

Orange Polska 1Q'16 results

26 April 2016



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 #23)

Contents

1. Highlights

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3. Conclusion

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Highlights

Bruno Duthoit
Chief executive officer

1Q financial results in line with expectations

Strong commercial performance in mobile

* change calculated based on restated figures as presented in appendix (slide #23)

** restated as presented in appendix (slide #23)

*** as defined on slide #17

PLN 2.80bn
group revenue,
-4.2% yoy*
(+1.7% yoy in mobile)

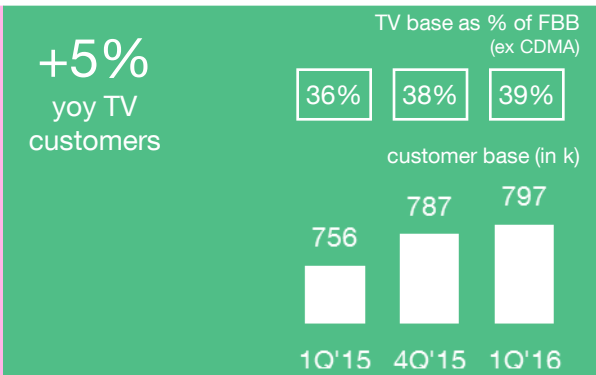
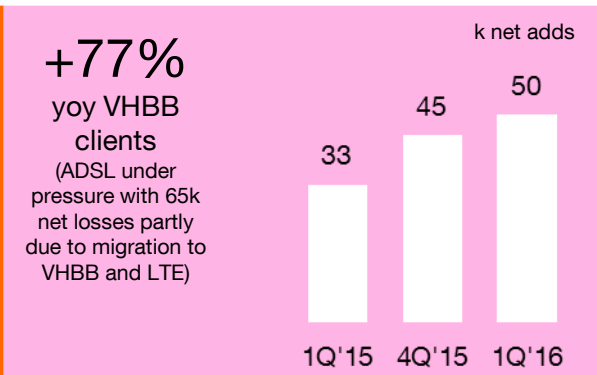
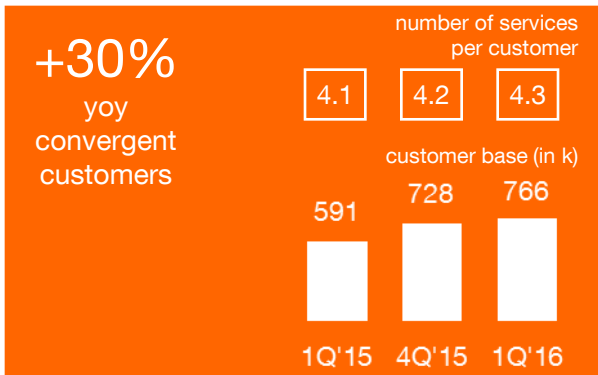
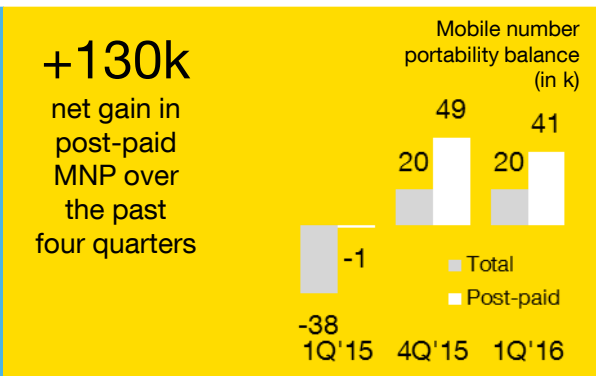
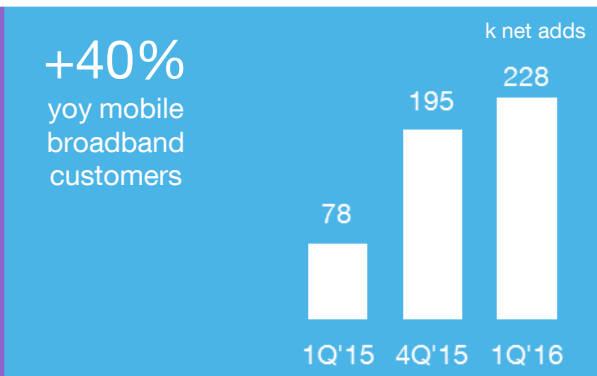
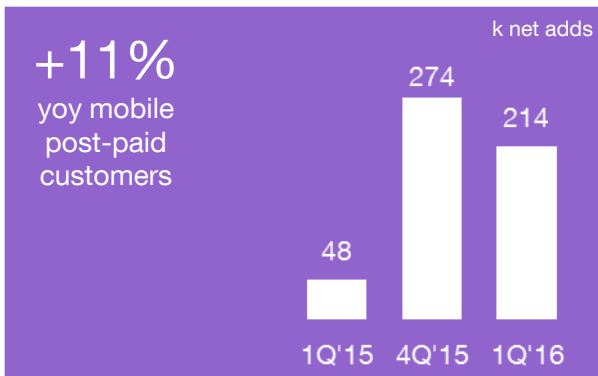
PLN 868m
restated EBITDA,
-9.6% yoy*
(FY guidance confirmed)

31.0%
restated EBITDA
margin,
-1.8 pp yoy*

PLN 377m**
capex
+17% yoy*

PLN -58m
organic cash flow***

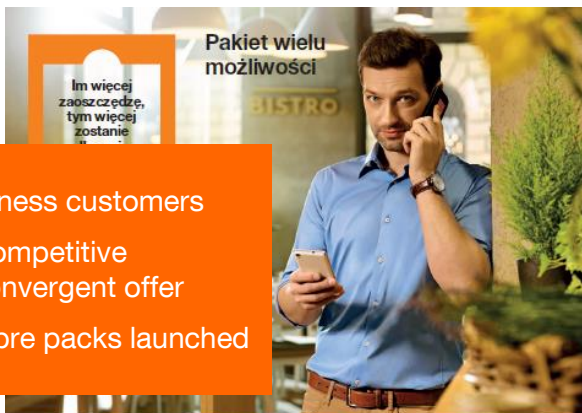
Outstanding commercial momentum in mobile continues



Marketing activity focused on differentiation through convergence and fibre

Business customers

- Competitive convergent offer
- Fibre packs launched



Wybierz pakiet

Internet stacjonarny + 2x Orange Biz Krajowy +

za 84,99 zł + VAT:

Internet mobilny LTE

Internet rozłączy 16 GB

za 9,99 zł + VAT

Internet rozłączy 16 GB

za 15 zł + VAT

zamiennie na Orange Biz Europejski

Internet rozłączy 16 GB

za 19,99 zł + VAT

kolejną kartę SIM

i powiększ go zgodnie z potrzebami swojej firmy:

a do tego smartfon w supercenie:

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Razem oszczędniej

Abonament komórkowy za połowę ceny przez cały okres trwania umowy na usługę stacjonarną dla Klientów, którzy otworzą konto bankowe w Orange Finance

Cyberrozyjka

Nowa TV z superszybkim światłowodem 300 Mb/s

Rok TV za 0 zł

Światłowód 300 Mb/s

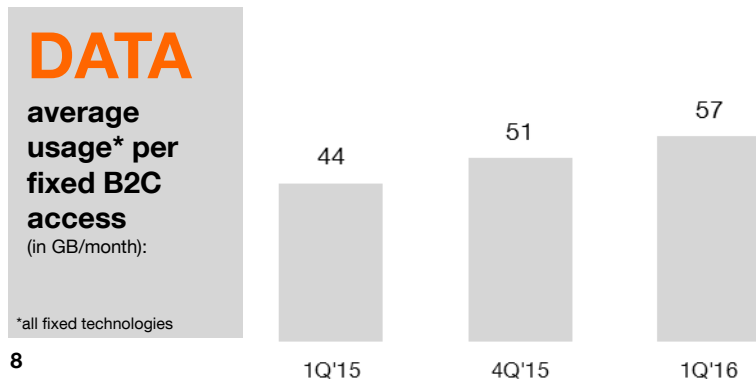
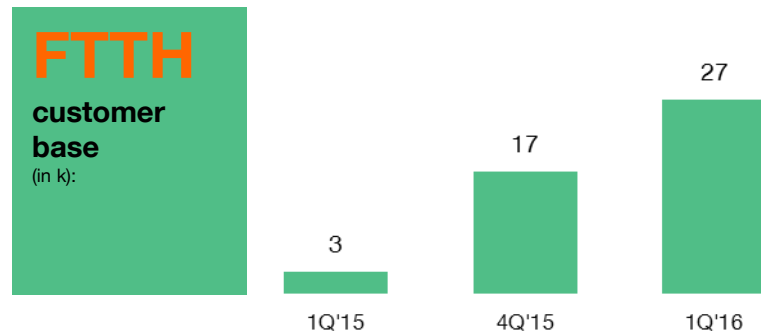
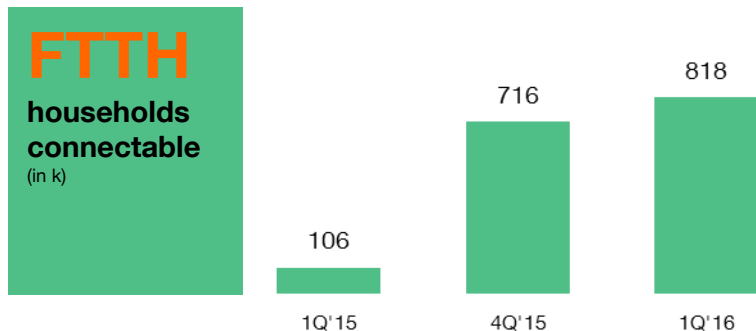
Zapraszam Orange, Wa Aleje Jerozolimskie

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Mass market

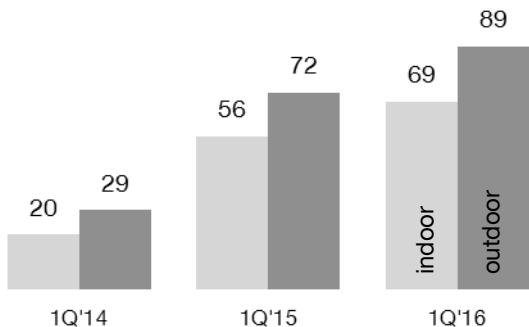
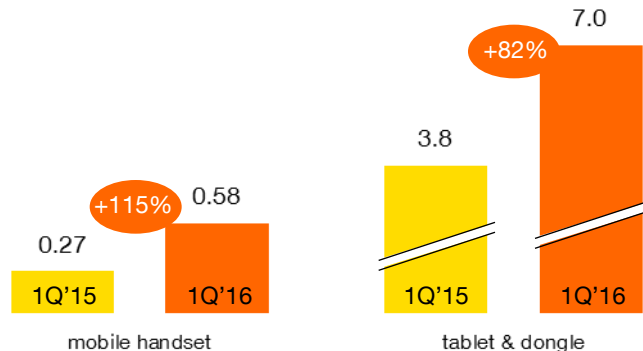
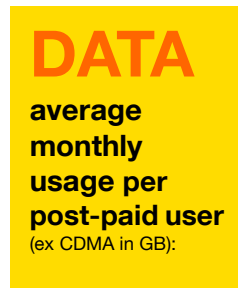
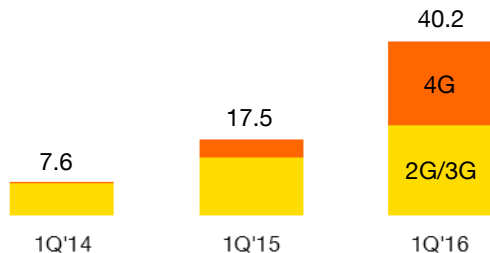
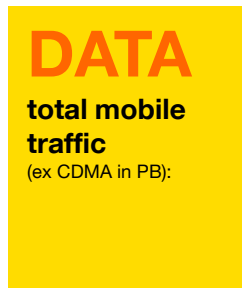
- New TV offer (based on content aggregated by OPL) promoted on special terms
- Mobile plan discount in FTTH acquisition (up to 12 months for free)
- 50% off for Mobile Voice for fixed clients who open an Orange Finance account and bank actively
- Navigation Orange for free in Family offers

FTTH network deployment progresses as scheduled



- 102k new households connectable in 1Q, mainly in Warsaw, Łódź, Wrocław and Kraków
- PLN 66m of capex in 1Q'16, as planned
- Full-year target to connect up to 800k households maintained
- Progress on new technologies based on fibre:
 - MoCA: service launched
 - G.fast: commercial pilot launched

Investments in mobile connectivity to accommodate growth of data traffic



- Rapid growth on data consumption per user continues
- 2,421k LTE unique active users in Mar 2016, up 2.7x yoy
- 63% smartphone penetration in post-paid voice (vs 53% in 1Q'15)
- >200 base stations on 800/2600 MHz launched

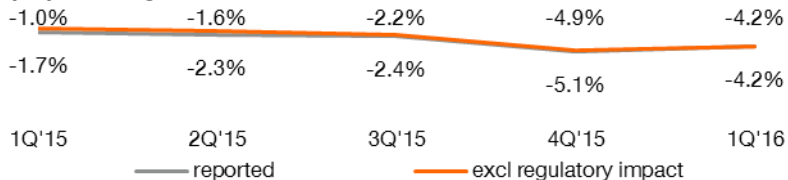
Financial review

Maciej Nowohoński
Chief financial officer

1Q revenue evolution supported by better trend in mobile

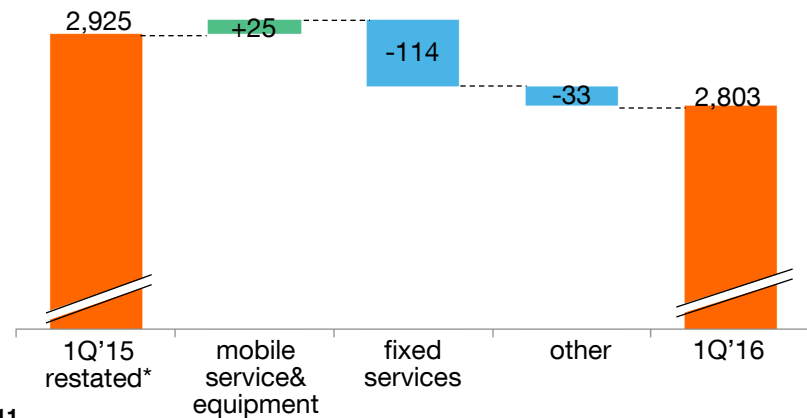
Group revenue evolution

yoy change



Group revenue evolution breakdown

in PLNm



11

* restated as presented in appendix (slide #23)

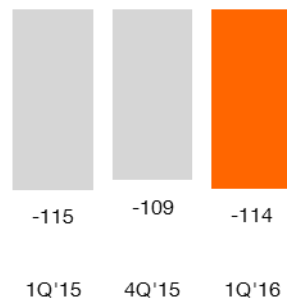
Mobile revenue, ex reg

- growth of equipment sales reflects marketing push and high popularity of instalment offers
- service revenues benefit from customer take-up

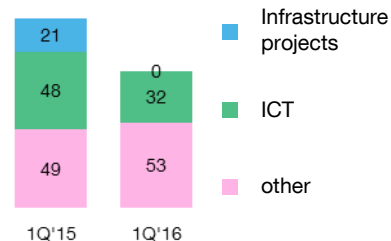


Fixed revenue, ex reg

key trends unchanged (yoy in PLNm)

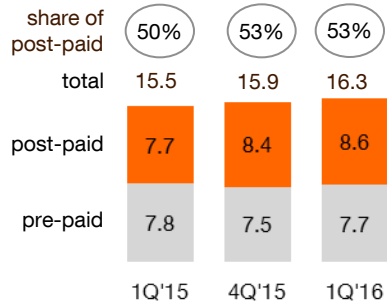


Other revenue reflect completion of infrastructure projects and lower ICT revenues (in PLNm)

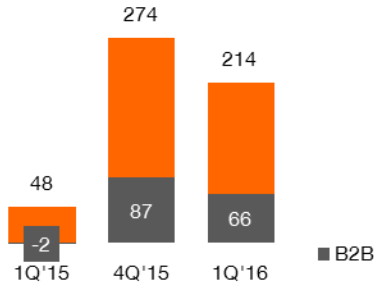


Revenue supported by strong growth of mobile equipment sales

Mobile customers in millions

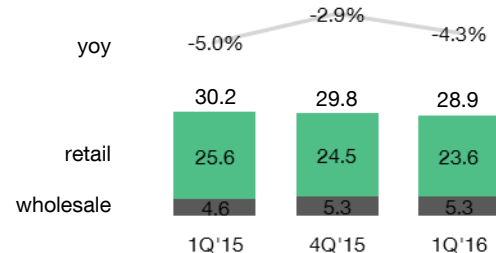


Post-paid net adds in k

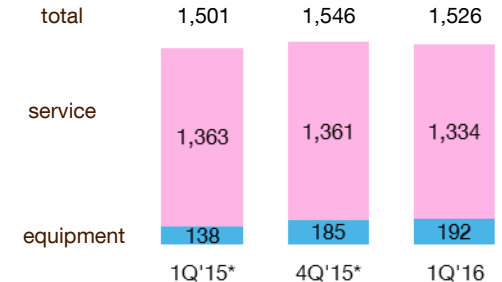


- Continuous growth of equipment sales reflects market trend of growing popularity of offers with handsets sold on instalments
- As a result some value is transferred to equipment revenues and is no longer visible in service revenues and ARPU
- We expect shift towards instalment model to continue following decision on discontinuation of subsidised offers in B2C
- ARPU trend also impacted by:
 - dilution effect from higher share of SIMO offers
 - lower growth of incoming traffic

Blended ARPU trend (PLN/month) and yoy % change



Mobile revenue (PLNm)

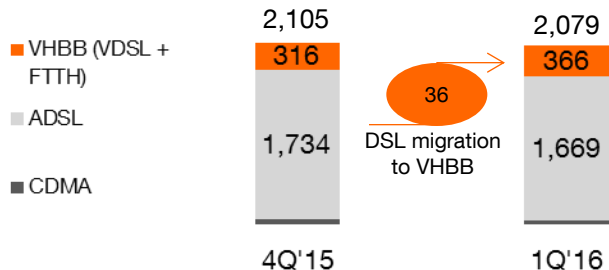


* service revenue after reclassification of wholesale SMS service from "Data, messaging, content and M2M" to "Enterprise solutions & networks"

Very good net additions in high speed broadband services

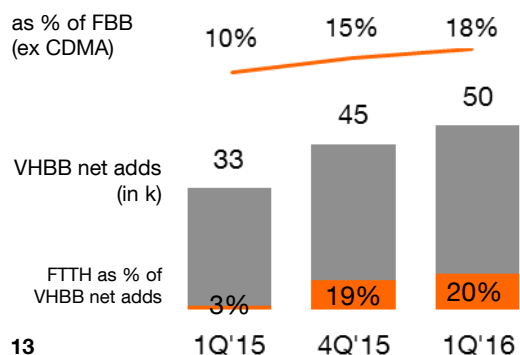
Retail broadband accesses

(in k)

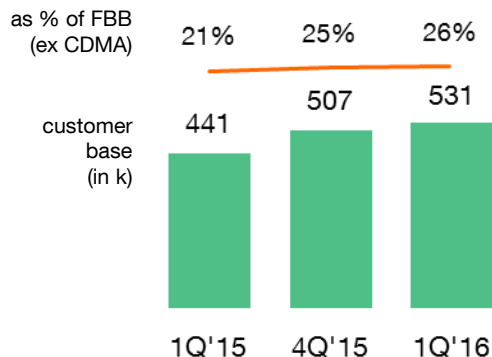


- Total loss of lines unchanged qoq impacted by competition mainly from fixed to mobile substitution
 - the highest ever VHBB net additions
 - 66% of FTTH net adds in Q1 new clients for OPL
- ARPU affected by lower prices

VHBB (VDSL+FTTH) customers

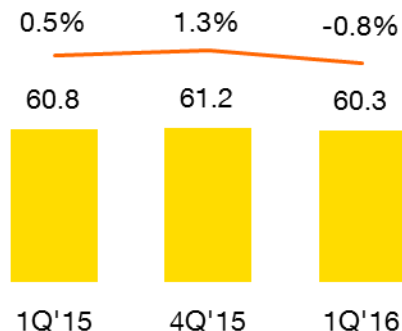


3P customer base



ARPU (broadband, TV, VoIP) evolution

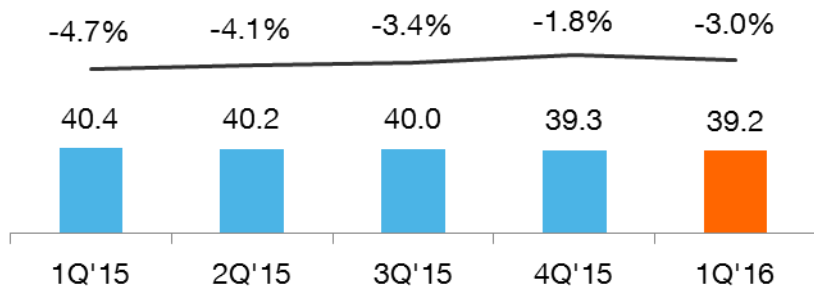
in PLN/month and yoy % change



Fixed voice trends kept unchanged despite fixed to mobile substitution

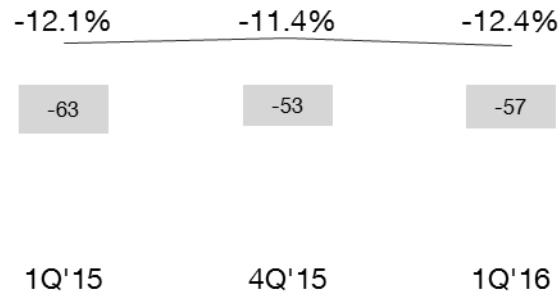
Retail fixed voice ARPU* evolution

in PLN/month and yoy % change



Unchanged revenue trend

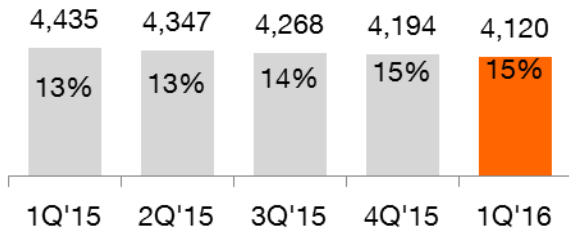
yoy change in PLNm and %



Retail fixed voice lines evolution

in k

VoIP as % of total

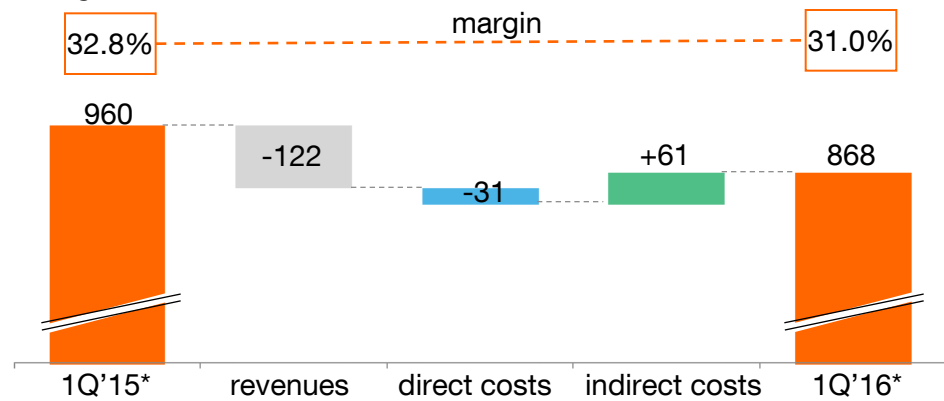


- Stable quarterly customer evolution driven by structural trends
- 19% penetration of fixed voice in convergence customer base (13% in 1Q `15)

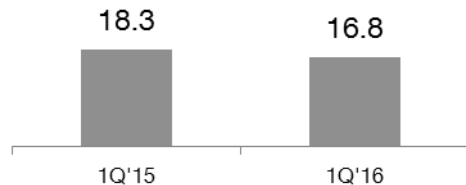
1Q EBITDA reflects effective commercial investments and continued costs savings

Group restated EBITDA* evolution

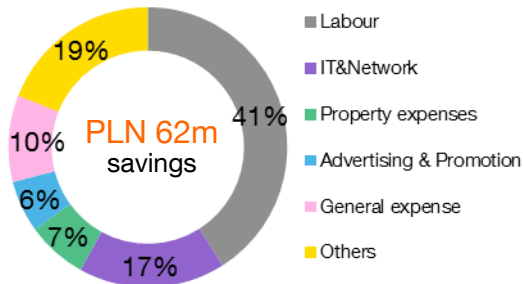
yoy change in PLNm



employment down 7.7% yoy
(in kFTE end of period)



split of cost savings



- Direct costs** driven by higher interconnect costs due to increase in mobile traffic
 - Despite much higher mobile net adds direct commercial expenses down slightly yoy due to high share of SIMO offers in sales acts
- Reduction of indirect costs** helped by costs savings
 - Costs of Network & IT down yoy on the back of lower revenues and optimisation initiatives
 - Labour costs lower due to headcount reduction and provision reversal (net effect of PLN 36m yoy)

Net income impacted by lower EBITDA and higher financial costs

in PLNm	1Q'15	1Q'16	change
reported EBITDA	959	868	-91
depreciation and amortization	-710	-653	+57
impairment of non-current assets	-3	-	+3
reported operating income	246	215	-31
net financial costs	-58	-96	-38
income tax	-17	-21	-4
reported net income	171	98	-73

D&A was down as amortization of new spectrum (for one month) was offset by positive effect from extension of useful life for certain network assets.

Net financial costs up following increase of debt to finance LTE spectrum.

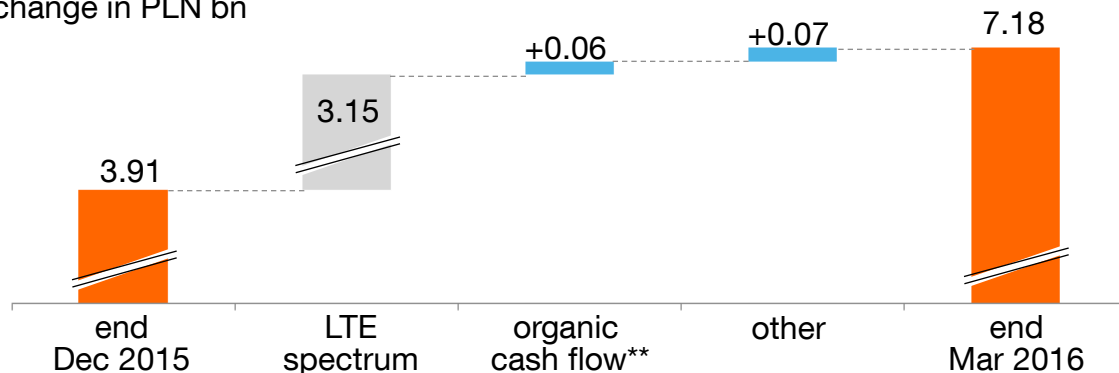
Cash flow in 1Q reflects high payments for capex vendors

in PLNm	1Q'15	1Q'16	change
Net cash flow from operating activities before income tax paid and change in working capital	839	702	-137
Change in working capital	-121	-17	+104
CAPEX ex LTE spectrum*	-314	-365	-51
Change in CAPEX payables	-216	-350	-134
LTE auction deposits / Acquisition of LTE spectrum	-200	-3,148	-2,948
Income tax received/(paid)	-51	-53	-2
Sales of assets	15	25	+10
Reported organic cash flow	-48	-3,206	-3,158
LTE auction deposits / Acquisition of LTE spectrum	200	3,148	+2,948
Organic cash flow	152	-58	-210

Higher net debt reflects payment for spectrum

net debt evolution

change in PLN bn



1.1x net debt to restated EBITDA*

2.1x

Guidance on net debt to restated EBITDA below 2.2x confirmed

1Q'15
4.0% effective interest rate on debt

1Q'16
3.7%

Conclusion

Bruno Duthoit
Chief executive officer

Conclusion

- **Good appetite for our mobile offers to continue**, mainly SIMO and instalments (in line with market trends)
- **Fixed broadband should follow** driven by:
 - Further investments in connectivity (FTTH and other technologies)
 - More attractive offers and significant marketing push
 - Local approach
 - Growing experience of sales force
- **We reiterate our full-year guidance** for restated EBITDA of PLN3.15bn-PLN3.30 and net debt to EBITDA ratio not higher than 2.2x

- **Orange Polska in a very good strategic position to execute its mid term strategy:**
 - Much better mobile spectrum resources
 - FTTH network rollout ongoing
 - c.850k (11%) more post-paid customers year-on-year
 - Unique position as B2C convergent operator

Q&A

Appendix

Restatements to financial data

<i>in PLNm</i>	1Q'15	1Q'16
Revenue	2,930	2,803
-Revenue of Contact Center	-5	-
Restated revenue	2,925	2,803
EBITDA	959	868
-Employment termination expense	+1	-
Restated EBITDA	960	868
Capital expenditures	321	3,545
- Acquisition of telecommunications licences	-	-3,168
Restated capital expenditures	321	377

Glossary (1/4)

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

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
UOKiK	Office for Competition and Consumer Protection

Glossary (4/4)

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