Orange Polska

FY 2016 results

19 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 3 to IFRS Consolidated Financial Statements of the Orange Polska Group for the year ended 31 December 2016 (available at http://orange-ir.pl/results-center/results/2016)

in PLNm	FY'15	FY'16
Revenue	11,840	11,538
-Revenue of Contact Center	-14	-
Adjusted revenue	11,826	11,538
EBITDA	3,431	3,163
-EBITDA of Contact Center	-4	-
-Employment termination expense net of related curtailment of long-term employee benefits	90	-
Adjusted EBITDA	3,517	3,163
Capital expenditures	1,998	5,169
-acquisition of telecommunications licences	-	-3,168
Adjusted capital expenditures	1,998	2,001
Organic cash flow	962	-2,528
-LTE auction deposits / Acquisition of LTE spectrum	-	3,148
Adjusted organic cash flow	962	620

Operational review and 2017 outlook

Jean-François Fallacher
Chief Executive Officer

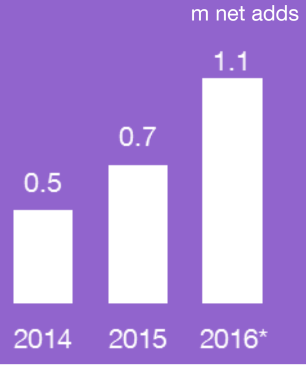
2016 commitments achieved

	commitment	FY 2016
adjusted EBITDA	PLN 3.15bn – PLN 3.30bn	✓ PLN 3.16bn*
net debt to adjusted EBITDA	not higher than 2.2x	✓ 2.1x
capital expenditures	around PLN 2bn, including up to PLN 600m on fibre rollout (excluding any spectrum licences)	✓ PLN 2.0bn (including 0.5bn on fibre rollout)

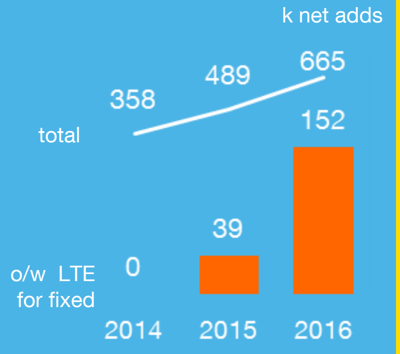
* adjusted as presented on slide #3

Strong commercial performance in post-paid mobile and VHBB

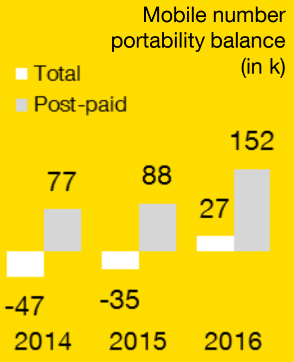
+13%*
yoy mobile post-paid customers



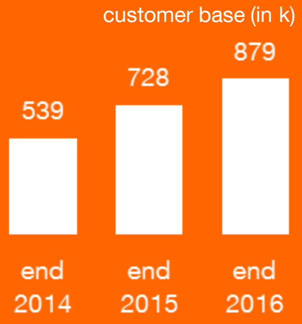
+33%
yoy mobile broadband customers



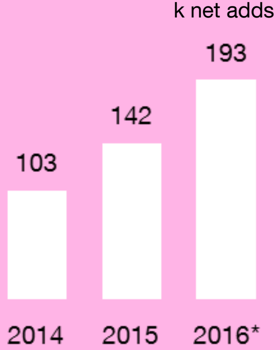
+152k
net gain in post-paid MNP over the past four quarters



+21%
yoy convergent customers

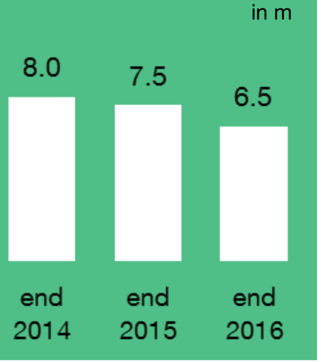


+65%*
yoy VHBB customer base



pre-paid base impacted by SIM card registration obligation

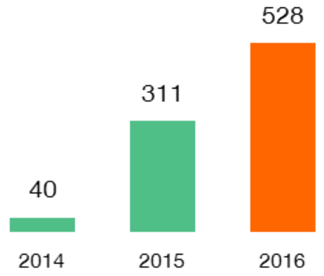
96% of active base registered as of 1 Feb. 2017



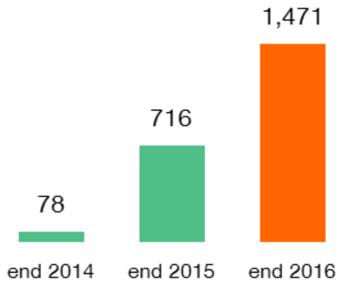
* Please refer to the slide #17 presenting effects of customer base revision

Fibre – our top priority

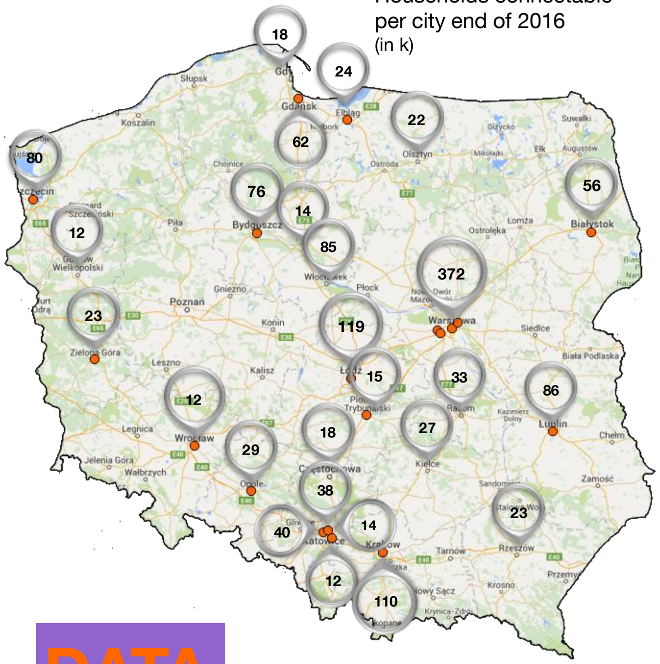
Fibre
CAPEX
(in m PLN)



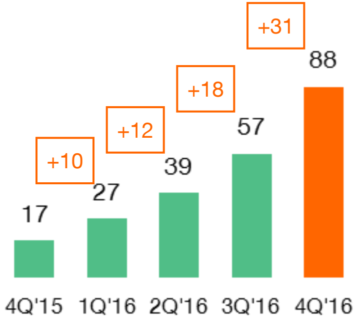
Fibre
households connectable
(in k)



Households connectable per city end of 2016
(in k)

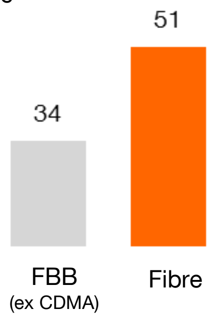


Fibre
customer base
(in k)

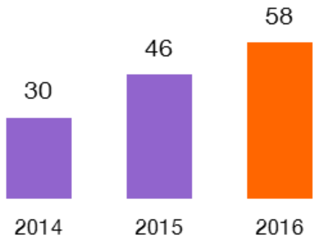


>50%
of Fibre base is convergent

convergence as % of B2C base
(in %)



DATA
average usage per fixed B2C access
(in GB)



2017 key anticipated trends and guidance

	2016	2017 expectations
top-line evolution	PLN 11.5bn -2.4% yoy	• Mobile service impacted by new roaming regulations and uncertainty on pre-paid • Slower growth of mobile equipment sales • Legacy revenue (PSTN, wholesale) in continued structural decline
capital expenditures	PLN 2.0bn 17.3% of revenue	Around PLN 2bn, including around 0.8bn on fibre rollout (>1m new households connectable in fibre)
net debt to adjusted EBITDA	2.1x	Not higher than 2.6x including potential EC fine payment

		2017 guidance
adjusted EBITDA	PLN 3.16bn*	PLN 2.8-3.0bn

* adjusted as presented on slide #3

Rationale for no dividend

Taking into consideration:

- **Slower than expected monetization of the strategy and the necessity to accelerate some actions to facilitate turnaround**
- **Critical importance of fibre network rollout to the long term recovery and good momentum for fibre customer take up as indicated by Q4 net additions**
- **Potential payment of EC fine**
- **Intention not to overstretch balance sheet**

Management has decided that for the best long-term interest of our shareholders is to allocate all financial resources into transforming OPL from a legacy telecoms group to a modern one and that the dividend should not be paid

Strategy unchanged but stronger focus on execution is needed

Faster fibre sales – our ambition is to at least double fibre customer base in 2017

Simple offers, less offers, TV offer improvement

More focus on online channel; development of omnichannel

Changes in the organisational structure: one B2C team under new management

Stronger focus on cost saving initiatives

More simple processes

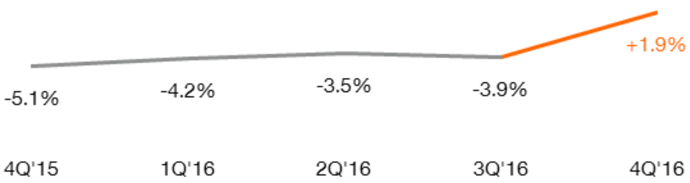
Financial review

Maciej Nowohoński
Chief Financial Officer

2016 revenue: reflects pressure on legacy and high competition

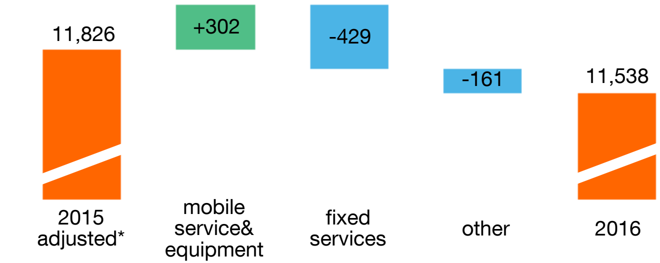
Adjusted revenue evolution

yoy change



Adjusted revenue evolution breakdown

in PLNm

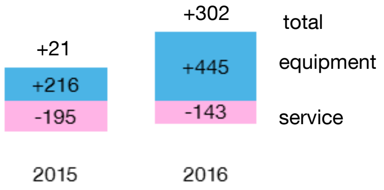


* adjusted as presented on slide #3

Mobile revenue

- Impact of the shift to instalment offers
- Service revenue reflect growing post-paid base, high competition and changes in the structure of offers

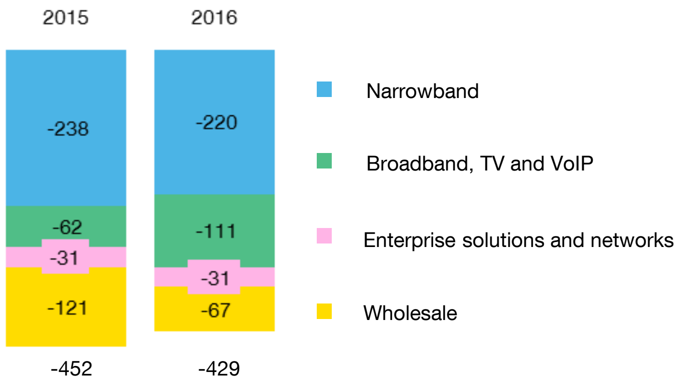
Mobile revenue
(yoy in PLNm)



Fixed revenue

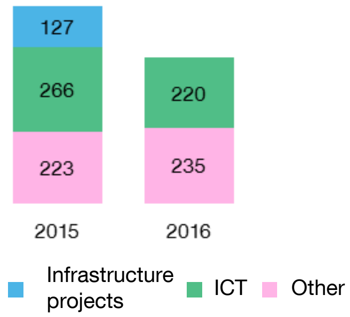
- Pressure on legacy continues

(yoy in PLNm)



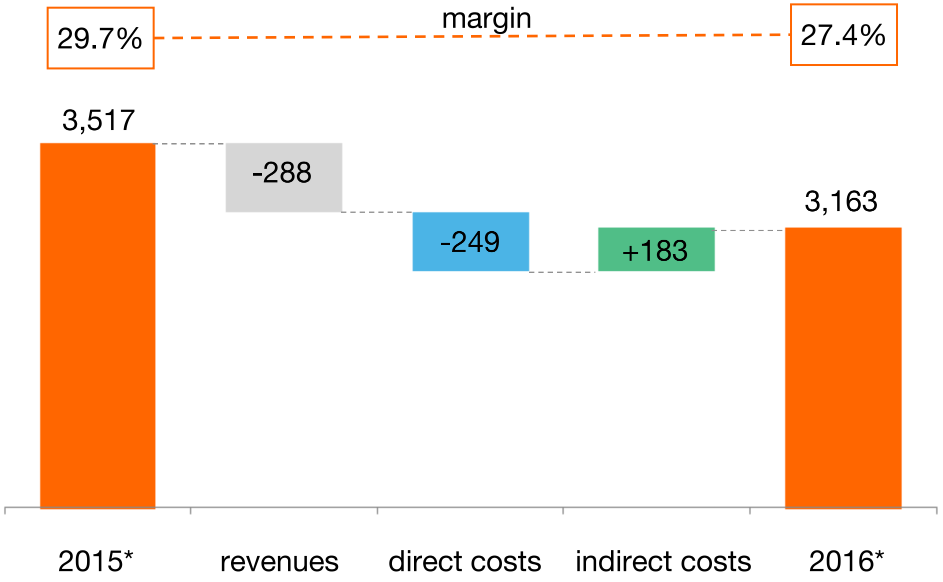
Other revenue

(in PLNm)



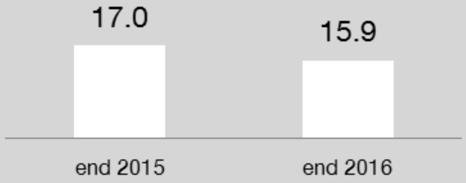
2016 adjusted EBITDA guidance delivered

Adjusted EBITDA* evolution
yoy change in PLNm



- **Direct costs** up strongly yoy due to:
  - Higher interconnect costs as a result of growing customer base and traffic per customer
  - Growing commercial costs reflect mainly change in mix of handsets (more smartphones and more high-end smartphones) and unfavourable FX impact (weaker PLN to EURO)
- **Indirect costs** reduced mainly by:
  - Ongoing optimisation in Network & IT areas
  - Headcount decrease following implementation of social plan

  Employment down 6.4% yoy
  (in kFTE end of period)



* adjusted as presented on slide #3

Bottom line reflects impairment loss and lower EBITDA

in PLNm	FY'15	FY'16	change
reported EBITDA	3,431	3,163	-268
depreciation and amortization	-2,871	-2,725	+146
impairment of non-current assets	12	-1,792	-1,804
reported operating income	572	-1,354	-1,926
net financial costs	-291	-359	-68
income tax	-27	-33	-6
reported net income	254	-1,746	-2,000

Impairment driven by reassessment of future projected cash flows coupled with an increase in the discount rate

Net financial costs higher due to higher net debt taken to finance LTE spectrum acquisition

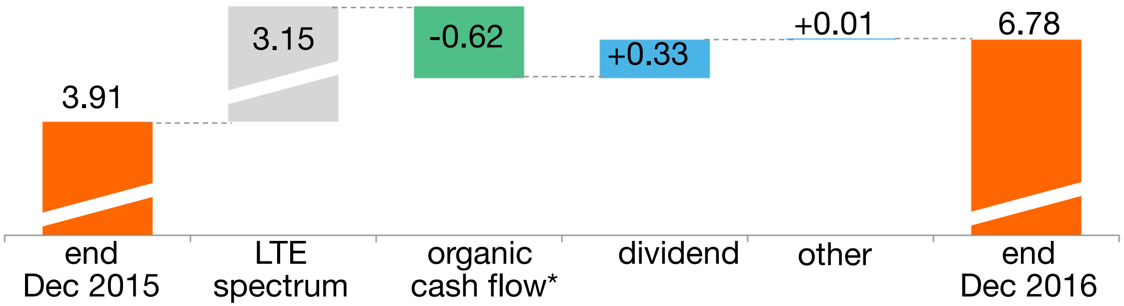
Adjusted Organic Cash Flow at PLN 620m

in PLNm	FY'15	FY'16	change
Net cash flow from operating activities before income tax paid and change in working capital	3,001	2,636	-365
Change in working capital	-378	-55	+323
CAPEX ex LTE spectrum*	-1,990	-1,986	+4
Change in CAPEX payables	262	-62	-324
LTE auction deposits / Acquisition of LTE spectrum	-	-3,148	-3,148
Income tax received/(paid)	-76	-32	+44
Sales of assets	143	119	-24
Reported organic cash flow	**962**	**-2,528**	**-3,490**
LTE auction deposits / Acquisition of LTE spectrum	-	3,148	+3,148
Adjusted organic cash flow	**962**	**620**	**-342**

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

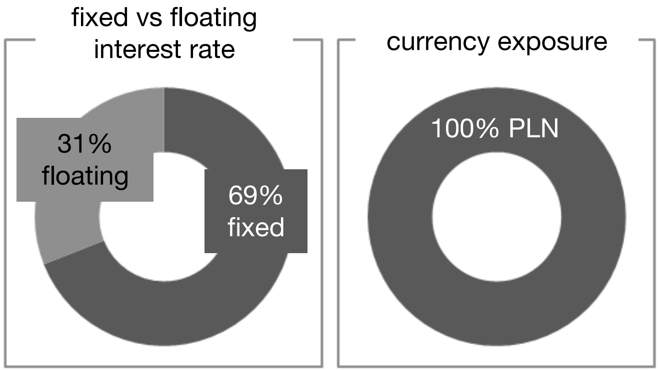
Higher net debt reflects payment for spectrum

net debt evolution
change in PLN bn



2015		2016
4.0%	effective interest rate on debt	3.4%

Debt after hedging breakdown



- 3.2 years – debt average duration
- net debt to adjusted EBITDA at 2.1x

* as presented on slide #3

Q&A

Impact of customer base revision

customer base (in thousands)	*2Q2016*	*effect of base revision*	*net change of customers in Q3*	*3Q2016*
Fixed telephony accesses				
POTS, ISDN & WLL	3,415	-1	-77	3,337
VoIP	644	-2	9	651
Total retail main lines	4,059	-3	-68	3,988
Fixed broadband access				
ADSL	1,613	-5	-46	1,562
VHBB	409	-17	44	436
o/w VDSL	*370*	*-17*	*26*	*379*
o/w Fibre	*39*	*0*	*18*	*57*
CDMA	35	0	-8	27
Retail broadband – total	2,057	-22	-10	2,025
TV client base				
IPTV	213	-15	16	214
DTH (TV over Satellite)	590	-32	-10	548
TV client base – total	803	-46	4	761
3P services (TV+FBB+VoIP)	547	-34	14	527
Mobile accesses				
Post-paid	8,798	-22	309	9,085
-o/w B2B	*2,817*	*0*	*76*	*2,893*
Pre-paid	7,898	11	-600	7,309
Total	16,696	-12	-290	16,394
- of which dedicated mobile broadband accesses	2,473	0	142	2,615

- Customer base revision resulted from internal audit of the accuracy of the reporting processes.
- These processes have been amended to ensure the correctness of the reporting going forward.
- This revision has no impact on the revenues.

Glossary (1/3)

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
AUPU	Average Usage per User
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
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

Glossary (2/3)

G.fast	a digital subscriber line (DSL) standard for local loops shorter than 500 m, with performance targets between 150 Mbit/s and 1 Gbit/s, depending on loop length
Households (HH) connectable in fibre technology	Households where broadband access service based on fibre technology can be rendered
ICT	Information and Communication Technologies
Liquidity Ratio	Cash and unused credit lines divided by debt to be repaid in the next 18 months
LTE	Long Term Evolution, standard of data transmission on mobile networks *(4G)*
LTE for fixed	mobile broadband offer dedicated to data for home or office usage
LTE user	a customer who used LTE service at least once in a given month
M2M	Machine to Machine, telemetry
MB	Megabyte
MoCA	Multimedia over Coax Alliance: whole-home distribution of high speed broadband and high definition video and content over the existing in-home coaxial cabling
MVNO	Mobile Virtual Network Operator
Net Gearing	net gearing after hedging ratio = net debt after hedging / (net debt after hedging + shareholders' equity)

Glossary (3/3)

Organic Cash Flow	Organic Cash Flow = Net cash provided by Operating Activities – (CAPEX + CAPEX payables) + proceeds from sale of assets
Neostrada	Fixed broadband access service
PB	Petabyte
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
VDSL	Very-high-bit-rate Digital Subscriber Line
VHBB	Very high speed broadband above 30Mbps
VoIP	Voice over Internet Protocol