LSE – Current Report (22/2015)
Orange Polska S.A., Warsaw, Poland
April 27, 2015

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 1Q 2015.

Orange Polska reports in 1Q 2015 solid financial results and commercial results that reflect challenging market environment

1Q 2015 highlights:

- **1Q revenue decline limited to 1.7%[1] year-on-year, vs. -0.8% in 4Q 2014 and -3.6% in 3Q 2014**
  - **mobile top line up by 1.6% year-on-year, supported by better ARPU trends, sale of equipment and increasing customer base**
- **satisfactory commercial results in most areas:**
  - **+68% year-on-year Orange Open customers using over 2.4mn services, +52k net adds in 1Q**
  - **+5% year-on-year mobile post-paid customer base, +48k net adds in 1Q**
  - **+30% year-on-year mobile broadband customers, +77k net adds in 1Q,**
  - **number of LTE users at 900k (+47% vs 4Q 2014)**
  - **+120% year-on-year very high speed broadband customer base,+33k in 1Q; ADSL customer base under pressure**
  - **fixed voice clients erosion at -77k versus -67k in 4Q 2014**
  - **Orange Finanse customer base at 90k (+54k vs 4Q 2014)**
- **restated EBITDA[2] margin at 32.8% up by 1.0 pp year-on-year**
  - **EBITDA cost base down 3.1%[1] reflecting PLN 69mn cost savings (up by 17% year-on-year) and lower labour costs related to the curtailment of certain benefits for retirees (PLN 58mn)**
- **capex at PLN 321mn, down 14% year-on-year**
- **Organic Cash Flow at PLN 152mn. FY guidance confirmed**

key figures (PLN million) IFRS	**1Q 2015**	**1Q 2014**	**change**
Group revenue[1]	2,930	2,980	-1.7%
excl. regulatory impact[1]			-1.0%
restated EBITDA[1,2]	960	947	1.4%
restated EBITDA[1,2] (as % of revenue)	32.8%	31.8%	1.0 pp.
net income	171	271	-36.9%
organic cash flow	152	157	-3.2%

[1] on pro forma basis, adjusted for de-consolidation of Wirtualna Polska, disposed of on 13/02/2014
[2] restated for PLN 1mn adjustment for employment termination expense in 1Q 2015

commenting on 1Q 2015 performance, Bruno Duthoit, Chief Executive Officer, said:

"In 1Q we continued to see a strong market appetite for fast fixed and mobile broadband, which gives us confidence regarding our further connectivity plans. In post-paid services we kept on generating a healthy customer growth of 5% year-on-year even if net additions were below the previous quarter due to high market competition. Nonetheless, our mobile number portability (MNP) performance remained ahead of two out of three other mobile operators. While our VHBB customer base more than doubled over the year, we are concerned with churn observed in ADSL. We will address this in 2Q when rolling out an array of commercial actions.

In the last few years, we have been observing changes in customer behaviour and needs resulting from increasing digitalisation of everyday life. Our answer is to refresh the Orange brand to better listen and respond to these new expectations. This is accompanied with updated external communication and, even more importantly, tangible changes in sales and customer service across all channels. This will improve the perception of Orange, boost our brand awareness, improve customer experience, and, as a result, support our marketing and sales efforts."

Financial Review

revenue decline limited to -1.7%[3] year-on-year, (-1.0% excluding regulatory impact)

Consolidated revenue totalled PLN 2,930 million in 1Q, down -1.7% or PLN 50 million year-on-year. Regulatory impact was limited to PLN 19 million and was mainly attributable to EU roaming rates cuts. Excluding this impact, the top-line was down only 1.0% year-on-year or PLN 31 million, compared to PLN 3 million (0.1%) a quarter ago. This modest deterioration resulted from lower increase of ICT revenues in 1Q. Growth in mobile was maintained at the same pace (2.7% year-on-year). It was supported by handset sales on instalments (which boosted equipment revenues) and growth of the customer base, both of which offset pricing pressures. Fixed services decreased less than in previous quarters on slightly improved dynamics in fixed narrowband and enterprise solutions.

Our mobile post-paid customer base continued to grow at a healthy pace of 5% year-on-year with support of mobile broadband. However net additions in 1Q, at 48,000, were below previous few quarters mainly due to market competition. Pre-paid base shrunk mainly as a result of seasonality and structural factors including growing affordability of post-paid and lower popularity of premium services curtailing number of one-time users. With net additions at close to 80,000, mobile broadband customer base increased 30% year-on-year, exceeding 10% of all SIM cards at Orange Polska. The number of customers using our LTE network reached 900,000 growing by close to 50% in 1Q. More than 60% of devices we sold in 1Q were compatible with 4G technology.

Stabilization in B2C segment ARPU, in particular good performance of pre-paid revenues, and growing contribution of wholesale revenues had positive impact on mobile blended ARPU. In 1Q its decline was limited to -5.0% versus -6.4% in 4Q 2014 and -8.9% in 1Q 2014.

The number of our convergent customers reached 591,000 by the end of 1Q. Net quarterly customer acquisition was maintained at above 50,000. The total number of services used by Orange Open customers exceeded 2.4 million which implies an average of more than four services per customer.

In fixed services, good momentum was maintained in fast broadband (VHBB), with 33,000 net additions in 1Q. VHBB customer base exceeded 200,000 and reached 10% of all fixed broadband customers (excluding CDMA). Nonetheless, total number of retail fixed broadband lines continued to decline with the net loss amounting to 43,000. This was mainly a result of churn in ADSL customer base which remains under pressure from substitution from mobile broadband. TV offering continued to perform well, with customer base up by 7% year-on-year, reaching 756,000 and standing at 34% of retail broadband lines. The fixed voice retail lines erosion has slightly accelerated to 77,000 compared to 67,000 a quarter ago.

[3] on pro forma basis, adjusted for de-consolidation of Wirtualna Polska, disposed of on 13/02/2014

KPI ('000)	1Q 2015	1Q 2014	change
Orange Open customers	591	352	+67.9%
3P customers (BB, TV and VoIP)	441	364	+21.2%
number of mobile customers	15,518	15,395	+0.8%
post-paid	7,727	7,360	+5.0%
pre-paid	7,791	8,035	-3.0%
fixed voice lines (retail)	4,435	4,685	-5.3%
fixed broadband accesses (retail)	2,198	2,285	-3.8%
mobile broadband accesses	1,598	1,233	+29.6%
number of TV customers	756	708	+6.8%

restated EBITDA[4] margin at 32.8% up by 1.0 pp year-on-year

Restated EBITDA for 1Q 2015 amounted to PLN 960 million, and was broadly flat versus last year. EBITDA margin stood at 32.8% and was up by 1.0 pp year-on-year. It was supported by two positive factors. Firstly, solid results of our cost optimization program, which has delivered PLN 69 million of savings, 17% more than in 1Q 2014. Secondly, our labour costs benefited from recognition of PLN 58 million credit related to the curtailment of certain benefits for retirees of the Group (result of agreements signed with Trade Unions). These positives were mostly offset by higher cost of commercial activity due to larger share of handsets in sales, and increased costs of ICT activity, as well as higher interconnect cost.

1Q net income at PLN 171 million, benefited from lower financial costs and depreciation

Orange Polska's net income for 1Q 2015 came in at PLN 171 million, versus PLN 271 million in 1Q 2014. The drop is attributed to PLN 191 million gain on sale of Wirtualna Polska that boosted reported EBITDA a year ago. Bottom line this quarter was supported by PLN 61 million year-on-year decrease in net financial costs mostly as a result of debt refinancing completed in May 2014, coupled with lower depreciation charge (down by PLN 40 million year-on-year) following the extension of economic life for certain assets.

Organic Cash Flow at PLN 152 million

Organic cash flow for 1Q 2015 stood at PLN 152 million and was comparable to 1Q 2014. Despite lower revenues, net cash from operating activities (before income tax paid and change in working capital) was flat mainly due to lower financial costs. Cash capex (excluding LTE auction deposit) was slightly down, but this positive effect was offset by PLN 64 million higher year-on-year working capital requirement as a consequence of higher balance of receivables due to introduction of instalment sales.

commenting on 1Q 2015 results, Maciej Nowohoński, Chief Financial Officer said:

"We have delivered solid financial results in 1Q, marked by lower pressure on revenues in mobile services and a slower decline in fixed services versus previous quarters. Our EBITDA was satisfactory, supported by growing cost optimisations and a recognition of curtailment of certain benefits for retirees in labour costs. In line with the business prospects presented in February we expect the challenging outlook to continue especially in the B2B area. Over the coming quarters we need to intensify our marketing efforts to improve our commercial achievements. We will also continue to execute our fibre access network project. Nonetheless our cash flow generation is under close control and we confirm the full-year guidance objective."

[4] restated for PLN 1mn adjustment for employment termination expense in 1Q 2015

Restatements to financial data

in PLNm	1Q2014	1Q2015
revenue	2,995	2,930
-revenue of Wirtualna Polska	-15	-
restated revenue	2,980	2,930
EBITDA	1,142	959
-gain on disposal of Wirtualna Polska	-191	0
-EBITDA of Wirtualna Polska	-4	0
-employment termination expenses	0	1
restated EBITDA	947	960
capital expenditures	374	321
-acquisition of telecommunications licences	-1	0
capital expenditures (outlook definition)	373	321

<u>Forward-looking statement</u>

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 Q1 2015 Results Presentation
Tuesday 28th April 2015

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 Q1 2015 Results

Dial in numbers:
UK/Europe: +44-20-3450-9987
US: +1-718-971-5738

Toll free numbers:
UK: 0800-279-5736
US: +1-877-280-1254

Orange Polska Group Consolidated

amounts in PLN millions	2014					2015
	1Q		2Q	3Q	4Q	1Q
profit & loss statement	as reported	pro forma*	as reported	as reported	as reported	as reported
revenues						
Mobile services	**1,438**	**1,438**	**1,456**	**1,425**	**1,394**	**1,367**
voice traffic revenue	804	804	799	752	709	689
data, messaging, content and M2M	461	461	475	484	483	470
wholesale	173	173	182	189	202	208
Mobile equipment sales	**43**	**43**	**110**	**128**	**146**	**138**
Fixed services	**1,420**	**1,420**	**1,386**	**1,373**	**1,341**	**1,306**
fixed narrowband	521	521	506	491	465	458
fixed broadband, TV and VoIP	420	420	416	415	412	410
enterprise solutions & networks	237	237	231	230	235	221
wholesale	242	242	233	237	229	217
Other revenue	**94**	**79**	**132**	**120**	**206**	**119**
Total revenues	**2,995**	**2,980**	**3,084**	**3,046**	**3,087**	**2,930**
year-on-year**	**-7.9%**	**n/a**	**-5.4%**	**-3.6%**	**-0.8%**	**-1.7%**
labour expenses	(522)	(516)	(453)	(446)	(453)	(430)
external purchases	(1,452)	(1,447)	(1,495)	(1,441)	(1,725)	(1,476)
- interconnection costs	(280)	(280)	(297)	(322)	(332)	(321)
- network and IT	(192)	(192)	(207)	(186)	(203)	(176)
- commercial expenses	(605)	(602)	(610)	(561)	(769)	(643)
- other external purchases	(375)	(373)	(381)	(372)	(421)	(336)
other operating incomes & expenses	(79)	(79)	(148)	(125)	(53)	(70)
employment termination expenses	0	0	0	0	8	0
gain/loss on disposal of assets	9	9	8	6	34	5
gain on disposal of Wirtualna Polska	191					
reported EBITDA	**1,142**	**947**	**996**	**1,040**	**898**	**959**
% of revenues	*38.1%*	*31.8%*	*32.3%*	*34.1%*	*29.1%*	*32.7%*
- employment termination expenses					(8)	1
- gain on disposal of Wirtualna Polska	(191)					
- impact of certain claims and litigation			44	29	(29)	
- the write-off of certain assets following the merger and other restatements						
restated EBITDA	***951***	***947***	***1,040***	***1,069***	***861***	***960***
% of revenues	*31.8%*	*31.8%*	*33.7%*	*35.1%*	*27.9%*	*32.8%*
depreciation & amortisation	(750)	(750)	(794)	(759)	(770)	(710)
impairment of fixed assets	(1)	(1)	(2)	(4)	(10)	(3)
EBIT	**391**	**196**	**200**	**277**	**118**	**246**
% of revenues	*13.1%*	*6.6%*	*6.5%*	*9.1%*	*3.8%*	*8.4%*
financial result	(119)	(119)	(118)	(85)	(83)	(58)
income tax	(1)	(1)	12	(52)	(5)	(17)
Consolidated net income after tax	**271**	**76**	**94**	**140**	**30**	**171**

*pro forma adjusted for deconsolidation of Wirtualna Polska
** change is calculated based on pro forma figures

Orange Polska Group key performance indicators

Key operational performance indicators for Group

customer base (in thousands)	2013 4Q	2014 1Q	2014 2Q	2014 3Q	2014 4Q	2015 1Q
Orange Open[1]	286	352	418	480	539	591
Fixed telephony accesses						
POTS, ISDN & WLL	4,275	4,203	4,133	4,061	3,974	3,880
VoIP first line	466	482	500	518	538	555
Total retail main lines	**4,741**	**4,685**	**4,633**	**4,579**	**4,512**	**4,435**
Fixed broadband access						
ADSL	2,076	2,051	2,031	2,006	1,959	1,902
VHBB (VDSL+FTTH)	71	94	116	140	174	207
CDMA	154	140	134	123	108	89
retail broadband - total	**2,301**	**2,285**	**2,281**	**2,269**	**2,241**	**2,198**
TV client base						
IPTV	121	123	129	135	143	150
DTH (TV over Satellite)	586	585	591	600	605	606
TV client base - total	**707**	**708**	**720**	**735**	**748**	**756**
-o/w 'nc+' packages	123	133	144	155	166	176
3P services (TV+BB+VoIP)	351	364	383	402	423	441
Mobile accesses						
Post-paid	7,221	7,360	7,459	7,533	7,679	7,727
-o/w B2B	*2,420*	*2,456*	*2,464*	*2,468*	*2,498*	*2,496*
Pre-paid	8,104	8,035	8,002	8,058	7,950	7,791
Total[2]	**15,325**	**15,395**	**15,461**	**15,591**	**15,629**	**15,518**
- of which dedicated mobile broadband client base	1,165	1,233	1,319	1,413	1,521	1,598
Wholesale customers						
WLR	*1,301*	*1,237*	*1,176*	*1,111*	*1,046*	*991*
Bitstream access	*330*	*322*	*311*	*295*	*280*	*263*
LLU	*172*	*169*	*165*	*159*	*152*	*146*

[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	2013 4Q	2014 1Q	2014 2Q	2014 3Q	2014 4Q	2015 1Q
Orange Polska retail fixed voice ARPU	43.3	42.4	41.9	41.4	40.0	40.4
Orange Polska broadband ARPU (Broadband, TV & VoIP)	60.9	60.5	60.4	60.4	60.4	60.8
Mobile ARPU						
post-paid	57.2	55.6	55.6	53.3	51.4	50.5
-o/w B2B	*69.7*	*68.0*	*65.7*	*61.2*	*57.2*	*57.1*
pre-paid	13.0	11.9	12.2	12.7	12.8	12.1
Blended	32.8	31.8	32.1	31.4	30.7	30.2
retail ARPU (PLN)	29.2	28.2	28.3	27.3	26.2	25.6
wholesale ARPU (PLN)	3.6	3.6	3.9	4.1	4.5	4.6
voice ARPU (PLN)						
post-paid	36.4	35.3	35.0	32.7	30.7	30.0
pre-paid	8.7	8.0	8.0	8.1	8.0	7.8
blended	21.1	20.4	20.4	19.5	18.5	18.3
data ARPU (PLN)						
post-paid	9.3	9.9	9.9	10.4	10.4	10.7
pre-paid	0.7	0.7	0.9	1.6	1.5	1.0
blended	4.5	4.8	5.0	5.6	5.6	5.6
SMS&MMS and other ARPU (PLN)						
post-paid	11.5	10.5	10.8	10.2	10.3	9.8
pre-paid	3.6	3.3	3.3	3.1	3.4	3.2
blended	7.1	6.5	6.8	6.4	6.6	6.3

other mobile operating statistics	2013	2014				2015
	4Q	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**
MVNOs customers (thousands)	62	59	32	31	22	11
Number of smartphones (thousands)	3,804	3,920	4,044	4,284	4,581	4,768
volumes & churn						
AUPU (in minutes)						
post-paid	295.6	305.9	320.2	326.1	334.3	335.6
pre-paid	90.8	90.5	93.5	96.3	97.4	100.0
Blended	182.7	187.1	197.6	202.3	207.3	210.9
Quarterly mobile customer churn rate (%)						
post-paid	3.4	3.4	3.3	3.4	3.5	3.7
pre-paid	14.8	14.9	14.9	16.4	16.8	16.7
subsidies						
SAC post-paid (PLN)	521.6	441.4	366.4	340.0	368.0	375.1
SRC post-paid (PLN)	420.4	321.8	240.0	247.8	297.3	292.3
network coverage						
4G coverage in % of population	16.0%	28.7%	51.7%	58.7%	60.9%	72.0%
3G coverage in % of population	90.2%	90.9%	97.2%	99.2%	99.4%	99.4%

Employment structure of Group as reported active full time equivalents (end of period)	2013	2014				2015
	4Q reported	**1Q reported**	**2Q reported**	**3Q reported**	**4Q reported**	**1Q**
Orange Polska	**19,922**	**19,224**	**18,594**	**18,207**	**18,047**	**17,887**
50% of Networks	397	396	396	395	395	369
Total	20,319	19,620	18,990	18,602	18,442	18,256

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

ICT – Information and Communication Technology