

Orange Polska SA - OPL.WA

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Corporate Participants

Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

Leszek Iwaszko - Orange Polska S.A. - Director of IR Department

Conference Call Participants

Maria Veronika Sutedja - Erste Group Bank AG, Research Division - Analyst

Pawel Puchalski - Dom Maklerski BZ WBK S.A., Research Division - Head of Equity Research

Pawel Szpigiel - Dom Maklerski mBanku S.A., Research Division - Analyst

Malgorzata Żelazko - PKO BP Securities, Research Division - Analyst

Presentation

Operator - -

Ladies and gentlemen, welcome to Orange Polska Third Quarter 2017 Financial Results Conference Call. Your host today will be Mr. Leszek Iwaszko, IR Director. Sir, the floor is yours.

Leszek Iwaszko - Orange Polska S.A. - Director of IR Department

Good morning, everyone, welcome to Orange Polska results conference for the third quarter of 2017. My name is Leszek Iwaszko, I'm Head of Investor Relations. Our speakers today will be Jean-François Fallacher, CEO of Orange Polska and Maciej Nowohoński, CFO of Orange Polska. Our results were published yesterday afternoon and they are available on our IR website.

Now, I hand the floor to Jean-François to start the presentation.

Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

Thank you very much, Leszek. Good morning, ladies and gentlemen, so welcome to our quarterly results conference. As usual, I will start with the highlights of the quarter, then I will pass the floor to our CFO, Maciej Nowohoński. And at the end we will have the pleasure to answer your questions.

So let's start directly with our financial results. On the first page of our presentation, so as you see, our revenues have improved versus the last quarter and this is despite the roam like home initiative that started this summer. We are posting an EBITDA of PLN 776 million, which actually is down a bit more than in the second quarter, but we believe that these results are solid, why? As you know, since mid of June this year, we have quite a major

regulatory change known as roam like home. This basically has been meaning since June 15, free roaming in Europe for our customers and especially this happened just before the summer holidays. So that has resulted, as you can imagine, in a huge growth of the data traffic, particularly and obviously for us, less revenues and much higher costs, because obviously these additional traffic we need to pay to the operators where our customers are roaming. That's been hitting us quite seriously this summer and why am I telling that these results are strong because if we would exclude these regulatory impact, actually our EBITDA trend would be on the positive territory and that's something I definitely wanted to share with you.

Second reason why these results are strong is that because we have started concretely to introduce the new strategy we presented to you a quarter ago, so called Orange.one strategy, which is clearly a focus from volume to value and this is starting to pay off. And what I would like, as of immediately to say and confirm to you is that looking at these good outlook of the third quarter, we would like to actually revise our guidance and increase our guidance, our EBITDA guidance for this full year and now we are expecting to be around PLN 3 billion EBITDA for 2017.

If I'll now comment our commercial activity in this third quarter, it was good. Again, also reflecting our focus more on value than on volume. First of all, I would like to comment on our convergent numbers, as you can see here, the base has increased more than 10% this quarter. We are having now -- we are very close to 1.2 million convergent customers. And if you look on the second graph on the top, we are close, I would say to have every second broadband customers that is going to be convergent.

As we speak, the number of Orange contracts, Orange Love contracts is above 400,000 and what also is quite interesting to see is that Orange Love customers are actually more satisfied when we are making surveys, than our mono product customers, so the net promoter score of these customer base is twice as high as the one of customers buying from us a single product. So that's of course a very interesting indicator and very positive for the future.

As you can see here as well, on the bottom right the graph and I've stated already in the past, pay-TV and TV is an important component of our offer. I'm pretty happy to report that our net additions were 22,000 this quarter and that was the best result for the last five years. So, these efforts are really paying off and the service is appreciated by our customers looking at these results.

So, overall our TV base is, as you can see there 7% higher year-on-year and we are more and more and increasingly seen as a credible TV provider in Poland and we are extremely happy about that. We are also, for you to know, now offering a satellite TV offer and we are bundling with our wireless for fixed offer or actually customers of ours that would be more, let's say, suburban areas or more rural areas where fixed broadband would not be available, that allows them to have fantastic offer on TV and broadband Internet access.

Now if we look at the mobile results, as you can see the net additions are strong, but they are a bit lower than in Q2 and lower than last year. Let me comment specifically on that. There are two reasons for that. The first reason, I believe, is the fact that last year same period, if you can remember, we were in the middle of the prepaid registration. So, we had a lot of traffic in our retail network, which obviously is not the case anymore. So this phenomenon that has been driving a lot of footfall in our shops is obviously not there anymore.

Secondly, as I was reminding you, our shift of strategy from volume to value, obviously is also the reason why these net adds are slightly lower than the previous quarter and lower than last year. As an example, we do not give any more free SIM cards as part of the bundle is this one of the explanations of these volumes.

Now, finally if I'm going on our fixed broadband and fiber products, you can see that the net additions of the fixed broadband category altogether is actually stable. We are counting an additional 54,000 fixed broadband customers. You see also kind of a slowdown in the wireless for fixed. This is simply because we are really focusing on more selling wireline technologies. In fiber, as you can see, the results are good and for your information, we have doubled the fiber base in nine months. So, if we compare the fiber base at the end of last year, we have now doubled this in nine months, showing you concretely how the acceleration is really happening in terms of fiber sale.

So that's what I wanted to report to you in terms of these commercial results. An important point that I will now comment on the other side is that in the months of September, we also totally revised our portfolio of offers and launched a completely new set of offers on the mass market that I would like to briefly comment. There was two drivers behind this change. The first driver was simplification. Already Orange Love was a simple product, but we were having prices that were a bit different in a regulated zone and non-regulated zone. This were creating some questions, if I take for instance, the example of two cities like Gdansk and Gdynia you know they're very close, but one is regulated, another one is deregulated. So, prices were not similar in these two cities. So, in a way that was a bit strange thing seeing from customers' point of view. So, we have changed that. We have only one price independently of the regulated and non-regulated areas. For instance, our prices on xDSL was different than the prices of fiber. We have also changed these, so now I think we have one price for the whole country and that we can clearly communicate and which is more easy to understand for our customers and also for our sales network.

In mobile, if you look, we had a number of tariff plans. We had up to 18 tariff plans, we just is really decreased that to four, we simplified a lot, we had -- so we had different portfolios of handsets, SIM only, so you see that these new portfolio has been really simplified.

Second driver behind this change, value generation. We changed the structure of the offers to reflect that every additional service is not sold for free anymore. We have cut dilutive rebates, promotion, discounted upsales and now all our mobile and convergence offer are in line with the strategy which is more for more. So, the Orange Love price is slightly higher than it used to be before. But in return, we are offering now higher data package and also handsets at a very attractive price in this convergent bundle. So, this really is reflecting our ambition to build value in line with the strategy we have presented to you at the beginning of September.

So that's all for me now. I pass the floor to you, Maciej.

Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

Thank you, Jean Francois. Good morning, everybody. So, let's look at the highlights on slide 10 of the presentation. First of all, roaming has impacted our results and that was already mentioned by Jean Francois. We have, however continued the value-oriented approach and we managed to generate good results. And we are happy with this. And that helped us to revise our full year guidance, we are confident to achieve around PLN 3 billion of EBITDA this year. Cash reflected the pressure on EBITDA and higher working capital, I will discuss this issue later on.

Then let's maybe first look deeper into the trend that we have on the revenue front, and it's the next slide. Here we have improved the trends versus the Q2 and this is despite the roaming. So, the deterioration of the mobile business because of the roaming has been more than offset by the evolution of the fixed and ICT. And on the fixed front, the performance on the broadband side is increasingly illustrating our success of the convergent strategy. And in fixed wholesale, we benefit from increased international mobile traffic. We basically see more traffic coming to Poland, and we are the ones who are prepared to handle this higher traffic.

In ICT, we pursue the strategy that we have communicated in September, so here is the shift from connectivity and integration to digital solutions, we follow that path. And we follow also the path of the partnership agreements with external partners.

Now, let's take a look in more detail on the mobile revenue on the next page. Here we see a continuation of our value strategy and the impact of the new roaming regulations. Similarly to the second quarter of 2017, we have sold lower volumes of handsets in year-over-year terms. However, our equipment revenue were up by 13% and this is coming from much higher unitary price, which is reflecting the interest of our customers and basically the demand for bundles with more high-end smartphones. And on the other hand, this is a result of the lower subsidies that we are able to grant. And we intend to continue value strategy going forward. Nevertheless, the Christmas season is going to be full of very attractive offers.

Now, roaming. As you can read on the slide, due to roam like at home implementation, mobile service revenue were lower by PLN 17 million year-over-year. And that includes also the positive PLN 7 million impact coming from foreigners coming to Poland and additional revenue on that. If we exclude the impact of roaming trends for both for ARPU revolution and for the revenue, we would basically see a very similar pattern as previous quarters.

And we estimate that the impact of the roaming on the revenue, I repeat, on the revenue, not yet on the EBITDA, in Q4 would be broadly at similar level as we have seen in last quarter.

So now let's go to the fixed broadband. This business line is absolutely key for the success of the strategy that we have announced in September, Orange.one. Among our core business lines, we expect here the highest revenue growth and also the highest value generation and that will contribute to the future EBITDA growth. Revenue trend is good, even if in Q3, it is helped by a small one-off of PLN 8 million and it is not recurring. So far growth has been generated solely, thanks to increase of the customer base. In the next quarters, you can expect to start to see a more balanced effect of not only volumes, but also the ARPU improvement. And that's going to come obviously from the new offers, refreshed offers that Jean Francois described that we have launched at the beginning of September.

Now a couple of interesting messages about the fiber area. Here you can see that after nine months, we have basically doubled the customer base and we still have the best commercial season in front of us this year.

Service adoption rate is constantly improving, it has reached 8%, which we believe is very satisfactory taking into account the high speed at which build the networks. So the new network household connectable is fueled every quarter by 12% to 16% additional households connectable. So fast speed of the production is also impacting the penetration rate of the services that we have. We are present with our fiber services right now in 55 cities in Poland. And in 13 cities, our coverage is higher than 50% of all households which are there. And the highest level that we have in Poland is in Lublin. We are covering there already 66%, two-thirds of all households in Lublin with the fiber connectivity.

We gradually invest more and more in smaller cities as well. A good example is Grodzisk Mazowiecki which is a city near Warsaw, around 40,000 inhabitants. We have more than 50% coverage there already as of today. And that includes substantial part of single family houses. And we partly also use the existing infrastructure of the fiber for another local operator.

Okay. Now let's take a look at the EBITDA, this is slide 15. In Q3, we are down 6.6%. However, if we exclude the PLN 73 million impact of roam like at home, it would have been up by around 2%. We continue to improve our direct margin for fixed broadband. So here the volumes are helping us. Volumes are fueling the revenue, costs are pretty stable and that is overall a very positive impact for the direct margin. We keep the content costs under control. They are growing, but with the pace that our TV services are growing.

We have strong savings in the indirect costs, which is, as you probably remember, part of our strategy to optimize that area. So, on top of the steady progress of the employment optimization, we have also savings in network maintenance, energy, advertising and promotion. So, after nine months of this year, we are 4.5% down in the category of the indirect costs underlying which is very much in trend of what we've been saying and how we will deal with this until 2020. And just to recall, 12% to 15% overall cut between 2016 and 2020, 4.5%, we are well on track.

So as Jean Francois already mentioned, taking into account good performance of EBITDA so far and outlook for Q4, the management decided to increase full-year guidance. We now expect it to be around PLN 3 billion, and obviously this guidance implies relatively favorable outlook for Q4, we expect lower negative impact of roaming. We expect optimal level of commercial costs, which is reflecting one thing, value strategy, second thing, very attractive packages that are being prepared for the commercial season.

Optimization of the indirect expenses are quite promising at this stage quarter for the real estate sales.

Now, just a couple of words on the net income. First of all, 7% year-on-year lower depreciation, which is compensating the lower EBITDA here and to large extent we keep the net income in the positive territory, close to quarter three of 2016.

Now moving to cash flow here, more news, first of all, overall organic cash flow was very good in Q3, and it was supported by the first tranche of the investment grants that we have already received and that is relating to the POPC program. And as a reminder, POPC is an abbreviation for Digital Poland Operational Programme and its goal is to develop infrastructure on less urbanized areas in Poland. So, we have already started the preparations to investments in this area.

For us to preserve the transparency, we have decided to present this inflow in a separate line in our cash flow statement and not to include into adjusted cash flow metrics. These funds will be used consequently throughout 2018 to finance the CapEx outlay that we will see in that area. So, if we look at adjusted cash flow, so before the POPC grant, it reflected, first of all the payment of the instalments for UMTS license, so that is around PLN 120 million cash out, then we have the impact of roaming on EBITDA and we have also still higher working capital by around PLN 80 million, so almost half of this working capital effect is just a temporary difference, we basically have seen very high revenue on international wholesale activity and the settlements in that area, in the wholesale area is longer than a quarter for somebody in this business longer, this is no surprise, so we will be seeing the settlements cash-ins coming to us in the following months.

Then the second effect in working capital is actually related to the reverse factoring. I don't know if you recall, but we have benefited very substantially from the reverse factoring first time in Q3 2016. So, there was a very strong hike in our reverse factoring activity. In Q3 this year, we keep this activity right now at a high level, but the changes are not so strong as Q3 2016. So, therefore working capital change year-over-year is negative by PLN 40 million, but there is no item which is absolutely worrying us here. We continue to use the reverse factoring at high level and in our view, optimal.

So, now before conclusion of Jean-Francois, a very quick look at the net debt. In absolute value, the net debt has come down and this is the result of the grants that we have received.

We further increased slightly the portion of the fixed interest rates and this is in the anticipation of the higher inflation as well, inevitably sometime from today higher interest

rates. So, right now we are fixing the interest rate impact at the level close to 80% of our total debt portfolio.

A couple of news on the European Commission fine, we still do not have full clarity however, in September we were notified that the proceedings in our case by the Court of Justice were restarted and very fresh news from yesterday is that we've got to know that the date of the first hearing is set for the November 22, which implies, in our thinking that it is very unlikely that the verdicts will be announced this year, it's very unlikely.

That's all from my side, so thank you for your attention and I hand the floor back to Jean-Francois for the conclusion. Thank you.

Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

Thank you. So, few words of conclusion. So, you all know that we are now in front of the Christmas period, which is the most intense commercially part of year, so always an exciting period. And I would say, as in any year, we have quite high ambition for the Christmas period. So, especially for fiber customers acquisition. We are counting obviously on a very good quarter to come, so to boost fiber, we have a plan to make our TV offer even more attractive taking advantage of the deal that the Orange Group has signed with Netflix, that was just renewed in September and that is including Poland. So, I cannot say -- give you more details now, but stay tuned, because we will come up with attractive plans for this Christmas period, again, to boost our fiber plan.

I just take the opportunity to conclude by repeating that we have revised our EBITDA guidance upwards. So, for the full year of 2017, so we are planning to land our EBITDA around PLN 3 billion. And my last conclusion point would be to remind you that beginning of September we have announced Orange.one, new momentum for Orange Polska. Through this we want to aim to turn the company around and also to build sustainable value creation. I would like that to confirm to you that as we speak, our organization is really focused and motivated to achieve the goals set in this plan. So, amongst others, I would like to confirm to you that our plans to stabilize EBITDA next year are obviously still valid, and with this I would like to thank you for your attention and open the floor for Q&A. Thank you.

Question And Answers

Leszek Iwaszko - Orange Polska S.A. - Director of IR Department

As usual, we will start with the questions from the floor. If there are any questions? Yes, Pawel Puchalski, please.

Pawel Puchalski - Dom Maklerski BZ WBK S.A., Research Division - Head of Equity Research

Q. Hello, Pawel Puchalski, BZ WBK. Two issues. Let's jump to slide 18, if I might. Well, actually I'm talking about working capital, so that was different, maybe that was --.

Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

Slide 17.

Pawel Puchalski - Dom Maklerski BZ WBK S.A., Research Division - Head of Equity Research

Q. Slide 17, working capital you suggest that there is a long collection period in wholesale and that's why your working capital in the third quarter 2017 is negative PLN 123 million. If for a second we assume there is an instant collection, what would be your working capital in the third quarter?

Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

That will be less by the element on the international wholesale activity, more or less half of the impact that I was describing.

Pawel Puchalski - Dom Maklerski BZ WBK S.A., Research Division - Head of Equity Research

Q. Half of the impact, so actually this figure would be half to PLN 60 million negative impact, is that?

Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

The impact was 40, 120 minus 40. But Pawel, the settlements – long settlements, this is not something really strange in the wholesale business. So don't treat it as a one off for Orange Polska, this is just like that, that settling with operators is much longer than settling with B2B or B2C customers.

Pawel Puchalski - Dom Maklerski BZ WBK S.A., Research Division - Head of Equity Research

Q. Absolutely, I'm just looking for a long term guidance.

Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

You should not retreat the cash flow on a constant basis with respect to it, because if we have and we plan to have also higher proceeds from international traffic in Q4, that will not inevitably transfer into faster collection period in Q4. It will not.

Pawel Puchalski - Dom Maklerski BZ WBK S.A., Research Division - Head of Equity Research

Q. And the other issue, several times you mentioned very attractive offers for Christmas, and when the management says very effective offers for Christmas, an analyst starts thinking, should it hit in the company's top line or should it hit the company's cost because I cannot imagine very attractive offers that would not inflate -- that would not hit top line or cost line.

Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

So, it's not hitting top line, nor cost is going to hit top line positively hopefully next year if we succeed. So, that's the idea of this plan. As -- we've stressed this because we have a bit of room of maneuver, this is why also we revised our guidance upwards, and we are going, actually you have seen the efforts that have been done on the commercial costs in the last quarters, so we have a bit of room of maneuver that we will use for the Christmas period. So that's what we meant, I mean attractive doesn't always mean attractive price wise. I mean what we are doing is you see, stay tuned as we make quite some announcements on the TV side alongside with our fiber program. And so that's what we meant, basically.

Leszek Iwaszko - Orange Polska S.A. - Director of IR Department

Any more questions from the floor, please?

Malgorzata Żelazko - PKO BP Securities, Research Division - Analyst

Q. Hello, Malgorzata Żelazko, PKO BP. My first question is about commercial cost. What's your outlook on commercial costs next year given the significant reduction this year? Should we expect some decline or what's your outlook?

And the second question is about roaming and the effect. The net effect of PLN 70 million, I guess PLN 73 million or something like that, what is the breakdown on like the impact on the revenues and on the cost, if you could comment on that?

Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

I will answer maybe the second question first, it is around PLN 17 million down on the revenue and the rest on the cost, overall, around PLN 73 million on the EBITDA.

Then the first question, we are not precisely guiding on our cost lines, so please allow me not to guide you very precisely about that part. As Jean-Francois mentioned, we first of all stick to our EBITDA orientation guidance, that we have given you, beginning of September. So, we have just confirmed that today, it's going to be similar to the level of 2017, the level of 2017 today.

Second of all, the value strategy approach, strategy of more for more is going to be continued, connectivity, convergence, simplicity, agility, all these elements hold true.

Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

What I can just state is that we are going to be extremely cautious with our commercial costs next year as well. We want this market to get into a kind of repair. We are the telecommunication markets leader in Poland, so we believe we should show the way.

Leszek Iwaszko - Orange Polska S.A. - Director of IR Department

Any more questions from the floor. If no, let switch to teleconference listeners. Operator, please?

Operator - -

Thank you. We will now take audio questions. (Operator Instructions) Our first question from Pawel Szpigiel, mBank Securities. Please go ahead.

Pawel Szpigiel - Dom Maklerski mBanku S.A., Research Division - Analyst

Q. My first question, on the slide 13, we see that ARPU from broadband amounted to PLN 57, it was stable quarter-to-quarter. On the other hand, we see growing share of wireless for fixed in the broadband customer base. Could you elaborate a little bit on that please, say if reduced tariffs in Neostrada are still affecting negatively ARPU here.

Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

Thank you, for the question. So, as you have heard we have modified quite substantially our offers for convergent packages and standalone broadband offers. And those new price points reflect our strategy of more for more, so I was also commenting that in the quarters to come, we should see the revenue of the broadband category, not only to be fueled by the broadband base, but also improved average uptake on the ARPU of next transactions that we are going to see in our commercial activity. Of course, this process will be a sequential process, so do not expect a sudden hike of such trend. It is reflecting the fact that we are renewing or acquiring only a small percentage of the base each month. So, it will be just according to the trend.

Pawel Szpigiel - Dom Maklerski mBanku S.A., Research Division - Analyst

Q. The second one is, in your press release you stated that you are working on how to limit the negative impact of roaming going forward. Could you please be more clear, a little bit of that on that topic?

Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

Two things, we are going to do and we are in the middle of this actually. The first thing is obviously renegotiating our agreements with the major operators that our customers, our Polish customers are using when they are roaming. That's the first thing. And the second one is you probably know that on the Polish market, almost all of the operators have requested the regulator the UKE an exemption on national roaming obligation. We will do the same, actually we will request an exemption, well because especially, we have a number of customers, which are living in the borders, especially in the borders of Germany, which actually for that reason, we would like to get exemption to be able to, I would say fairly price those offers.

Pawel Szpigiel - Dom Maklerski mBanku S.A., Research Division - Analyst

Q. And the last question is about real estate sales. The third quarter wasn't that strong as I expected in that field, could you please say something more on that topic, what kind of size of real estate sale could we expect in the coming quarters?

Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

So here Pawel, I would like to have for you more clear news, but that the whole activity is based on the negotiation processes that we have launched in many cases and the result is not certain. But we are somehow more optimistic looking at Q4, of course, not only in the context of Q3 results, but it's too early and it's too volatile to commit on concrete results on the cash or EBITDA here, because anything could go well or could go wrong in such negotiations and we do not want to jeopardize our activity by stating or committing to certain values that we will achieve. What we can say is that we are fully committed to as fast as possible process of releasing the value from the real estate that we actually don't need today. So that's what I say about that.

Operator - -

The next question is from Vera Sutedja, Erste Bank. Please go ahead. Vera, your line is open.

Maria Veronika Sutedja - Erste Group Bank AG, Research Division - Analyst

Q. I have a quick question, please, related to the handset sales. So, we have these time below the PLN 300 million guidance that you gave us some time ago. I was wondering, is this part of your policy, because you're declining your handset subsidies, so we are going to have a much lower growth rate in handset sales. And also is the rate that we should go going forward, PLN 270 million per quarter?

Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

So, actually, Vera, to be precise, we are not selling handsets on a standalone basis. We are actually selling bundles of the service together with the handset. For us, the pricing of the handset is a tactical weapon that we use on the demand and supply front, and we are managing this activity in a way which allows us to take the best from the demand, which is on the market. So, we take care that the handset that we have are the ones that our customers want. We try to get them at the best pricing possible from suppliers, and we try to market them in the most attractive packages that we are able to get from the service perspective, because this is what we first of all earn on.

And the activity of the handset today is quite positive also for us, because in absolute terms, we are able to generate quite low subsidy if at all, subsidy at this stage. But this is not forever, and we know

that that could change in the future. However, looking at Q4, we are expecting that activity to be at similar level like last year. So, it's not going to be a big hike as it was in the first semester of this year.

Maria Veronika Sutedia - Erste Group Bank AG, Research Division - Analyst

Q. Okay, understand. And regarding the Orange Love, if I may ask, from your side fiber net add growth, how much of it is coming from Orange Love?

Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

It's in my view, more than 50%, but we would have to -- it's around 60% something Orange Love, within the fiber.

Maria Veronika Sutedia - Erste Group Bank AG, Research Division - Analyst

Q. Okay. So (inaudible).

Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

We will reconfirm this figure later on, because I'm just picking out of my memory. So we will have to double check, but in my view this is around 2/3.

Maria Veronika Sutedia - Erste Group Bank AG, Research Division - Analyst

Q. And so my final question related to roaming like at home, please. So this is just for the third quarter effect, right. So, what do you think, is this going forward is going to be as big, the PLN 73 million lower EBITDA, just specifically just for the seasonal quarter?

Maciej Nowohonski - Orange Polska S.A. - Member of the Management Board & CFO

Q3 is always a specific season for Poland, because many customers are basically using roaming when traveling for vacations. It's not going to be that extent large volume in Q4 and so we expect negative impact on the EBITDA, but lower than in Q3.

Operator - -

(Operator Instructions) We have a question from Ondrej Konak, Patria Finance.

Ondrej Konak, Patria Finance

One question from my side. You reported very solid results, congratulations. Just, should we expect a dividend policy revival any time soon of [showing] the results or is it something still out of the table?

Leszek Iwaszko - Orange Polska S.A. - Director of IR Department

Ondrej, could you please repeat your question? I couldn't hear you very well.

Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

If I understand that question was, whether we are going to say something about the dividend revised the dividend policy.

Ondrej Konak, Patria Finance If you are going to to revise your dividend policy anytime soon as a result of the solid results you reported?

Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

It's absolutely too early. We are just 1.5 month after we have launched the strategy. So it would be a bit too early.

Operator - -

(Operator Instructions) We have no audio questions at this moment. Mr. Leszek, back to you.

Leszek Iwaszko - Orange Polska S.A. - Director of IR Department

Thank you. Are there any follow-ups? Yes.

Pawel Puchalski - Dom Maklerski BZ WBK S.A., Research Division - Head of Equity Research

Q. Roam like at home. I know you will apply sooner or later for an exemption to the regulator. I wanted to know whether there are any deadlines for the regulator to answer to your and other operators' claims?

Maciej Nowohoński - Orange Polska S.A. - Member of the Management Board & CFO

Well, that is just the track record that we have seen. So it is taking something like four to six weeks, the whole process. From the request for exemption to the granting, well, it is just the track record, based on the process that we have seen for some other operators.

Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

But without waiting about the feedback of the request of this exemption, just for you to know, so to complete my previous answer about roam like home, we have also started to actually invoice permanent so called permanently roamers, because you know that this regulation is allowing us actually to invoice roaming for those of our customers that would spend more than 50% of their time abroad in the period of four months. So that has started as well. So that also will limit this effect in the future, because as you can imagine, a very few of our customers are generating big part of this cost actually. So, this also has started just now because we are four months after 15th of June.

Pawel Puchalski - Dom Maklerski BZ WBK S.A., Research Division - Head of Equity Research

And finally again on this regulatory exemption. What is the scale of this exemption, is it 5%, 50% of the total cost of roam like at home?

Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

So first of all, this is an exemption that is eventually possible if the impact of the roam like home is more than 3% of your mobile business EBITDA, so that's the first point. Then obviously this will be the judgment of the UKE to allow us to be exempted or not. And what these exemptions, if you as it stated, it gives you the [possibility] eventually for you to invoice some of your mobile customers if needed. So obviously we are not going to change our policy and our direct policy. So, we are at all going to get out of the roam like home, that's not the point, majority of our customers will do. But we will be eventually capable to invoice some very heavy users that are very close to this permanent roamer position. So that's what we aim to do, and that should really solve, let say 60%, 70% of our issue on roam like home.

Pawel Puchalski - Dom Maklerski BZ WBK S.A., Research Division - Head of Equity Research

70% on top line alone, or?

Jean-François Fallacher - Orange Polska S.A. - President of the Management Board and CEO

No, the roam like home is not top line issue, it's a cost issue. Our mobile data traffic has been multiplied by more than 20.

Pawel Puchalski - Dom Maklerski BZ WBK S.A., Research Division - Head of Equity Research

50%, 60% of the cost burden. Thank you, very much.

Leszek Iwaszko - Orange Polska S.A. - Director of IR Department

Any more questions from the floor? No questions so I would like to thank you very much for your attention, and see you back in February with full-year results and outlook. Thank you.

Operator - -

That will conclude today's conference call. Thank you for your participating. Ladies and gentlemen, you may now disconnect.