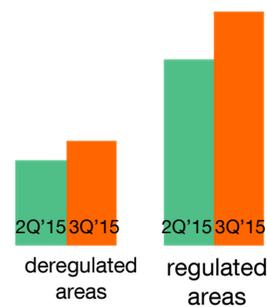
Fixed broadband starts to benefit from recent commercial actions

retail broadband accesses

(in k)



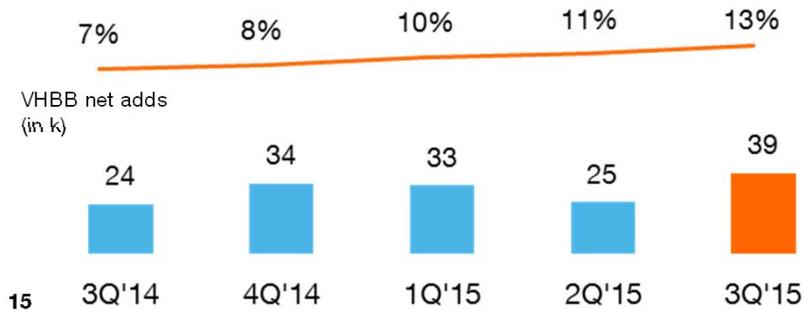
B2C gross adds



- Much better gross additions following marketing of new unified broadband prices
- Strong net additions to VHBB – additional boost in Q4 to come from Supernova launch
- ARPU starts to reflect lower prices
- Market expected to remain very competitive especially in mobile for fixed substitution

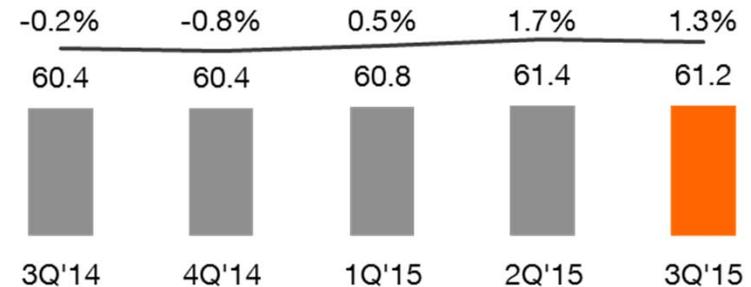
VHBB (VDSL+FTTH) customers

VHBB customers as % of FBB ex CDMA



ARPU (broadband, TV, VoIP) evolution

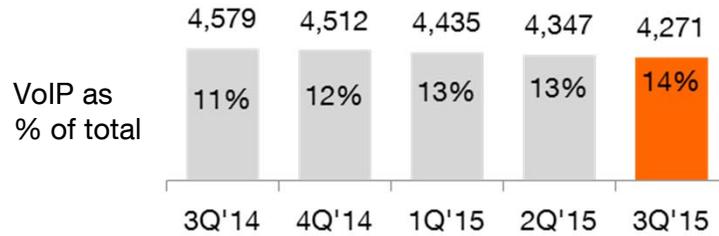
in PLN/month and yoy % change



Fixed voice trends unchanged

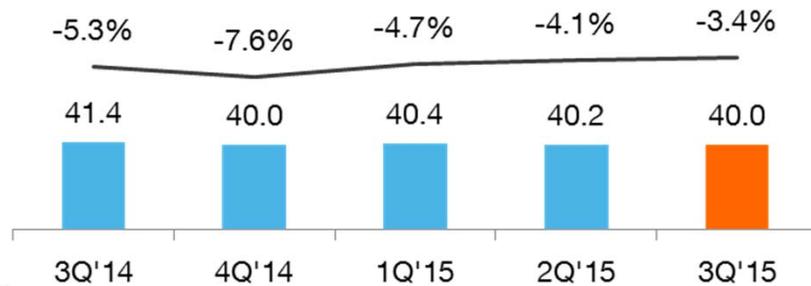
retail fixed voice lines evolution

in k



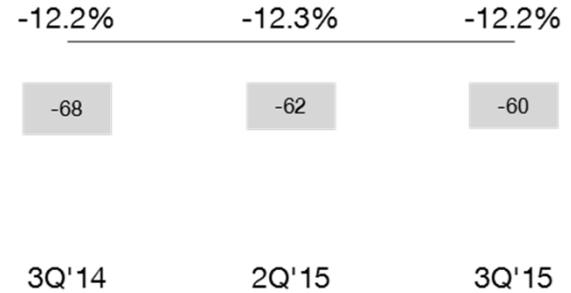
retail fixed voice ARPU* evolution

in PLN/month and yoy % change



unchanged revenue trend

yoy change in PLNm and %



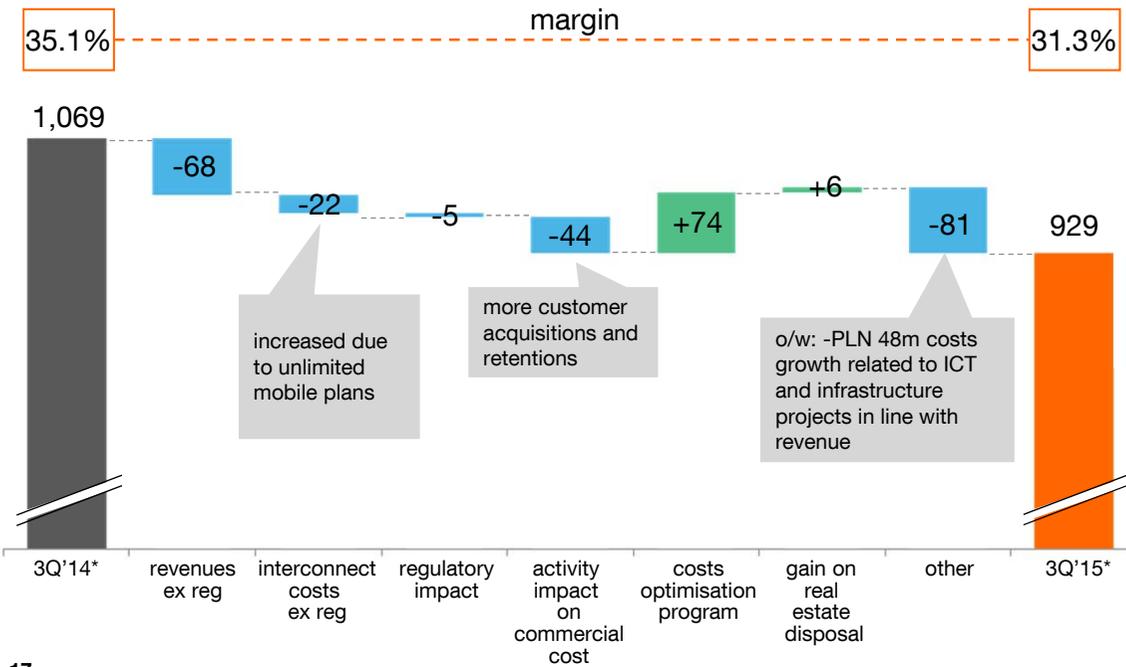
- Customer losses affected by structural trends and outflow from ADSL base
- ARPU erosion slowed down as unlimited plans adoption saturated
- Stable revenue erosion for the past few quarters

* excluding VoIP revenues which are included in broadband revenues

3Q EBITDA reflects actions to defend market share

Group restated EBITDA* evolution

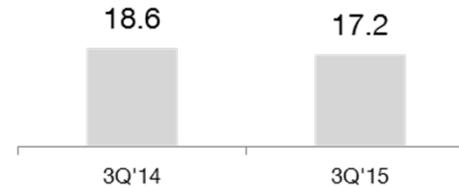
yoy change in PLNm



split of cost savings



employment down 7.4% yoy
(in kFTE end of period)



* restated as presented in appendix (slide #26)

Net income supported by lower depreciation and effective tax rate

in PLNm	9m'14	9m'15	3Q'14	3Q'15	change
reported EBITDA	3,178	2,847	1,040	929	-111
depreciation and amortization	-2,303	-2,159	-759	-716	+43
impairment of non-current assets	-7	2	-4	-1	+3
reported operating income	868	690	277	212	-65
net financial costs	-322	-210	-85	-76	+9
income tax	-41	-73	-52	-26	+26
reported net income	505	407	140	110	-30

Lower depreciation as a result of extension of economic useful life of certain items of software in 2015

High effective tax rate in 3Q2014 due to non tax-deductible costs

Full-year cash flow guidance of around PLN 0.9bn** confirmed

in PLNm	9m'14	9m'15	change	3Q'14	3Q'15	change
net cash flow from operating activities before income tax paid and change in working capital	2,501	2,428	-73	883	805	-78
change in working capital	-226	-326	-100	-90	-79	+11
CAPEX*	-1,528	-1,136	+392	-395	-401	-6
change in CAPEX payables	-257***	-201	+56	-394***	-21	+373
LTE auction deposits	-	-741	-741	-	-313	-313
income tax received/(paid)	-42	-36	+6	-4	-18	-14
sales of assets	45	104	+59	11	16	+5
reported organic cash flow	493	92	-401	11	-11	-22
900MHz spectrum renewal fee	+358	-	-358	+358	-	-358
LTE auction deposits	-	+741	+741	-	+313	+313
organic cash flow (guidance definition)**	851	833	-18	369	302	-67

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

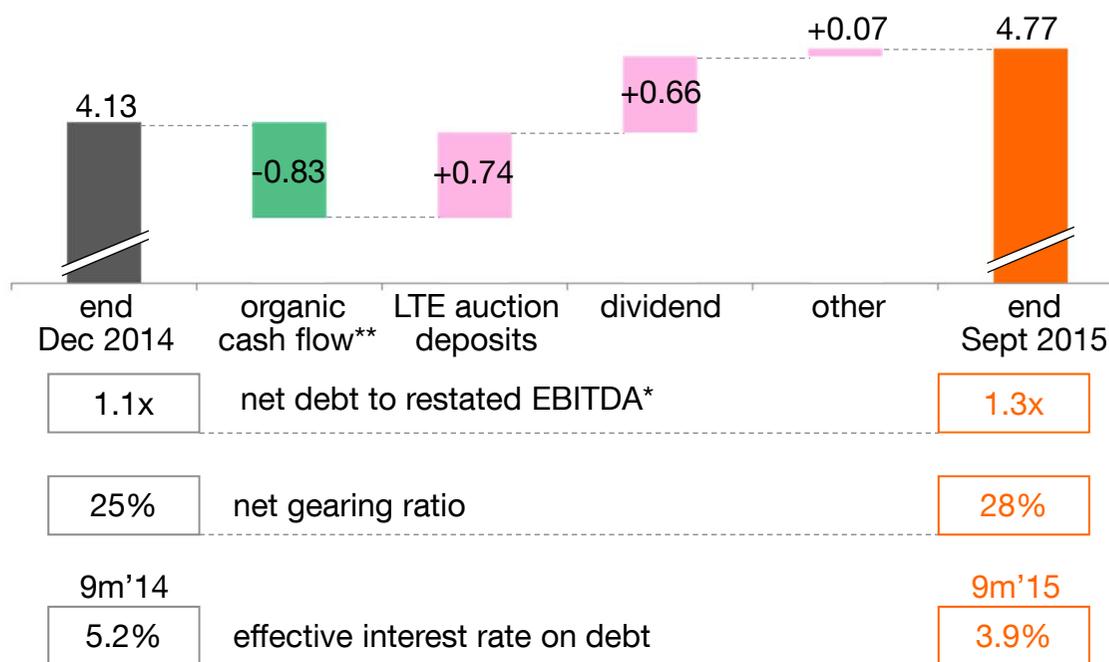
** including cash capex for fibre access network project and excluding one-offs: acquisition of any new spectrum, potential payment of the EC fine and certain other claims and litigations

*** includes 900MHz spectrum renewal fee of PLN 358 million which was paid in July 2014

Financial leverage slightly higher due to dividend and auction deposits

net debt evolution

change in PLN bn



available liquidity end of Sept 2015:

- PLN 0.2bn cash
- PLN 1.15bn unused credit lines
- PLN 1.75bn back-up lines

new spectrum to be financed out of existing and new borrowing facilities from Orange Group

20

* restated as presented in appendix (slide #26)

** as defined on slide #19

Conclusions

Bruno Duthoit
Chief executive officer

Conclusions

Q3 2015 achievements

Commercial success:

+190k mobile post-paid net adds
+39k VHBB net adds

Revenue: -2.4% yoy

EBITDA: -13.1% yoy

Organic cash flow:
PLN 833m YTD

Q4 2015 outlook

 Good trends to be continued

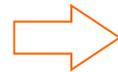
 Under pressure overall but mainly due to no infrastructure projects revenues (other category) [PLN 55m of revenues in Q4 2014]

 Strong commercial investments

 Fully on-track to achieve guidance (around PLN 900m)

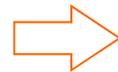
LTE spectrum auction consequences

Price: PLN 3,168m



Net debt / EBITDA for end of 2015 @ c.1.9-2.0x (incl. payment for spectrum)

Fibre investments: in 2015 up to 650k households connectable and up to PLN 450m capex



Scope of the investment in further years to be decided and communicated in February 2016

Mid-term action plan: integrating LTE price and fibre capex



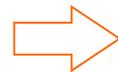
To be communicated in February 2016

Self-imposed leverage target: up to 1.5x net debt/EBITDA



Should not exceed the level of around 2.2x in 2016. Long term leverage target to be decided and communicated in February 2016

Dividend for 2014 (paid in 2015): PLN 0.50 per share



Management guidance for 2015 dividend to be paid in 2016: PLN 0.25 per share

Q&A

Appendix

Restatements to financial data

<i>in PLNm</i>	3Q'14	3Q'15	9M'14	9M'15
revenue	3,046	2,971	9,125	8,914
-revenue of Wirtualna Polska and Contact Center	-1	-	-16	-
restated revenue	3,045	2,971	9,109	8,914
EBITDA	1,040	929	3,178	2,847
-gain on disposal of Wirtualna Polska	-	-	-191	-
-EBITDA of Wirtualna Polska and Contact Center	-	-	-4	-
-the impact of certain claims and litigations	29	-	73	-
-employment termination expenses	-	-	-	1
restated EBITDA	1,069	929	3,056	2,848
capital expenditures	395	398	1,531	1,138
-acquisition of telecommunications licences	-9	-	-377	-
capital expenditures (outlook definition)	386	398	1,154	1,138

Glossary (1/4)

4G	fourth generation of mobile technology, sometimes called LTE (Long Term Evolution)
ARPU	Average Revenue per User
AUPU	Average Usage per User
BSA	Bit Stream Access
CATV	Cable Television
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
F2M	Fixed to Mobile Calls
FBB	Fixed Broadband

Glossary (2/4)

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
FTTH	Fibre To The Home
ICT	Information and Communication Technologies
IP TV	TV over Internet Protocol
Liquidity Ratio	Cash and unused credit lines divided by debt to be repaid in the next 18 months
LLU	Local Loop Unbundling
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
MTR	Mobile Termination Rates

Glossary (3/4)

MVNO	Mobile Virtual Network Operator
Net Gearing	net gearing after hedging ratio = net debt after hedging / (net debt after hedging + shareholders' equity)
Organic Cash Flow	Organic Cash Flow = Net cash provided by Operating Activities – (CAPEX + CAPEX payables) + proceeds from sale of assets
Neotrada	Fixed broadband access service
POS	Point-Of-Sale
POTS	Plain Old Telephone Service
RAN agreement	agreement on reciprocal use of radio access networks
RGU	Revenue Generating Unit
SAC	Subscriber Acquisition Costs
SIMO	mobile SIM only offers without devices
SRC	Subscription Retention Costs
UKE	Office of Electronic Communications - Regulator

Glossary (4/4)

UOKiK	Office for Competition and Consumer Protection
VDSL	Very-high-bit-rate Digital Subscriber Line
VHBB	Very high speed broadband above 30Mbps
VoIP	Voice over Internet Protocol
WLL	Wireless Local Loop - a term for the use of a wireless communications, the "first mile"
WLR	Wholesale Line Rental