orange™

LSE – Current Report (46/2013)
Telekomunikacja Polska S.A., (TPSA) – Warsaw, Poland
April 23rd, 2013

Pursuant to art. 56, clause 1, item 1 of the Law of July 29, 2005 on public offering and the conditions for introducing financial instruments to the organised trading system and on public companies (Journal of Laws of 2005, No. 184, item 1539 with amendments), the Management Board of Telekomunikacja Polska S.A. hereby provides selected financial and operating data related to the activities of Telekomunikacja Polska Group ("Group", "Orange Polska") for the 1Q 2013.

Orange Polska reports satisfactory results for 1Q 2013, coupled with the launch of a new mobile brand to address low-cost demand on the Polish market

1Q 2013 highlights

- **revenue decline limited to -3.1% year-on-year (excluding regulatory impact) as compared to -4.2% in 4Q 2012**
  - **negative regulatory impact of PLN -145 million stemming mostly from voice MTR cut to PLN 0.0826**
- **initial success of convergence, with almost 72,000 customers adopting the Orange Open solution**
- **nju.mobile brand launched to address all price-points of the mobile segment and benefit from the demand for low-cost mobile services**
- **mobile customer base grew by 274,000 or 1.9% year-on-year, despite fierce competition**
- **dynamic rise of the 3P[1] customer base (+174,000 or +155%year-on-year) driving further improvement on fixed KPIs**
  - **revenues from broadband, TV and VoIP are 9.4% up year-on-year, driven by a similar growth of the ARPU from these services**
  - **quarterly churn of fixed voice connections is halved in 1Q 2013 (-109,000) in comparison to -209,000 reported in 1Q 2012**
- **PLN 43 million cost savings help to limit EBITDA margin decline to 3.3pp year-on-year**
- **organic cash flow at PLN 210 million, in line with full-year guidance**
- **sound balance sheet maintained with PLN 254 million less net debt since 4Q**

key figures (PLN million) IFRS	**1Q 2013**	**1Q 2012**	**Change**
Group revenue	3,267	3,520	-7.2%
EBITDA	1,033	1,227	-15.8%
EBITDA (as % of revenue)	31.6%	34.9%	-3.3 pp
net income	81	242	-66.5%
organic cash flow	210	253[2]	-17.0%

commenting on Group's performance in 1Q 2013, Mr Maciej Witucki, President of the Board and Chief Executive Officer, said:

"Our performance for the first quarter of the year, especially commercial performance, was satisfactory. The market has not become less challenging, as evidenced by competition's offers and by the amounts paid for the 1,800MHz spectrum, yet we defended our position in all segments. We are actively fighting the price war in mobile with our convergent Orange Open offer, which was appreciated by almost 72,000 customers, while simultaneously launching a new mobile

[1] Fixed broadband, television and voice over the Internet protocol
[2] Adjusted for the payment to DPTG of total of €550mn (PLN 2,449mn o/w change in provisions PLN -2,167mn and change in working capital PLN -282mn)

brand, aimed to benefit from the demand for low-cost, mobile-only products. In turn, this will now allow us to address all price-points on the market. Simultaneously, we are pursuing new initiatives, which will boost our commercial performance in the future; we initiated an electricity resale project with PGE, enlarged our distribution network by signing a co-operation agreement with Media Markt and Saturn, whilst our growing ICT activity was further strengthened by an acquisition of an ICT company, called Datacom System. All of the above, coupled with satisfactory financial results that we report for Q1, is an encouraging first step in the execution of our medium term action plan"

Financial Review

revenue contraction limited to 3.1% year-on-year (excluding regulatory impact), versus a -4.2% decrease in 4Q 2012

Group's revenue totalled PLN 3,267 million for the first quarter of 2013, as compared to PLN 3,520 million a year ago. This predominantly reflected the PLN -145 million impact of regulatory decisions (mostly MTR cuts[3]). Regulatory impact apart, the top-line evolution improved quarter-on-quarter, as it declined by -3.1% year-on-year versus -4.2% in 4Q.

The improving trend in turnover (excluding regulatory impact) was driven mainly by a dynamic growth of the 3P customers (+174,000 or +155% year-on-year) and the influence that they begin to exert on the main fixed KPIs; thanks to these bundles, churn of the fixed voice customers was halved year-on-year, as it amounted to -109,000 in 1Q 2013 versus -209,000 in 1Q 2012. Additionally, growth in the number of customers with Orange's 3P offer has given a boost to 'broadband, TV and VoIP' revenues; they rose by PLN 36 million year-on-year, and represent 12.9% of the Group's top-line in the first quarter of the year.

The number of mobile customers has continued to expand by roughly 1.9% year-on-year (+274,000 SIMs), due to pre-paid segment. However, the price war initiated by the competition in 2012 continued to have an adverse impact on the ARPU. The retail average revenues per user contracted in 1Q 2013 by 5.9% year-on-year and, in effect, it pushed the pre-regulatory revenues from mobile services and sale of equipment to a -2.1% decline versus the 1st quarter of 2012.

key performance indicators ('000)	1Q 2013	1Q 2012	Change
Orange Open customers	72	0	n/a
3P customers (BB, TV and VoIP)	286	112	+155.4%
number of mobile customers	14,886	14,612	+1.9%
post-paid	6,906	6,927	-0.3%
pre-paid	7,980	7,685	+3.8%
fixed voice lines (retail)	4,995	5,485	-8.9%
fixed broadband accesses (retail)	2,333	2,348	-0.6%
mobile broadband accesses	1,043	800	+30.4%
number of TV customers	699	663	+5.4%

[3] voice mobile termination rate (MTR) was cut from PLN 0.1223 a minute to PLN 0.0826 a minute on January 1st, 2013. In 1H 2012 MTR amounted to PLN 0.1520 a minute. SMS MTR was decreased from PLN 0.06 to PLN 0.05 on July 1st, 2012.

PLN 43 million cost savings help to maintain the 1Q EBITDA margin above 31%

Group's EBITDA for the 1st quarter of 2013 amounted to PLN 1,033 million, as compared to PLN 1,227 million in 1Q 2012. It stood at a 31.6% margin, as compared to 34.9% in 1Q 2012. The PLN 194 million decline of the EBITDA was predominantly driven by the drop of the retail revenues, as the MTR impact was neutral to EBITDA (lower interconnect revenues were offset by a decrease in interoperator costs). Simultaneously, the price war in post-paid (based on SIM-only tariff plans with unlimited voice and SMS) inflated the Group's cost base by PLN 43 million; (commercial costs increased as Orange made efforts to contain the number of clients migrating to SIM-only, interoperator costs were driven up by growth in volume of outgoing minutes generated by clients of unlimited tariffs). In addition, the year-on-year trend was influenced by PLN 47 million relating to non-recurring factors: PLN 29 million effect of reimbursement of certain rebranding expenses in 1Q 2012 and PLN 18 million in 2013 due to an increase in employment restructuring provision. These were partly offset by PLN 43 million savings stemming from the Group's cost optimisation program.

net income amounted to PLN 81 million in 1Q 2013

Orange Polska's net income for the 1st quarter of 2013 amounted to PLN 81 million and was PLN 161 million lower than in 1Q 2012. The difference is predominantly driven by the PLN 194 million decline in EBITDA, which was partly offset by lower depreciation and lower income tax (each item was PLN 28 million down since 1Q 2012), while finance costs were PLN 26 million above last year due to higher net debt.

organic cash flow at PLN 210 million in 1Q 2013, in line with the full year guidance

The organic cash flow amounted to PLN 210 million in the 1st quarter of 2013, as compared to PLN 253 million in 1Q 2012[4]. Lower cash generation resulted mainly from a PLN 343 million decrease in cash from operating activities (before change in working capital and income tax paid), mainly a combination of lower EBITDA (PLN -194 million) and a non-recurring gain on hedging derivatives in 2012. This was partly offset by a PLN 158 million positive variance in working capital requirement[5], and by PLN 221 million less cash outflows for capital expenditures than in 1Q 2012. Finally, income tax paid was up by PLN 85 million year-on-year.

commenting on the 1Q 2013 results, Mr Jacques de Galzain, Group Chief Financial Officer said:

"Since the beginning of the year, we are accelerating the pace of adjustment of our cost base to the new market reality, with several significant optimisation initiatives. The initial results are satisfactory, as we have already been able to secure 1,300 out of the 1,700 headcount redundancies planned for 2013. We have also agreed to use a funding opportunity provided by France Telecom, which is agreed under normal market conditions, as the main stream of financing our needs going forward, and this will reduce finance cost. Other initiatives are already under way and we are confident to achieve a leaner organisation in the periods to come. Simultaneously we have reduced our net debt since the start of the year, as we remained disciplined in the 1,800MHz tender and preserved capital for the upcoming auction for 800MHz spectrum. Following Q1, our financial performance is as we had expected, with a continued pressure on revenues and EBITDA, while the PLN 210 million organic cash flow generated in Q1 is in line with our full year cash generation objectives."

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[4] Adjusted for the payment to DPTG of total of €550mn (PLN 2,449mn o/w change in provisions PLN -2,167mn and change in working capital PLN -282mn)

[5] a WCR decrease in 1Q 2013 of PLN 88 million versus an increase in the requirement in 1Q 2012 of PLN 70 million

Forward-looking statement

This press release 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 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.

Orange Polska 1Q 2013 Results Presentation
Tuesday 23rd April 2013

Venue address:
Warsaw Stock Exchange
Książęca 4
00-498 Warsaw,
Poland

Registration: 1.30pm CET
Start: 2.00pm CET

The presentation will also be available via a live webcast on our website and via a live conference call:

Time:
14:00 (Warsaw)
13:00 (London)
09:00 (New York)

Conference title:
Orange Polska (TP S.A) Q1 2013 results

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Orange Polska Group Consolidated

amounts in PLN millions	2012*				2013
	1Q	2Q	3Q	4Q	1Q
profit & loss statement					
revenues					
Mobile services	**1,697**	**1,784**	**1,706**	**1,660**	**1,533**
voice traffic revenue	971	1,036	1,000	940	887
data, messaging, content and M2M	416	412	418	431	433
wholesale	310	336	288	289	213
Mobile equipment sales	**35**	**35**	**32**	**39**	**33**
Fixed services	**1,676**	**1,712**	**1,611**	**1,594**	**1,554**
fixed narrowband	739	701	665	642	614
fixed broadband, TV and VoIP	385	395	398	408	421
enterprise solutions & networks	263	320	256	254	251
wholesale	289	296	292	290	268
Other revenue	**112**	**136**	**123**	**189**	**147**
Total revenues	**3,520**	**3,667**	**3,472**	**3,482**	**3,267**
Y-o-Y growth**	**-3.5%**	**-1.2%**	**-5.6%**	**-6.4%**	**-7.2%**
labour expenses	(560)	(527)	(489)	(489)	(545)
external purchases	(1,731)	(1,830)	(1,557)	(1,785)	(1,596)
- interconnection costs	(447)	(470)	(413)	(441)	(314)
- network and IT	(201)	(212)	(196)	(207)	(188)
- commercial expenses	(641)	(691)	(547)	(671)	(642)
- content costs	(34)	(38)	(33)	(33)	(37)
- other external purchases	(408)	(419)	(368)	(433)	(415)
other operating incomes & expenses	(10)	(24)	(104)	(221)	(85)
employment termination expenses	0	0	0	8	(18)
gain/loss on disposals of assets	8	12	3	12	10
EBITDA	**1,227**	**1,298**	**1,325**	**1,007**	**1,033**
% of revenues	*34.9%*	*35.4%*	*38.2%*	*28.9%*	*31.6%*
depreciation & amortisation	(819)	(834)	(801)	(813)	(791)
impairment of fixed assets	(4)	(6)	(1)	(5)	(1)
EBIT	**404**	**458**	**523**	**189**	**241**
% of revenues	*11.5%*	*12.5%*	*15.1%*	*5.4%*	*7.4%*
financial result	(108)	(127)	(146)	(175)	(134)
income tax	(54)	(76)	(70)	37	(26)
Consolidated net income after tax	**242**	**255**	**307**	**51**	**81**

*adjusted for IFRS11; a change in accounting treatment of joint ventures
** growth in revenues is calculated based on proforma figures for 2011 (adjusted for deconsolidation of Emitel and Paytel)

customer base (in thousands)	2012				2013
	1Q	2Q	3Q	4Q	1Q
Orange Open[1]		2	6	33	72
Fixed telephony accesses					
POTS & ISDN	5,272	5,048	4,854	4,687	4,521
WLL	61	69	76	81	84
VoIP first line	152	209	264	336	390
Total retail main lines	**5,485**	**5,326**	**5,194**	**5,104**	**4,995**
Fixed broadband access					
ADSL	2,151	2,146	2,134	2,139	2,130
VDSL	11	16	23	26	28
CDMA	186	182	181	180	175
Group retail broadband - total	**2,348**	**2,344**	**2,338**	**2,345**	**2,333**
TV client base					
IPTV	113	114	116	119	117
DTH (TV over Satellite)	550	562	578	588	582
TV client base - total	**663**	**677**	**695**	**706**	**699**
o/w customers with pay TV packages	142	144	146	146	145
-o/w 'n' packages	43	57	69	83	98
3P services (TV+BB+VoIP)	112	151	191	248	286
Mobile accesses					
Post-paid	6,927	6,937	6,894	6,911	6,906
-o/w B2B	*2,446*	*2,436*	*2,420*	*2,428*	*2,407*
Pre-paid	7,685	7,820	7,865	7,984	7,980
Total	**14,612**	**14,757**	**14,758**	**14,895**	**14,886**
- of which dedicated mobile broadband subscription client base	800	848	907	985	1,043
Group wholesale customers (thousands)					
WLR (external to Group)	*1,512*	*1,539*	*1,518*	*1,472*	*1,420*
Bitstream access (external to Group)	*367*	*367*	*356*	*347*	*342*
LLU	*186*	*184*	*187*	*185*	*181*

[1] Orange Open is included in fixed telephony, broadband and mobile

quarterly ARPU in PLN per month	2012				2013
	1Q	2Q	3Q	4Q	1Q
Orange Polska retail fixed voice ARPU	46.5	46.2	45.5	45.6	45.1
Orange Polska broadband ARPU (Broadband, TV & VoIP)	54.5	55.9	56.5	57.8	59.7
Mobile ARPU (outside the Group)					
post-paid	65.1	68.5	65.5	64.5	60.4
-o/w B2B	*84.0*	*88.2*	*81.9*	*79.9*	*75.6*
pre-paid	16.6	17.7	16.8	16.2	14.2
Blended	39.1	40.9	38.8	37.9	34.9
retail ARPU (PLN)	32.1	33.4	32.5	31.4	30.2
wholesale ARPU (PLN)	6.9	7.5	6.4	6.4	4.7
voice ARPU (PLN)					
post-paid	48.2	51.4	48.5	46.5	41.9
pre-paid	12.2	13.4	12.6	11.9	9.6
blended	28.5	30.5	28.5	27.2	24.0
data ARPU (PLN)					
post-paid	6.8	6.5	6.9	7.0	7.8
pre-paid	0.6	0.5	0.6	0.6	0.6
blended	3.4	3.2	3.4	3.4	3.8
SMS&MMS and other ARPU (PLN)					
post-paid	10.1	10.5	10.1	10.9	10.7
pre-paid	3.8	3.8	3.6	3.7	3.9
blended	7.1	7.3	7.0	7.4	7.0

other mobile operating statistics	2012 1Q	2012 2Q	2012 3Q	2012 4Q	2013 1Q
MVNOs customers (thousands)	88	87	78	69	66
Number of smartphones (thousands)	2,256	2,574	2,887	3,262	3,384
volumes & churn					
AUPU (in minutes)					
post-paid	236.5	239.6	243.4	251.7	253.1
pre-paid	92.3	95.8	91.3	90.6	90.2
Blended	160.8	163.7	162.6	165.6	165.7
Quarterly mobile customer churn rate (%)					
post-paid	3.9	3.4	3.5	3.4	3.7
pre-paid	16.7	16.8	17.2	15.0	15.5
subsidies					
SAC post-paid (PLN)	576.7	499.8	506.6	583.8	556.8
SRC post-paid (PLN)	438.9	427.1	361.1	388.9	446.8
network coverage					
Group 3G coverage in % of population:	62.6%	62.7%	64.8%	69.0%	69.9%

Employment structure of Group as reported *Full time positions (end of period)*	2012 1Q	2012 2Q	2012 3Q	2012 4Q	2013 1Q
Orange Polska	**23,716**	**23,411**	**22,884**	**22,413**	**22,114**
50% of Networks	398	398	398	398	398
Total	24,114	23,809	23,282	22,811	22,512

Terms used:

Monthly Mobile ARPU - ARPU are calculated by dividing the Group revenues from mobile customers (outgoing and incoming) voice and non voice services, including one-time connection and termination fee, visitors roaming, excluding “machine to machine”, by the average number of customers, excluding “machine to machine”.

Monthly Broadband ARPU - (xDSL, FTTH, TV, and VoIP): ARPU of broadband services are calculated by dividing the monthly revenues from customers’ broadband services by the average number of accesses.

Subscriber Acquisition Cost (SAC) - Customer acquisition costs divided by the number of gross customers added during the respective period. Customer acquisition costs comprise commissions paid to distributors and net subsidies resulting from the sale of the handset.

Subscriber Retention Cost (SRC) - Customer retention costs divided by the number of customers retained during the respective period. Customer retention costs comprise commissions paid to distributors and net subsidies resulting from the sale of the handset.

Churn rate - The number of customers who disconnect from a network in a given period. divided by the weighted average number of customers in the same period