# TP SA Q4 and Full Year 2011 Results

## Conference Call – Tuesday 14th February 2012

**Operator**

Welcome to the TP SA results on 14th February 2012. Throughout today's recorded presentation all participants will be in a listen only mode. After the presentation there will be an opportunity to ask questions. If any participant has difficulties hearing the presentation, please press the '*' followed by the '0' on your telephone for operator assistance.

I will now hand the conference over to Jacek Kunicki. Please go ahead.

**Jacek Kunicki – Head of Investor Relations**

Good day everyone. Welcome to TP Group's result presentation for the fourth quarter of 2011. My name is Jacek Kunicki and I am the Head of IR. We are joined today by TP Group's management board – starting with Maciej Witucki, the Chief Executive Officer; CFO, Jacques de Galzain; Chief Marketing Officer, Vincent Lobry; Chief Commercial Officer, Mariusz Gaca; Chief Operations Officer, Piotr Muszynski; and Jacek Kowalski, who is the Head of HR.

Before we begin, please note that our results have been published this morning and they are available on our website: www.tp-ir.pl

Now without any further delay, I will hand the floor over to Maciej Witucki to begin the presentation.

**Maciej Witucki – Chief Executive Officer**

OK, thank you Jacek. Good afternoon, Ladies and Gentlemen. So our agenda for today's meeting is as follows:
? the usual one, I will start with the summary of the achievements of 2011; then Jacques will follow up with the financial and business details, of the past year; then I will conclude with some comments on our agenda and outlook for 2012, the guidance for 2012 and then obviously we will open the floor for the Q&A from the room here and from the call.

Ok, I am being signalled that I am not being heard enough. I will try to improve. Better? OK, to some extent.

So Ladies and Gentlemen, 2011 was a year of significant progress, as we pursued disciplined execution of our action plan. It delivered solid results in key fields of our activity - after two years, we confirm implementation of the plan is on track.

Commercial progress was visible throughout the year – it is especially present in the mobile where we kept a positive momentum, regained last year, with over 300,000 new customers and rising smartphone penetration. Growth in broadband has been smaller, but 60,000 net adds reconfirm that negative trends visible in the past have been definitely reversed.

Revenue trends improved in line with the commercial progress. Despite MTR cuts, top-line declined by 4% as compared to 5% decline in 2010, in line with our outlook.

This was coupled with a 3.6% decline of our cost base, achieved in spite of forex impact, as we maintained a rigorous control over costs. As an effect, restated EBITDA margin was at 36.3%, in line with the outlook again.

Finally, we have delivered on the 2.4 billion zloty net free cash flow guidance. We are truly pleased with this, as having in mind the 2 billion-plus target set in our action plan, 2011 is a second consecutive year of the over-performance in this area.

2011 was not only a year of solid operational performance. It has also brought us a number of developments vital for the future of TP and of its shareholders:

- We have initiated a breakthrough cooperation agreement with T-mobile, to share our radio access networks. Not only this will improve our cost structure, but it will also benefit our customers with better coverage and throughput.
- Then we launched a TV-and-Broadband cooperation with TVN. While it didn't give breakthrough results yet, we believe that this is key to success for both partners.
- We have concluded a social agreement with our trade unions, providing for further 2,300 reductions in 2012 and 2013. This is never an easy process, but absolutely necessary to defend our operational efficiency and our profitability.
- Then, as you are probably aware, we have settled the long dispute with DPTG. We believe that this is in the best interest of our Company and shareholders, and we are glad to confirm that it does not impact our strategy and does not impact our dividend policy.
- Finally, following the disposal of TP Emitel, shareholders approved an 800 million PLN share buy back programme. We have started it and realised 200 million zloty in 2011, contributing to attractive returns that we have been pleased to deliver.

Let us turn to the next slide to review key areas in 2011, starting with the regulations on slide number six.

Since signing of the Memorandum of Understanding, our dialogue with the regulators was constructive and the regulatory landscape has stabilised.

We have delivered on our commitments, both non-discriminatory treatment of alternative operators, as well on our investment obligations. Until the end of 2011, we have invested in almost 860,000 lines, so almost 72% of the 3-year commitment.

As you have seen in our announcements, we have agreed to deliver 200,000 of the remaining 340,000 lines with speeds at or above 30 Mb/s.

Effectively, this means VDSL, which is to be our main weapon for competing in the cities against the cable.
What is important is that it will not increase our capex for the Memorandum of Understanding with the regulator. Furthermore, taking into account future plans regarding VDSL, we maintain our commitment to lower the capex towards historic levels beyond 2012.

We have benefitted from this dialogue;

- The cost-plus formula for Bitstream was instrumental in the recovery of the broadband trends.
- We have also been able to agree an acceptable glide path for MTR cuts in 2011 and 2012, both SMS and voice. This refers not only to 2011, but obviously to the cuts which are planned for this year.

Looking ahead to 2012, there are two main areas of discussion that we would like to have with the new regulator:

- First, the auction for the 1.800 MHz spectrum, which has been put up for public consultations. In its current shape it strongly favours the fourth player and so we hope that positive dialogue may results in more neutral and price-driven tender rules.
- Second, fibre regulations where we strongly believe that fair and stable rules could stimulate investments into this vital technology.

With this, lets turn to the commercial progress, starting with broadband on the slide number seven.

Throughout the year, we continuously made efforts to capitalise on the revamp of our broadband offering, made in October 2010.

We implemented main actions laid out during the presentation a year ago:

- First, we made the commercial launch of the common bundle with TVN. This did not bring immediate breakthrough effect, due to the challenging year for the industry. Nevertheless, we strongly believe that it will strongly benefit us for the future and will secure our position in the media and telco market.
- Secondly, we launched new speeds based on VDSL, enabling 40 and 80 megabits options. Technical launch was a success. VDSL will boost our future position in the big cities, and we continue to improve geo-marketing and door-to-door sales ability.
- Third, we launched a large scale customer excellence programme, to make it our differentiating factor. Throughout 2011, we converted it into numerous actions and I believe that our customers will really feel the difference this year.

Our actions resulted in the progressive upturn in the broadband trends:

- Share of speeds at or above 6 Mb/s has gradually increased over time, reaching 50% in the second half of the year. This helped to stabilise ARPU, which fell by roughly 6% as versus a 25% reduction of our pricelist made at the end of 2010.
- Our customer base has grown in every quarter of the year, reaching a growth of 60,000 or 2.6%. This is obviously below our ambitions and targets, especially in quarter four. Nevertheless it shows that the change in broadband dynamics is sustainable.

As a result of the above, we have stabilised the quarter four broadband revenue – first time since the pricelist cuts. I consider this a good platform for the broadband revenue growth that we anticipate to achieve in 2012.

Let us now turn to the next slide, for a look on the mobile performance.

In short, our mobile business has progressed exactly as planned, as we capitalised on the good momentum regained in 2010.

Our customer base increased by over 300,000 or 2.3%. This is satisfactory considering a very competitive market, with Play still benefitting from an MTR asymmetry.

Within this customer base, we have been able to systematically increase smartphone penetration. Smart devices now comprise over 35% of our sales and their share in the base is growing.

In turn, this led to the desired increase in data ARPU in post-paid, which rose by 20% since last year. Data ARPU now is a considerable force behind the resilience of our overall retail ARPU to price pressure.

Finally, we made vital modifications to our networks and service offering:

- Implementation of HSPA Dual Carrier will guarantee our customers the internet speeds that they need for their smartphones and tablets.
- On the service portfolio side, we have launched a convergent offer called ‘Combo’ that includes both fixed and mobile services.
- We believe that convergence and customer care will be the competitive advantage in the future. We will therefore launch better bundles and more convergent services offered by the Group in 2012.

Let's now go to slide 9 for analysis of our efforts on the cost side.

Cost optimisation programme remains a key priority and it continues to deliver solid results. Within 2011, we decreased out cost base by roughly 3.7%. In turn, it means that TP’s cost base has been decreased by almost 6% within the timeframe of the medium term action plan.

Over time, our cost optimisation programmes has evolved, from a cost cutting started in 2009 to a true transformation of the company that we see today.

Naturally, classical initiatives started in 2009 and 2010 are continued. However, key actions launched in 2011 are of fundamental importance, as they will permanently improve our cost structure. These include:

- First, the network sharing with T-mobile. Once fully rolled-out, it will decrease out cost base by 200 million per year, on a permanent basis. It will also significantly decrease our future capital requirements.
- Second, the agreement with TVN, whilst signed predominantly for the commercial purposes, it will also bring savings due to the economies of scale and content production costs.
- Third, the 2,300 FTE reductions agreed with trade unions. Once completed, they will decrease our cost base by over 200 million zloty on an annual basis.

Lets now turn to slide number 10 to see how our 2011 results compare to our outlook and guidance for the year.

A brief recap of our financials, before I hand over the floor to Jacques.

So we are very pleased to report that all our key financial indicators are within the outlook and guidance given for 2011.

Revenue is well within the yearly outlook, at -4.1% for the year.

EBITDA margin was well supported by the cost optimisation which was mentioned a minute ago. In effect, it stands at a firm 36.3%, so close to the middle of the given range.

Capital expenditure amounted to 17.5% of revenues, so they were towards the lower end of the outlook.

And finally, we generated 2.4 billion zloty of net free cash flow, meeting the guidance for 2011.

Let me now hand over to Jacques, for the financial review of Quarter Four and the full year. Jacques, the floor is, as usually, yours.

**Jacques de Galzain – Chief Financial Officer**

Thank you Maciej, good afternoon everyone.

Let's start the financial review with the market evolution, as presented on slide 12.

Value of the total Polish telecom market has decreased by 1% in Q4, bringing the H2 evolution to -0.8%.

MTR cuts made in July were the predominant factor behind deterioration of the market trend. These were coupled with overall weaker volumes in 2011 than in 2010.

Both segments' evolution was negative in Q4. Nonetheless, for mobile, it is the last quarter which is impacted by the big SMS MTR cut from January 2011. Its evolution should therefore improve starting from January 2012.

Fixed market's evolution has improved significantly in Q4, as it declined by 1.3% as compared to 2% in Q3 and 4% in Q2. This is however not to be considered a sustainable trend, as its evolution was helped by non-recurring projects, realised by operators towards the year-end.

In this context, let's see how TP Group's revenues have evolved, starting from slide 13.

The evolution of Group's revenue throughout the year reflected the MTR cuts that were implemented in January and July.

Nevertheless, as commented in July, the revenue evolution has improved slightly in H2 in comparison to H1. It decreased by 3.9% in the second half of the year versus a 4.3% erosion in H1.

On a full year basis, top-line has decreased by 4.1%, or 2.7% if one was to exclude the 220 million zloty impact of MTR cuts.

On one hand it was supported by a nearly 3% pre-regulatory growth of the mobile segment's top-line, driven both by subscriber growth and usage.

On the other hand, fixed segment revenue declined by 6.6%, mostly due to fixed voice.

Revenue for the fourth quarter has declined by 4%, driven mostly by a decrease in fixed and the MTR impact. On a pre-regulatory basis, Q4 top-line decreased by roughly 2%.

Let's now take a look at revenue per segment, starting with mobile on slide 14.

Mobile revenue fell by 3.3% in Q4, primarily driven by MTR impact.

Excluding regulatory impact, revenue grew by 0.5%, as the effect of subscriber growth has more than offset impact of price pressure.

It has grown slower than in the previous quarters, due to an extremely good Q4 the year before, which made the basis of comparison this year less favourable.

Looking at the entire 2011, mobile segment's revenue was flat since last year and posted a roughly 3% growth excluding MTRs.

This was driven by healthy growth of the customer base which has more than offset price pressure.

All of the above have allowed Orange to maintain its market leadership position all along the year.

Lets now turn to the next slide for analysis of our mobile KPIs.

Our mobile customer base has grown in all quarters of 2011, despite a slight slow-down in Q4.

Over the last 12 months, number of Orange customers has grown by over 300,000 or 2.3%.

Positive subscriber trends have been coupled by robust growth in usage.

Throughout the year, average usage has been increasing, and encouraging upturn is visible in data ARPU. Post-paid data ARPU increased by 21%, fuelled by growing popularity of smartphones.
The above factors have contributed well to the overall retail ARPU development which has stayed resilient to price pressure.

Let's now switch to the next slide for analysis of fixed segment.

Fixed segment's top-line evolution has improved in Q4, as it decreased by 3.4%. In effect this brought H2 revenue evolution to -5.0% as compared to a -8.1% in H1.

Improvement in Q4 can predominantly be attributed to 3 factors:

- First, fixed voice has declined by roughly 140 million zloty as compared to an average decline of 165 million during the first three quarters.
- Second, Q4 results show a 90 million zloty growth of wholesale and other revenues. This is driven both by higher international traffic, but also by around 65 million from ICT related projects.
- Finally, Group's broadband revenues have been stabilised since Q3, as customer growth and migration to higher speeds have offset the impact of price cuts.

Let's now analyse fixed KPIs, as shown on slide 17.

Looking at fixed subscriber trends, it is clearly visible that our broadband business has been turned around. It posted growth in all quarters of the year, albeit our net adds in Q4 are below what we had hoped for.

Nonetheless, broadband base is now growing at 2.6% and we are launching actions to increase this pace in 2012.

Number of fixed lines has fallen in 2011, although it was limited to below 12% in the year. An acceleration of this trend can be observed in Q4, but this is mostly related to the removal of 'Socjalny Plan' – a tariff option which was not profitable for us to maintain.

Finally, our TV offer has continued on its growth path. Within the last 12 months, we increased its number of subscribers by over 90,000 or 17%. Over 27% of our Broadband clients now have also TV.

Evolution of our pay-TV base has been negative, but this is linked to the end of try-and-buy promotions, whilst our joint offering with TVN is beginning to bear fruit.

This concludes my review of our top-line and I will turn to profitability, starting by slide 18.

Please note that Q4 EBITDA is analysed is based on restated figures. It excludes the impact of Emitel disposal, as well as the 172 million zloty restructuring provision recorded in Q4 of 2011.

Q4 restated EBITDA amounted to 1.2 billion zloty. It stood at 33.5% of revenue, as Q4 margin is seasonally low. This is especially visible in the mobile segment, where the EBITDA margin dropped to 27% in Q4.

In comparison to last year, the EBITDA declined by roughly 90 million zloty, due to a combination of the following factors:

- First, the pre-regulatory decline of the revenue, 80 million zloty.
- Second, adverse forex impact amounting to over 40 million zloty, as the zloty was weak in Q4.
- Third was a 50 million zloty increase of other opex, although this was predominantly driven by non-recurring legal expenses and court fees.
- Finally, these were partially offset by optimised commercial costs, as well as by almost 50 million zloty generated by our cost savings program.

I will now turn to the next slide to walk you through EBITDA evolution for the entire year.

Full-year restated EBITDA margin stood at 36.3%, so just 0.3 percentage points below last year.

It was strongly supported by the mobile segment, which posted an EBITDA of 29.8% versus 29.3% in 2010.

Group's EBITDA was mainly driven down by a 400 million zloty pre-regulatory decrease of revenue.

It was coupled with -90 million zloty due to the weakening of the polish zloty.

Without this forex adverse impact, EBITDA would have stood at a 36.9% margin.

Then, activity impact on InterConnect and commercial costs have offset each other, as we kept tight control over SRC and SAC. Regulatory impact on EBITDA was insignificant.

Finally this was partially offset by 180 million zloty savings delivered by our cost optimisation programme. In effect it brought our cost base down, for a third consecutive year, as it declined by 3.7% since 2010.

I would like now to spend a minute on headcount, as it is a key area for the future.

As you can see, we remain committed to optimising our labour expenses.

We have decreased labour costs by 6.7% or roughly 145 million zloty since last year – analysed on comparable basis, without the impact of Emitel disposal.

We will continue to optimise our headcount, thanks to the new social agreement signed with the trade unions in October 2011.

It assumes that a total of 2,300 employees will leave TPSA in 2012 and in 2013, with additional small reduction potential existing in our subsidiaries.

We have booked a restructuring provision in Q4 in relation to headcount reduction, amounting to 172 million zloty.

Once the programme is completed, it will benefit the Group with over 200 million zloty savings on labour costs on a yearly basis.

Let's not turn to the next slide for analysis of the net income.

TP Group's net income amounted to 1.9 billion zloty for 2011. Our earnings per share amounted to 1.44 zloty per share.

In effect, we will be able to pay almost entire amount of the dividend out of the net income for 2011.

2011 net income is almost 1.9 billion zloty above last year.

First, 2011 EBITDA was approximately 1.3 billion above 2010. Remind, 2010 EBITDA included a 1.1 billion zloty change due to an increase in provision for DPTG.

On the other hand, EBITDA for 2011 included 1.2 billion zloty gain on disposal of Emitel, -458 million zloty provision for European Commission fine, -172 million zloty impact of restructuring provision and additional 35 million provision due to the final settlement with DPTG.

As commented a minute ago, the restated EBITDA was almost 300 million below 2010.

Second, 2011 depreciation charge was by some 70 million zloty lower than in 2010.

Third, net financial costs were 34 million below 2010, as we repaid almost 300 million euro bonds.

And finally there was a 464 million zloty positive difference in income tax, including a deferred tax asset on the DPTG settlement, as well as 108 million zloty new technology tax relief, claimed in Q3.

This concludes my review of the P&L and let's turn to slide 22 for analysis of our capex.

Capital expenditures amounted to over 2.6 billion zloty in 2011, or 17.5% of revenues.

This is roughly the same level as in 2010 with capex lower by 37 million.

Roughly 1.3 billion zloty has been invested in Broadband. Out of this, circa 900 million zloty was spent on realisation of investments agreed with the Regulator in 2009.

To date, TP has spend roughly 1.7 billion zloty on MoU realisation, investing into 860,000 Broadband lines.

This means that we have completed almost ¾ of the target and we are well on our way to finalise the investment obligation.

We are confident in out ability to reduce significantly capital expenses once these obligations are completed.

Other investment areas include IT capex, as well as upgrade of our 3G network. This included swap of our network to HSPA Dual Carrier, which now covers almost 58% of the Polish population.

Let's not turn to the next slide, to see how all of this has impacted our cash generation.

Our cash generation has been strong this year.

It steadily increased quarter-after-quarter exceeding 900 million zloty in Q4. We have generated 2.4 billion zloty of net free cash flow in the full year, reaching our guidance.

In comparison to last year, net free cash flow generation is almost flat. This is driven by:

- Lower cash from operating activities, before working capital and tax. This was almost 250 million zloty below 2010.
- This was offset by almost 740 million zloty positive difference in working capital requirement, a combination of trade payables, trade receivables and inventories.
- Cash out to capex vendors was almost 680 million above last year.
- And finally, income tax paid was almost 150 million lower than last year, thanks to the tax relief for new technologies.

Robust cash generation allowed us to maintain a safe balance sheet. Let's now turn to slide 24 for a quick look at our gearing.

Please note that due to the recent settlement with DPTG, we have included the 550 million euro payment in the 2011 net debt numbers.

In effect, this drove the pro-forma net debt to 4.1 billion zloty, so 300 million increase since 2010.

Despite this, our balance sheet remains very safe, with pro-forma net gearing at 23% and net debt to EBITDA at 0.8.

Available liquidity is high, providing security for our operations and our credit ratings remain at a solid A3 and BBB+.

Strong balance sheet and robust cash generation give us the flexibility needed for the dividend. Let's now turn the page to look at that.

For 2011, we are once again pleased to offer our shareholders an attractive remuneration.

Our proposal, subject to approval by the AGM is an ordinary cash dividend of 1.5 zloty per share, amounting to almost 2 billion zloty cash outflow.

At the same time, the 800 million zloty share buy back programme started in 2011, with 200 million zloty already executed and will be continued in 2012.

Let me also reaffirm that as of today, we see no reason to change the level of dividend, as communicated in our medium term action plan.

Ladies and gentlemen, this concludes my financial review and I hand the floor over to Maciej for the conclusions.

**Maciej Witucki**

Thank you, Jacques. Ladies and Gentlemen, let's quickly go through our expectations for 2012, as shown on slide number 27.

First, the market value.

It will be affected by the MTR cuts of 2011 as well by the new cuts in 2012.

Nonetheless, we should see growth in mobile and broadband volumes, coupled with increasing usage. They should offset MTR impact and market value is anticipated to near stabilisation in 2012.

Taking this consideration, we anticipate for TP Group revenues to decline moderately, by no more than 3% versus the pro-forma of 2011.

We will maintain rigorous cost control and expect to bring cost base further down. However volatility of the Polish zloty is creating some uncertainty to results. As an effect, we expect Group’s EBITDA margin between 35 and 37% in 2012.

Capex is anticipated between 15 and 17% of sales, as we will continue with the regulatory capex, but can postpone some realisation onto 2013. However we reiterate, that despite possible postponements of some broadband capex, we should near the historic, pre-UKE Arrangement levels of capex in 2013.

Finally, we expect net free cash flow generation of at least 2 billion zloty, so within targets given in the medium term action plan. This is below last year's result, but we need to remember that:

a) the 100 million new technology tax relief will not be repeated in 2012;
b) we will pay out almost 100 million zloty linked to the headcount reduction;
c) we anticipate to have lower level of payables to capex vendors at the end of 2012, protecting cash generation in 2013.

Of course, these objectives exclude the 550 million euro payment to DPTG, as well as exceptional items, such as potential frequency purchase or change to consolidation scope.

Let's now turn to the next slide to conclude this presentation.

In summary, 2011 can be described as a year of steady progress.

Our operating performance has been in line with our predictions and discipline in execution of our action plan has brought progressive upturn. This can be said both for our commercial activity, as well for the financial results, where we delivered on all of our targets.

Operational progress was accompanied by strategic developments as we implemented projects that will be key to TP's future, settled long-running dispute and disposed of non-core assets. In turn, this last point allow us to increase shareholder remuneration in form of a buy back.

Looking ahead, into 2012, we will continue with our disciplined approach. We plan to maintain the good momentum in mobile and will continuously make efforts to bring Broadband onto a higher growth path.

As part of our actions for 2012, we will leverage on the EURO 2012 Championships that is sponsored by Orange, and on our customer excellence programme. This last item, resulted in a number of actions run in 2011, should bring concrete benefits in 2012, as they will be implemented on a large scale. As its result, we should see a material improvement in customer care and satisfaction of our clients – differentiating us from our rivals.

All of these will help to improve our revenue trend, but they will also put additional strain on profitability. Therefore we will not take any pressure off the cost optimisation programme and will continue with a rigorous cost control, striving for a stable EBITDA and sustainable cash generation.

2012 is the last year of our action plan and we will use this time to prepare TP for a new, even more positive medium term strategy beyond 2012.

Thank you ladies and gentlemen, this concludes our presentation and now we are ready for your questions.

Thank you very much.

**Jacek Kunicki**

I suggest that we first take questions from the floor following which we will take switch to the telephone conference.

**Pawel Puchalski – BZWBK**

Hello… hello… is it working?

Pawel Puchalski, BZWBK. If you were to buy new frequencies in 2012, can you confirm you will pay dividend at 1.5 zloty next year?

**Jacques de Galzain**

You know, this is, I think one of our strengths – we have a solid balance sheet. So I cannot… as of now we see no reason to change the level of dividend. What will happen with the frequency and the LTE licence, we don't know, so I cannot elaborate more on that.

**Pawel Puchalski**

One more issue, if I may.

In quarter four, you showed us a very low percentage of, well, I'm talking about Broadband. In Broadband you had almost some 19% in total market, I mean net adds. Why it collapsed from first quarter percentage? Because it looks like you were doing almost nothing in quarter four and one, in past quarters, you had net asset 10 percentage points, and now you are doing a lot and it hasn't improved materially especially in quarter four which was supposed to be strong. Or maybe there is some player which was very aggressive in quarter four?

**Vincent Lobry – Chief Marketing Officer**

So we are speaking about net adds. Net adds if you look at gross adds, we were at a good level and in churn, we didn't increase the level of churn but the number of people who were engaged and we had to retain was very heavy because it corresponded to the people we got at the end of 2010 after the change of tariff.

So in fact, mathematically, we had a higher number of churning people because of this in Q4. So it's not a change in the competition but it's more, let's say season, seasonality due to the level of people terminating their contract in Q4 2011.

**Pawel Puchalski**

So am I correct if I assume that quarter three was one off as this was a very strong percentage in net adds? Was it due to one off? And your natural long term percentage should settle below 20%?

**Vincent Lobry**

No, no, what I said – if you look at all the year, you have the average of percentage share, market share we took. And we did on the whole year 60,000 net adds which was something which is below our expectation but which is more than sustainable, I would say. So the Q4 was the effect not of gross adds but churn due to the number of people ending their contract in Q4.

**Maciej Witucki**

And I will maybe just add that the strategic target remains, and the strategic ambition remains to keep our market share. It means that if you ask about the normality, for me the normality is of today rather in the range of 35% than in the range of 19% of the net adds. Because we don't plan in any case to lose market shares let's say for the long term.

**Pawel Puchalski**

Last question from my side if I might.

Do we know any detailed schedule or timetable for rebranding into Orange? Because if you rebrand, then you start paying royalties.

And my second question related to rebranding refers to your 35-37% range – does this include rebranding or not?

**Jacques de Galzain**

So no decision is made on rebranding and when we will make this decision we will inform you. Just keep in mind that anyhow the contract signed in 2008 is already live and we can use, we can rebrand when we make the decision.

In terms of, in terms of margin, we decided to broaden the range, 35 to 37%, just to take into account the volatility of the Polish zloty. You know that one month and a half ago we were at 4.5 zloty per one euro, well today we are in a better shape. The debt crisis, we have no clue when it will be over, so we need to be responsible and to give you a range which is achievable whatever the Polish zloty against Euro is.

**Pawel Puchalski**

Thank you very much.

**Leszek Iwaszko– Societe Generale**

Three questions, if I may.

One on the net subscribers adds in Q4 in mobile. According to Polish statistical office, number of SIMs in Q4 grew by almost 1.3 million whereas Orange showed new adds of 45,000. Could you maybe comment on that, why such a low, very low market share in net adds in Q4?

My second question also on mobile, your equipment revenues. The part of mobile revenues related equipment sales were down year on year surprisingly after strong growth in prior quarters. Why is that? Is it the situation, the crisis or wrong equipment on sale? That's the second question.

The third question is on the upcoming tender for 1.800MHz. We all well know your opinion regarding the shape of this process proposed by the regulator. What is you think the probability that the shape of this process will be revised, after all going consultations? And I don't know, any ball park price you think this spectrum is worth and how would you be, you think you will be able to monetise this investment?

**Maciej Witucki**

What I propose is that we will go with the, with the net subscribers with Vincent, then the equipment revenues with Jacques, and I would say on the frequencies, I have difficulties to predict the regulatory decisions in Poland even if the regulators are changing, I think there is a tradition of unpredictability, so this is my only comment. On monetisation, again, frequencies are good. We need, all the operators need those frequencies especially for the growing data usage by our customers. So the only thing we hope that it will be turned into a commercial event and not again a competition or part of the competition development process, especially that I understand when we speak about supporting start-ups, but when we are at the level of teen percent of market share I believe that we have quite an equilibrated market and this kind of gift are no more necessary to keep the competition of the market. That's my only prediction. For the prices, obviously we will only start to think about it when we will have the final shape because it depends, you know there are slots of 10, slots of 5 MHz, when we will see the tender as being given with somehow fixed price to the fourth operator then it changes the game to towards ourselves because it means that we only will run the second quality small parts of the frequencies.

So maybe Vincent on the market, number of SIMs on the market.
And if you turn on the microphone, it will help.

**Vincent Lobry**

OK. Now on net adds, there are different elements. First there is the end of the contract with national statistics body, GUS, in Q4 which was anticipated, because it was a contract during the time of the census. So we have the negative effect on the cancellation of this network…

**Leszek Iwaszko**

…It was not prolonged? Extended for another period?

**Vincent Lobry**

No, No. Because it was used during the… they were doing the census so they finished. So it was not extended. It was known from the beginning, it will be a determined contract. So this was one important factor.

The other one that you notice that there was some change in the way of the validity of the pre-paid cards, especially with one of our competitors who increased it to one year. So it has automatically, for all the customers, so it has immediately a very good effect in terms of number of SIMs…

**Leszek Iwaszko**

…It was T-mobile, wasn't it?

**Vincent Lobry**

…Yes. We did it on an opt-in which was much more limited so there was not this increase.

And the third effect which is quite important as we were speaking of quite heavy SACs and because of the zloty and the exchange rate, we didn't want to make a fight with increasing a lot the commercial cost especially on the SAC and SRC. So we more focused on the value than on the volume – looking more for value customers than just SIMs on pre-paid or with very low ARPU.

That's the three reasons.

**Jacques de Galzain**

And on the equipment, this is, Vincent mentioned the reason, in Q4 last year we had the beginning of this big contract with GUS, and so we delivered all the equipment, huge value terminals and software, and this was, and we have not once again these revenues this year.

**Leszek Iwaszko**

So there was this contract with GUS as well, effect in Q4. But I believe these revenues were also lower quarter on quarter? Or am I wrong? This Q4 versus Q3 – what was the equipment revenues? In Q4 11 versus Q3 11 – was there a decrease or… OK, maybe, it's not that you've said some kind of crisis, behaviour of customers or anything like…

**Jacques de Galzain**

…No, no, no.

**Leszek Iwaszko**

OK, thank you very much.

**Jacek Kunicki**

If we don't have any other questions from the floor, I suggest we switch to the telephone conference.

**Operator**

Thank you, sir. If any participant would like to ask a question, please press the '*' followed by the '1' on your telephone. If you wish to cancel this request, please press the '*' followed by the '2'.

Could you please speak clearly and slowly and also limit yourself to two questions per person.

Your questions will be polled in the order they are received and there will be a short pause whilst participants register for a question.

Thank you.

Our first question comes from Daria Fomina from Goldman Sachs. Please proceed with your question.

**Alexander Balakhnin – Goldman Sachs**

Good morning. It's actually Alexander Balakhnin from Goldman Sachs.

I have a question on your expectations regarding the mobile termination rates, following the agreement reached between the Polish regulator and the European Union. What do you think will be the incremental cost that has been launched on the mobile termination rate?

I.e. should it be close to the level which was announced previously of 3 Euro Cents or you think it's maybe lower than that level? Thank you.

**Maciej Witucki**

So again, it's part of the crystal ball questions. I think what we have today, what is absolutely determined is only the part for 2012. Then above, we have pure speculations from both the previous regulator and the new regulator.

So there have been numbers announced, going down to even 50, not 50, 5 Euro Cents for the, no sorry, 1 Euro Cent for the MTR level. But I really would treat those, for the time being as speculations. We are today at the level of roughly 3 Euro Cents, which is already a low one. And those cuts are impacting all the operators and one should remember, even being independent regulator and not being from the industry, that we are all being followed by you guys on the ratios to revenues including capex to the revenues. So there are consequences of I would say unlimited cuts of MTRs, on our ability to invest. Because we will, we have to follow some financial guidances to which we engage ourselves towards the financial community. So saving those elements must be taken, I hope, will be taken into consideration by the regulators.

Still, if not, I remind that the cuts of the MTRs, the MTRs are already very low in Poland. Additional cuts will impact obviously our top-line, will impact, could impact, obviously our investments, because we will have to keep the ratios, but they will not this much impact our EBITDA. It's offset somehow by the MTR costs, on the cost side. I think the price is, the price is already very low in Poland, so I don't expect any dramatic price wars as the ones we've seen in 2009. But as of today, it is very difficult to speculate – we have a new regulator for two weeks now, three weeks now. So let's give some time to the time, let's wait for maybe some consultations, real consultations with the new regulator and let's hope that we will have at least a glide path which will be more orientated towards the investments policies.

Again, obviously that's why I was proud that we've built some additional pillars of protections. So the example of the T-mobile deal on network sharing is a perfect one. It means we can create some cushions on the policy, but again those cushions will be created until 2013. And I hope that the base of the cuts of our top-line or of the market value will be adapted to those efforts. But the expectations, it's very difficult to predict in any country and in Poland we have especially a tradition of absolutely no predictability of those decisions.

**Alexander Balakhnin**

May I ask a quick follow-up question on this – when you say this will impact your level of investment but will not impact the profits you generate, I guess you talk about the capex/sales ratio rather than the total amount of money spent on investments. Is that right? When you say a result of MTR cuts, the total capex may also decline?

**Maciej Witucki**

What I'm saying is that first of all the MTR cuts are no more impacting this much given that the amounts are small, no more impacting this much my EBITDA, because basically I have losses on the top-line from the MTR, but I have as well some, if I may say, savings on the MTR costs. But it is putting an additional pressure on my capex spendings because obviously I'm giving an outlook on the capex to revenue ratio. So if I have an absolute drop of revenues because of the MTRs, they have to adapt and moderate the investments, and that's what we are using. And it's not only me – all the operators I know are being followed on this capex to rev indicator. So that's what we are explaining to the regulator and hopefully we will have a better understanding of this issue.

**Alexander Balakhnin**

But if your EBITDA stays broadly unchanged, why capex should be lower? Because I mean if your cash returns on cash invested, so if EBITDA is not really impacted because it has savings, probably capex should stay the same?

**Maciej Witucki**

Yes, but it's the EBITDA margin, not the absolute value and, please, let me keep some arguments for my regulator.

[Laughter]

**Alexander Balakhnin**

OK. Thank you.

**Operator**

Thank you.

Our next question comes from Vera Sutedja from Erste Group. Please go ahead.

**Vera Sutedja – Erste Group**

Yes, Good morning. I have a question regarding the competition situation. Considering now that there is both companies heavily indebted, do you expect the competition in the mobile area to release?

And a second question would be on the mobile revenues. I am quite surprised on the fourth quarter that it is even lower than the third quarter – I mean the MTR was already cut actually since the second quarter, since the 1st July. So what drives this, this performance in the fourth quarter? Was there any significant increase in competition or is there a significant increase in the pricing, price war?

That will be the first two questions, please.

**Maciej Witucki**

Ok, so maybe I will just start with my vision of the competition and I will pass the floor to Vincent eventually to ask, comment, and speak about the quarter four.

I think the overall competition of the mobile market is today, I would say to some extent, no, obviously wiser than the one we knew in 2009, even 2010. It's still difficult. We have, I tend to agree with you on the analysis of Polkomtel, I don't believe there is a huge capacity, not even appetite, but a capacity to invest into new products. So Polkomtel, yes, I think it should prevent us from any excessive moves. Still, there is a clear strategy today, not really of heavy investments but of a simple up-sell and cross-sell between the DTH, so satellite activity, and the mobile activity. So it's not this much helping us, but obviously it's much wiser given the financial situation. But one should not forget that we have still the fourth player, the fourth player has the last year of the MTR advantage and we should expect this. And when you see the number of portability statistics, we are still the best in defending our base, so losing the less, but the fourth player is still very aggressive and one may expect them to be, to stay aggressive as long as they have this financial advantage. And the disadvantage will disappear by end of 2012.

So, not full relief but I agree with the fact that the trend is rather going in to the positive direction.

And so any comments on this, the competition and the quarter four revenues?

[In distinct sounds]

**Vincent Lobry**

You said almost everything. And once again, in Q4 we had less revenue from equipment than in Q3.

**Jacques de Galzain**

Yes, remember that Q4 2010, in term of mobile revenue, we had 6% increase of the revenue, and this was not sustainable.

**Vera Sutedja**

And if I may ask another question, you were mentioning about 1.800MHz tender, that is, unfortunately beneficial for Play – what does that mean? Can you elaborate a bit more?

**Maciej Witucki**

So maybe I will give a chance to Piotr Muszyński, who is our big boss, not only of the operations but as well of the frequencies. So a few words about the 1.800 tender – it's somehow crucial role to our competitors and to ourselves.

**Piotr Muszyński**

First of all, of course we are interested because this is the basic benefit for all the operators.

As we can see, what today Polkomtel is doing with 1.800MHz, having an enormous capacity on this spectrum, you might find that it's extremely attractive for the future strategy, for example related to LTE. But so far we don't know the rules.

It has been announced that the consultation process by the previous head of the regulatory body, and this process still is continued as for today. We gave our opinion, and our opinion is as Maciej said before, absolutely crystal clear. We are against privileges to anybody, today. It should be purely commercial.

But the final shape is unknown and definitely, as I said, because this is the strategic asset we are interested.

**Vera Sutedja**

OK. If I may ask another question, please. Is the capex guidance already including the spectrum or not? And, can you tell me when is the annual savings of the 200 million zloty to be expected – if this already for this year or when will it start to flow?

**Jacques de Galzain**

The capex guidance doesn't include the spectrum, that's for sure.

Regarding the 200 million savings, I guess you address what we said as potential capex avoidance with the creation of the NetWorkS! JV and…

**Vera Sutedja**

…Actually from the employees, from the labour cut, from the redundancy…

**Jacques de Galzain**

…This is on a yearly basis, so it means after everybody has left so starting from 2014. On a full-year basis.

**Vera Sutedja**

I understand. One last question, why did the IP TV customer went down – you mentioned it once but I didn't get it. The Pay TV…

**Maciej Witucki**

…The overall base went up. The Pay TV is a result of the huge try-and-buy offers we have been doing and which have been rather on the option, tried-and-buyed for several thousands of customers who didn't keep the Pay TV longer than the promotional period.

**Vera Sutedja**

OK. Many thanks.

**Operator**

Thank you.

Our next question comes from Dalibor Vavruska from Citi Group. Please go ahead.

**Dalibor Vavruska – Citi Group**

Oh, Hello, Good Morning. Just a quick question about regulation. I mean, I'm wondering if you can make any comments. You've got a new regulator, you will have new discussions. Previously the deal was about your trading some capex for some regulatory concessions. I'm just wondering how confident you are about this guidance, about lowering your capex next year, while you're still in discussions with the regulator?

Is it possible that the regulator will offer you something which would make you to reconsider these investments?

And also, generally, I mean we are in the third year of this regulatory plan and I suppose I might have missed part of the call, but I heard something mentioned that some of the growth numbers you're getting in broadband for example are below your original expectations. So I mean, can you recap a little bit how you see this playing out and why, maybe, you know, the capex that you've been putting in to the business for the third year now is not really bringing material growth in the main lines of your business, especially in the broadband.

Thank you.

**Maciej Witucki**

So maybe I will, thank you for those questions, so maybe for the last question, I will keep still the conclusions about the three years investment for the end of 2012. Clearly this is the third year, will be this year. 2011 was the year when we built up a capacity from both over perspective with the HD TV, with the TVN, with the VDSL being in place, and the 2012 is the third year only on the investment and hopefully, and it's what we expect, the year of the somehow visible improvement in those, additional improvements, because remember we have been negative in 2010, positive 2011, and we absolutely have the ambition to make it strongly positive in 2012. So I would stop here for the conclusions about the broadband investments.

Now, on the regulator. I would say, I give you information about the trend. Even with the past regulator, now we passed this additional, I would say amendment to our investment plan just in the last days of the previous regulator and even with the previous one we didn't give any concessions about capex. We can't. So it's a pure trade between timing and technology. So we postponed 200,000 lines and we're gonna do them in the VDSL rather than in the ADSL, which is basically the same cost from capex perspective for us, but which improves much more the customer experience and somehow the compliance of those investments with the digital agenda of the European Commission. So I'm not expecting that we will go to any additional hazy engagements of TP. At the moment we've got, even with the previous regulator was rather about building our environment so no more, like, one shot big actions rather a normalised cooperation between a regulator and the regulator entity. Better environment means better investments while you renew the lines or while you invest in normal capex for the company. And I would say when we speak about, remember that when we speak about coming back to the normalised capex range of TP, it's still in the teens of percent, which is still a kind of high number. So we believe that with this number we will still be able to build fibre-based technologies, because I don't want to enter into the fetish of the FTTH. I think that we have many solutions which are not necessarily FTTH and which where the FTTD or FTTC are providing you a perfect customer experience.

So in a nutshell, I don't believe that we're gonna go in the massive capex trade offs towards the regulatory. Our direction today, and even with the past regulator was let's build an environment which allows us an evolution, and an evolution where you will not only have TP investing – remember that we now we have TP but we have as well huge European projects in which we are being involved today. So now we invest not only our money but as well the money of the European funds, and this allows to develop the somehow 'digital Poland' without building only with the non digital but with very real zlotys from Polish telecom.

**Dalibor Vavruska**

Ok, thank you. Can I ask one follow up?

**Maciej Witucki**

…Go ahead.

**Dalibor Vavruska**

Yea, just on the free cash flow – the 2 billion guidance. I mean how much of that is expected to change in working capital if you can highlight?

**Jacques de Galzain**

This is very mechanical. From 2.4 billion to 2 billion, you have 100 million of restructuring; 100 million of tax that we get back from the administration in 2011 related to the new technology tax relief that will not repeat in 2012; and then you have 200 million which is mainly due to less capex vendor in the balance sheet at the end of 2012. So protecting once again the 2013 cash flow.

**Dalibor Vavruska**

Ok I may be wrong but in 2011 there was this very significant, I think it was like 700 million, increase, boost to cash flow because of the capex vendor. So you would expect that…boost…that working…that capex…the vendors to go up but less? Or…

**Jacques de Galzain**

No no. This is, when I talk about the capex vendor, the weight of the working capital probably not all. But capex vendor, as we are now close to the end of the programme, at the end of 2012 the capex vendor in the balance sheet will be below the capex vendor at the end of 2011…

**Dalibor Vavruska**

…OK. OK, thank you very much.

**Operator**

Thank you.

Our next question comes from Ivan Kim from RenCap. Please go ahead.

**Ivan Kim – Renaissance Capital**

Yes, Hi. Two questions, please.

One on the fibre regulations. You mentioned the potential change there, so what kind of changes you would hope for?

And the second one. What percentage of your opex is in foreign currency?

Thank you.

**Maciej Witucki**

So I will take the question one very quickly. There are two major elements to come in the coming year. One which is the over regulation of the fibre market, so the market number five, if I'm not wrong. So here, what we're expecting, it's obviously not deregulations I would say, I don't believe that it's gonna come, it's not, I would say it wouldn't be compliant with the policy of the European Commission, but at least a regulation where the access to our fibre, the fibre built by TP would be by stage one, which is quite a regularly used formula. It means that you give first access to the ducts. Then the ducts are busy and there are no, no place to put the competitors fibre lines. Then you give access to the so called *dark* fibres, so unused fibre being owned by TP. And then if there is no ducts and no dark fibre then you give potentially access to the, to the used fibre lines to the customer. So gradually the solution, this is the number one.

Second, second important regulation is confirmation of the market being deregulated from the BSA perspective and this is something which is already announced by the previous regulator. I believe that this is within weeks now to be confirmed by the new regulator - is going to help us very strongly.

Last element, which is, which is eventually less regulation, more, or regulation on top of the Telecom law which is the one about potential usage of the co-investments in the deregulation of the fibre. I remind you that in the European Practice, the co-investments of operators may be deregulated, and we have today in Poland a small issue because this is not compliant with one of the Polish law – namely the Polish Telecom law, with a special law which was passed to boost the broadband investors where I hope by chance the only one co-investment still regulated, it's the one with the incumbent. So there is the need to modify the Polish telecom law, which we hope as well this year. So it's a question of finally deploying because the project is this for quite a long time to deploy the regulations according to the European framework, allowing us to protect the investments from the full and somehow uncontrolled exposure to the competition. We have no major problems to be regulated, the only question is about the condition and potential deregulation of the co-investments.

Now the opex and forex, Jacques?

**Jacques de Galzain**

Around 25% of our opex are denominated in foreign currency.

**Ivan Kim**

Ok, thank you. May I just follow up on…

[In distinct interruption]

…sorry?

**Jacques de Galzain**

Mainly Euros.

**Ivan Kim**

Yeah, thank you. May I follow up on the deregulation on the market from TPSA perspective. What kind of impact do you expect from this? I mean, maybe something in numbers?

**Maciej Witucki**

I expect it to be signed first and then I will see what gives us numbers. So no, I wouldn't speculate on this one.

**Ivan Kim**

Alright, thank you.

**Operator**

Thank you.

Our next question comes from Jindrich Svatek from Raiffeisen Bank. Please go ahead.

**Jindrich Svatek – Raiffeisen Bank**

Hello. It’s clear that your strategy is to acquire frequencies if there are possible. But anyway, is there any merges and acquisition strategy, lets say for this or next year, maybe in relation to the cable operators? This is my first question.

And second question, if I’m correct, Netia would like to use the Dialog network, so in other words, Netia would not use no longer the TPSA network in south of Poland. So can you tell us what could be the impact on the wholesale revenues and probably what are the roughly margins for the wholesale revenues? Thank you.

**Maciej Witucki**

So, frequencies I think are not really linked with the M&A from the cable perspective. So, again, if it's about the cable because the question has been asked to me by the way, this morning, at the conf call, which was our strategy towards the cable consolidation, it’s, I would say, a prudent but sympathetic interest and a look on. In the sense of, we have been looking on the previous option of merger/acquisition which was the one of Aster two years ago. Today I believe there is supposed to be another offer on the table in a few days – we read it in the press. So maybe something will appear on the market. I am less, I am quite reserved to this M&A with cable – there must be really very strong strategic feed. There has been one with Aster because it was really very much complimentary – two big cities, Warsaw and Krakow, where we had been, where we are weak, relatively weak on the Broadband perspective.

Now, if we speak about the potential offer of Multimedia I’m reading in the press, it’s much more spread. I believe that here I would say it’s remote but it’s a little chance because the match of the coverage between this cable company and TP is too big so I don’t believe that we will find any substantial synergies on such a deal.

Now, not using TPSA lines…I wouldn’t…I will speak under consult of Piotr – Piotr feel free to add if you want, I believe that our networks are anyway, somehow, disconnected to a large extent. There has been a Dialog network which has been used by Dialog, and a TPSA network, and they have not necessarily doubling each other, and Dialog was using those lines. This is a region, this is a part of Poland so I wouldn’t see as a kind of major threat to the wholesale revenues in the future.

But Piotr, if you believe there is any, please…

**Piotr Muszyński**

We should take a look at it from two basic stand points. First is the present customer base we have and I don’t believe much in the migration neither from BSA neither from LLU. So we have 712 collocations, most of them are by Netia today on LLU.

For the incremental sales, of course it’s logical if they will have own resources, it will be probably more convenient for them to sell and to connect the customer to their own resources. But I don’t see any significant scale and impact on our present revenue.

**Jindrich Svatek**

Thanks a lot.

**Operator**

Thank you.

Our next question comes from Roshan Ranjit from Citi Group. Please go ahead.

**Roshan Ranjit – Citi Group**

Yeah, hi there. Just a quick question on the mobile side. Now earlier in the call you mentioned that frequencies for this year will be more on the convergence side. So does that imply we will see that tight cost control which you applied on mobile side resulting in those lower net adds? So i.e. controlling your SACs to focus on those higher value customers?

Thank you.

**Maciej Witucki**

I would just maybe start then give the floor to Vincent. Now, the policy is, and clearly we have very a positive results of those, we consider, in 2011, definitely, we prefer especially on the market when you see the correct saturation level of 136% or 137% of SIM per capita, we definitely prefer to retain customers in priority rather than to have a permanent washing machine of new SIMs appearing and disappearing a few months, or a few weeks even, later.

So this is the policy. But the policy is about overall efficiency. It’s about the efficiency of retaining the best and hunt the best, we will not give up the acquisitions. So we keep the current policy – the policy which stay aggressive commercially; retain the best customers, because it costs a lot to get them back into the loop; and I would say that the convergence is only an additional element, so it’s not in place of something - so we cut something and added the convergence. It will be an additional element.

Vincent?

**Vincent Lobry**

Just one thing to add, was that we also concentrate on not only keeping our customers but also increasing their value and their ARPU especially on the data side of the offer. So it’s we are playing both on the number of new customers because there are also new customers in terms of mobile data, for example, so connected with tablets for example. We have also new usage in B2B in machine-to-machine, so there is some growth in some part of the market but certainly not on voice because more or less everybody is equipped and at the same time there is different usage increasing the ARPU or moving some usage from voice to data.

**Roshan Ranjit**

Ok, great. Now, you just quickly mentioned tablets there, I mean what level of concentration have you got on the tablet side? I assume you obviously separate that from your smartphone numbers.

**Vincent Lobry**

I think that it’s very difficult to give you numbers – there are tablets and you have the tablets connected because there are many tablets which are wifi, which are not using the 3G network but which use for example the Broadband network or a fixed broadband network. So in Poland we are still very, well not very, but low compared to Western country but it’s increasing quite a lot and especially also on the B2B business market.

**Maciej Witucki**

But I would just add that I don’t see, because you may not see it in the camera, I don’t see many people with tablets in this very room and I think those are quite high level customers we have sitting here and I believe this is quite representative for Poland. Again, a good tablet is today a much higher price than a quite good netbook. So when we look on our sales we have today still much more people buying a first computer or eventually a second computer for their house being a netbook rather than going into the additional tool which is tablet. So this development and those revenues are still in front of us.

**Roshan Ranjit**

OK, great. Thank you very much

**Operator**

Thank you.

As a reminder, if you would like to ask a question, please press the ‘*’ followed by the ‘1’ on your telephone. To cancel this request, please press the ‘*’ followed by the ‘2’.

Our next question comes from Danielle Chigumira from UBS. Please go ahead.

**Danielle Chigumira – UBS**

Hi there, thank you. Just a question on your capex guidance. So the guidance of 15 to 17%, is obviously a bit lower than this year and I wanted to get an idea of how much of that decrease is due to part of the MoU spend being pushed out to 2013? And is any of that decrease due to the network sharing agreement?

And also, on the MoU-related capex, could you give us an idea on how much of the remaining billion or so zloty will be split, how it will be split between 2012 and 2013?

**Jacques de Galzain**

So this capex guidance at 15 to 17%, just remember that we were at 17.5% in 2011 so it's a decrease and it's a decrease mainly because the MoU investment is coming to the end.

Then, how much of capex are delayed to 2013 – it's too early to say. In fact this is not because we will deliver 200,000 lines only in Q1 2013 that the capex will be delayed in the same proportion. So our engineers, our operational teams are working on that and when the planning is defined then I will be able to tell you how much is delayed.

**Maciej Witucki**

I just want to underline that the MoU with the regulator it's not in Polish zlotys, it's in the number of lines. So we are committed to lines not to billions.

**Jacques de Galzain**

Then your question about how much of the decrease is due to our network sharing agreement with PTC. No, there is nothing in that area. In fact the capex avoidance, this is more for 2013/14/15 and mainly 2014/15.

**Danielle Chigumira**

OK. Alright, thank you.

**Operator**

Thank you, sir. There appears to be no further questions at this time. Please continue with any points you wish to raise.

**Jacek Kunicki**

Thank you everyone. If we don't have any other questions from the floor then we will close the conference. Thank you very much for coming and dialling in, and we will report Q1 results on April 26th.

Thank you.

**Operator**

Thank you. This does conclude the TPSA Results Conference Call. Thank you for your participation.

You may now disconnect.