

Orange Polska

FY 2015 results

12 April 2016



2015 commitments achieved

Organic Cash Flow* guidance

2015 OCF
around PLN 900m

(including cash capex for fibre access network project)

excluding one-offs:

- acquisition of any new spectrum
- potential payment of the EC fine
- certain other claims and litigations

✓ PLN **952m**
generated in 2015
- incl. PLN 162m cash capex on fibre rollout

Capital expenditures

including fibre access network project, capex was anticipated **below PLN 2bn** (excluding new spectrum)

- we planed to invest **up to PLN 450m in fibre rollout** in 2015

✓ PLN **1,998m**
spent in 2015
- o/w PLN 311m on fibre rollout

Outstanding commercial momentum in mobile

2015 commercial performance

+9%

yoy mobile post-paid customer base, **+682k net adds in 2015**, the highest since 2007

+32%

yoy mobile broadband customers, **+491k net adds in 2015**

+82%

yoy VHBB clients, **+142k net adds in 2015** (ADSL base under pressure, with 225k net losses partly due to migration to VHBB and LTE)

+35%

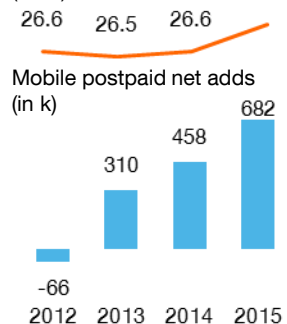
yoy convergent customers, **+189k net adds in 2015**

+5%

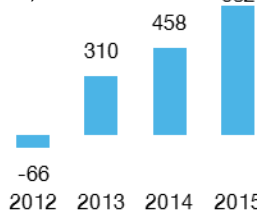
yoy TV base, **+39k net adds in 2015**

Improving performance in mobile versus competitors

Mobile post-paid market share in customer base*
(in %)

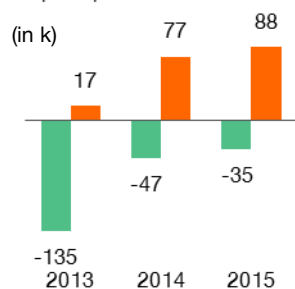


Mobile postpaid net adds
(in k)



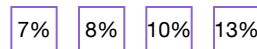
2015 post-paid net additions the highest since 2007

Total mobile number portability balance
Mobile number portability in post-paid

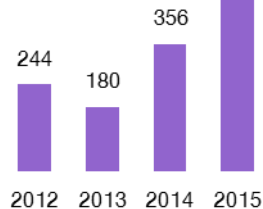


Improving mobile number portability balance

Mobile broadband base % of total SIM cards



Mobile BB net adds
(in k)

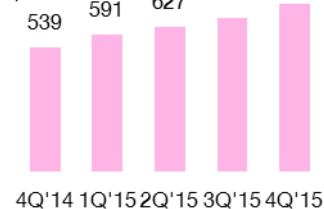


Demand for data reflects growing popularity of mobile broadband

Convergent base % of total fixed broadband base

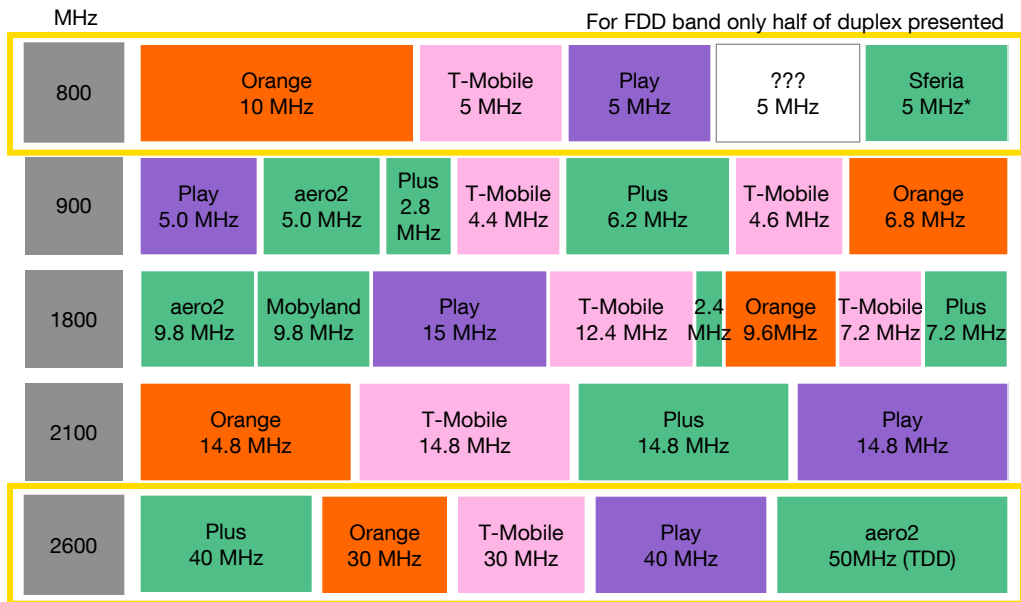


convergent base
(in k)



Customers gradually recognise benefits of convergence

Acquisition of LTE spectrum finalised



- Orange Polska received the licenses of the two duplex blocks of 5 MHz each in the 800 MHz band and three duplex blocks of 5 MHz each in the 2600 MHz band
- Licenses valid for 15 years
- PLN 3.15bn paid in February (PLN 3.17bn net of the bid bond paid before the auction)
- Service based on 800Mhz already launched

New strategy to turnaround the Company. Balance sheet under control

REVENUES

trends



Back to growth in 2018

following success of FTTH and growth in number of mobile customers

EBITDA

trends



Back to growth in 2018

driven by revenue improvement, operating leverage, business optimisations

CAPEX

trends



FTTH scale conditional

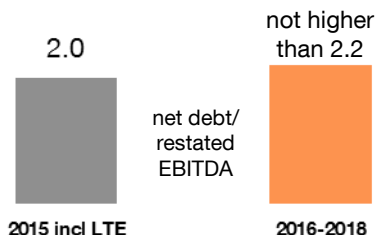
depending on commercial success and financial capacity up to 1m HH connectable per year

Ex-FTTH down to PLN 1.3-1.4bn in 2018

mainly fixed and mobile network and IT

LEVERAGE

guidance



Net debt to restated EBITDA not higher than 2.2x

2016 key anticipated trends and guidance

	2015	2016 expectations
top-line evolution	PLN 11.8bn -2.9% yoy	revenues to be under pressure – relatively benign outlook for mobile likely to be offset by ongoing negative trends in fixed and lack of infrastructure projects
capital expenditures	PLN 2.0bn 16.9% of revenue	around PLN 2bn, including up to PLN 600m on fibre rollout (excluding any spectrum licences)
<hr/>		
	2016 guidance	
restated EBITDA	PLN 3.52bn*	PLN 3.15bn – PLN 3.30bn
net debt to restated EBITDA	2.0x (incl LTE payment)**	not higher than 2.2x

Shareholders' remuneration

cash
dividend
to be paid in
2016*

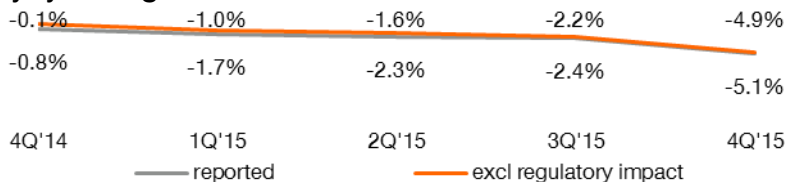
PLN 0.25 per share

Financial review

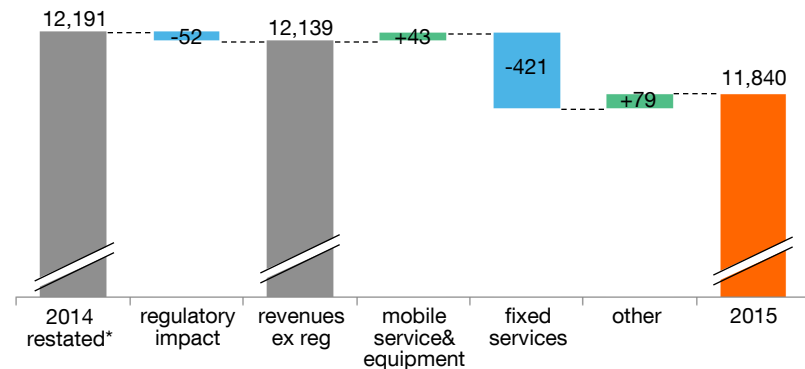
2015 revenue trend affected by decrease in fixed services

Group revenue evolution

yoy change



Group revenue evolution breakdown in PLNm



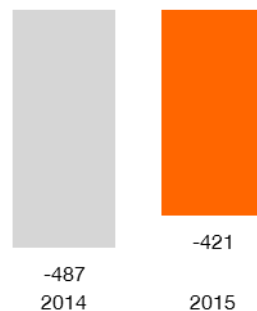
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* restated as presented in appendix (slide #18)

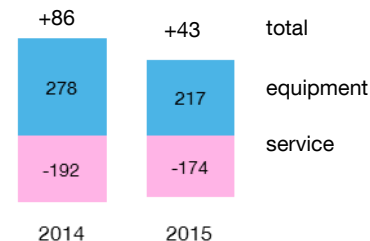
Mobile revenue, ex reg

- service revenues benefit from customer take-up and lower ARPU erosion
- growth of equipment sales reflects intensive marketing push

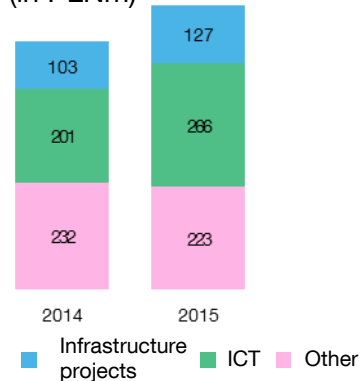
Fixed revenue, ex reg affected by erosion in legacy services (yoy in PLNm)



yoy in PLNm



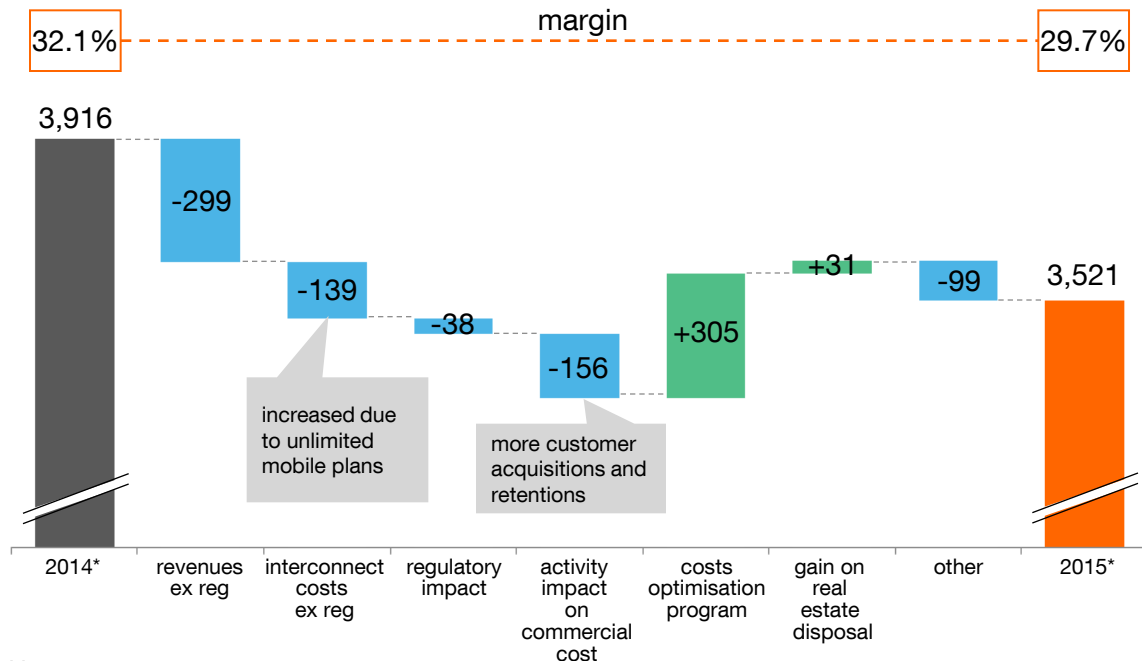
Other revenue higher due to ICT and infrastructure projects (in PLNm)



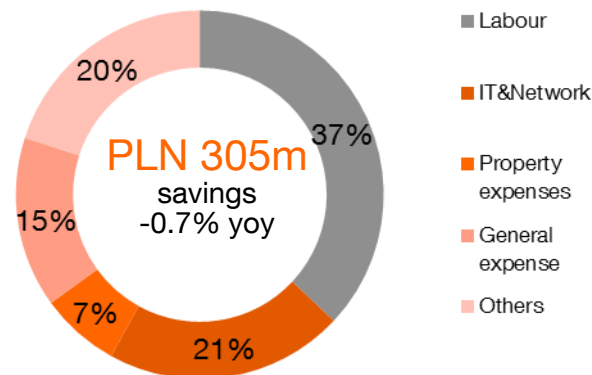
2015 restated EBITDA reflects lower revenues and higher marketing investments

Group restated EBITDA* evolution

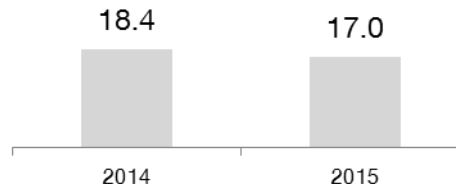
yoy change in PLNm



split of cost savings



employment down 8.0% yoy
(in kFTE end of period)



Net income at PLN 254m in 2015

in PLNm	FY'14	FY'15	change
reported EBITDA	4,076	3,431	-645
depreciation and amortization	-3,073	-2,871	+202
impairment of non-current assets	-17	12	29
reported operating income	986	572	-414
net financial costs	-405	-291	+114
income tax	-46	-27	+19
reported net income	535	254	-281

2015 reported EBITDA reflected PLN 90m of net impact of employment termination expenses while 2014 EBITDA included PLN 191m gain on sale of Wirtualna Polska

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

in PLNm	FY'14	FY'15	change
Net cash flow from operating activities before income tax paid and change in working capital	3,073	3,001	-72
Change in working capital	-255	-388	-133
CAPEX ex spectrum*	-1,790	-1,990	-200
900MHz spectrum renewal fee	-358	-	+358
Change in CAPEX payables	-59	262	+321
Auction deposits and bid bond for LTE	-20	-	+20
Income tax received/(paid)	-65	-76	-11
Sales of assets	100	143	+43
Reported organic cash flow	626	952	+326
900MHz spectrum renewal fee	+358	-	-358
Auction deposits and bid bond for LTE	+20	-	-20
Settlement with Netia	+145	-	-145
Organic cash flow (guidance definition)**	1,149	952	-197

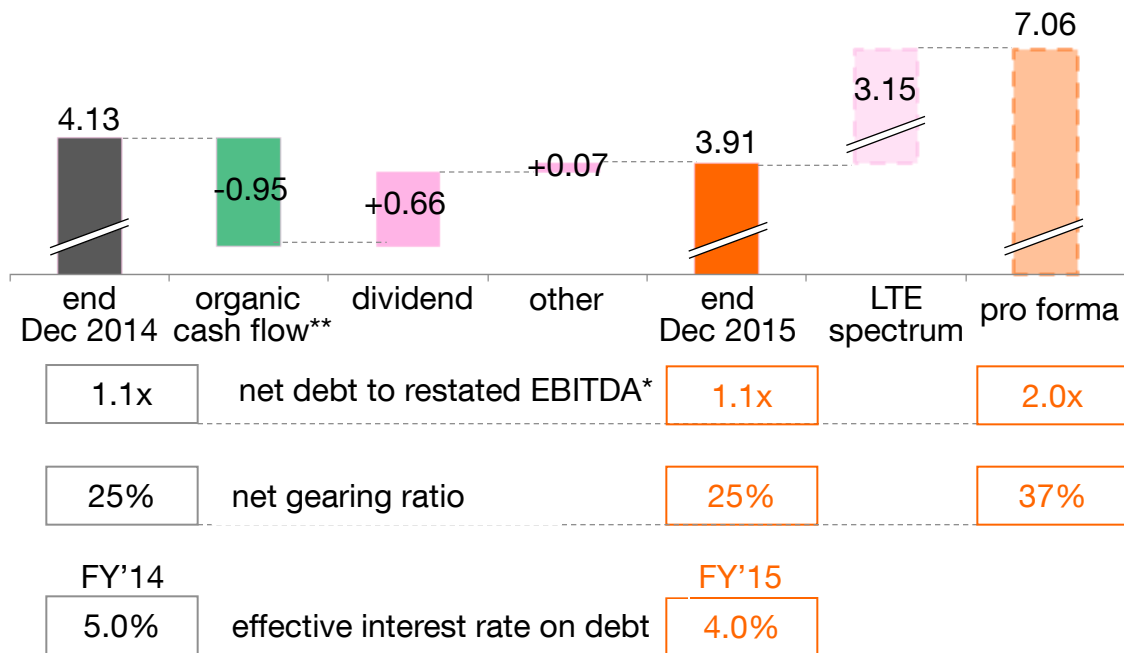
13 * including exchange rate effect on derivatives economically hedging capital expenditures, net

** 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

After payment for spectrum financial leverage at 2.0x

net debt evolution

change in PLN bn



available liquidity end of Dec 2015:

- PLN 0.27bn cash
- PLN 1.97bn unused credit lines
- PLN 1.75bn back-up lines

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

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 #18)

Q&A

Appendix

Restatements to financial data

<i>in PLNm</i>	FY'14	FY'15
revenue	12,212	11,840
-revenue of Wirtualna Polska and Contact Center	-21	-
restated revenue	12,191	11,840
EBITDA	4,076	3,431
-gain on disposal of Wirtualna Polska	-191	-
-EBITDA of Wirtualna Polska and Contact Center	-5	-
-the impact of certain claims and litigations	44	-
-employment termination expenses net of related curtailment of long-term employee benefits	-8	90
restated EBITDA	3,916	3,521
capital expenditures	2,153	1,998
-acquisition of telecommunications licences	-378	-
capital expenditures (outlook definition)	1,775	1,998

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
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 (<i>4G</i>)
LTE user	a customer who used LTE service at least once in a given month
M2M	Machine to Machine, telemetry

Glossary (3/4)

MVNO	Mobile Virtual Network Operator
Net Gearing	$\text{net gearing after hedging ratio} = \text{net debt after hedging} / (\text{net debt after hedging} + \text{shareholders' equity})$
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
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