



LSE – Current Report (11/2014)
Orange Polska S.A., Warsaw, Poland
February 12, 2014

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 Orange Polska S.A. hereby provides selected financial and operating data related to the activities of Orange Polska Capital Group (“Group”, “Orange Polska”) for 4Q 2013 and FY 2013.

Orange Polska achieves its full-year 2013 Organic Cash Flow guidance¹

Orange Polska reports a marked upturn of its commercial results

2013 highlights:

- revenue decline limited to -3.7%, excluding regulatory impact
- PLN -693 million regulatory impact mostly due to voice MTR cut to PLN 0.0429 (ca €0.01)
- commercial momentum visibly improving:
 - number of convergent customers of Open at 286,000, up by x8.7 year-on-year
 - mobile customer base +430,000 (+2.9%) year-on-year, including +310,000 (+4.5%) in post-paid, as compared to +237,000 and -66,000 respectively in 2012
 - number of nju.mobile customers reached 353,000, with +150,000 added in 4Q
 - slower net decline of fixed line clients: -345,000 in 2013 versus -590,000 in 2012
- 2013 restated EBITDA margin² at 31.6%, defended by PLN 223 million cost savings
 - Costs of high commercial activity reflected in the 27.4% EBITDA margin² in 4Q
- 2013 capex¹ at PLN 1,916 million, in line with the outlook
- 2013 cash objective achieved, with Organic Cash Flow¹ at PLN 1,105 million
- Social plan signed with trade unions, enabling 2,950 voluntary leaves in 2014-2015
- Management guide for Organic Cash Flow in 2014 to be at least stable versus 2013 (excluding cash outflow for spectrum and impact of claims and litigation)
- Management will propose to maintain a dividend of PLN0.5 per share to be paid in 2014 (subject to approval by the Annual General Meeting of Shareholders)

key figures (PLN million) IFRS	4Q 2013	4Q 2012	change	FY 2013	FY 2012	change
Group revenue	3,157	3,482	-9.3%	12,923	14,141	-8.6%
excl. regulation impact			-3.8%			-3.7%
restated EBITDA ²	864	1,007	-14.2%	4,084	4,857	-15.9%
restated EBITDA ² (as % of revenue)	27.4%	28.9%	-1.5 pp.	31.6%	34.3%	-2.7 pp.
net income (incl. restructuring costs)	-102	51	n.a.	294	855	-65.6%
organic cash flow	272	533	-49.0%	1,105 ¹	1,593 ³	-30.6%

¹ excluding spectrum acquisition, OCF guidance was revised up in 3Q 2013

² restated for restructuring costs in 2013 (PLN -129mn in 4Q, PLN -147mn in FY) and PLN -33mn adjustment linked to TPSA/PTK merger (VAT and inventories)

³ excluding €550mn paid in 2012 to DPTG as part of the final settlement

commenting on 2013 performance, Mr Bruno Duthoit, Chief Executive Officer, said:

“Throughout 2013 we focused on execution of our strategy, in particular to boost our commercial activity. I am satisfied that it is beginning to bear fruit; the convergent Open product is on a satisfactory growth path, we are limiting churn of our fixed voice clients and we have achieved very good growth of our mobile customer base. This applies in particular to post-paid, where 4Q customer additions were at a highest level since 2009. Simultaneously, we achieved operational progress, as we extended 3G and 4G coverage and we foster convergence by merging TPSA and PTK Centertel. Going forward, we will fight to grow market shares in all segments, and to revamp broadband, by addressing the needs of our various customer segments, but also by improving customer experience, as we must make our sales and service delivery processes smoother and more convenient. We expect the Polish market to remain very competitive, but I believe that we have all the assets that are needed to continue the progress made in 2013.”

Financial Review

2013 revenue decline limited to -3.7%, excluding regulatory impact

Group's revenue totalled PLN 12,923 million in 2013, as compared to PLN 14,141 million in 2012. The decrease mainly reflected a PLN -693 million impact of regulatory decisions (mostly MTR cuts⁴). Excluding the regulatory impact, the top-line decline was limited to PLN 525 million or -3.7%. It was caused by lower revenues from fixed services, which – excluding regulatory impact - went down by PLN 417 million, mainly due to a structural decline of PSTN. Nevertheless, the decline was limited to PLN -64 million in 4Q, versus PLN -74 million in 3Q, PLN -172 million in 2Q and PLN -107 million in 1Q. Mobile revenues, excluding regulatory impact, went down by PLN -156 million, as they continued to reflect price pressure. They were partly offset by a PLN 48 million increase in other revenues.

The number of customers of the Orange Open solution reached 286,000. The Group's flagship convergent offer has increased 8.7 times within the last 12 months. It's upsell potential is evidenced by the fact that 58% of its subscribers bought additional fixed or mobile services upon entering the product, and benefitting the overall customer ARPU.

The growth rate in the number of mobile customers accelerated to +2.9% year-on-year, versus +2.5% in 3Q. The upturn was possible due to 199,000 net customer additions since 3Q, achieved mainly in post-paid (+169,000 SIM cards). The result in post-paid is particularly good, as this is the highest quarterly growth of number of customers since 2Q 2009. Mobile retail ARPU was still adversely affected by the price war initiated by competition in 2012, falling by -7% year-on-year in 4Q.

The fixed line KPIs continued to benefit from the strategy of product bundling and convergence. The evolution of number of fixed voice customers improved, with the loss of lines that amounted to -345,000 in 2013 versus -590,000 in 2012. Furthermore, the losses were sequentially limited throughout 2013: -62,000 customers in 4Q, versus -78,000 in 3Q, -96,000 in 2Q and -109,000 in 1Q.

KPI ('000 at the year-end)	2013	2012	change
Orange Open customers	286	33	8.7x
3P customers (BB, TV and VoIP)	351	248	+41.5%
number of mobile customers	15,325	14,895	+2.9%
post-paid	7,221	6,911	+4.5%
pre-paid	8,104	7,984	+1.5%
fixed voice lines (retail)	4,759	5,104	-6.8%
fixed broadband accesses (retail)	2,301	2,345	-1.9%
mobile broadband accesses	1,165	985	+18.3%
number of TV customers	707	706	+0.1%

⁴ voice mobile termination rate (MTR) was cut from PLN 0.0826 a minute to PLN 0.0429 a minute on July 1, 2013. In 1H 2012 the MTR amounted to PLN 0.1520 a minute and in 2H 2012: PLN 0.1223 a minute.

2013 restated EBITDA margin at 31.6%⁵, defended by PLN 223 million cost savings

The restated EBITDA⁵ for 2013 amounted to PLN 4,084 million and it stood at 31.6% of revenues. In comparison to last year, it decreased by PLN 773 million. This was caused mainly by lower revenues, down by PLN 525 million excluding the regulatory impact, while impact of regulatory decisions affected the EBITDA by further PLN -66 million. In addition direct costs were under pressure, as post-paid tariff plans with unlimited voice and SMS inflated the Group's interoperator costs by PLN 107 million, and commercial costs were pushed up by PLN 108 million as the Group improved its commercial momentum; mobile post-paid customer base grew by +310,000 in 2013 versus -66,000 in 2012. Costs of the ICT activity rose to PLN 216 million (PLN 67 million up year-on-year), albeit this corresponded to PLN 265 million of ICT revenues. Other costs rose by PLN 73 million, also due to infrastructure projects realised for the Polish regions. In addition, the year-on-year comparison reflects a PLN -50 million impact of reimbursement of certain rebranding expenses by Orange Group in 2012. Finally, the EBITDA was positively impacted by PLN +223 million savings stemming from the Group's cost optimisation program.

2013 net income at PLN 294 million, including restructuring costs

Group's net income for 2013 amounted to PLN 294 million, versus PLN 855 million in 2012. The decline was mainly due to PLN -147 million impact of costs linked to workforce restructuring, as well as due to the evolution of the EBITDA, partly offset by lower depreciation (down by PLN 160 million), less net financial costs (PLN 78 million below 2012) and smaller income tax (PLN 147 million less than in 2012).

2013 cash objective achieved, with Organic Cash Flow⁶ at PLN 1,105 million

The organic cash flow amounted to PLN 1,105 million in 2013, in line with the guidance⁷. In comparison to 2012, the OCF decreased by PLN 488 million. This was due to PLN 1,121 million less cash from operating activities (before income tax paid and change in working capital), mostly resulting from lower EBITDA, coupled with PLN 57 million more of tax paid. This was partly offset by PLN 540 million less cash outflows for capital expenditures and by a PLN +142 million positive variance in working capital requirement⁸.

commenting on 2013 results, Mr. Jacques de Galzain, Chief Financial Officer said:

"In 2013, we invested more resources in the commercial activity, which resulted in higher customers acquisition. We expect payback on these investments going forward. Our financial performance was helped by 220 million zloty of cost savings. This enabled us to reach our organic cash flow objective in 2013, without jeopardising investments. In 2014 we anticipate at least to match the underlying cash generation from 2013. We will incur material non-recurring cash outflows linked predominantly to renewal of our existing spectrum and purchase of the spectrum needed for LTE. Nevertheless, we are committed to remunerate our shareholders, and despite the uncertainties, we will propose to pay a dividend of 0.5 zloty per share in 2014."

⁵ restated for restructuring costs in 2013 (PLN -129mn in 4Q, PLN -147mn in FY) and PLN -33mn adjustment linked to TPSA/PTK merger (VAT and inventories)

⁶ excluding spectrum acquisition, guidance was revised up in 3Q 2013

⁷ guidance was revised up in 3Q 2013.

⁸ WCR decrease in 2013 of PLN 54 million versus a PLN -88 million increase in 2012

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 FY 2013 Results Presentation Wednesday 12th February, 2014

Venue address:
Orange Polska
Aleje Jerozolimskie 160,
02-326 Warsaw,
Poland

Start: 11.00 CET

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

Time:
11:00 (Warsaw)
10:00 (London)
05:00 (New York)

Conference title:
Orange Polska FY 2013 Results

Dial in numbers:
UK/Europe: [+44-208-515-2301](tel:+44-208-515-2301)
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The results will be available on our website (www.orange.pl/investors) on the morning of 12th February. If you are on the Orange Polska mailing list, you should receive further notification by email as soon as they are available.

Orange Polska Group Consolidated

amounts in PLN millions	2012*				2013				2012*	2013
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY	FY
profit & loss statement										
revenues										
Mobile services	1 697	1 784	1 706	1 660	1 533	1 590	1 514	1 473	6 847	6 110
voice traffic revenue	971	1 036	1 000	940	887	917	906	835	3 947	3 545
data, messaging, content and M2M	416	412	418	431	433	443	448	470	1 677	1 794
wholesale	310	336	288	289	213	230	160	168	1 223	771
Mobile equipment sales	35	35	32	39	33	40	35	41	141	149
Fixed services	1 676	1 712	1 611	1 594	1 554	1 515	1 500	1 488	6 593	6 057
fixed narrowband	739	701	665	642	614	582	559	542	2 747	2 297
fixed broadband, TV and VoIP	385	395	398	408	421	421	422	423	1 586	1 687
enterprise solutions & networks	263	320	256	254	251	250	258	261	1 093	1 020
wholesale	289	296	292	290	268	262	261	262	1 167	1 053
Other revenue	112	136	123	189	147	158	147	155	560	607
Total revenues	3 520	3 667	3 472	3 482	3 267	3 303	3 196	3 157	14 141	12 923
Y-o-Y growth**	-3,5%	-1,2%	-5,6%	-6,4%	-7,2%	-9,9%	-7,9%	-9,3%	-4,2%	-8,6%
labour expenses	(560)	(527)	(489)	(489)	(545)	(516)	(453)	(432)	(2 065)	(1 946)
external purchases	(1 731)	(1 830)	(1 557)	(1 785)	(1 596)	(1 649)	(1 501)	(1 694)	(6 903)	(6 440)
- interconnection costs	(447)	(470)	(413)	(441)	(314)	(358)	(284)	(295)	(1 771)	(1 251)
- network and IT	(208)	(215)	(201)	(211)	(188)	(209)	(208)	(241)	(835)	(846)
- commercial expenses	(641)	(691)	(547)	(671)	(642)	(620)	(562)	(752)	(2 550)	(2 576)
- content costs	(34)	(38)	(33)	(33)	(37)	(43)	(34)	(35)	(138)	(149)
- other external purchases	(401)	(416)	(363)	(429)	(415)	(419)	(413)	(371)	(1 609)	(1 618)
other operating incomes & expenses	(10)	(24)	(104)	(221)	(85)	(144)	(92)	(166)	(359)	(487)
employment termination expenses	0	0	0	8	(18)	(1)	0	(167)	8	(186)
gain/loss on disposals of assets	8	12	3	12	10	11	15	4	35	40
EBITDA	1 227	1 298	1 325	1 007	1 033	1 004	1 165	702	4 857	3 904
% of revenues	34,9%	35,4%	38,2%	28,9%	31,6%	30,4%	36,5%	22,2%	34,3%	30,2%
restated EBITDA***	1 227	1 298	1 325	1 007	1 051	1 004	1 165	864	4 857	4 084
% of revenues	34,9%	35,4%	38,2%	28,9%	32,2%	30,4%	36,5%	27,4%	34,3%	31,6%
depreciation & amortisation	(819)	(834)	(801)	(813)	(791)	(783)	(775)	(758)	(3 267)	(3 107)
impairment of fixed assets	(4)	(6)	(1)	(5)	(1)	(3)	0	(5)	(16)	(9)
EBIT	404	458	523	189	241	218	390	(61)	1 574	788
% of revenues	11,5%	12,5%	15,1%	5,4%	7,4%	6,6%	12,2%	-1,9%	11,1%	6,1%
financial result	(108)	(127)	(146)	(175)	(134)	(108)	(118)	(118)	(556)	(478)
income tax	(54)	(76)	(70)	37	(26)	(34)	(33)	77	(163)	(16)
Consolidated net income after tax	242	255	307	51	81	76	239	(102)	855	294

*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)

*** restated for restructuring costs, (PLN -18mn booked in 1Q2013 and PLN -129mn in 4Q2013) mainly including restructuring provision (PLN -18mn in 1Q2013 and PLN -167mn) and actuarial adjustment to long term employee benefits, and PLN -33mn adjustment linked to TPSA/PTK merger (VAT and inventories) booked in 4Q2013

Orange Polska Group key performance indicators

Key operational performance indicators for Group

customer base (in thousands)	2012				2013			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Orange Open¹		2	6	33	72	125	211	286
Fixed telephony accesses								
POTS & ISDN	5 272	5 048	4 854	4 687	4 521	4 392	4 292	4 209
WLL	61	69	76	81	84	84	84	84
VoIP first line	152	209	264	336	390	423	445	466
Total retail main lines	5 485	5 326	5 194	5 104	4 995	4 899	4 821	4 759
Fixed broadband access								
ADSL	2 151	2 146	2 134	2 139	2 130	2 112	2 096	2 083
VDSL	11	16	23	26	28	36	49	64
CDMA	186	182	181	180	175	169	160	154
Group retail broadband - total	2 348	2 344	2 338	2 345	2 333	2 317	2 305	2 301
TV client base								
IPTV	113	114	116	119	117	117	119	121
DTH (TV over Satellite)	550	562	578	588	582	582	583	586
TV client base - total	663	677	695	706	699	699	702	707
-o/w 'n' packages	43	57	69	83	98	101	115	123
3P services (TV+BB+VoIP)	112	151	191	248	286	314	333	351
Mobile accesses								
Post-paid	6 927	6 937	6 894	6 911	6 906	6 970	7 052	7 221
-o/w B2B	2 446	2 436	2 420	2 428	2 407	2 399	2 402	2 420
Pre-paid	7 685	7 820	7 865	7 984	7 980	7 977	8 074	8 104
Total²	14 612	14 757	14 758	14 895	14 886	14 947	15 126	15 325
- of which dedicated mobile broadband subscription client base	800	848	907	985	1 043	1 079	1 120	1 165
Group wholesale customers (thousands)								
WLR (external to Group)	1 512	1 539	1 518	1 472	1 443	1 397	1 356	1 301
Bitstream access (external to Group)	367	367	356	347	342	343	340	330
LLU	186	184	187	185	181	178	175	172

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

² all SIM cards, including voice, M2M, data

quarterly ARPU in PLN per month	2012				2013			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Orange Polska retail fixed voice ARPU	46,5	46,2	45,5	45,6	45,1	44,2	43,5	43,1
Orange Polska broadband ARPU (Broadband, TV & VoIP)	54,5	55,9	56,5	57,8	59,7	60,1	60,5	60,9
Mobile ARPU (outside the Group)								
post-paid	65,1	68,5	65,5	64,5	60,4	62,7	59,2	57,2
-o/w B2B	84,0	88,2	81,9	79,9	75,6	77,5	72,2	69,7
pre-paid	16,6	17,7	16,8	16,2	14,2	14,6	13,8	13,0
Blended	39,1	40,9	38,8	37,9	34,9	36,2	34,2	32,8
retail ARPU (PLN)	32,1	33,4	32,5	31,4	30,2	31,1	30,8	29,2
wholesale ARPU (PLN)	6,9	7,5	6,4	6,4	4,7	5,1	3,4	3,6
voice ARPU (PLN)								
post-paid	48,2	51,4	48,5	46,5	41,9	43,4	39,5	36,4
pre-paid	12,2	13,4	12,6	11,9	9,6	10,2	9,6	8,7
blended	28,5	30,5	28,5	27,2	24,0	25,1	23,0	21,1
data ARPU (PLN)								
post-paid	6,8	6,5	6,9	7,0	7,8	8,4	9,1	9,3
pre-paid	0,6	0,5	0,6	0,6	0,6	0,5	0,6	0,7
blended	3,4	3,2	3,4	3,4	3,8	4,1	4,4	4,5
SMS&MMS and other ARPU (PLN)								
post-paid	10,1	10,5	10,1	10,9	10,7	10,9	10,6	11,5
pre-paid	3,8	3,8	3,6	3,7	3,9	3,8	3,7	3,6
blended	7,1	7,3	7,0	7,4	7,0	7,0	6,8	7,1

other mobile operating statistics	2012				2013			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
MVNOs customers (thousands)	88	87	78	69	66	67	69	62
Number of smartphones (thousands)	2 256	2 574	2 887	3 262	3 384	3 526	3 613	3 804
volumes & churn								
AUPU (in minutes)								
post-paid	236,5	239,6	243,4	251,7	253,1	264,6	266,8	273,7
pre-paid	92,3	95,8	91,3	90,6	90,2	94,5	91,3	90,8
Blended	160,8	163,7	162,6	165,6	165,7	173,7	173,2	176,3
Quarterly mobile customer churn rate (%)								
post-paid	3,9	3,4	3,5	3,4	3,7	3,6	3,3	3,4
pre-paid	16,7	16,8	17,2	15,0	15,5	15,1	14,6	14,8
subsidies								
SAC post-paid (PLN)	576,7	499,8	506,6	583,8	556,8	502,3	484,8	521,6
SRC post-paid (PLN)	438,9	427,1	361,1	388,9	446,8	381,9	358,4	420,4
network coverage								
Group 3G coverage in % of population:	62,6%	62,7%	64,8%	69,0%	69,9%	73,7%	85,5%	90,2%
Employment structure of Group as reported active full time equivalents (end of period)								
	2012				2013			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Orange Polska	23 181	22 899	22 356	21 920	21 617	21 024	20 143	19 923
50% of Networks	397	397	397	397	395	392	398	397
Total	23 578	23 296	22 753	22 317	22 012	21 416	20 541	20 320

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