Orange Polska

4Q'16 and FY'16 results

13 February 2017

orange™

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	4Q'15	4Q'16	FY'15	FY'16
Revenue	2,926	2,981	11,840	11,538
-Revenue of Contact Center	-	-	-14	-
Adjusted revenue	2,926	2,981	11,826	11,538
EBITDA	584	640	3,431	3,163
-EBITDA of Contact Center	-	-	-4	-
-Employment termination expense net of related curtailment of long-term employee benefits	89	-	90	-
Adjusted EBITDA	673	640	3,517	3,163
Capital expenditures	860	777	1,998	5,169
-acquisition of telecommunications licences	-	-	-	-3,168
Adjusted capital expenditures	860	777	1,998	2,001
Organic cash flow	863	165	962	-2,528
-LTE auction deposits / Acquisition of LTE spectrum	-741	-	-	3,148
Adjusted organic cash flow	122	165	962	620

Contents

Highlights

Jean-François Fallacher
Chief Executive Officer

2016 full year 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

4Q financial results driven by strong commercial push

PLN 2.98bn
adjusted revenue**, +1.9% yoy*
(+8.6% yoy in mobile, driven by equipment sales)

PLN 640m
adjusted EBITDA**, -4.9% yoy*
(FY guidance achieved)

21.5%
adjusted EBITDA** margin, -1.5 pp yoy*

PLN 777m
adjusted capex** 26.1% of revenue

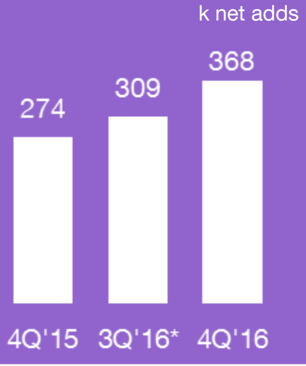
PLN 165m
adjusted organic cash flow**

* change calculated based on adjusted figures as presented in slide #3

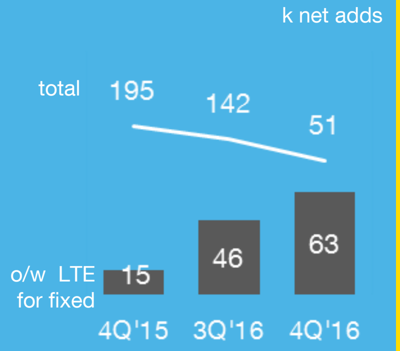
** adjusted as presented on slide #3

Strong commercial performance in post-paid mobile and VHBB

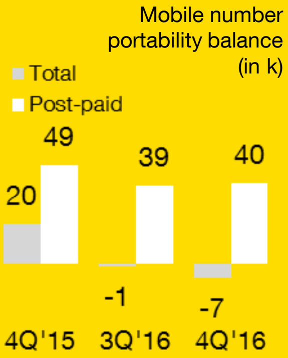
+13%*
yoy mobile post-paid customers



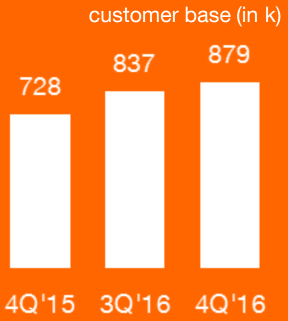
+33%
yoy mobile broadband customers



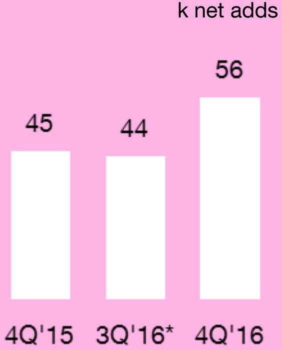
+152k
net gain in post-paid MNP over the past four quarters



+21%
yoy convergent customers

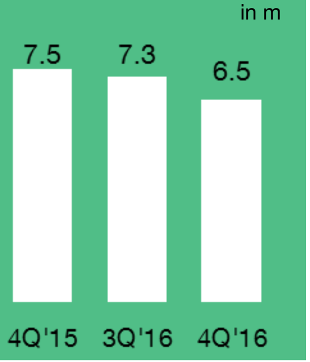


+65%*
yoy VHBB customer base



pre-paid base impacted by SIM card registration obligation

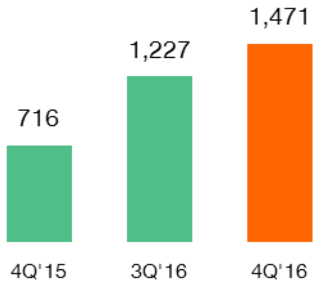
96% of active base registered as of 1 Feb. 2017



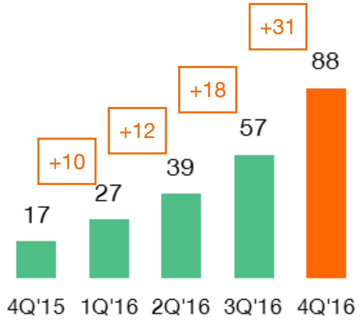
* Please refer to the slide #27 presenting effects of customer base revision

Accelerated fibre customer take-up in 4Q

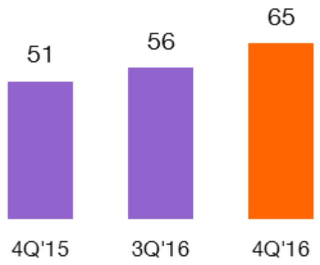
Fibre
households connectable
(in k)



Fibre
customer base
(in k)

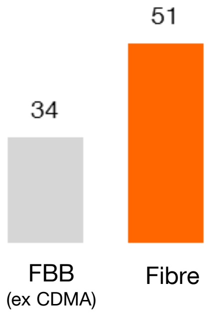


DATA
average usage per fixed B2C access
(in GB)



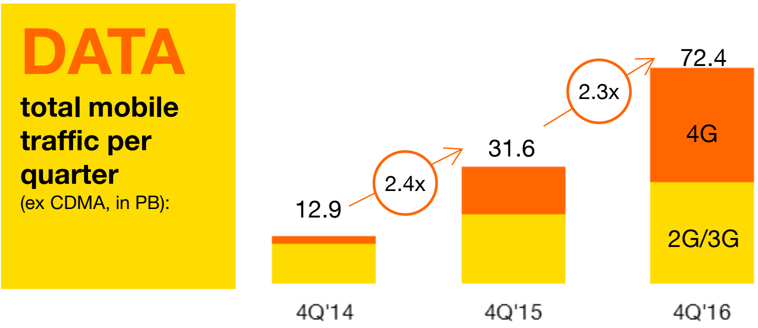
>50%
of Fibre base is convergent

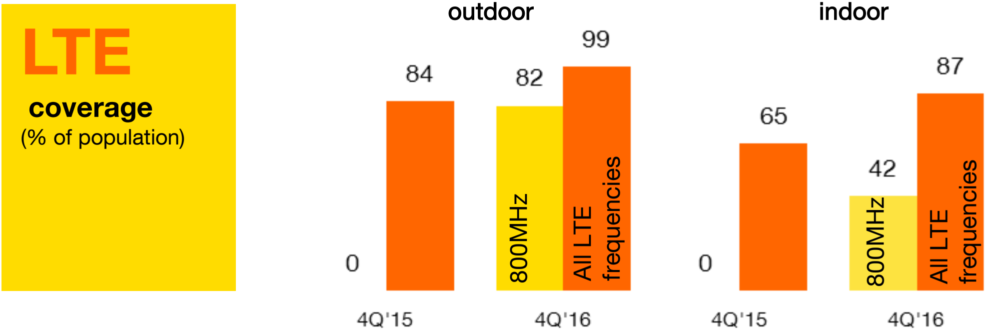
convergence as % of B2C base
(in %)

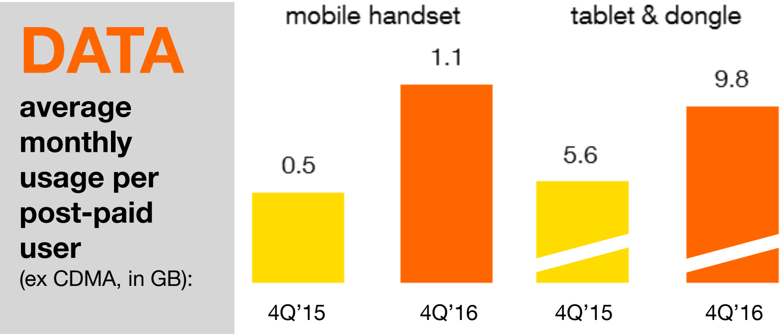


- 31k net customer additions in 4Q vs 18k in 3Q
  - 79% of 4Q gross adds new customers to OPL
  - Service already available in 37 cities
- 244k new households connectable in 4Q (755k in FY’16)
- PLN 528m capex in 2016 – capex per household at around PLN500
- Agreement with Inea (CaTV) to facilitate potential wholesale access to c.110k Fibre households in 2017-2018

Mobile data wave continues







- LTE 800MHz population coverage at 82% outdoor and 42% indoor
  - 62% of total mobile traffic is 4G
- 4.3m LTE unique users in Dec. 2016, +14% qoq
- 67% smartphone penetration in post-paid handset customer base (vs 59% in 4Q'15)
- Network co-operation with T-Mobile (RAN sharing) extended to equipment operating on 800MHz and 2600MHz, enabling to further increase coverage and improve capacity of LTE network in rural areas and indoors

All you need is simple and affordable

„hard bundle"

Mobile offer with unlimited voice and SMS, 3GB of data + fixed broadband (copper, fibre, LTE for fixed) and TV

competitive pricing

Ranging from PLN69 to PLN109 per month depending on fixed BB speed

customer benefits

one order, one contract, one delivery, one payment and one customer service

Orange Fibre
100Mb/s

\+

Mobile
unlimited calls and SMS
3GB data

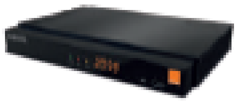
\+

Fixed
unlimited domestic and international calls

\+

4K Orange TV
97 channels including 33 HD

FunBox 3.0 modem
superfast Wi-Fi, transfer of data available to date, only through the wired connection



Samsung TV decoder
4K Ultra HD quality
simultaneously recording up to 3 channels
VOD – hundreds films available

PLN 69 a month for the first year and PLN 99.9 thereafter

SMART CROSS-SELLING WHILE PROTECTING VALUE

Financial review

Maciej Nowohoński
Chief Financial Officer

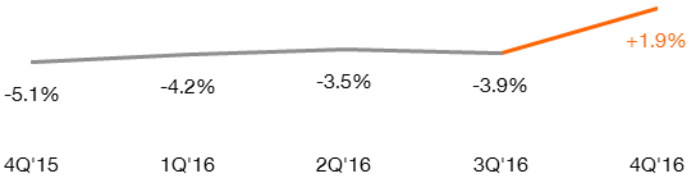
4Q/FY'16 financial results key highlights

in PLNm	FY'16	% yoy	4Q'16	% yoy	key points for 4Q
adjusted revenues*	11,538	-2.4	2,981	+1.9	▪ Mobile supported by equipment sales ▪ Growth of ICT
adjusted EBITDA*	3,163	-10.1	640	-4.9	▪ Strong customer acquisition reflected in much higher commercial costs ▪ FY guidance achieved
% of revenues	27.4	-2.3 pp	21.5	-1.5 pp	
adjusted CAPEX*	2,001	+0.2	777	-9.7	▪ FY outlook delivered
% of revenues	17.3	+0.4 pp	26.1	-3.3 pp	
adjusted organic cash flow*	620	-35.6	165	+35.2	▪ Supported by working capital and lower tax

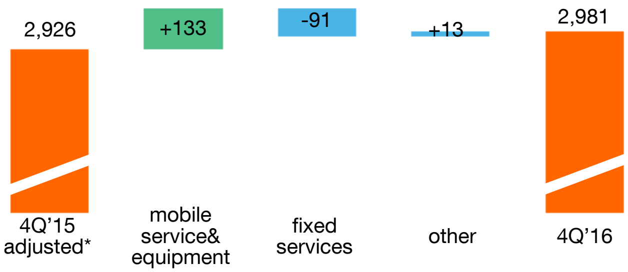
* adjusted as presented on slide #3

Growing 4Q revenue reflects seasonal commercial peak and better ICT

Adjusted revenue evolution
yoy change



Adjusted revenue evolution breakdown
in PLNm

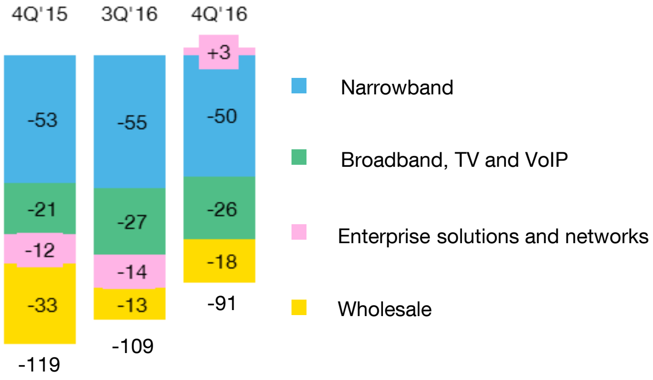


* adjusted as presented on slide #3

Mobile revenue
- Reflects strong shift towards instalment offers
- Includes small impact of pre-paid registration bonuses

Fixed revenue
- Enterprise solutions up due to ICT services

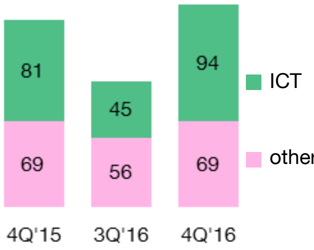
(yoy in PLNm)



Mobile revenue
(yoy in PLNm)

Other revenue
reflect higher ICT revenues

(in PLNm)



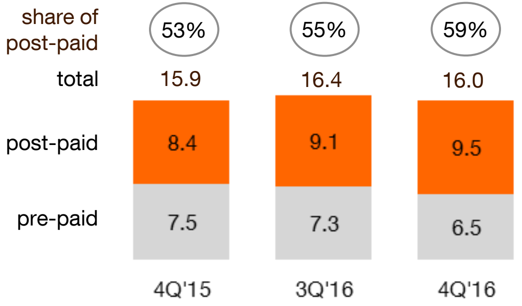
Mobile supported by equipment sales and growing post-paid base

4Q mobile revenue
PLN 1,679m
+8.6% yoy

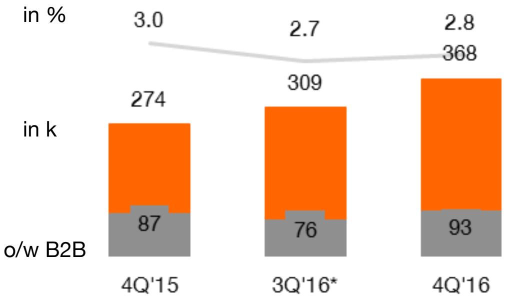
service	equipment
PLN 1,313m	PLN 366m
-3.5%yoy	+98%yoy

- Robust growth of equipment sales due to shift to instalment offers, more high-end handsets and other sales of equipment
- Customer base trend unchanged versus previous quarter:
  - Post-paid: the highest net additions in many years driven by high popularity of Family offers and increased migration from pre-paid
  - Pre-paid: sharp drop in low usage one-time activations following SIM card registration obligation
- ARPU trend unchanged in post-paid; pre-paid better owing to base erosion

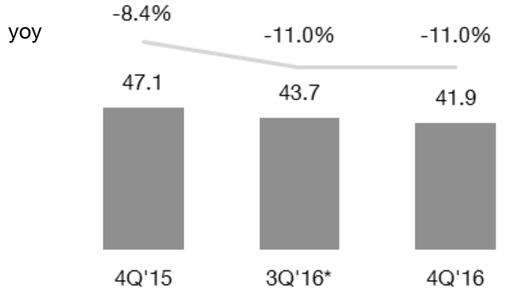
Mobile customers
in millions



Post-paid net adds & quarterly churn



Post-paid ARPU trend
(PLN/month) and yoy % change

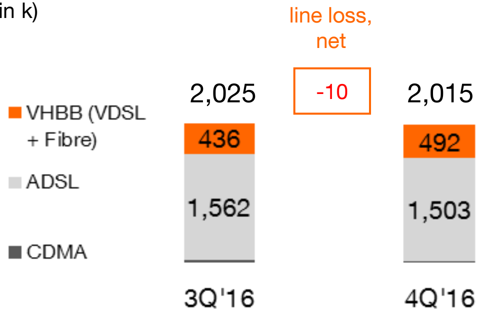


* Please refer to the slide #27presenting effects of customer base revision

High speed FBB at 25% of the base**

Retail fixed broadband accesses

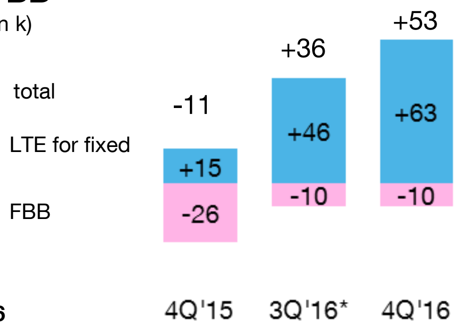
(in k)



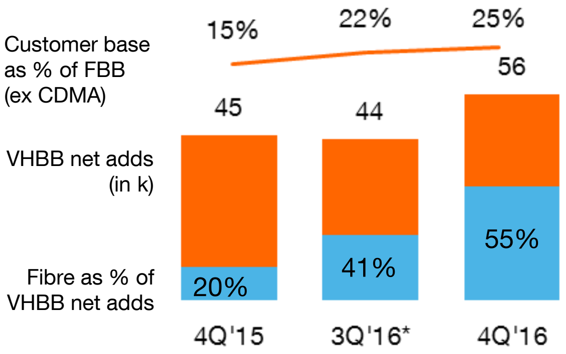
- This highest ever net additions to VHBB (VDSL+Fibre) almost entirely offset line losses in ADSL
  - On our estimates OPL increased its volume market share in high speed broadband in Poland in 2016 by few percentage points
- LTE for fixed (substitution for fixed broadband) customer base up almost 50% in 4Q
- ARPU reflect constant competitive pressure from LTE and CATV

LTE for fixed offsets losses in FBB

(in k)

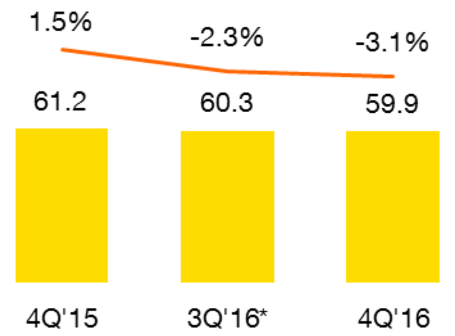


VHBB (VDSL+Fibre)



ARPU (broadband, TV, VoIP) evolution

in PLN/month and yoy % change*

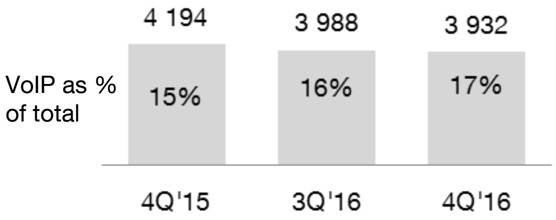


* Please refer to the slide #27 presenting effects of customer base revision

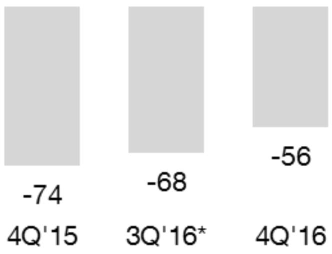
** Excluding CDMA

PSTN legacy erosion continues

Retail fixed voice lines
(in k)

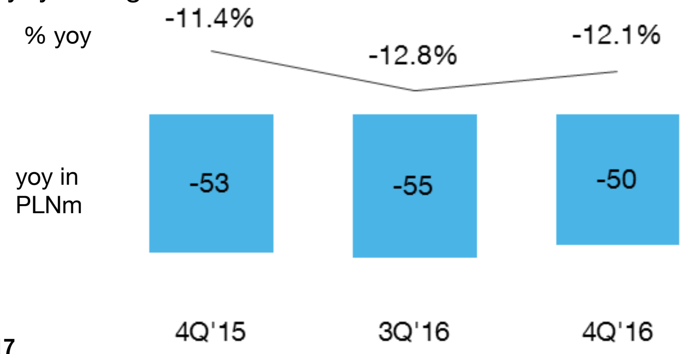


Net line losses
(in k)

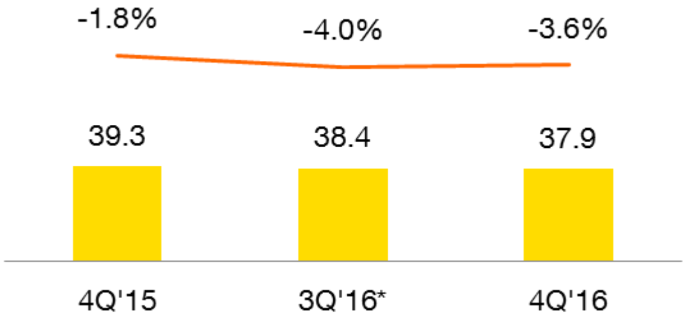


- Performance of PSTN continues to be affected by unfavorable demographic trends, partial regulation and mobile substitution

Similar revenue trend
yoy change in PLNm and %



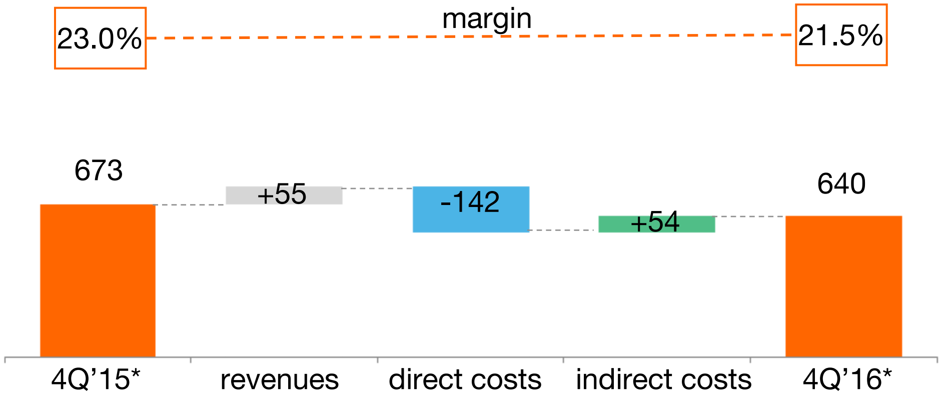
Retail fixed voice ARPU evolution**
in PLN/month and yoy % change



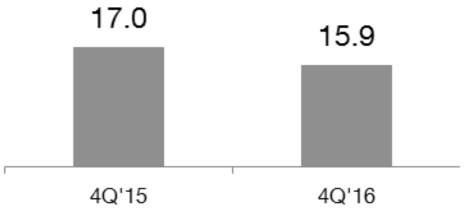
* Please refer to the slide #27 presenting effects of customer base revision
** excluding VoIP revenues which are included in broadband revenues

4Q EBITDA impacted by seasonal peak in commercial spending

Adjusted EBITDA* evolution
yoy change in PLNm



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



- **Direct costs** up strongly yoy due to:
  - Higher interconnect costs continue to reflect 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

* adjusted as presented on slide #3

Bottom line reflects impairment loss and seasonally low EBITDA

in PLNm	FY'15	FY'16	4Q'15	4Q'16	change
reported EBITDA	3,431	3,163	584	640	+56
depreciation and amortization	-2,871	-2,725	-712	-694	+18
impairment of non-current assets	12	-1,792	10	-1,794	-1,804
reported operating income	572	-1,354	-118	-1,848	-1,730
net financial costs	-291	-359	-81	-88	-7
income tax	-27	-33	46	38	-8
reported net income	254	-1,746	-153	-1,898	-1,745

Reported EBITDA higher yoy due to recognition of new social plan in Q4 2015 (net impact of PLN 89m)

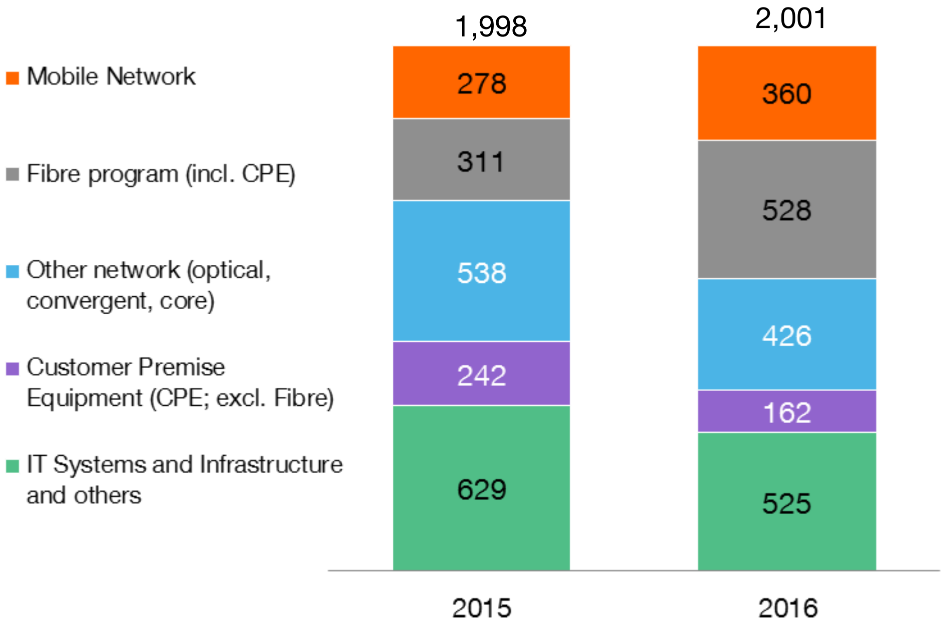
D&A down as amortization of new spectrum was offset by positive effect from extension of useful life for certain network assets

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

Net financial costs broadly flat as higher interest cost partly offset by positive impact of derivatives valuation

Capex driven by fixed and mobile connectivity investments

Investment areas
(in PLNm)



- Fibre capex slightly lower than expected:
  - Capex per connectable household ~PLN500,
  - Other Fibre capex includes outlays for customer connections (incl. CPE), and capex dedicated to B2B customers
- Ex-Fibre capex down 13% yoy to below PLN 1.5bn:
  - Mobile network as the only growing category (LTE roll-out)
  - IT down due to optimisations and completion of some projects
  - Other network lower mainly due to strategic focus on Fibre & LTE
  - CPE fall results from certain B2B projects realised in 2015

Cash flow in 4Q supported by working capital and lower tax

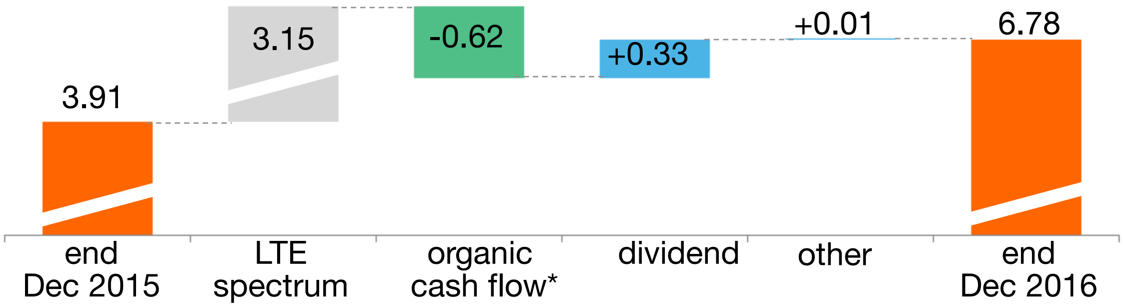
in PLNm	FY'15	FY'16	Change	4Q'15	4Q'16	Change
Net cash flow from operating activities before income tax paid and change in working capital	3,001	2,636	-365	573	536	-37
Change in working capital	-378	-55	+323	-59	-10	+49
CAPEX ex LTE spectrum*	-1,990	-1,986	+4	-854	-773	+81
Change in CAPEX payables	262	-62	-324	463	397	-66
LTE auction deposits / Acquisition of LTE spectrum	-	-3,148	-3,148	741	-	-741
Income tax received/(paid)	-76	-32	+44	-40	-9	+31
Sales of assets	143	119	-24	39	24	-15
Reported organic cash flow	**962**	**-2,528**	**-3,490**	**863**	**165**	**-698**
LTE auction deposits / Acquisition of LTE spectrum	-	3,148	+3,148	-741	-	+741
Adjusted organic cash flow	**962**	**620**	**-342**	**122**	**165**	**+43**

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

Higher net debt reflects payment for spectrum

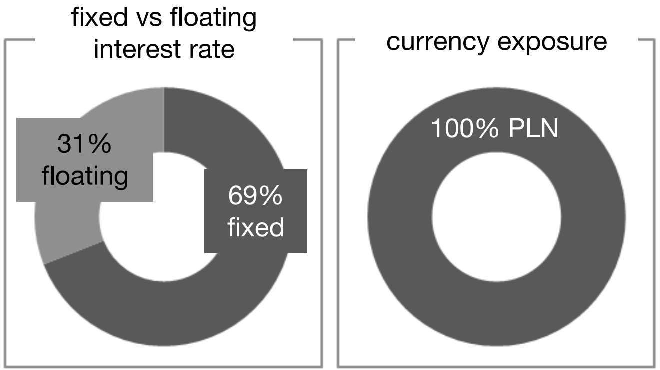
net debt evolution

change in PLN bn



4Q'15		4Q'16
4.1%	effective interest rate on debt	3.3%

Debt after hedging breakdown



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

* as presented on slide #3

2017 outlook

Jean-François Fallacher
Chief Executive Officer

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
		2017 dividend recommendation
dividend	PLN 0.25 per share	Management has decided to maximise cash allocation to strategic investment projects and therefore will recommend not paying any dividend in 2017**

* adjusted as presented on slide #3

** proposal subject to approval of Annual General Meeting of Shareholders

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

Q&A

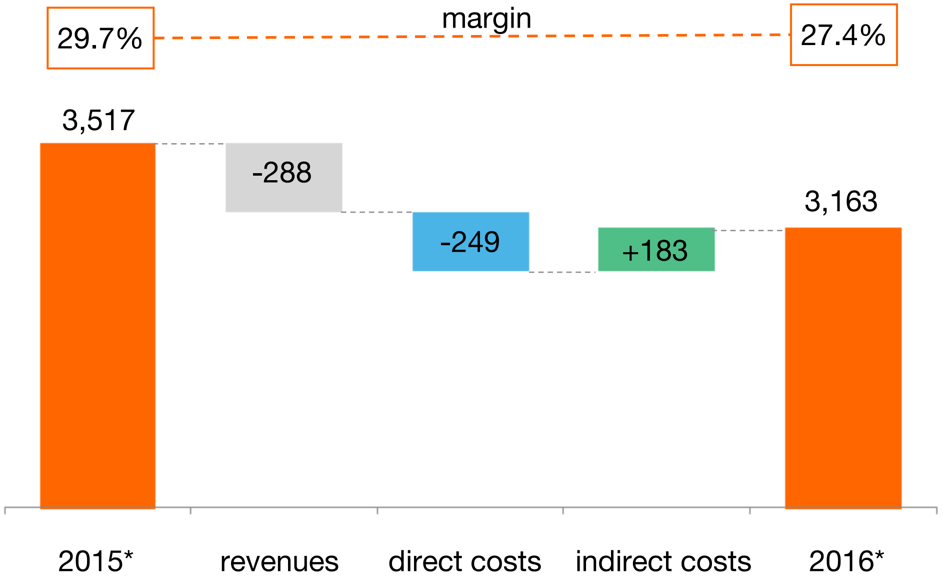
Impact of customer base revision

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.

FY adjusted EBITDA evolution

Adjusted EBITDA* evolution
yoy change in PLNm



* adjusted as presented on slide #3

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