

Orange Polska

results for 2Q 2014



Warsaw
July 25, 2014

part of  RESPECT
Index



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 which reflects deconsolidation of Wirtualna Polska and ORE

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highlights

Bruno Duthoit
chief executive officer



2Q marked by satisfactory commercial gains and profitability improvement

maintained solid commercial activity

- new offers launched in 2Q selling well
- mobile customer base: +3.4% y-o-y (7.0% post-paid), +99k 2Q post-paid net adds
- mobile broadband: +86k q-o-q, the highest quarterly uptake ever
- convergence: 418k Open customer base (+66k q-o-q)
- fixed voice customers: -52k in 2Q2014, vs. -95k in 2Q2013

improving financial results in 2Q

- mobile revenue up 1.7% y-o-y (ex regulations)
- strong 2Q restated EBITDA* at 33.7% margin (+3.3pp y-o-y) supported by robust cost savings
- headcount down by 1.9k FTEs** (-9.2%) y-o-y
- lower cost of financing
- sound balance sheet net debt at 0.9x restated EBITDA*
- OCF at PLN 482mn in 1H; FY guidance reaffirmed

operational development

- broadband deregulation process initiated by the regulator
- renewal of 900MHz license
- mobile networks co-operation ca. 9,600 sites in common use (94% of total)
- 3G coverage at 97% of pop. up from 91% in 1Q
- 4G coverage at 52% of pop. up from 29% in 1Q

* EBITDA for the last 4 quarters restated for restructuring costs in 4Q2013 (PLN -129mn) and PLN -33mn adjustment in 4Q2013 linked to TPSA/PTK merger and for the gain on disposal of Wirtualna Polska in 1Q2014 (PLN 191mn) and the impact of certain claims and litigation in 2Q2014 (PLN -44mn)

** on pro forma basis

enhanced Orange offers focused on value and on improving customer experience

new mobile tariffs aimed at increasing data and roaming consumption

- new smartphones available after one year (within 24-month contract)

handsets available on instalments to accelerate adoption of advanced smartphones and limit subsidies

- a complementary tool for traditional subsidized offers both in B2B and B2C
- invitation for SIM only customers to switch to handset offers

nju.mobile with higher data allowance to push mobile broadband consumption

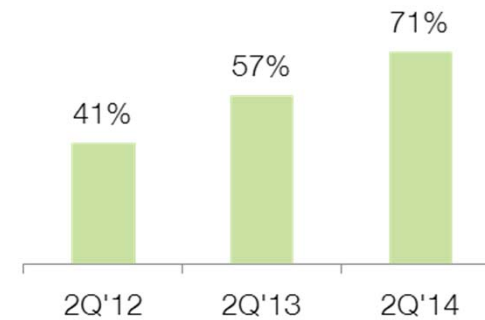
- up from 1GB to 3GB per month with no change in price to be launched mid August

enhanced Orange Open

- up to PLN 65 discount for 8 services (vs up to PLN 30 for 3 services before)
- new fixed solutions for business customers

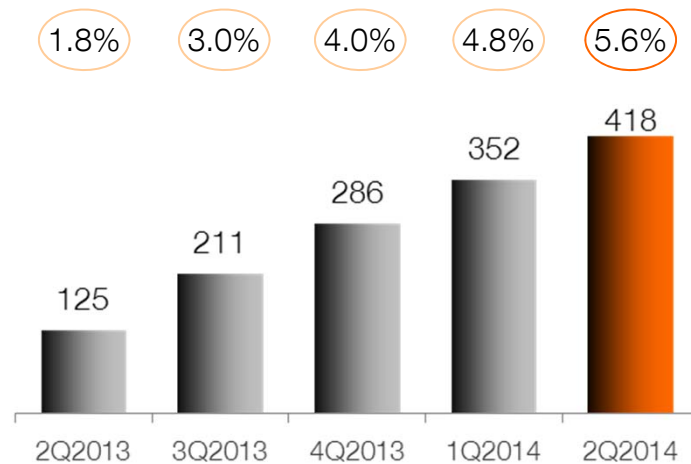
attractive broadband pricing for up to 80Mb options

share of smartphones and tablets in gross adds and retentions in post paid terminal sales



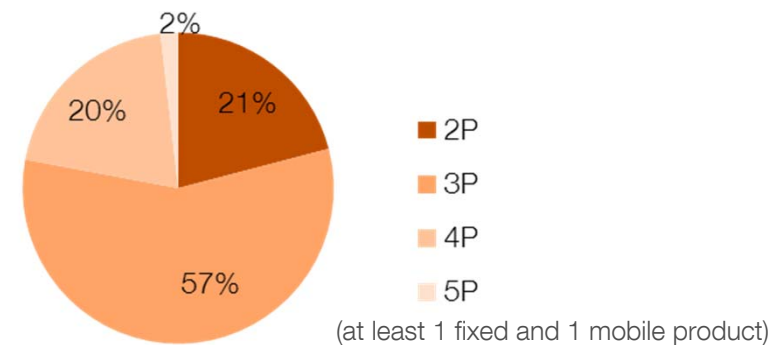
Orange Open customer base grew 3.3 times prior year

Orange Open customers (in '000)



○ as % of mobile post-paid

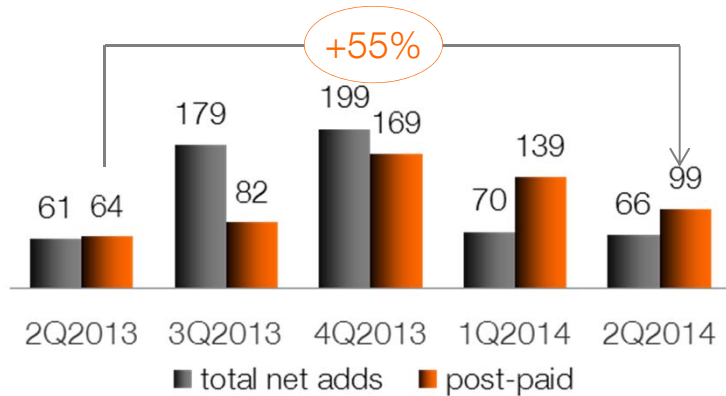
Orange Open customers by number of products



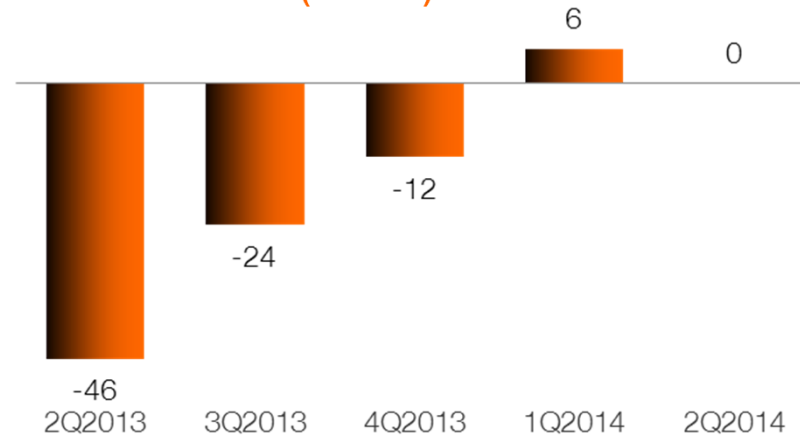
- 60% of Open Customers increased number of services upon entering the solution up from 57% in 1Q as a result of new product features
- ARPU from consumers at PLN 139 per month in 2Q2014
- high number of services in a bundle increases customer loyalty

continued good momentum in mobile and fixed

mobile clients net adds (in '000)

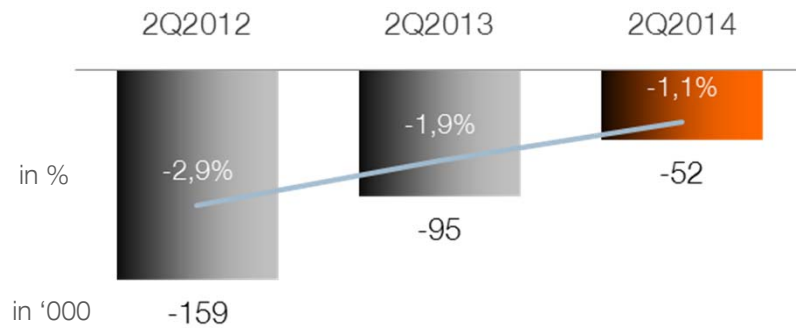


Orange mobile number portability balance for all customers (in '000)



source: multi-operator MNP complex data

fixed voice lines net losses q-o-q



- **mobile number portability** (net) in Q2 excl. key accounts improved by 11k vs Q1 2014
- **almost +500k mobile post-paid net adds** over the past 12 months
- **nju mobile performed well in 2Q** adding 81k customers of which 23k in post-paid
- **fixed voice churn reduced by 45% y-o-y** and by 7% q-o-q

2 financial review

Maciej Nowohoński
chief financial officer



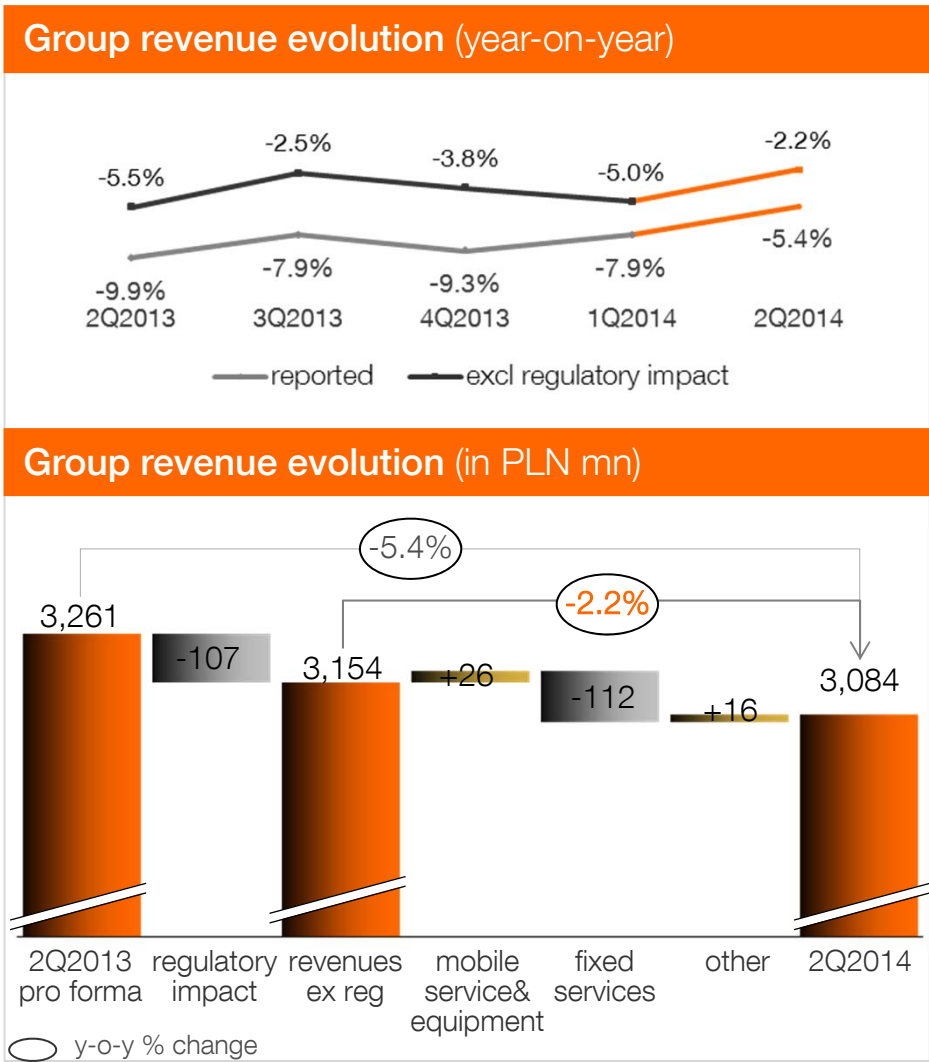
financial results improving in 2Q

in PLN mn	1H 2014	% y-o-y	2Q 2014	% y-o-y	key points
revenues	6,079	-6.7%**	3,084	-5.4%**	<ul style="list-style-type: none"> PLN -107mn regulatory impact 2Q boosted by instalment offer broadband needs improvement
excl. regulations		-3.6%**		-2.2%**	
restated EBITDA*	1,991	-2.2%**	1,040	+5.1%**	<ul style="list-style-type: none"> PLN 78mn cost savings (up PLN 19mn vs 1Q) commercial costs down 7% y-o-y despite higher net adds
% of revenues	32.8%	+1.5pp**	33.7%	+3.3pp**	
CAPEX ***	778	-8.7%	404	-10.6%	<ul style="list-style-type: none"> in line with FY outlook networks co-use nearly completed
in % of revenues	12.8%	-0.2pp	13.1%	-0.6pp	
organic cash flow	482	+20.8%	325	+72.0%	<ul style="list-style-type: none"> 2Q supported by lower WCR FY guidance reaffirmed

* on pro forma basis restated for the gain on disposal of Wirtualna Polska (PLN 191mn) in 1Q 2014, the impact of certain claims and litigation (PLN -44mn) in 2Q2014 and restated for restructuring costs in 1Q2013 (PLN -18mn)

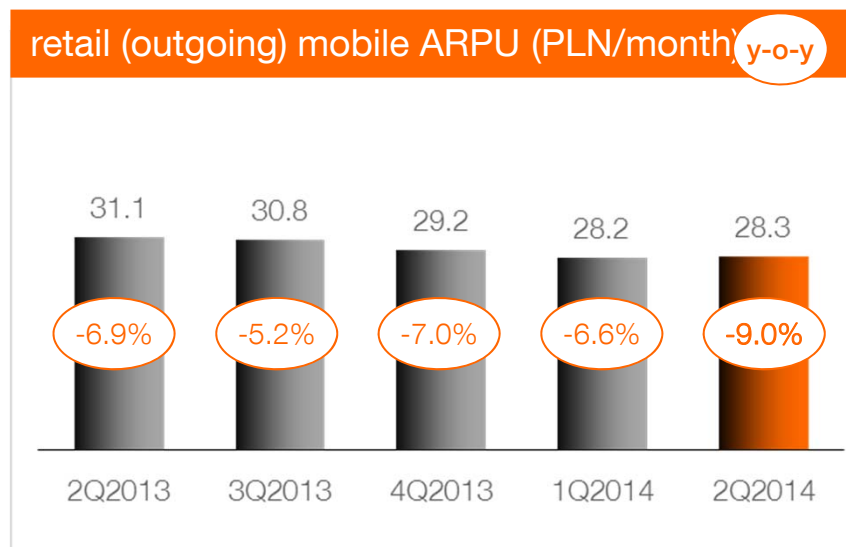
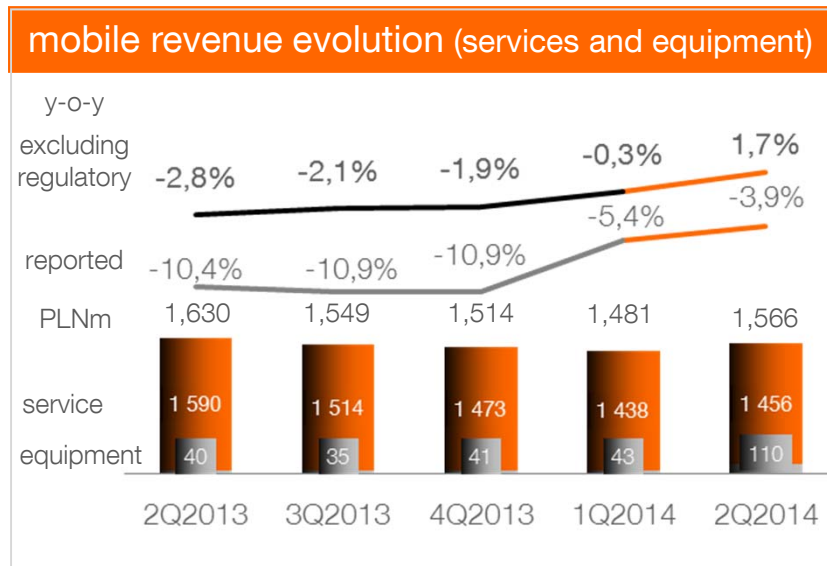
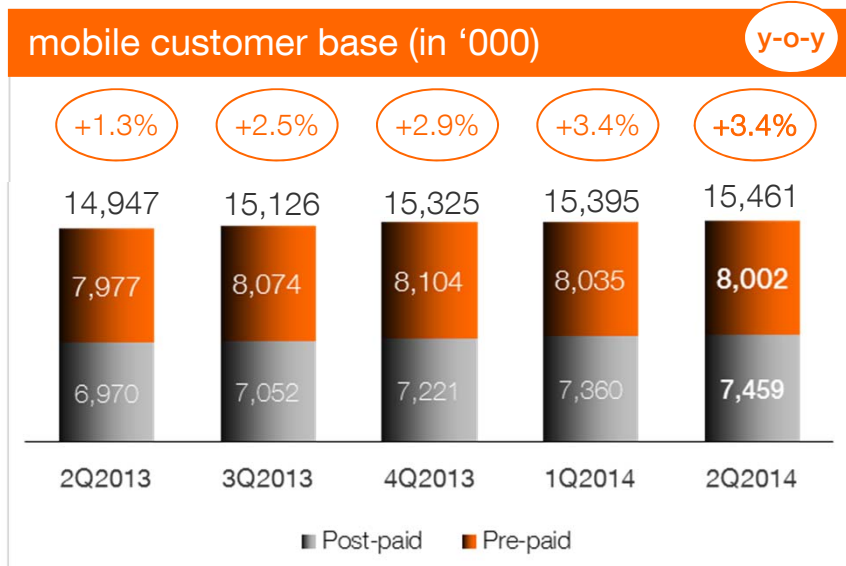
** on pro forma basis *** excluding 900MHz spectrum renewal

better mobile revenues improved Group top-line evolution



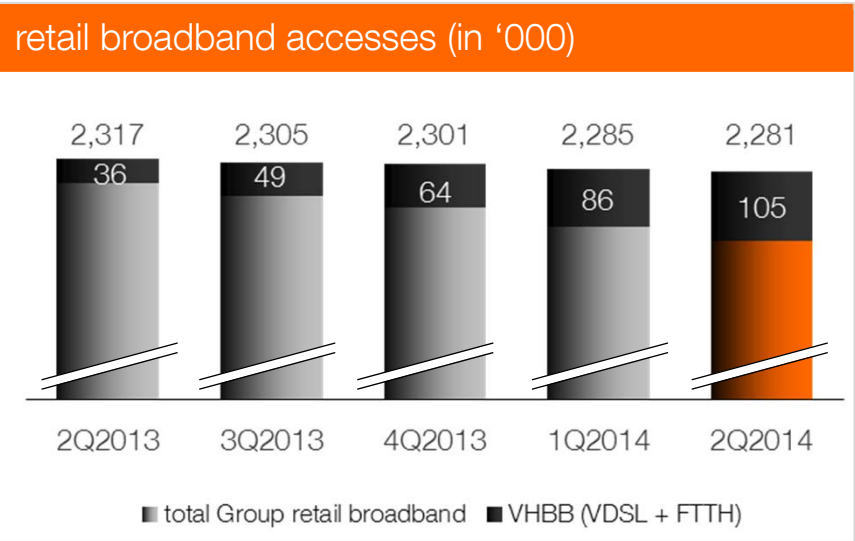
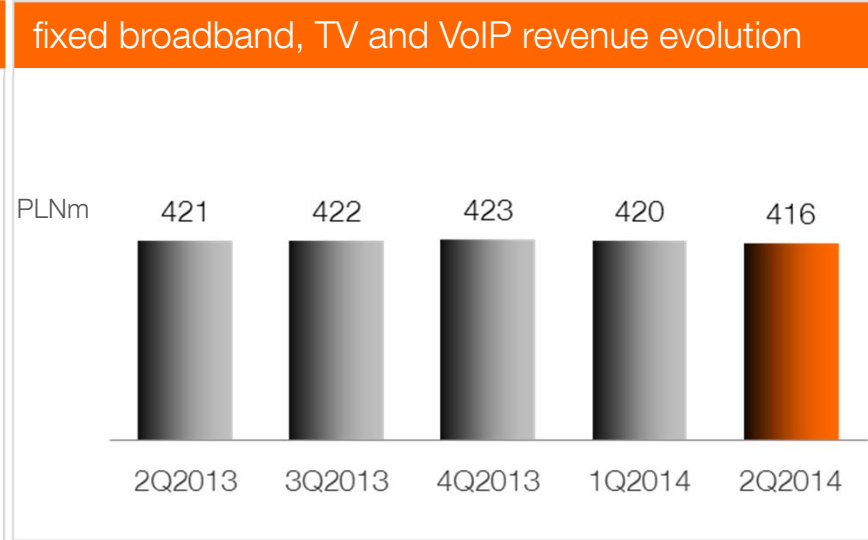
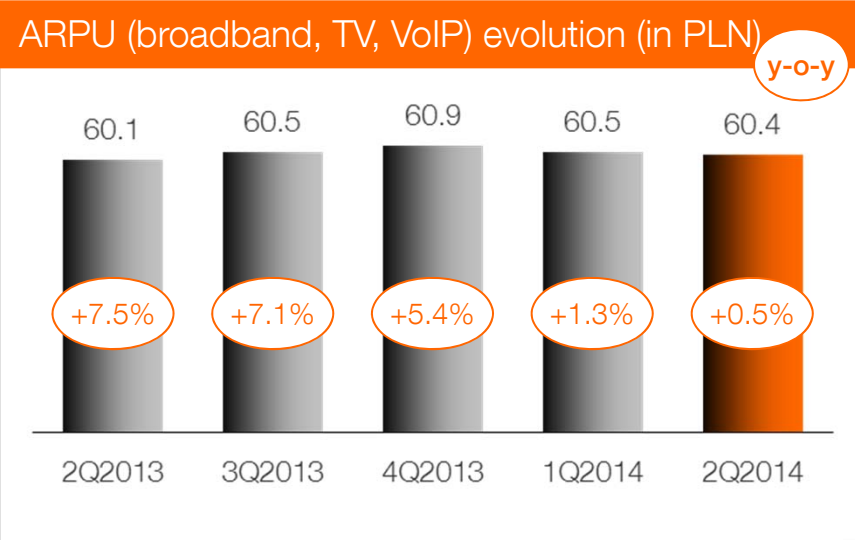
- regulatory impact on revenue evolution amounted to PLN 107mn (-3.2%)
 - PLN -79mn due to MTR cuts
 - PLN -28mn due to EU roaming rate cut and others (inc. F2M)
- excluding regulatory impact
 - mobile revenue PLN +26mn y-o-y:
 - customer base +3.4% y-o-y,
 - retail ARPU -9.0% y-o-y
 - sales of equipment PLN +70mn (boosted by instalment sales)
 - fixed revenues PLN -112mn y-o-y:
 - ongoing improvement in narrowband PLN -71mn in 2Q vs PLN -87mn in 1Q
 - broadband revenue broadly flat
 - strong price pressure in enterprise solutions

mobile revenue up y-o-y (excl. regulatory) due to instalment sales and growth of customer base



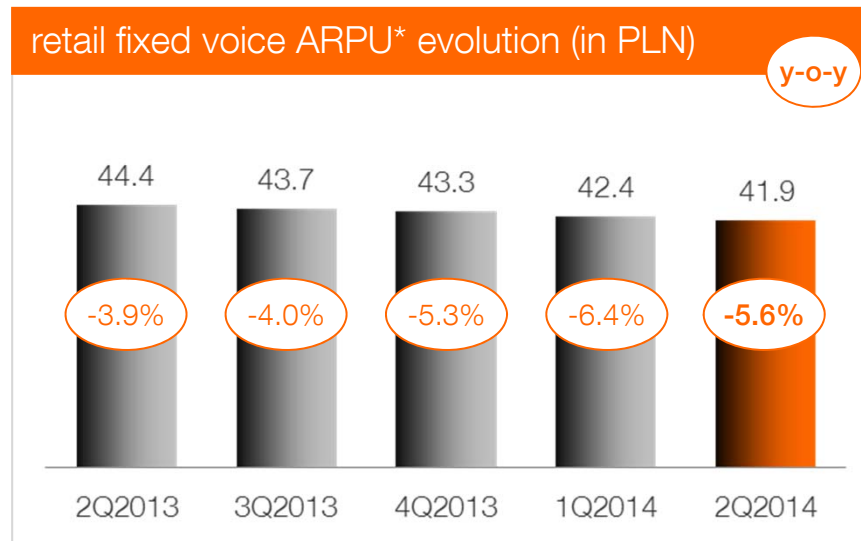
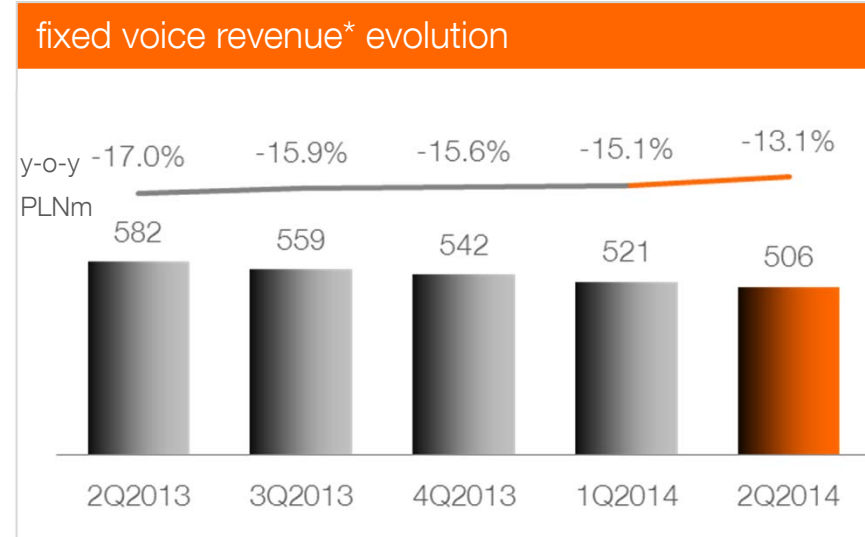
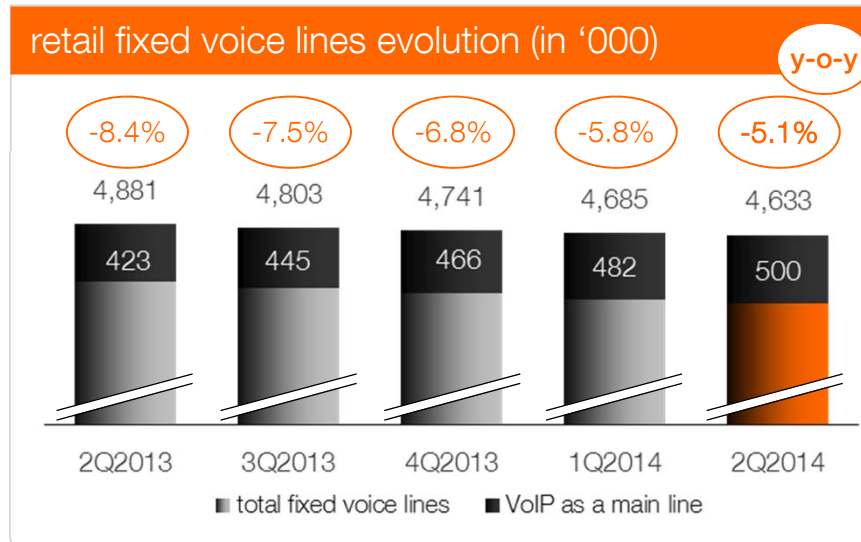
- **retail ARPU** stable since Q1, y-o-y decline reflects persisting price pressure (mainly B2B) and higher share of SIM only offers (voice and data)
- **launch of instalment sales** mainly impacted equipment revenue; small impact on ARPU
- **share of data in retail ARPU** at 18% up from 13% in 2Q2013
- **dedicated broadband subscriptions** +86k q-o-q and 22% y-o-y

very high speed fixed broadband continues to sell well



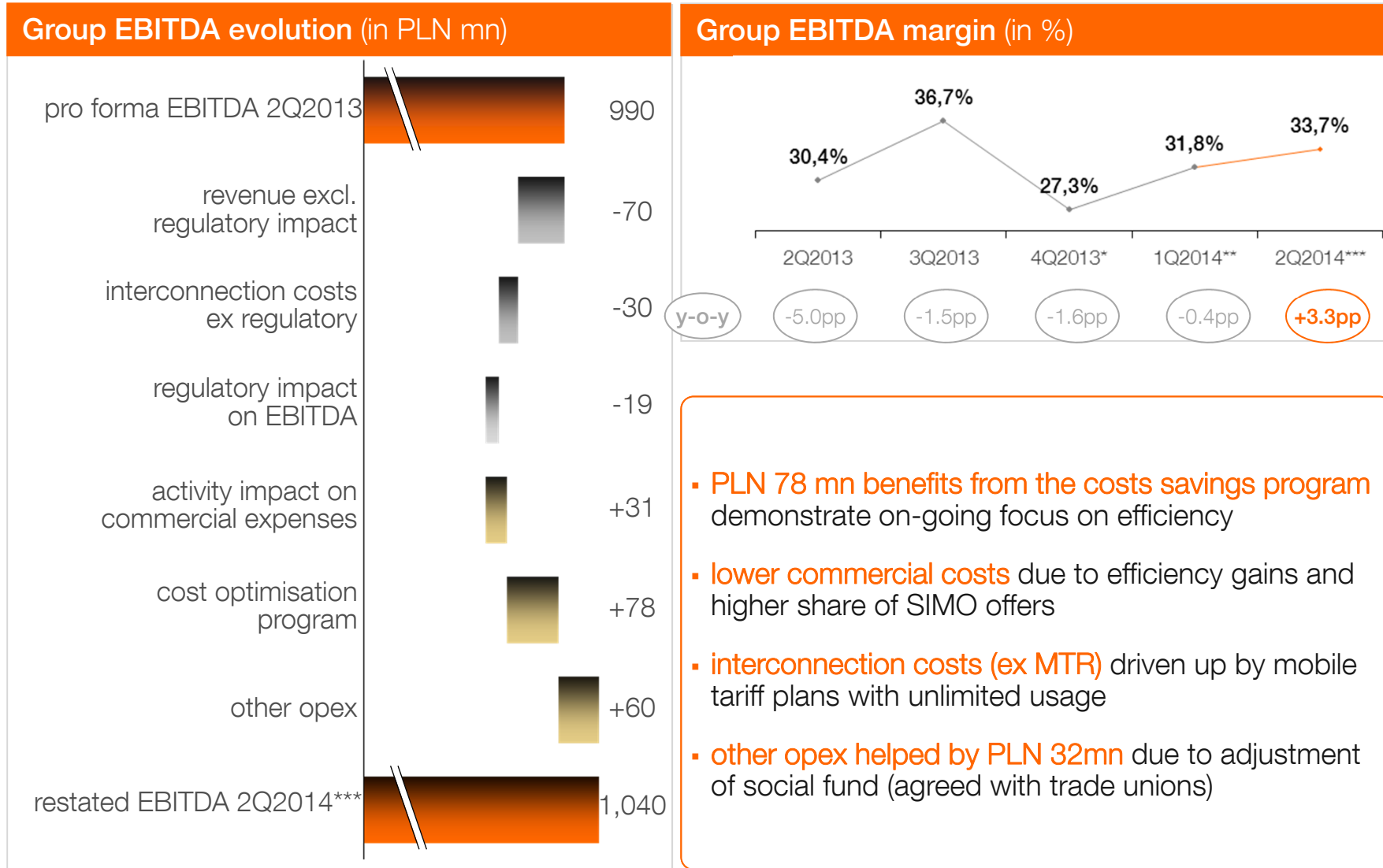
- **customer base stable excluding CDMA** (non-competitive legacy product)
- **VHBB growth:** +19k net adds in 2Q reaching 105k
- **more loyal customer base**, as ca. 17% broadband customers took Orange Open vs 14% in 1Q2014
- **ARPU** stable despite competitive pressure

fixed voice revenue decline reduced by +4 pp y-o-y



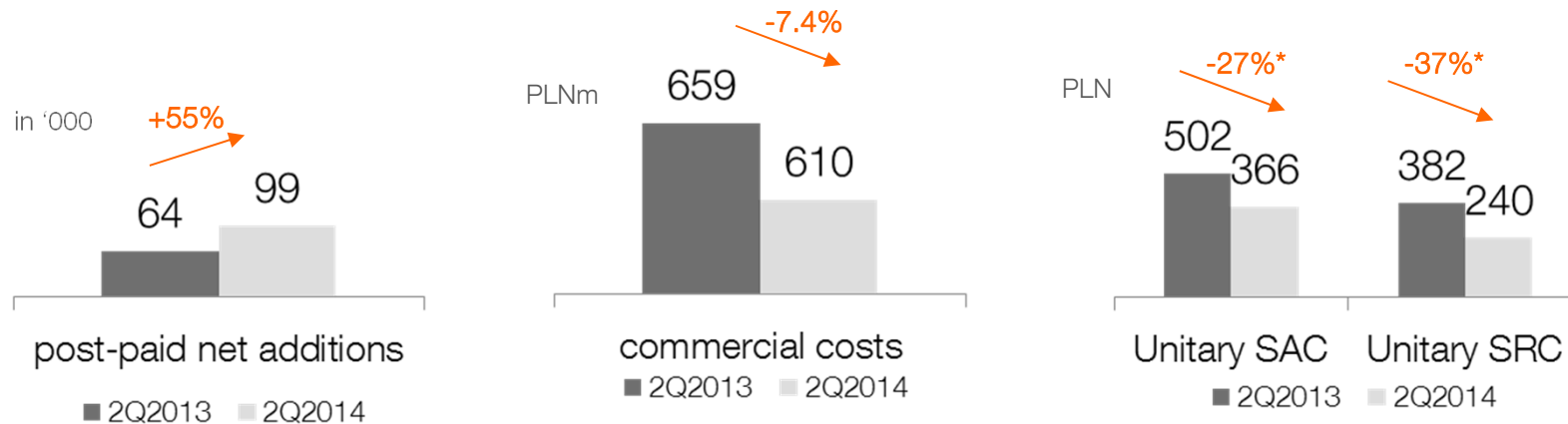
- slower decline of fixed voice revenues, due to improving customer base dynamics
- customer erosion limited to -5.1% year-on-year, due to:
 - lower churn in B2C
 - increasing number of bundles of VoIP with broadband (500k VoIP lines)
 - fixed voice option included in Orange Open

2Q restated EBITDA up PLN 50mn y-o-y thanks to cost control and better revenue trend



15 * restated for restructuring costs, (PLN -129mn) mainly including restructuring provision (PLN -167mn) and actuarial adjustment to long term employee benefits, and PLN -33mn adjustment linked to TPSA/PTK merger
 ** restated for the gain on disposal of Wirtualna Polska (PLN 191m)
 *** restated for the impact of certain claims and litigation (PLN -44mn)

commercial costs down 7.4% y-o-y driven by lower acquisition and retention costs

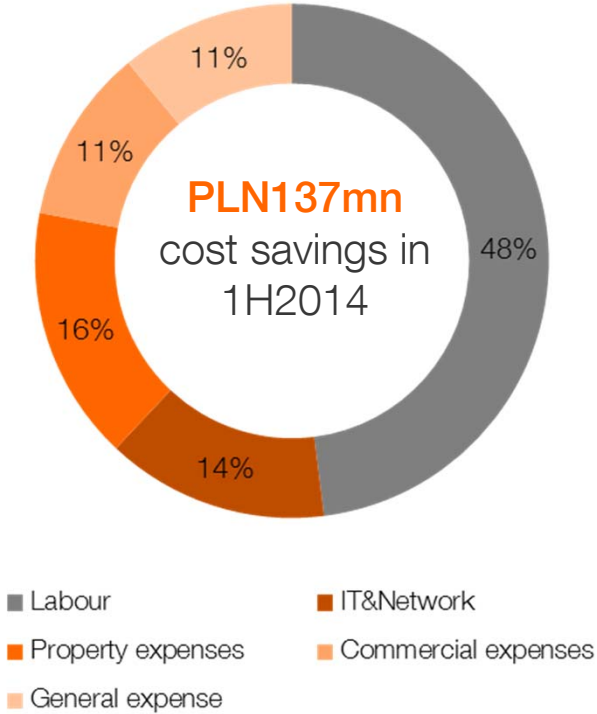


* both down 13% y-o-y excl. instalment sales effect

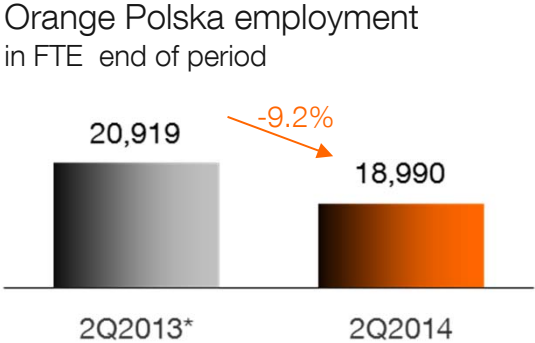
- post-paid net additions +55% y-o-y while commercial cost down by 7.4%
- excl. ICT commercial costs down ca. 8% y-o-y
- unitary SAC and SRC down by 27% and 37%, respectively:
 - launch of sale of equipment on instalments
 - tight control and management of acquisition and retention process
 - increasing share of SIM only offers in both voice and data
- decrease in advertising and promotion costs

strict cost discipline across all lines demonstrated by PLN 137mn savings in 1H

split of cost savings in 1H2014

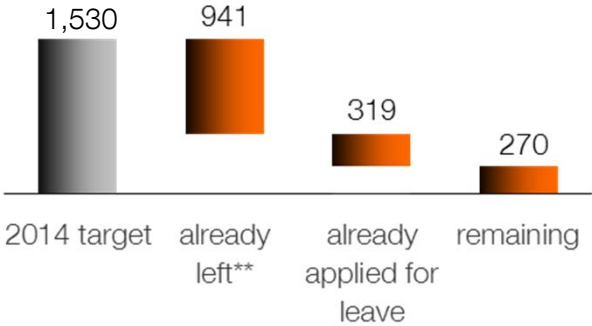


workforce optimisation



* pro forma without Wirtualna Polska and ORE

2014 restructuring (FTE)



** as of 1 July 2014

2Q net income up 24% y-o-y

in million PLN	1H2013	1H2014	2Q2013	2Q2014	change
EBITDA	2,037	2,138	1,004	996	-8
<i>depreciation and amortization</i>	-1,574	-1,544	-783	-794	-11
<i>impairment of non-current assets</i>	-4	-3	-3	-2	+1
reported operating income	459	591	218	200	-18
<i>net financial costs</i>	-242	-237	-108	-118	-10
<i>income tax</i>	-60	11	-34	12	+46
reported net income	157	365	76	94	+18
as % of revenues	2.4%	6.0%	2.3%	3.0%	+0.7pp

depreciation and amortization

- decline in underlying depreciation continues with 2Q affected by one-offs

net financial costs

- negative mark-to-market valuation of derivatives (PLN 33mn y-o-y),
- interests costs on debt down q-o-q and y-o-y

income tax

- positive income tax due to recognition of accruals for tax refunds and tax relief on new technologies

2Q cash flow up y-o-y on better cash from operations and less cash spent on capital expenditures

in million PLN	1H2013	1H2014	change	2Q2013	2Q2014	change
net cash flow from operating activities before income tax paid and change in working capital	1,545	1,618	+73	699	787	+88
change in working capital	8	-136	-144	-98	-79	+19
CAPEX*	-856	-1,131**	-275	-451	-760**	-309
CAPEX payables	-285	135**	+420	-19	329**	+348
income tax paid	-55	-38	+17	34	28	-6
sales of assets	42	34	-8	24	20	-4
organic cash flow	399	482	+83	189	325	+136
<i>as % of revenues</i>	<i>6.1%</i>	<i>7.9%</i>	<i>+1.8pp</i>	<i>5.7%</i>	<i>10.5%</i>	<i>+4.8pp</i>

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

** includes 900MHz spectrum renewal fee of PLN358 million which was paid in July

3 conclusion

Bruno Duthoit
chief executive officer



key takeaways from 1H2014

- our results have gradually improved throughout 1H
 - commercial momentum better than a year ago
 - improving revenue evolution and EBITDA margin
- key regulatory topics
 - delayed auction for the 800MHz / 2,600MHz LTE spectrum
 - regulator is considering geographical deregulation for fixed broadband market
- our 2H agenda is marked by commercial focus...
 - offers launched in 2Q to gain momentum
 - we will launch new product features to attract customers
- ...and ongoing rigorous cost control
- we are on track to deliver on our full year organic cash flow guidance

guidance for 2014 confirmed

	FY outlook and guidance reminder	1H status	comments
outlook on trends	<p>top-line evolution</p> <ul style="list-style-type: none"> revenue decline should considerably slow down in 2H 2014*, 1H still affected by MTR cuts from 2013 	<p>revenues -6.7%</p>	<ul style="list-style-type: none"> ✓ trend confirmed, revenue decline expected to slow down in 2H
	<p>cost base (up to EBITDA)</p> <ul style="list-style-type: none"> costs down vs. 2013**, due to further opex transformation to support the EBITDA margin** 	<p>opex* -8.7%</p>	<ul style="list-style-type: none"> ✓ cost optimisation program to deliver further benefits in 2H, despite seasonally higher commercial costs
	<p>capital expenses</p> <ul style="list-style-type: none"> below PLN 1.8bn, excluding one-off spectrum costs: <ul style="list-style-type: none"> renewal of existing 3G spectrum, at ca. PLN 0.3bn acquisition of new spectrum 	<p>Capex*** PLN 778mn</p>	<ul style="list-style-type: none"> ✓ on track for full-year guidance
guidance	<p>Organic Cash Flow</p> <ul style="list-style-type: none"> at least stable versus 2013 (PLN1.1bn) excluding one-offs: <ul style="list-style-type: none"> renewal of existing spectrum, at ca. PLN 0.3bn acquisition of any new spectrum potential payment of the EC fine, up to €127mn, or other claims and litigations 	<p>organic cash flow PLN 0.48bn</p>	<ul style="list-style-type: none"> ✓ FY guidance reaffirmed

* vs. pro-forma of 2013 (excluding change in consolidation scope due to disposals)

22 ** excluding any impact of risk and litigation

*** excluding 900MHz spectrum renewal

4 Q&A session



glossary (1/3)

4G	fourth generation of mobile technology, sometimes called LTE or Long Term Evolution
ARPL	Average Revenue per Line
ARPU	Average Revenue per User
AUPU	Average Usage per User
BSA	Bit Stream Access
CATV	Cable Television
CDMA	Code Division Multiple Access
DTH	Direct To Home
DVB-T	Digital Video Broadcasting - Terrestrial
DVB-H	Digital Video Broadcast - Handheld
EBITDA	Operating income + depreciation and amortization + impairment of goodwill + impairment of non-current assets
F2M	Fixed to Mobile Calls
FTE	Full time equivalent
FTTH	Fiber To The Home

glossary (2/3)

FBB	Fixed Broadband
HSPA	High Speed Packet Access
HSPA DC	High Speed Packet Access Dual Carrier
ICT	Information and Communication Technologies
IP TV	TV over Internet Protocol
Liquidity Ratio	Cash and unused credit lines divided by debt to be repaid in the next 18 months
LLU	Local Loop Unbundling
LTE	Long Term Evolution (<i>4G</i>)
LTO	Local Telecommunication Operator
MTR	Mobile Termination Rates
MVNO	Mobile Virtual Network Operator
Net gearing	$\text{net gearing after hedging ratio} = \frac{\text{net debt after hedging}}{\text{net debt after hedging} + \text{shareholders' equity}}$
NGA	Next Generation Access
NGN	Next Generation Network

glossary (3/3)

Organic Cash Flow	Organic Cash Flow = Net cash provided by Operating Activities – (CAPEX + CAPEX payables) + proceeds from sale of assets
POS	Point-Of-Sale
POTS	Plain Old Telephone Service
RAN	Radio Access Network
RIO	Reference Interconnection Offer
RLLO	Reference Leased Line Offer
SAC	Subscriber Acquisition Costs
SIMO	mobile SIM only offers without devices
SRC	Subscription Retention Costs
SMP	Significant Market Power
UKE	Office of Electronic Communications - Regulator
VDSL	Very-high-bit-rate Digital Subscriber Line
VHBB	Very high speed broadband (VDSL + FTTB)
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