więcej z życia w Orange
przez 24 godziny

Orange Polska (TPSA) preliminary results for 3Q 2012

Warsaw
October 17th, 2012

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.

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1 highlights

Maciej Witucki

president of the board and CEO

we are confronted with a faster than expected deterioration of operating environment

- worsening macro environment drives customers to optimise their telco spend
  - Polish GDP growth anticipated to slow down to ~2% in 4Q (lowest level since 2009)
  - government downgrading GDP growth assumptions to +2.2% in 2013
  - PMI index fell to 47ppts in September from 50ppts a year ago
- overreaction by market players in search of volume growth is spurring a price war that is rapidly putting pressure on our results
  - unlimited mobile voice and SMS offers in post-paid launched in 2Q
  - unlimited voice and SMS offers in prepaid launched in October
  - previously mentioned negative trends, i.e. price cuts in other offers and aggressive poaching of B2B customers have intensified
- pace of adoption of new tariffs by customers and rapid impact they exert on the market is also affecting our financial results
  - B2B ARPU down by ~10% year-on-year in 3Q as compared to ~4% in previous quarters
  - overall ARPU retail evolution deteriorating rapidly (-5.8% y-o-y in 3Q vs. -2.6% in 1H)
- as a consequence, we are revising our objectives for FY 2012 and reallocating part of the cash from shareholder remuneration to seize market opportunities including spectrum acquisition

we have robust fundamentals to leverage

- we have defended our market position, especially in mobile
  - mobile value market leadership position maintained, with 2% gap to nearest competitor
  - mobile value market share at 30%, flattish since 1Q

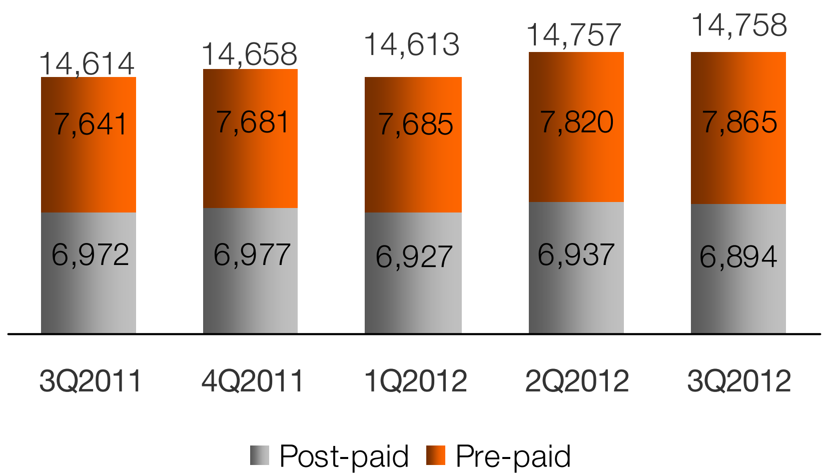
- we have a unique product offering to benefit from
  - new ‘animal offers’ launched in September
  - Orange Open launched in 2Q, and Orange Open for B2B launched in October
  - unlimited voice and SMS plans in post-paid, launched as a retention tool
  - we continue to develop ICT activity, even if some projects are delayed due to macro downturn

- we have a proven track record in cost control and efficiency gains
  - 3Q EBITDA margin is at 38.1% - stable since last year
  - broadband investment program is nearly completed and we will use it as a growth lever
  - network sharing with T-mobile progressing as scheduled, allowing cost savings and efficient roll-out of 4G network and services

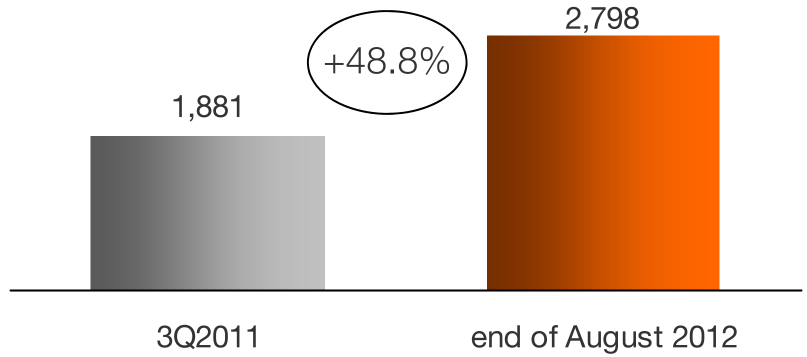
- we have a strong balance sheet which will allow us to acquire LTE spectrum

mobile base well defended, while retail ARPU under pressure

customer base evolution (in '000)

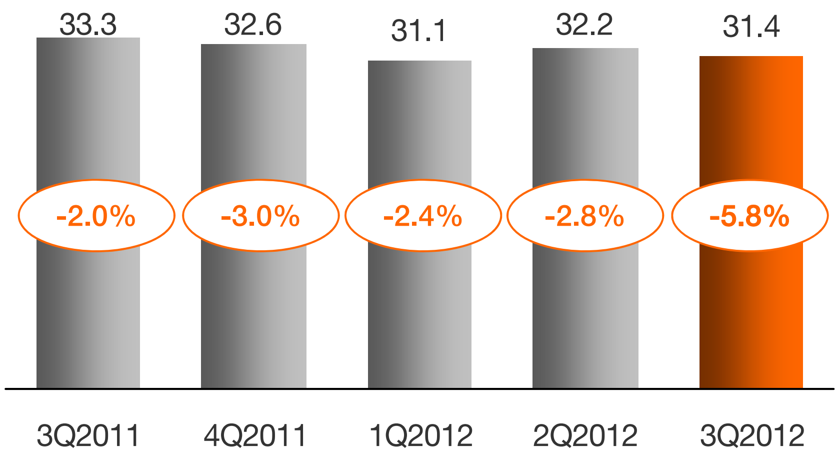


number of smartphones (in '000)



retail ARPU evolution (PLN/month)

y-o-y



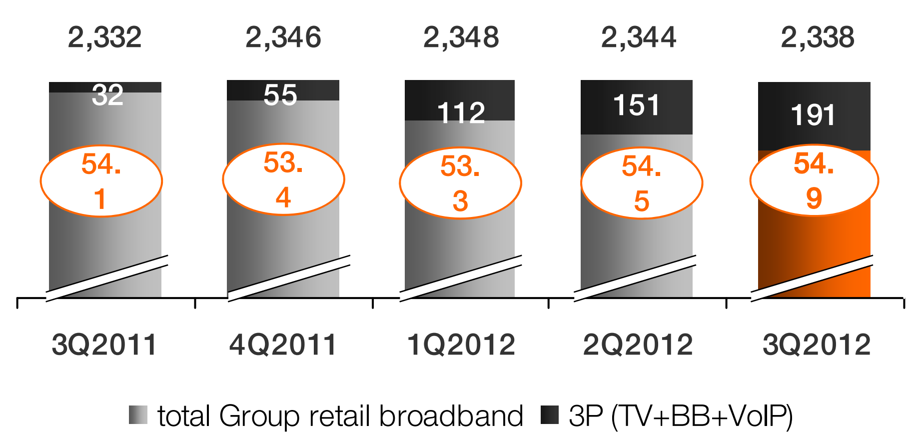
insight

- customer base maintained vs previous quarter
- number of smartphones continues to rise,
  - post-paid data ARPU rose by 8.2% y-o-y
- retail ARPU affected by unlimited offers

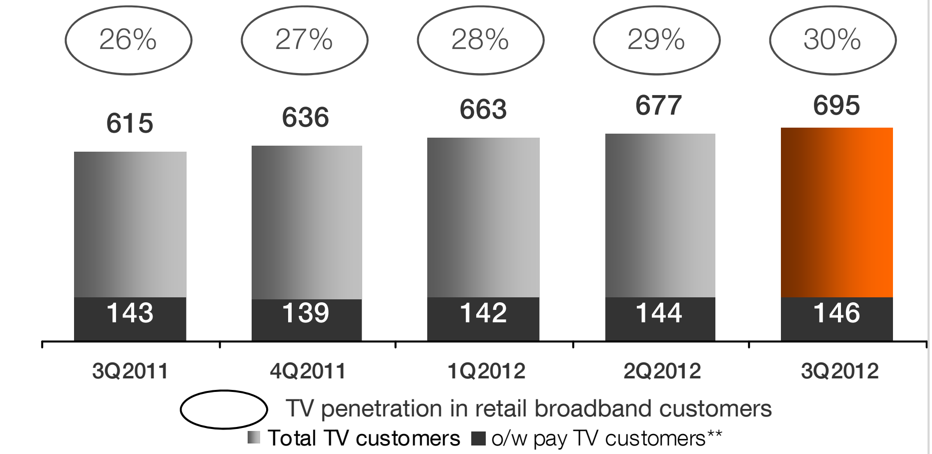
success of our 3P offering improves fixed line evolution

Group retail broadband accesses* (in ‘000)

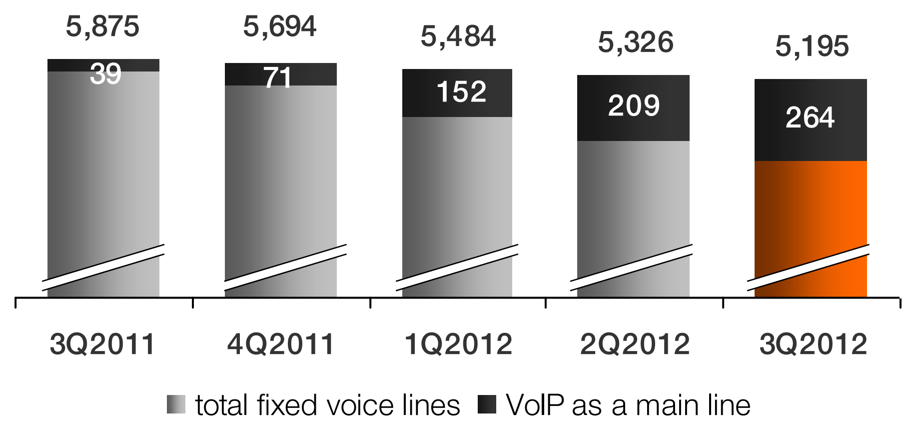
ARPU



TV customer base evolution (in ‘000)



retail voice subscribers evolution (in ‘000)



insight

- significant improvement in fixed line evolution
  - quarterly decrease limited to 131k after 160k-200k on average in previous quarters
  - more than 260,000 clients use VoIP as their main voice line
- almost 200,000 clients have our 3P bundle (BB+TV+VoIP)
- TV penetration of Broadband customers has reached 30%

*Including CDMA and Orange Freedom
** includes TP’s M-, L – packages, Orange Sport, HBO and ‘n’ packages

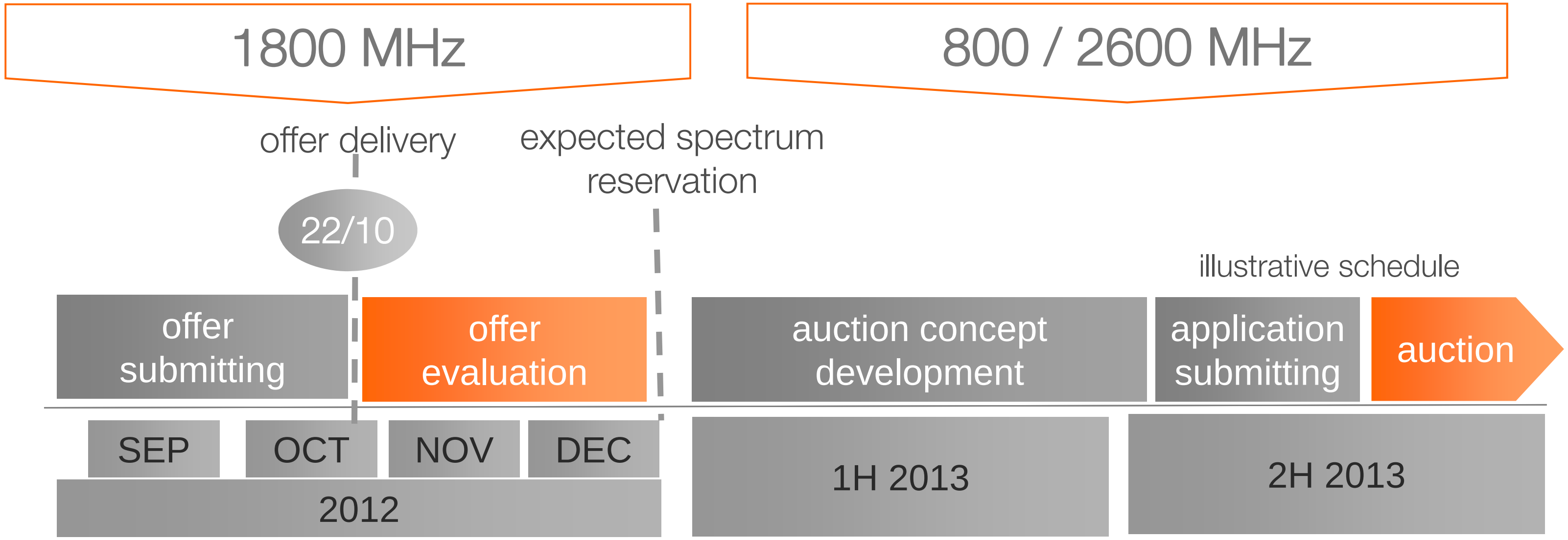
4G spectrum is an opportunity for the future, preparing our networks for growing demand

URBAN capacity opportunity			RURAL range opportunity
LTE 1800	LTE 2600	best suited frequencies	LTE 800
50/75 Mb/s	100 Mb/s	potential data transfer speeds	50 Mb/s

insight

- 4G will be used both for mobile communication and for fixed broadband access in rural areas
  - eliminating capacity constraints and enabling faster data transfer in urban zones
  - increasing broadband range and profitability in rural areas
- by 2020 over 2/3 of all mobile traffic (excl. fixed broadband) is estimated to go through 4G, involving over 10 million customers
- 4G has a big potential to fuel mobile data, by opening up new opportunities for content and wireless communication

we have a unique opportunity to buy 4G licenses in 2012 and 2013, albeit requiring resource



insight

- 1 800MHz
  - 5 blocks of 2x 5MHz for sale, with validity up to 2027
  - tender favouring P4, yet there is enough spectrum for other operators
  - one-time payment of the spectrum price
- 800MHz and 2 600MHz
  - to be performed in 2013
  - most likely a price contest (auction)

total cost for us may range between PLN1bn and 2bn

challenging environment reflected in revision of 2012 outlook and guidance and capital allocation

		original outlook and guidance	9m status	new outlook and guidance
outlook on trends	market value and revenue	▪ market value affected by MTR cuts, nearing stabilisation ▪ revenue is anticipated to decline by not more than 3%**	-3.4%	▪ annual revenue currently anticipated to decline by between -4%** and -5%**
	costs and EBITDA	▪ cost optimisation continued, costs base expected to decrease yoy ▪ EBITDA margin anticipated between 35%** and 37%**	36%	▪ EBITDA margin anticipated between 34%** and 36%**
	capex to sales	▪ capex anticipated between 15% and 17% of revenue**, broadband investment program continued	12.3%	▪ capex anticipated between 15% and 17% of revenue**
guidance	net free cash flow	▪ net free cash flow expected of at least PLN 2bn**	PLN 1bn	▪ cash generation** anticipated between PLN 1.5 bn and PLN 1.6bn

Decisive measures taken to ensure that we maintain a safe balance sheet and prudent debt policy. We will propose:

- to reallocate remaining funds from the ongoing share buy back program to 4G spectrum purchase
- an ordinary cash dividend (DPS) of PLN 1 per share to be paid in 2013

** excluding €550mn payment to DPTG, exceptional items, change in consolidation scope

2 3Q financial review

Jacques de Galzain
chief financial officer

EBITDA margin under control, despite pressure on top-line

in PLN mn	9m2011	9m2012	3Q2011	3Q2012	key points
revenue*	11,034	**10,663**	3,677	**3,473**	▪ revenue evolution under pressure, reflecting new MTR cut and deteriorating mobile market
year-on-year		-3.4%		-5.5%	
y-o-y excl regulatory		-1.8%		-3.3%	
EBITDA**	4.074	**3,842**	1,403	**1,323**	▪ stable 3Q EBITDA margin, despite pressure from top-line, thanks to cost savings program
as % of revenues	36.9%	**36.0%**	38.2%	**38.1%**	
capex*	1,329	**1,311**	432	**428**	▪ YTD capex spending in line with last year, in line with FY outlook
as % of revenues	12.0%	**12.3%**	11.7%	**12.3%**	▪ rigorous assessment of capex projects implemented for 4Q
Net Free Cash Flow	1,488	**1,033*** **	579	**324**	▪ cash generation under pressure from top-line and increased working capital requirement

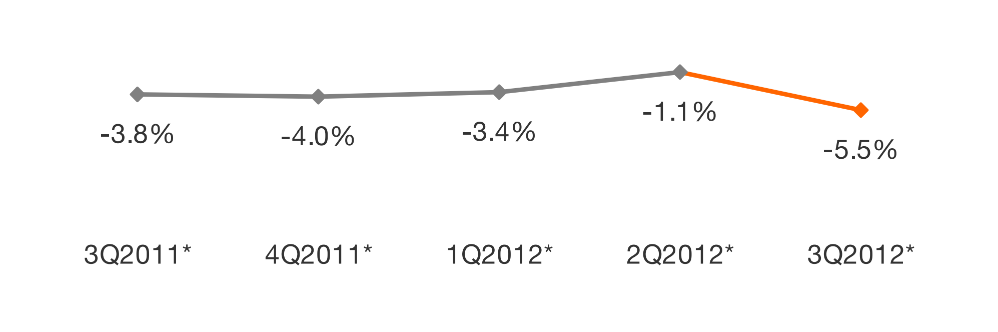
* pro-forma adjusted for de-consolidation of Emitel and Paytel

** adjusted for de-consolidation of Emitel and Paytel and gain on disposal of Emitel and increase in provision for European Commission fine imposed in 2Q2011, amounting to +PLN 1.2 bn and -PLN 0.46 bn respectively,

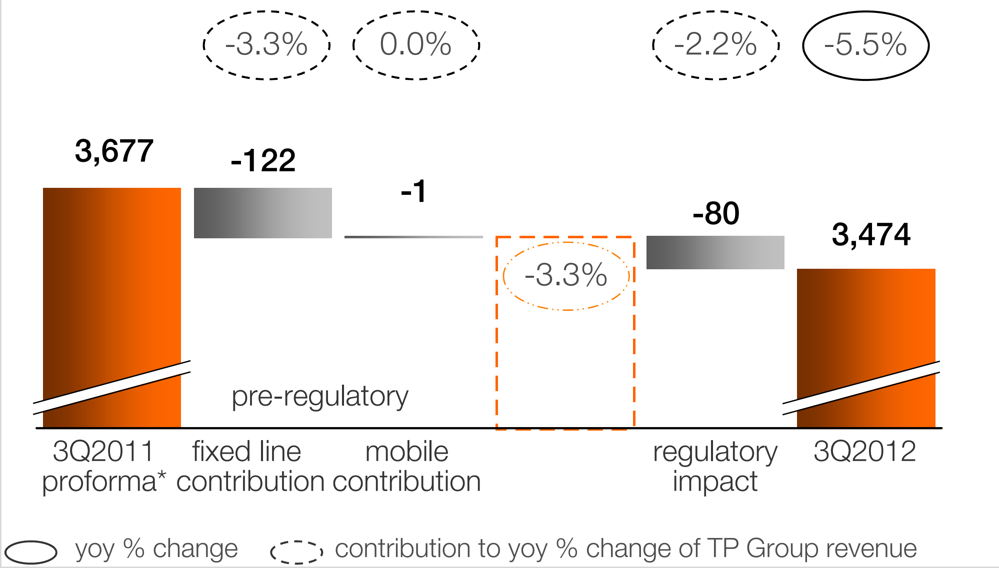
*** excluding the €550mn (PLN 2,449mn) payment to DPTG following the settlement signed Jan. 12, 2012

Group revenue evolution reflects challenge to the mobile market

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



Group revenue evolution (in PLN mn)



insight

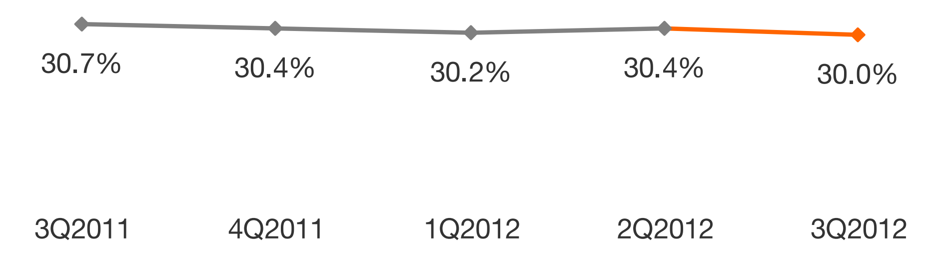
- sales dynamics driven down by disturbance in the mobile market and regulatory
  - PLN -47mn due to voice MTR cuts (to PLN 0.122 from PLN 0.152)
  - PLN -11 mn due to SMS MTR cuts
  - PLN -17 mn due to EU roaming rate cut
- pre-regulation, mobile is flat year-on-year versus solid growth in previous quarters
  - number of customers continues to grow, but
  - ARPU has declined due to unlimited offers
- fixed segment revenue decreased within normalised trend
  - driven down by structural decline of PSTN
  - no support in 3Q from ICT revenues

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

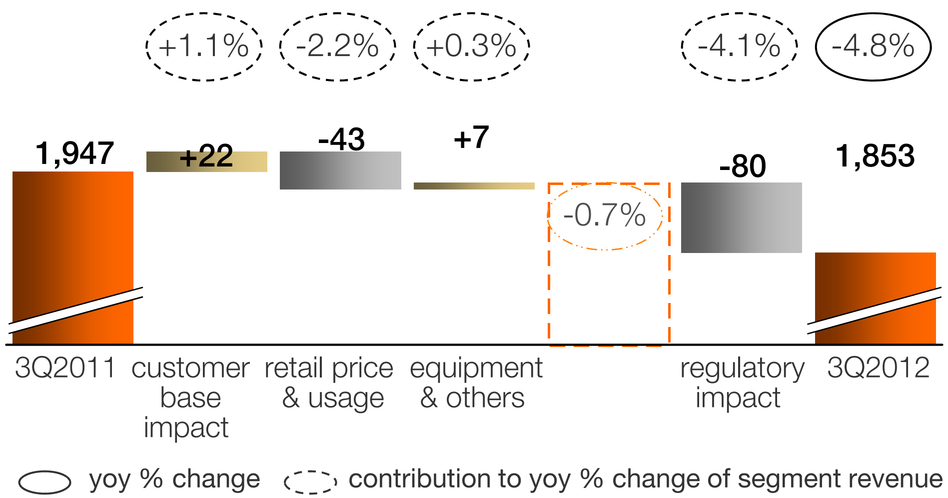
mobile segment retail revenue growth tampered by unlimited

mobile segment revenue* evolution y-o-y (in%)

Orange value market share evolution y-o-y (in%) **



mobile segment revenue* evolution
(segment statutory in PLN mn)



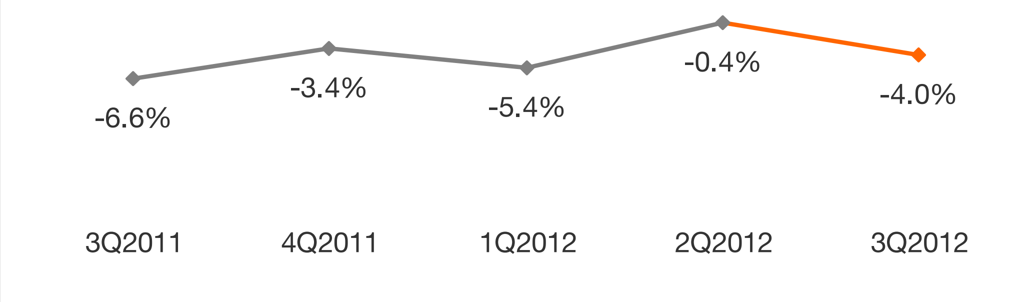
insight

- Orange maintained value market leadership
  - focus on value stabilised our market share
- excl. regulatory impact, 3Q sales are -0.7% year-on-year
  - retail price under pressure of unlimited offers
  - partially offset by 144,000 net adds since last year

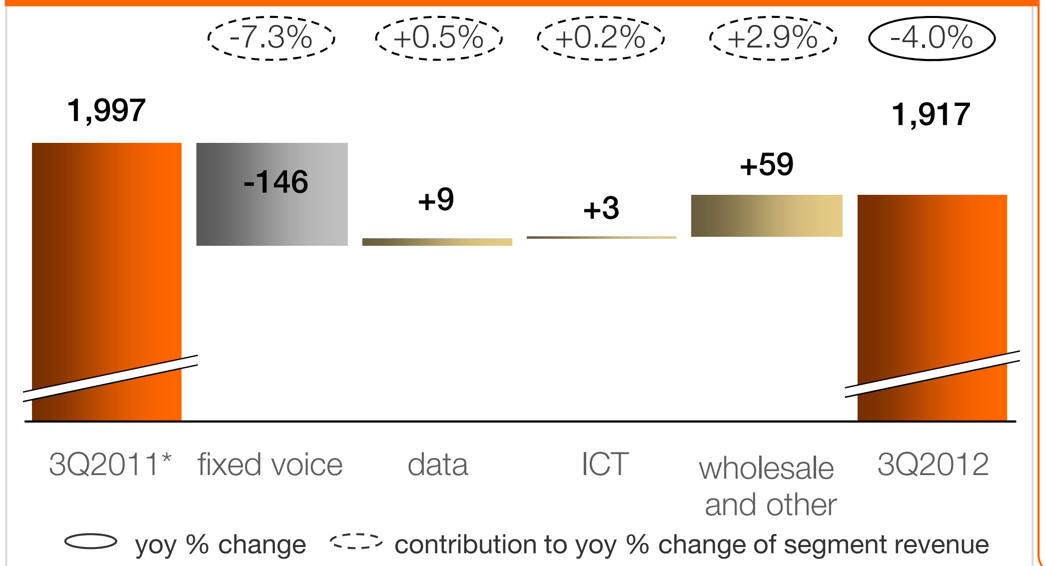
* incl. revenue from fixed services provided by PTK **company's estimation, 2011 updated with the latest data for PLAY

fixed segment revenue evolution within normalised trend

fixed segment revenue evolution y-o-y (in%)*



fixed segment revenue evolution
(segment statutory in PLN mn)



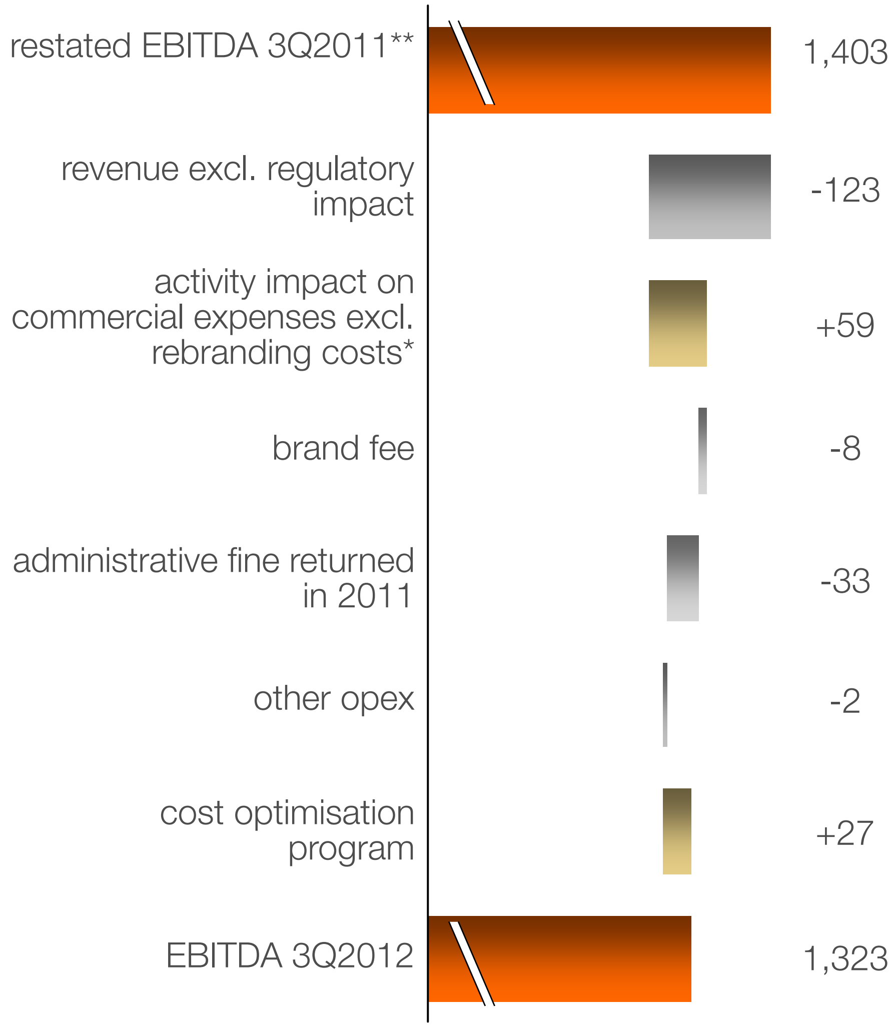
insight

- revenue contracting by 4.0%, on par with 1Q and 4Q 2011
  - driven by continued PSTN line loss
  - 2Q was boosted by revenues from the UEFA 2012 contract
- fixed voice revenue decrease driven by fixed-to-mobile substitution and controlled migration to 3P offers with VoIP
- broadband top-line up by 2.4% year-on-year
  - helped by our 3P offering
  - helped by 1.4% y-o-y growth of ARPU
- ICT services flat year-on-year, as customer projects are postponed

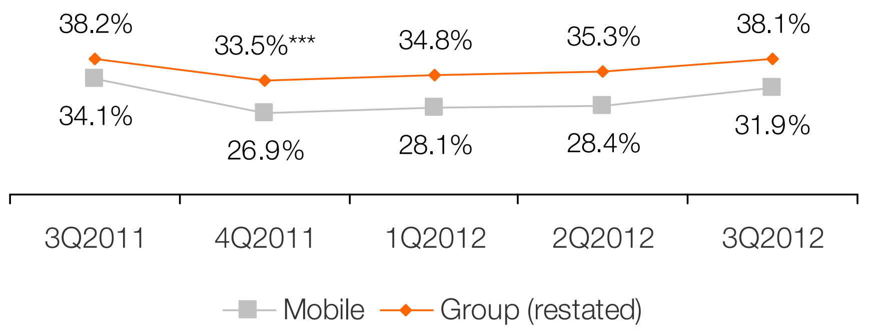
* pro-forma, adjusted for the deconsolidation of Emitel and Paytel

EBITDA margin resilient to pressure from top-line

Group EBITDA evolution (in PLN mn)



EBITDA margin (in %)



insight

- EBITDA margin stable year-on-year
- declining fixed voice revenue dragged EBITDA down by PLN 123mn
- margin generated from B2B decreasing y-o-y
- commercial costs down since 2011 due to less handset retentions

* excluding FX impact and effect of cost transformation program
** pro-forma adjusted for the deconsolidation of Emitel and Paytel, excluding gain on disposal of Emitel (PLN +1,188) and increase in provision for European Commission fine imposed (PLN -458mn)
***pro-forma adjusted for the deconsolidation of Emitel and Paytel, excluding add. costs on Emitel disposal (PLN -5mn), restructuring provision (PLN -172mn) and increase in DPTG provision (PLN -35mn)

3Q net income up since last year, excl. one-off tax relief in 2011

in million PLN	9m2011**	9m2012	3Q2011**	3Q2012
EBITDA	3,614	3,842	1,403	1,323
depreciation and amortization	*-2,852*	*-2,451*	*-900*	*-801* 1
impairment of non-current assets	*-6*	*-11*	*-2*	*-1*
share of profit of investments accounted for using the equity method		*4*	*-*	*2*
operating income	755	1,384	501	523
*net financial costs**	*-331*	*-381*	*-111*	*-146* 2
of which foreign exchange gains / (losses)	4	22	-8	8
income taxes	*-115*	*-199*	*-13*	*-70* 3
net income	310	804	377	307

1 depreciation not impacted by accelerated charges

2 financial costs above 3Q 2011 due to a lower cash position, increased bank loans and higher interest rate

3 higher tax vs. 3Q 2011, as last year included a PLN 108mn positive impact of the new technology tax relief

* including discounting expenses
** pro-forma, adjusted for de-consolidation of Emitel and Paytel

cash flow reflecting pressure on top-line and deteriorating macro environment

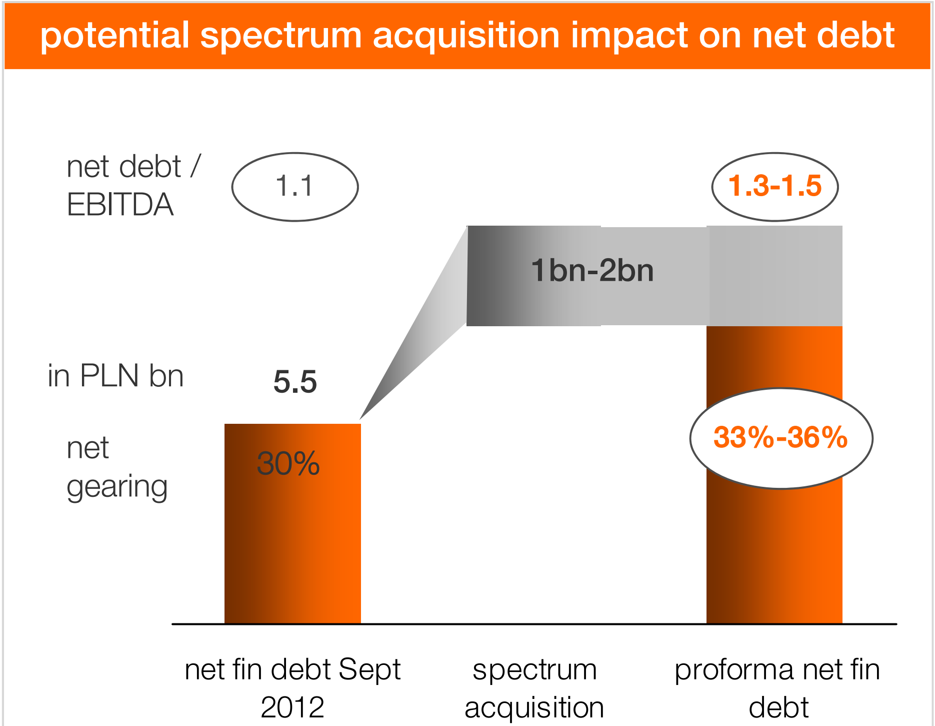
in million PLN	9m2011 reported	9m2012 reported excluding DPTG***	change in absolute terms
net cash flow from operating activities before income tax paid and change in working capital	3,817	3,524	-293
change in working capital	106	-300	-406
CAPEX*	-1,353	-1,292	+61
CAPEX payables**	-876	-888	-12
income tax paid	-206	-11	+195
net free cash flow after tax paid	**1,488**	**1,033**	**-455**
as % of revenues	*13.5%*	*9.7%*	*-3.8 ppts*
sales of assets	37	42	+5
Decrease/(increase) in receivables related to leased fixed assets	-5	-5	-
organic cash flow	**1,520**	**1,070**	**-450**

cash from operating activities affected by pressure from the top-line, accelerated by the unlimited plans in B2B mobile

visible impact of worsening macroeconomic climate on working capital requirement:
- harder collection of receivables
- more pressure from suppliers for shorter payment schedules

* 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)

strength of our balance sheet allows spectrum purchase to be funded safely



insight

- prudent capital allocation allows us to fund spectrum purchase
- however, depending on price scenario, leverage could increase significantly, while we need to keep our prudent debt metrics
  - net debt/EBITDA below 1.5x
  - net gearing in max range of 35%-40%
- tightened financial discipline is needed, taking into consideration also
  - pressure on the top-line and cash generation, visible in 2012 results
  - risk of cash outflow due to European Commission fine of €127mn
  - the need to support our credit ratings

3 conclusion

Maciej Witucki
president of the board and CEO

conclusion for 3Q

- challenging macro and operating environment likely to persist
- adjustment measures rapidly and effectively taken in the interest of the Company and all stakeholders
- group to continue to build on its strengths
  - (unique) product and service offering, cutting-edge technology, innovation capabilities
  - (healthy) balance sheet
- financial discipline tightened, capital to be reallocated, allowing for:
  - shareholder remuneration
  - acquisition of 4G spectrum
- (2013-2016) medium-term action plan to be unveiled in February 2013, with emphasis on:
  - evolving into a leaner and always more agile organisation
  - confirming **clear** market leadership

4 Q&A session

glossary (1/4)

ARPL	Average Revenue per Line
ARPU	Average Revenue per User
AUPU	Average Usage per User
BSA	Bit Stream Access
CATV	Cable Television
Catch-up	A type of VoD where broadcasters make programming available for streaming
CPE	Customer-premises equipment
CPS/CS	Carriers Pre-Selection/ Carriers Selection
DLD	Domestic Long Distance Calls
DSLAM	Digital Subscriber Line Access Multiplexer
DTH	Direct To Home
DVB-T	Digital Video Broadcasting - Terrestrial
DVB-H	Digital Video Broadcast - Handheld
EBITDA	Operating income + depreciation and amortization + impairment of goodwill + impairment of non-current assets
F2M	Fixed to Mobile Calls
FTE	Full time equivalent
FTTH	Fiber To The Home

glossary (2/4)

HFC	Hybrid Fibre Coax
HSDPA	High Speed Downlink Packet Access
HSPA	High Speed Packet Access
HSPA DC	High Speed Packet Access Dual Carrier
ICT	Information and Communication Technologies
ILD	International Calls
IP TV	TV over Internet Protocol
IVR	Interactive Voice Response
LC	Local Calls
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 *(3GPP 4G technology)*
LTO	Local Telecommunication Operator
MoU wth UKE	Memorandum of Understanding signed with UKE
MTR	Mobile Termination Rates
MVNO	Mobile Virtual Network Operator
Net FCF	Net Free Cash Flow = Net cash provided by Operating Activities – (CAPEX + CAPEX payables)
Net gearing	net gearing after hedging ratio = net debt after hedging / (net debt after hedging + shareholders' equity)

glossary (3/4)

NGA	Next Generation Access
NGN	Next Generation Network
Organic Cash Flow	Organic Cash Flow = Net cash provided by Operating Activities – (CAPEX + CAPEX payables)+proceeds from sale of assets
POS	Point-Of-Sale
POTS	Plain Old Telephone Service
PVR	Personal Video Recorder
RIO	Reference Interconnection Offer
RLLO	Reference Leased Line Offer
RUO	Reference Unbundling Offer
SAC	Subscriber Acquisition Costs
SDI	Permanent (Rapid) Access to Internet
SMP	Significant Market Power
USO	Universal Service Offer
UKE	Office of Electronic Communications - Regulator
VAS	Value Added Services
VDSL	Very High Speed Digital Subscriber Line

glossary (4/4)

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