

Orange Polska

results for 4Q'14 and full year 2014



Image by Ben Scruton for YCN.

Warsaw
13th February 2015



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 #30)

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highlights

Bruno Duthoit - chief executive officer

Mariusz Gaca - deputy chief executive officer

Maciej Nowohoński - chief financial officer

2014 commitments achieved

2014 Organic Cash Flow* guidance	at least stable versus 2013 (PLN 1.1bn)	✓ PLN 1,149m generated in 2014
2014 Capex* outlook	below PLN 1.8bn	✓ PLN 1,775m spent in 2014

4Q 2014 solid financial results

commercial activity

mobile customer base:

+2.0% yoy (6.3% post-paid),
+146k 4Q post-paid net adds

+108k mobile broadband net adds in Q4, another record high

613k LTE users, ~2x qoq

160k VHBB* clients**, up 150% yoy

convergence: 539k Open customer base (+59k qoq)

TV base up 5.8% yoy, with +13k in 4Q

58k Orange Finanse customers (as of 9 Feb,)

financial result

4Q revenue almost flat yoy excluding regulatory impact

4Q restated EBITDA* flat yoy with margin up 0.6pp to 27.9%

PLN 90m cost savings in Q4

sound balance sheet net debt at 1.1x restated EBITDA*

financial costs down yoy after debt refinancing

operational development

fibre access network project for 2015 launched

78k homes passed in fibre technology (in pilots)

4G coverage at 61% of population

– 18% of data traffic in 4G network in Dec. 2014

LTE auction started, on 10 Feb.

headcount down by 1.5k FTEs** (-7.3%) yoy

definitive settlement of disputes with Netia Group

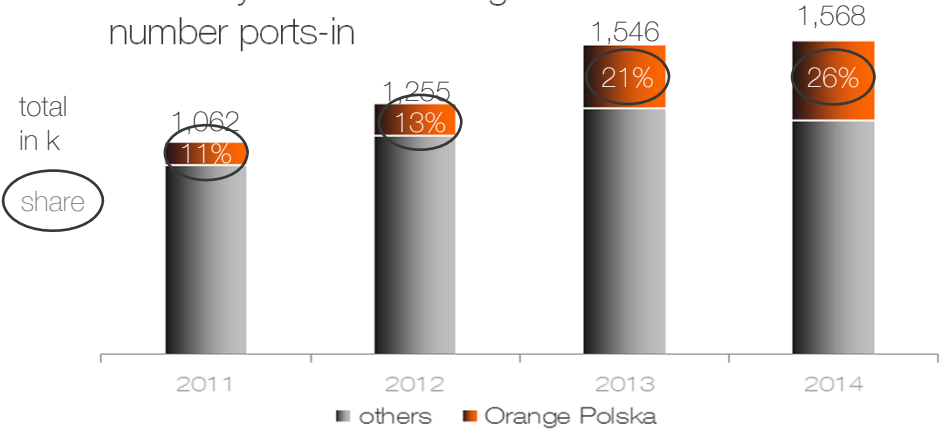
* restated as presented in appendix (slide #30)

** pro forma without Wirtualna Polska and ORE

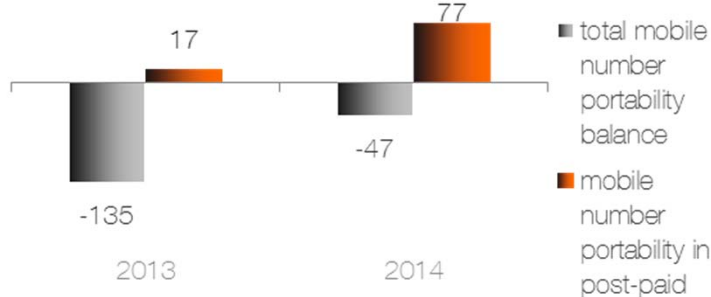
*** VHBB - very high speed broadband, above 30Mbps

improving performance of Orange Polska mobile offers

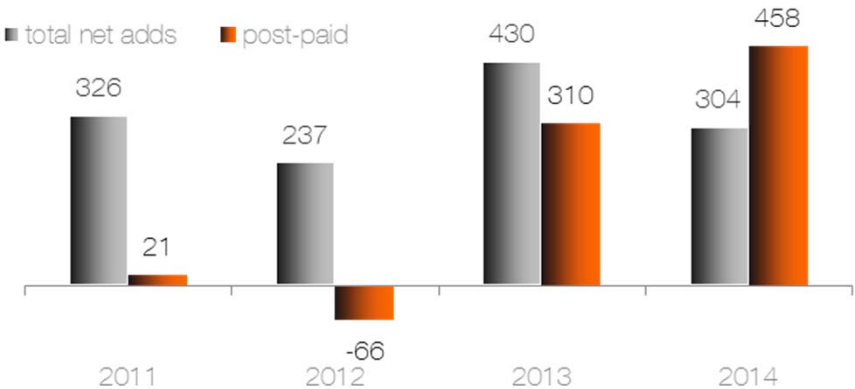
another year of increasing share in mobile number ports-in



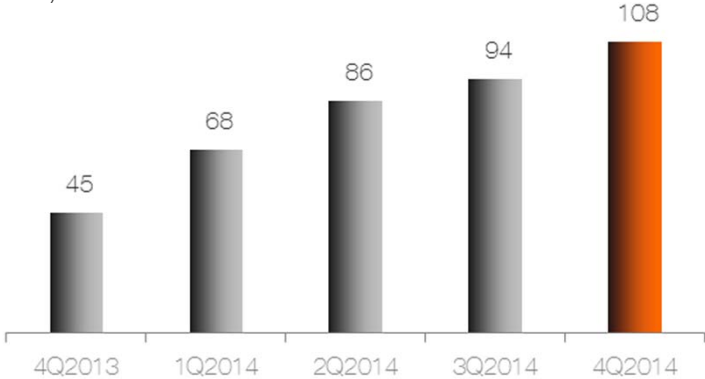
improving mobile number portability balance (in k)



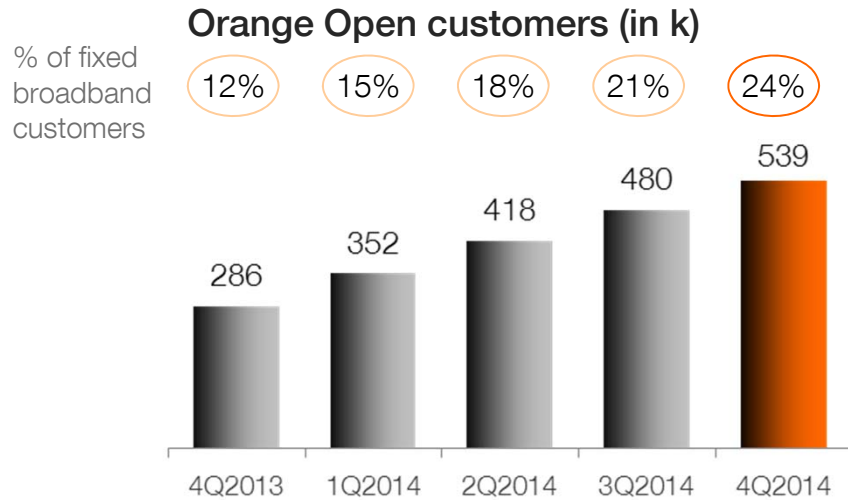
growing share of postpaid services (49% of total base) (in k)



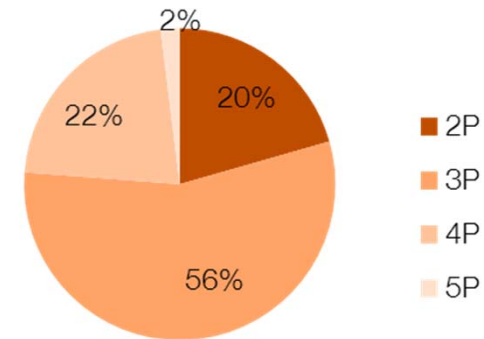
growing mobile broadband net additions (in k)



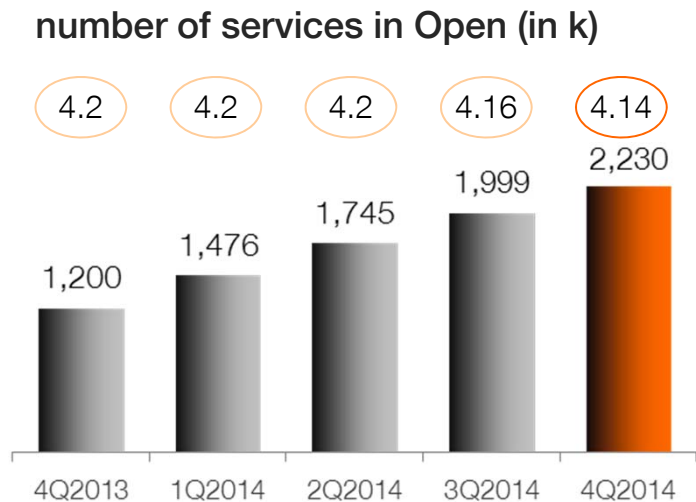
24% fixed broadband customers in Orange Open



Orange Open B2C customers by number of services



(at least 1 fixed and 1 mobile services)

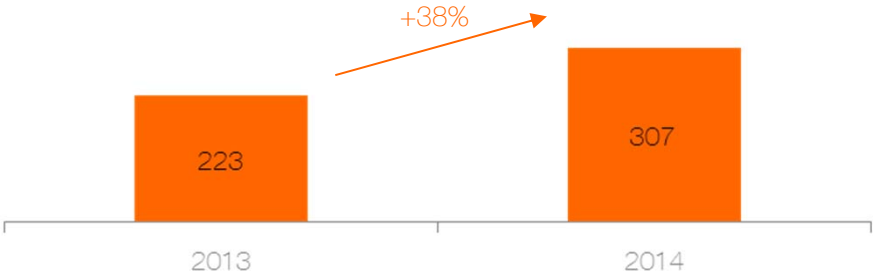


○ number of services per Open customer

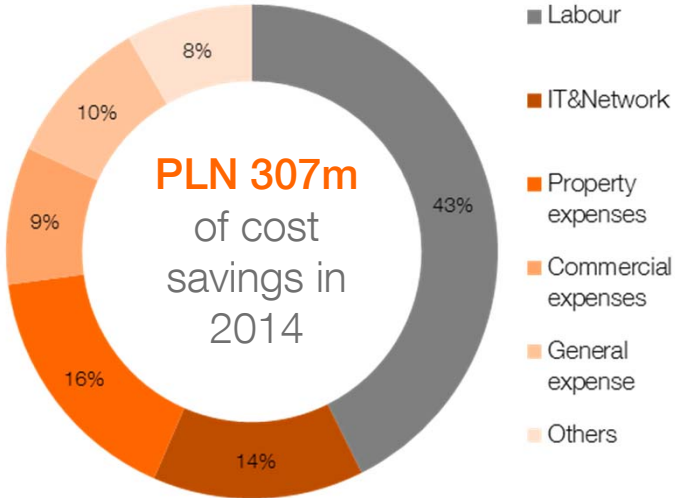
- convergent Open offers significantly reduces churn in all services vs single offers
- 64% of Open Customers entering the solution in 2014 increased number of services
- Orange Open B2C ARPU at PLN 146 per month in 4Q2014

sustainable cost savings significantly up yoy

Orange Polska cost savings evolution (in PLNm)

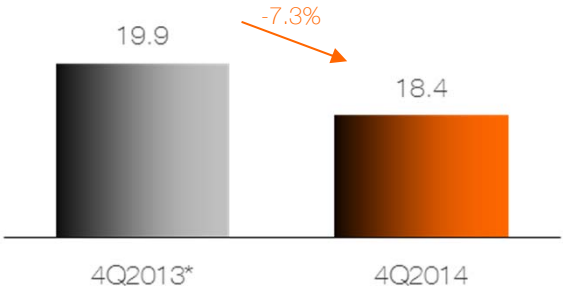


split of cost savings in 2014



- 2014 employee restructuring target of 1,530 FTE achieved
- 1,420 FTE to leave the Group in 2015
- almost 60% of savings come from non-labour areas
- cost savings offset 53% of revenue decrease in 2014 vs 18% in 2013

Orange Polska employment in kFTE end of period



* pro forma without Wirtualna Polska and ORE

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financial review

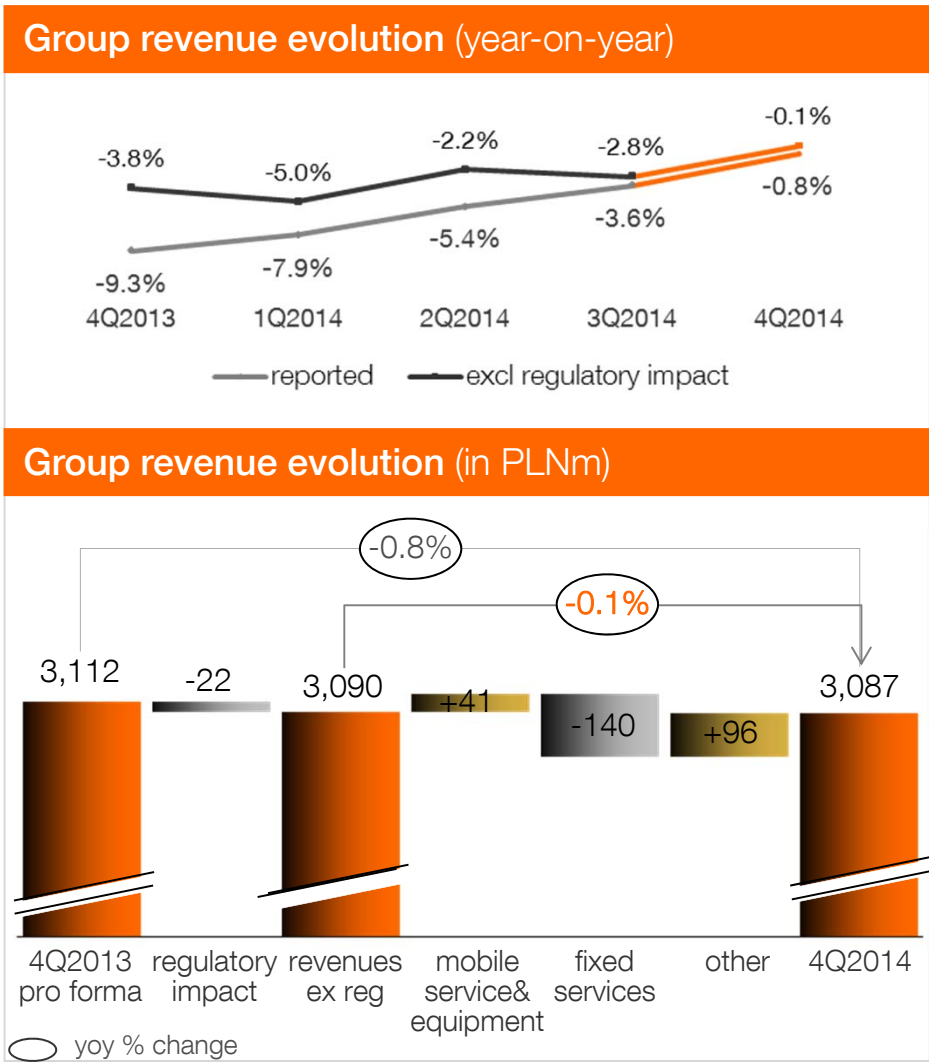
Maciej Nowohoński
chief financial officer

key financials in line with objectives

in PLNm	4Q 2014	% yoy	FY 2014	% yoy	key points
revenues	3,087	-0.8%*	12,212	-4.5%*	<ul style="list-style-type: none"> ▪ stabilisation in B2C mobile ▪ price pressure in B2B mobile and fixed
excl. regulations		-0.1%*		-2.5%*	<ul style="list-style-type: none"> ▪ PLN 255m regulatory impact
restated EBITDA*	861	+1.2%*	3,921	-3.1%*	<ul style="list-style-type: none"> ▪ supported by instalment offers ▪ PLN 181m lower commercial costs despite more postpaid net adds ▪ interconnect costs up yoy in H2
% of revenues	27.9%	+0.6pp*	32.1%	+0.5pp*	
CAPEX * (outlook definition)	621	-0.8%	1,775	-7.4%	<ul style="list-style-type: none"> ▪ FY outlook achieved
in % of revenues	20.1%	+0.3pp	14.5%	-0.3pp	<ul style="list-style-type: none"> ▪ down as % of revenues
organic cash flow (guidance definition)	298	+9.6%	1,149	+4.0%	<ul style="list-style-type: none"> ▪ FY guidance delivered

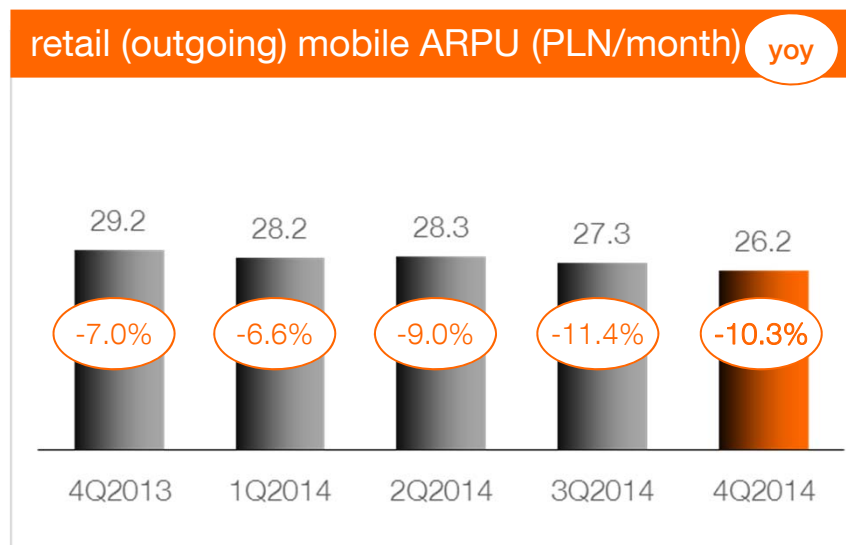
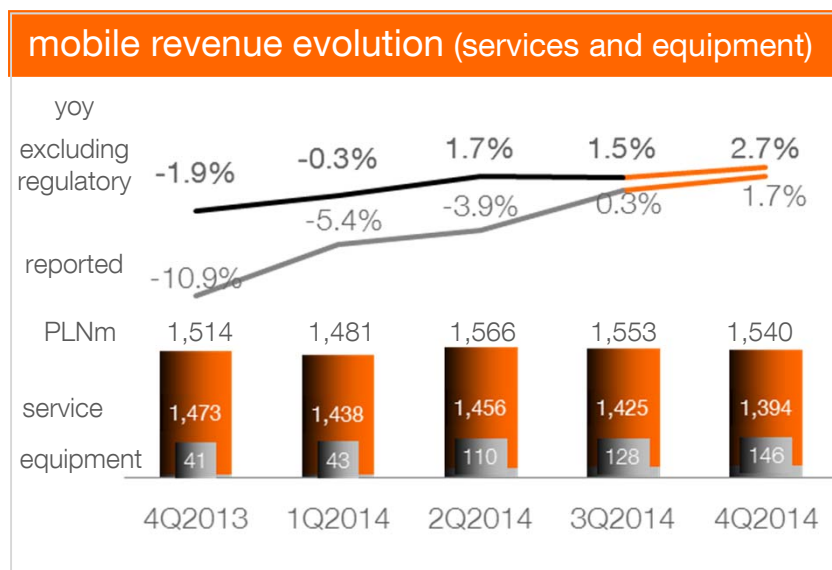
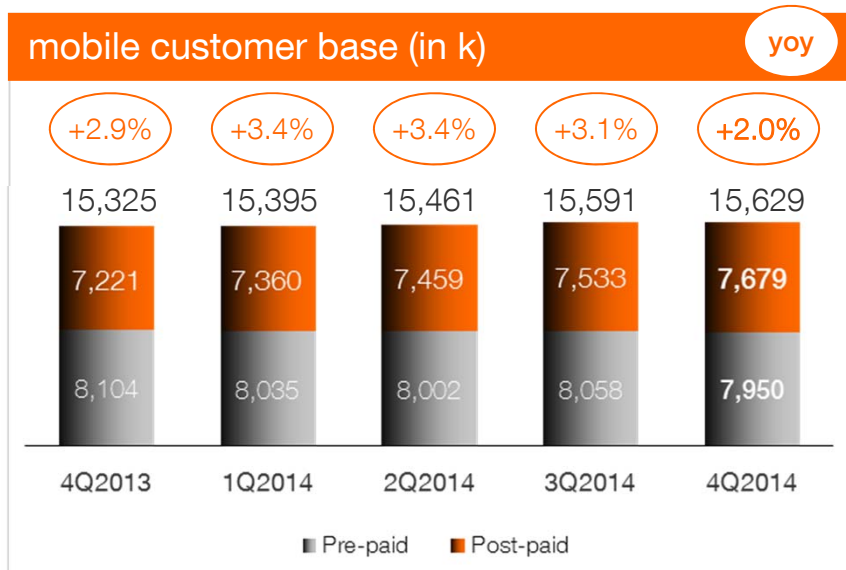
* restated as presented in appendix (slide #30)

4Q revenues flat yoy excluding regulatory impact



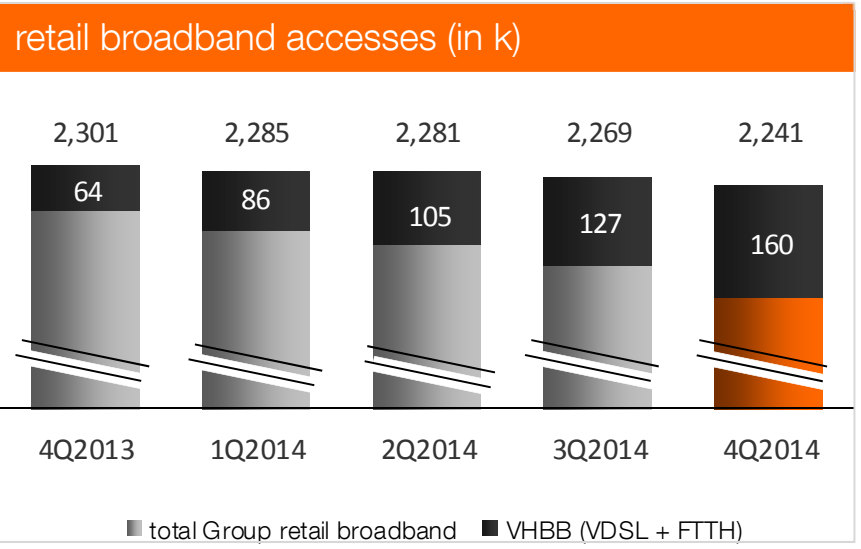
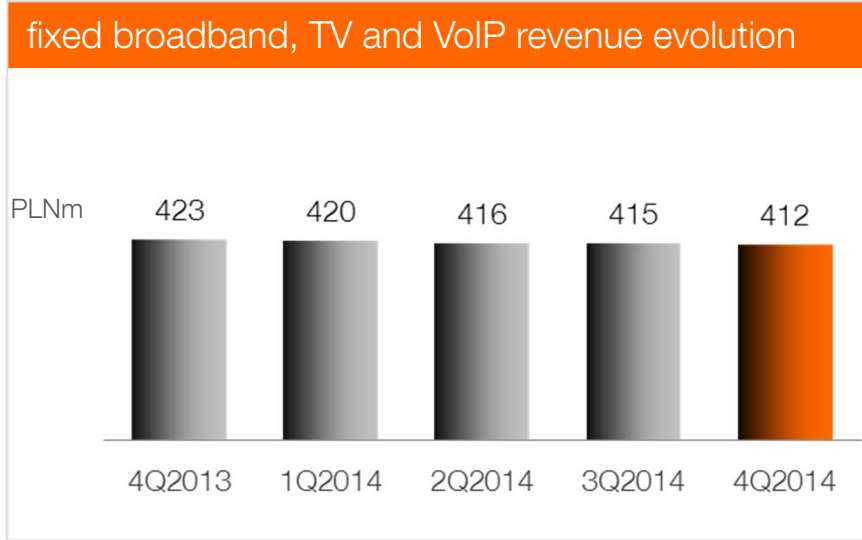
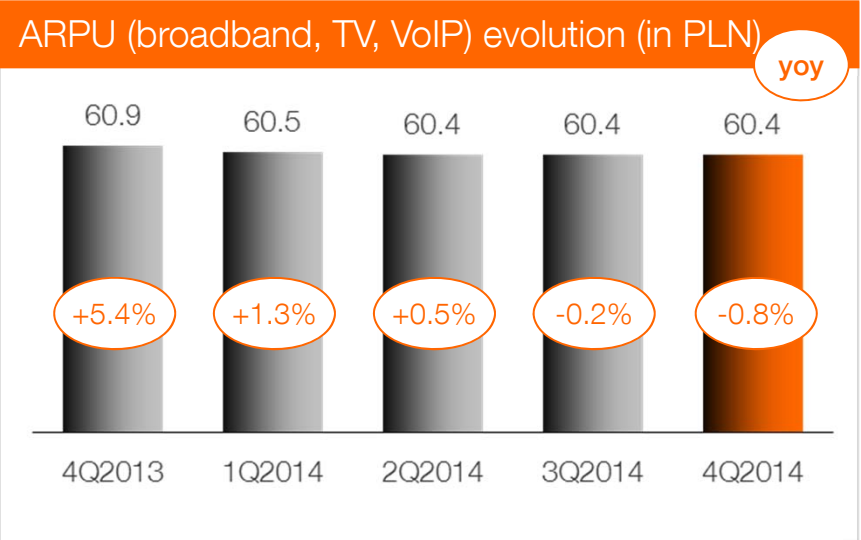
- regulatory impact on revenue evolution limited to PLN -22m (-0.7pp), mainly due to EU roaming rate cut
- excluding regulatory impact
 - mobile revenue PLN +41m yoy:
 - customer base +2.0% yoy,
 - retail ARPU -10.3% yoy
 - sales of equipment PLN +105m (boosted by instalment sales)
 - fixed revenues PLN -140m yoy:
 - narrowband PLN -74m yoy
 - price pressure in enterprise solutions
 - broadband revenue -2.6% yoy
 - other revenues up strongly due to ICT (rescheduling of contracts to year-end) and broadband infrastructure projects realized with local governments

strong performance in mobile supported by improvement in B2C segment and instalment sales



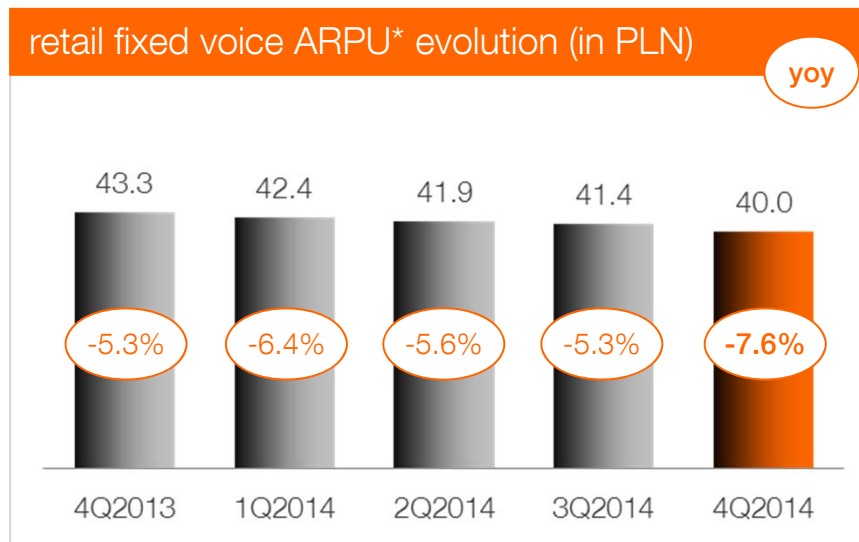
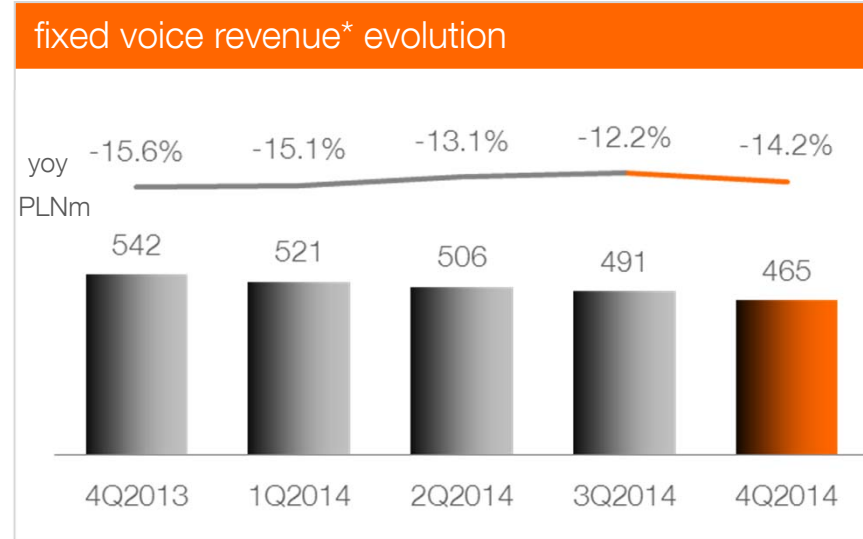
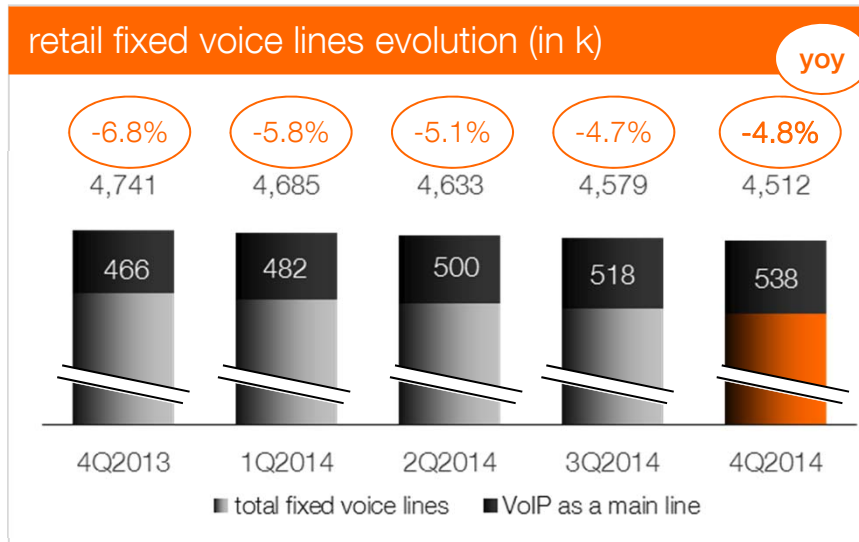
- B2C revenues up yoy in Q3 and Q4: customer take-up, higher usage and instalment sale offset pricing pressures
- retail ARPU affected by price pressure (mainly B2B), higher share of SIM-only and instalment offers
- share of data in retail ARPU at 21% up from 15% in 4Q2013, data usage up 26% yoy
- mobile broadband subscriptions (dongles, tablets) +31% yoy, +108k net adds in Q4
- nju mobile down 23k in Q4: stable postpaid net adds (+23k) while prepaid affected by expiration of one-time SIM card users (-45k)

demand for speed supports growth in VHBB customer base



- strong performance of VHBB continues: base up 150% yoy, reaching 160k
- promising first results in deregulated areas after introduction of new offers (18% growth in average daily sales)
- ADSL gross adds under pressure from CATV and mobile broadband
- stable ARPU since Q1 supported by bundled products and VHBB
- 19% of FBB base in 3P bundles vs 15% in 2013
- TV base up 5.8% yoy, with +13k in 4Q

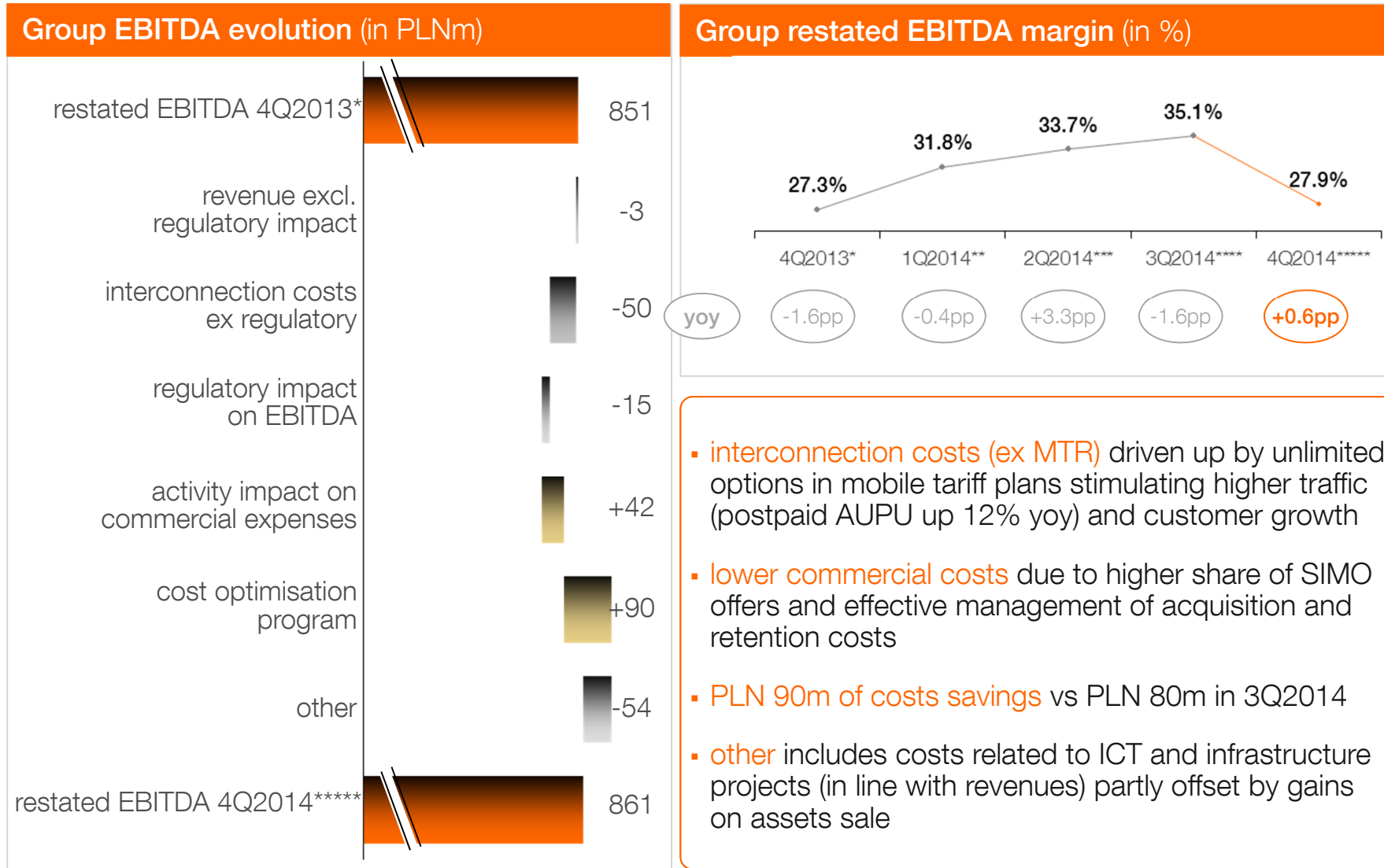
fixed voice customer churn stabilised at ca.5% yoy



- customer erosion stable at ca. 5% yoy, due to:
 - increasing number of bundles of VoIP with broadband (538k VoIP lines)
- revenues affected by
 - ARPU deterioration due to lower traffic
 - slightly higher PSTN base erosion (impacted by churn in ADSL customers)
- continued efforts to move fixed voice customers to convergent and bundled offers

* excluding VoIP revenues which are included in broadband revenues

4Q EBITDA supported by costs savings



* restated as presented in appendix (slide #30)

** restated for the gain on disposal of Wirtualna Polska (PLN 191m)

*** restated for the impact of certain claims and litigation (PLN -44m)

16 **** restated for the impact of certain claims and litigation (PLN -29m)

***** restated as presented in appendix (slide #30)

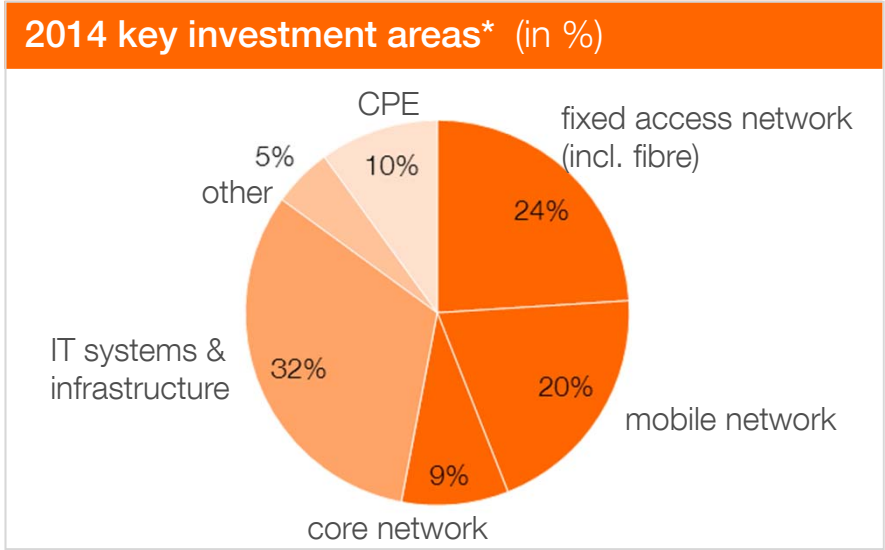
net income at PLN 535m in 2014

in PLNm	4Q2013	4Q2014	2013	2014	change
reported EBITDA	702	898	3,904	4,076	+172
<i>depreciation and amortization</i>	-758	-770	-3,107	-3,073	+34
<i>impairment of non-current assets</i>	-5	-10	-9	-17	-8
reported operating income	-61	118	788	986	+198
<i>net financial costs</i>	-118	-83	-478	-405	+73
<i>income tax</i>	77	-5	-16	-46	-30
reported net income	-102	30	294	535	+241

2014 FY EBITDA and net income include PLN 191m gain on sale of Wirtualna Polska

net financial costs reflect lower interests after debt refinancing

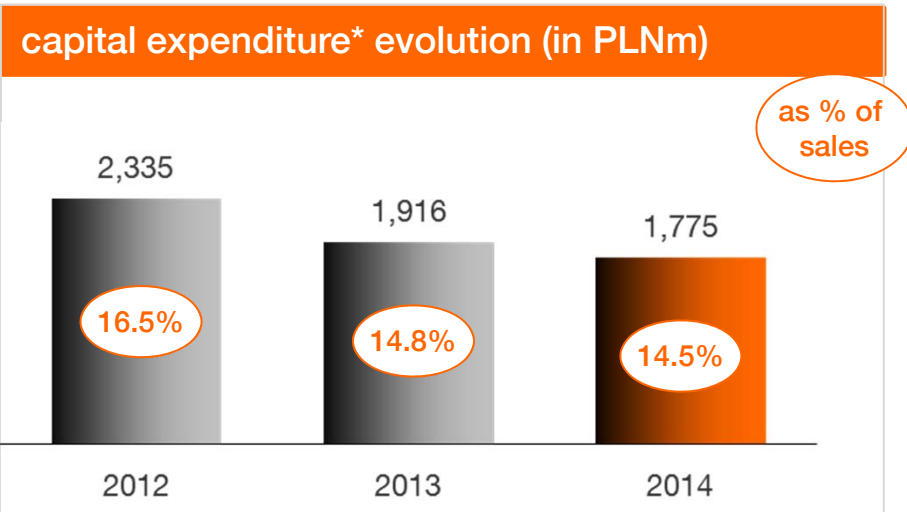
7% decrease in 2014 capital expenditure* due to mobile network modernization completion



insight

2014 capital expenditures*

- PLN 150m lower capex on mobile network, due to completion of RAN co-use program
- investments in fixed access network continued to grow slightly
- PLN 79m higher capex on IT reflects investments in simplification of IT solutions



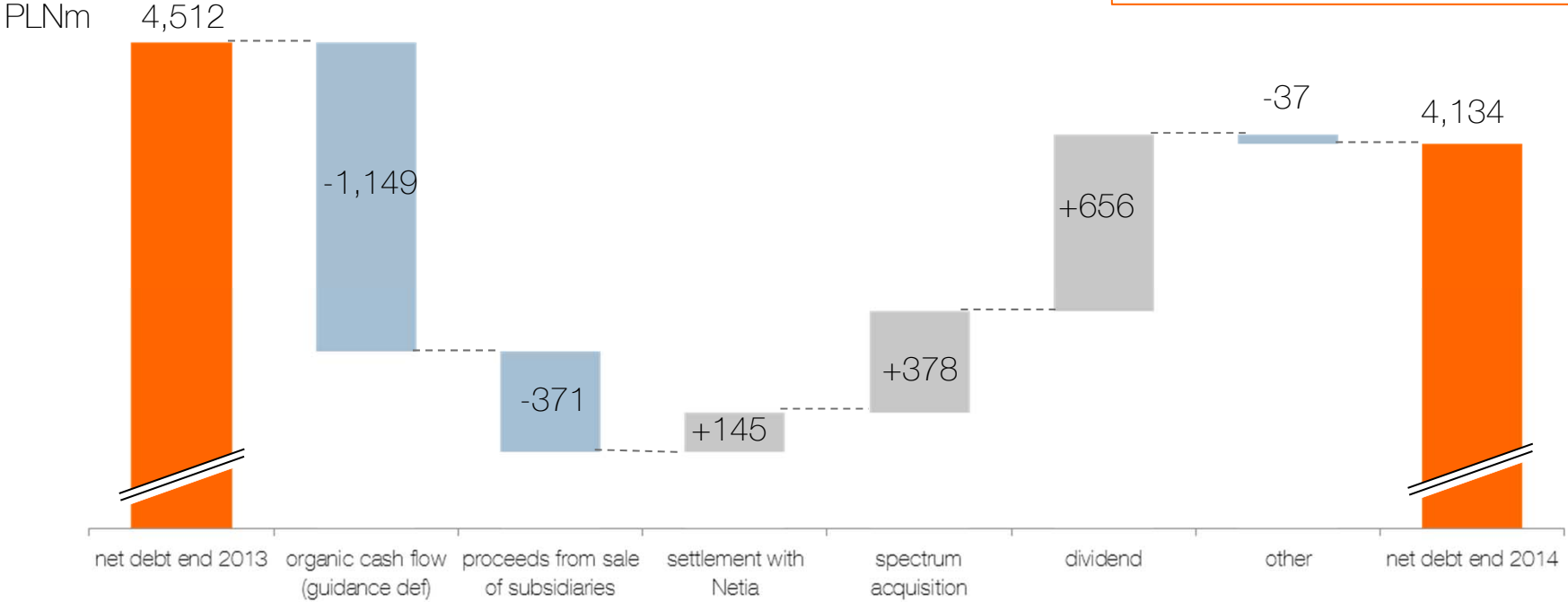
* excluding spectrum acquisition made in 2014

organic cash flow guidance delivered

in PLNm	4Q2013	4Q2014	change	2013	2014	change
net cash flow from operating activities before income tax paid and change in working capital	770	572	-198	3,343	3,073	-270
change in working capital	77	-29	-106	54	-255	-309
CAPEX*	-637	-620	+17	-2,180	-2,148	+32
<i>o/w spectrum</i>	-10	-1	-9	-264	-378	-114
change in CAPEX payables	82	178	+96	-74	-79	-5
income tax paid	-35	-23	+12	-105	-65	+40
sales of assets	15	55	+40	67	100	+33
reported organic cash flow	272	133	-139	1,105	626	-479
settlement with Netia		+145	+145		+145	+145
new spectrum acquisition (incl LTE deposit)		+20	+20		+378	+378
organic cash flow (guidance definition)	272	298	+26	1,105	1,149	+44

net debt reduced by PLN 378m

- available liquidity end 2014:
- PLN 0.2bn cash
 - PLN 1.0bn unused credit lines
 - PLN 1.8bn back-up lines



1.1x	net debt to restated EBITDA*	1.1x
26%	net gearing ratio	25%
6.4%	effective interest rate on debt	5.0%

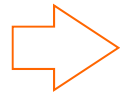
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3 conclusion

Bruno Duthoit
chief executive officer

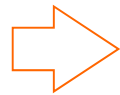
our priorities for 2015

customer



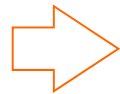
we will continue to focus our efforts on improving customer perception

value



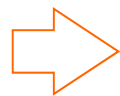
value to be built through convergence and diversification by developing new domains

connectivity
and networks



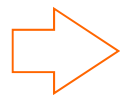
increased investments in the development of networks, in particular, in very high speed fixed broadband and further LTE coverage

effectiveness



on-going „online” and process automation, further implementation of a more effective and flexible business model

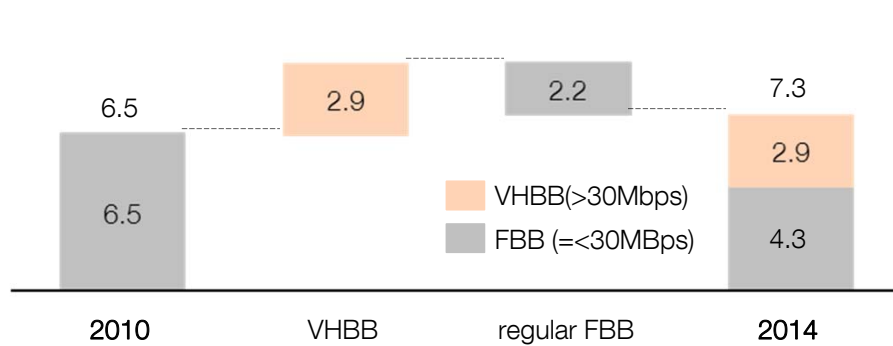
team



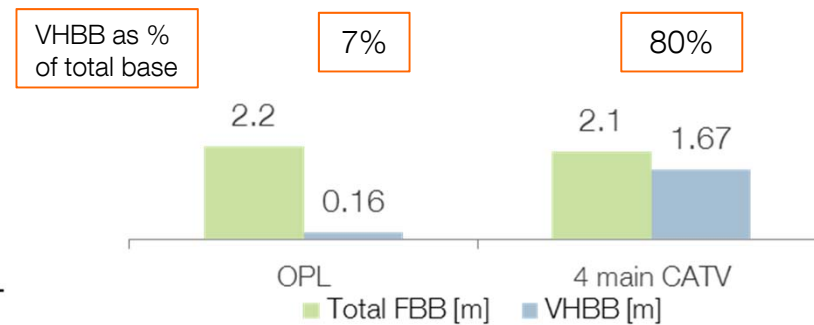
culture of continuous improvement and internal cooperation in tough market environment

fixed broadband market evolves towards very high speed broadband

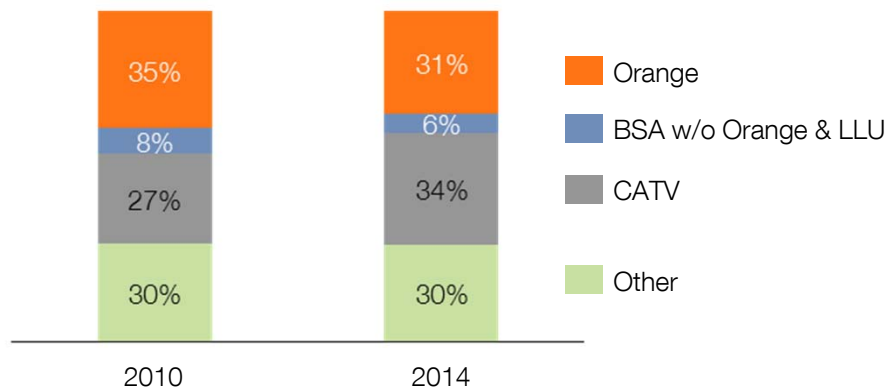
total fixed broadband market volume [m]



VHBB customers in total base
OPL vs CATV



Volume market shares in fixed broadband



- increasing volume market share of CATV offering fast internet access
 - CATV market share up by 7pp over last 4 years, to 34%
 - OPL average FBB B2C market share in 10 biggest cities at 16% vs 33% of the leading CATV operator
- VHBB supports ARPU growth and RGUs upsell

source: Company's estimations

investments in fibre technology to regain fixed broadband market share

investments rationale

- low OPL fixed broadband B2C market share in biggest cities
- recent broadband market deregulation
- promising results of FTTH pilot in Warsaw:
 - ca 20% market share in existing dwellings from 8% in 14 months (mostly winback from competition)
 - ca 60% share in new dwellings (greenfield)
 - 96% of sales in 3P, raising ARPU
- leveraging on strong footprint of Orange Polska mobile voice in big cities
 - ca 36% market share in big cities in mobile voice, possibility for cross selling
 - fibre as a tool to strengthen convergent offer



2015 plan

- 2015 capex on fibre access network up to PLN 450m
- planned household coverage up to 650k
- investment process based on precise targeting
- local approach to sales adjusting to competition level and customers profile
- expected IRR significantly above WACC, with a 8-10 year payback period

key trends anticipated for 2015

	2014	2015 expectations
top-line evolution	<p>PLN 12.2bn</p> <p>-4.5% yoy</p>	<p>revenues and EBITDA likely to be under pressure mainly due to repricing in B2B segment, only partially offset by cost reduction initiatives</p>
cost base (up to EBITDA)	<p>5.1% down yoy*</p>	
capital expenditures	<p>PLN 1.8bn</p> <p>14.5% of revenue</p>	<p>including fibre access network project, capex is anticipated below PLN 2bn (excluding new spectrum)</p> <ul style="list-style-type: none"> - we plan to invest up to PLN450m in fibre rollout in 2015

guidance for 2015

2014 Organic
Cash Flow at
PLN 1.15bn

2015 OCF around PLN 900m

(including cash capex for fibre access network project)

excluding one-offs:

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

shareholders' remuneration

cash
dividend
to be paid in
2015*

PLN **0.5** per share

²⁷ * Management's proposal, to be approved by the Annual General Meeting of Shareholders

4 Q&A session

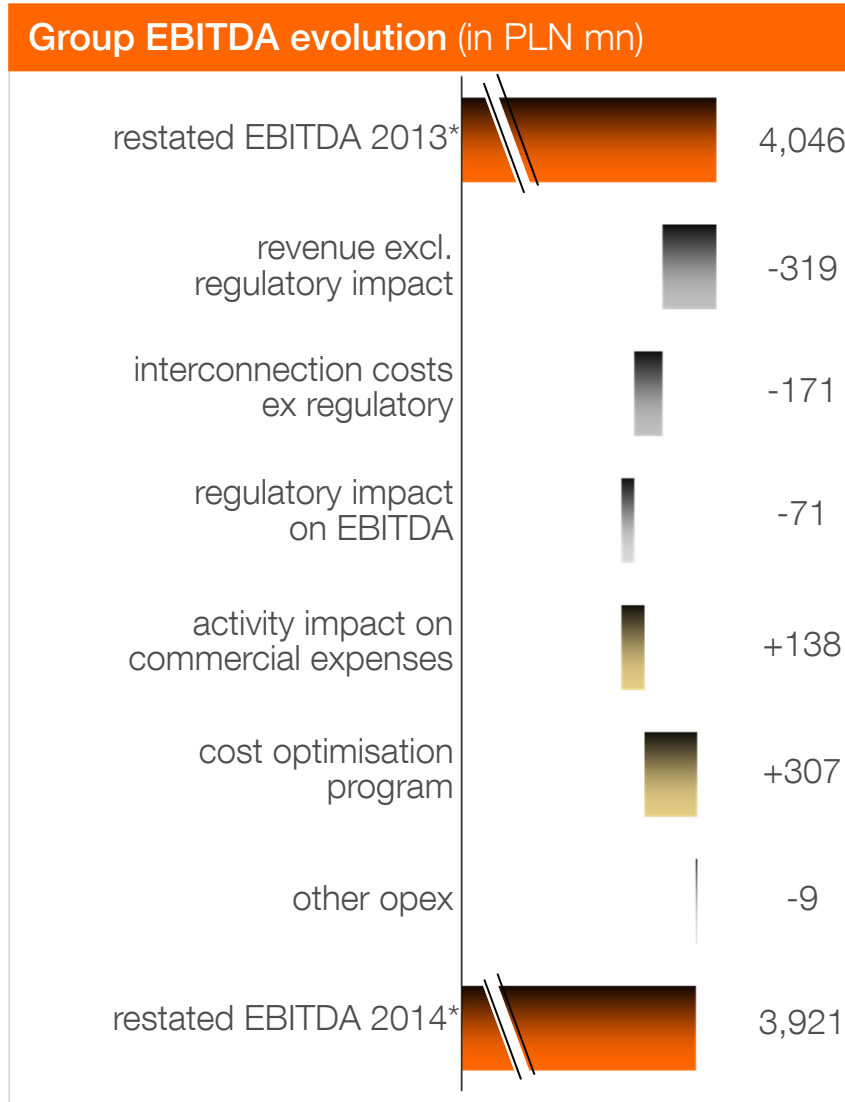


appendix

restatements to financial data

<i>in PLNm</i>	4Q2013	4Q2014	2013	2014
revenue	3,157	3,087	12,923	12,212
-revenue of Wirtualna Polska and ORE	-45	-	-137	-
restated revenue	3,112	3,087	12,786	12,212
EBITDA	702	898	3,904	4,076
-EBITDA of Wirtualna Polska and ORE	-13	-	-38	-
-employment termination expenses	127	-8	145	-8
-gain on disposal of Wirtualna Polska	-	-	-	-191
-impact of certain claims and litigation	-	-29	-	44
-the write-off of certain assets following the merger and other restatements	35	-	35	-
restated EBITDA	851	861	4,046	3,921
capital expenditures	636	622	2,180	2,153
-acquisition of telecommunications licences	-10	-1	-264	-378
capital expenditures (outlook definition)	626	621	1,916	1,775

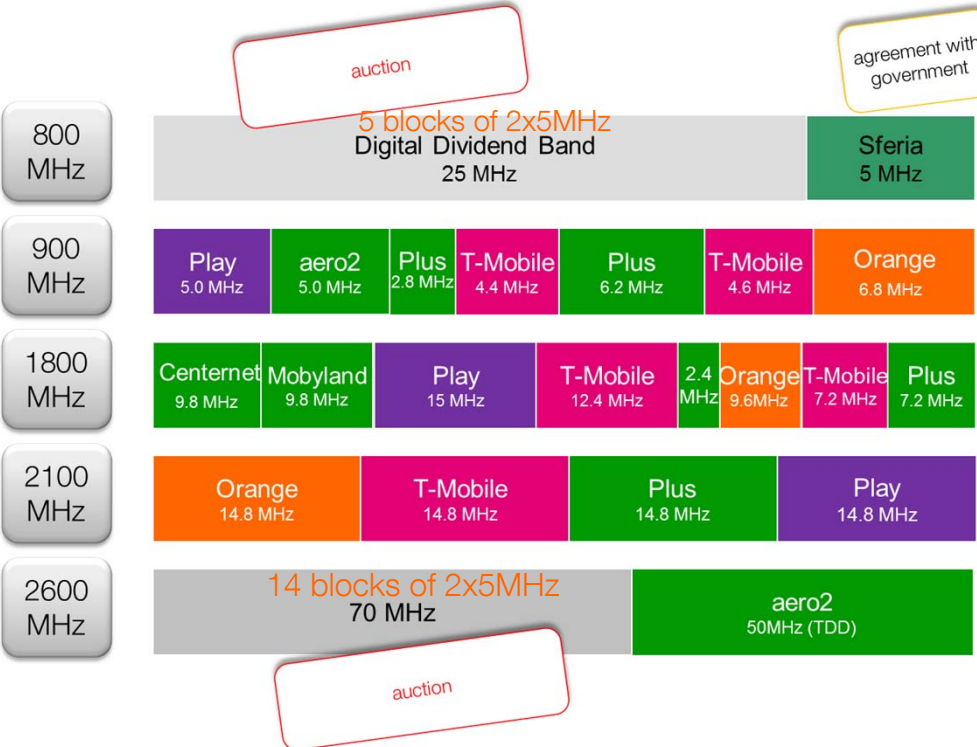
2014 restated EBITDA* margin up 0.5 pp to 32.1%



- regulatory impact mainly due to cuts in EU roaming
- interconnect (excl. MTR impact) driven up by mobile plans with unlimited usage
- lower commercial costs due to effective investment in customer acquisitions and retention in mobile post-paid
 - +458k post-paid subscribers in 2014 vs. +310k in 2013
- PLN 307m cost saving in 2014 after PLN 223m in 2013

*restated as presented in appendix (slide #30)

800MHz and 2.6GHz spectrum auction started on Feb. 10



- price auction (simultaneous multiple rounds ascending)
- reserve price per one block:
 - PLN 250mn in 800MHz
 - PLN 25mn in 2600MHz
- max 2 blocks in 800MHz can be bought by any single operator and any single capital group (Sferia's block excluded from calculations; all operators entitles to bid for 2 blocks)
- spectrum sharing only up to 2x15 MHz, unless all operators co-operate (incl. Sferia)
- time to market: 12 months for 800 MHz service & 36 months for 2600 MHz
- specific investment obligations attached to each 800 MHz block
 - e.g. 83%-89% of listed communes (up to 20k) and points to be covered in 24 months
- 6 participants applied and were qualified for the auction

glossary (1/3)

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
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
ICT	Information and Communication Technologies
IP TV	TV over Internet Protocol

glossary (2/3)

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, 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
MTR	Mobile Termination Rates
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
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

glossary (3/3)

SRC	Subscription Retention Costs
UKE	Office of Electronic Communications - Regulator
UOKiK	Office for Competition and Consumer Protection
VDSL	Very-high-bit-rate Digital Subscriber Line
VHBB	Very high speed broadband above 30Mbps
VoIP	Voice over Internet Protocol
WLL	Wireless Local Loop - a term for the use of a wireless communications, the "first mile"
WLR	Wholesale Line Rental