



LSE – Current Report (71/2014)
Orange Polska S.A., Warsaw, Poland
October 22, 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 3Q and 9M 2014.

Orange Polska reports solid commercial trends and sound financial results in 3Q 2014 in a challenging market environment

3Q 2014 highlights:

- revenue decline limited to -3.6%¹ year-on-year vs. -5.4% in 2Q and vs -7.9% in 1Q, due to lower regulatory impact²
 - mobile revenue excluding regulatory impact +1.5% year-on-year, reflecting mainly growth of customer base and higher sales of equipment
- commercial activity maintained
 - Orange Open customer base +62k to 480k using almost 2 million services
 - good trends in mobile continued: customer base +3.1% year-on-year
 - +130k net adds in 3Q (+74k postpaid, +56k prepaid)
 - another record quarter in mobile broadband: +94k new customers
 - fixed voice customer base erosion limited to -4.7% year-on-year vs -5.1% in 2Q
 - sustained take-up of very high speed fixed broadband: +22k net adds in 3Q
- satisfactory restated¹ EBITDA margin at 35.1%, reflecting efficient commercial spending and PLN 80mn cost savings achieved in 3Q
- year-to-date Organic Cash Flow at PLN 851mn, on track to meet full year guidance
- partial deregulation of broadband market opens new opportunities for Orange Polska
- new commercial initiatives launched: Orange Finanse and Orange Energia (pilot)

key figures (PLN million) IFRS	3Q 2014	3Q 2013	change	9M 2014	9M 2013	change
Group revenue	3,046	3,161 ¹	-3.6% ¹	9,125	9,674 ¹	-5.7% ¹
excl. regulatory impact ²			-2.8% ¹			-3.3% ¹
restated EBITDA ¹	1,069	1,159	-7.8%	3,060	3,195	-4.2%
restated EBITDA ¹ (as % of revenue)	35.1%	36.7%	-1.6 pp	33.5%	33.0%	+0.5 pp
net income	140	239	-41.4%	505	396	+27.5%
organic cash flow (guidance definition)	369	434	-15.0%	851	833	+2.2%

¹ please refer to restatement table on p. 4

² impact of regulation of rates (such as Mobile Termination Rate, Fixed Termination Rate, Fixed-to-Mobile rate, customer and visitor roaming rates, Bitstream Access rates); calculation based on traffic in previous year and variation between rates before and after regulated changes

commenting on 3Q 2014 performance, Bruno Duthoit, Chief Executive Officer, said:

“In a challenging market environment that persisted in 3Q, we managed to achieve good commercial and financial results. Our mobile customer base continued to grow above 3% year-on-year and we broke another record for quarterly take-up of dedicated mobile broadband customers. We continue to see strong demand for convergence and high speed fixed broadband. As we said a quarter ago, market rivalry does not ease and this is reflected in the evolution of our mobile ARPU. The outlook is becoming even more challenging now for business segment than mass market. Rigorous cost control therefore remains our top priority.

In September, we completed the network modernisation project which had been initiated more than two years ago. This will significantly improve capability and customer experience. In early October, we launched two new important initiatives, Orange Finanse and Orange Energia, which we believe will improve customer loyalty and contribute to our top line evolution over the medium term. We are very satisfied with the Polish telecoms regulator (UKE) decision to deregulate an important part of the fixed broadband market. That gives us a trigger to prepare a new strategic initiative for our fixed services which we will present within a few months. As we move into the fourth quarter, traditionally our peak season, we plan to remain proactive on the commercial front and engage our unique assets to launch best-of-breed solutions.”

Financial Review

revenue evolution improved due to lower regulatory impact

Consolidated revenues totalled PLN 3,046 million in 3Q, down by 3.6% year-on-year. The decrease reflected the much lower negative impact of regulatory decisions versus previous quarters (PLN 28 million). Excluding this regulatory impact, the top-line decline amounted to PLN 87 million or 2.8% year-on-year, compared to PLN 70 million (2.2%) a quarter ago. This modest deterioration reflects lower increase of other revenue (lower ICT revenues, in particular) and slightly higher decline of fixed revenues resulting from pricing pressures in B2B solutions. Up 1.5% year-on-year, mobile revenues (ex-regulatory impact) were supported by handset sales on instalments (which boosted equipment revenues), and growth of the customer base, both of which offset pricing pressures.

The number of our convergent customers reached 480,000 at the end of 3Q. Net quarterly customer acquisition was maintained at above 60,000. Total number of services used by Orange Open customers approached 2 million, which implies an average of 4.2 services per customer.

The growth rate in the number of mobile customers was maintained at above 3% year-on-year. In 3Q, Orange Polska had 74,000 net customer additions in post-paid, maintaining year-on-year runrate of close to 7% growth. With 94,000 net additions, 3Q was another record quarter for take-up of mobile broadband customers. The 11% year-on-year decline in retail mobile ARPU can be attributed to persisting pricing pressures (mainly on business market), higher popularity of SIM-only offers (voice and data) and the dilution effect from introduction of instalment sales.

The fixed line key performance indicators (KPIs) continued to benefit from product bundling and convergence. The net loss of fixed voice lines was stable quarter-on-quarter at 54,000 versus a loss 78,000 in 3Q 2013. Our TV customers base increased by 15,000 in the quarter delivering growth of close to 5% year-on-year.

KPI ('000)	3Q 2014	3Q 2013	change
Orange Open customers	480	211	+127.5%
3P customers (BB, TV and VoIP)	402	333	+20.7%
number of mobile customers	15,591	15,126	+3.1%
post-paid	7,533	7,052	+6.8%
pre-paid	8,058	8,074	-0.2%
fixed voice lines (retail)	4,579	4,803	-4.7%
fixed broadband accesses (retail)	2,269	2,305	-1.6%
mobile broadband accesses	1,413	1,120	+26.2%
number of TV customers	735	702	+4.7%

satisfactory restated³ EBITDA margin at 35.1%

Restated EBITDA³ for 3Q 2014 amounted to PLN 1,069 million with a margin of 35.1%. The PLN 90 million decline versus the prior year resulted mainly from lower revenues (an impact of PLN 87 million) and from PLN 49 million higher interconnect costs (excluding regulatory impact). The latter is related to the growth in traffic as a consequence of the higher popularity of mobile tariff plans with unlimited options and higher number of customers. EBITDA was also affected by a PLN 35 million increase in other opex, mostly as a result of costs related to broadband infrastructure projects realised in co-operation with local communities. These negatives were only partially offset by a PLN 19 million decrease in direct commercial costs and by the ongoing cost optimisation program which delivered PLN 80 million of savings in the third quarter.

net income at PLN 140 million in 3Q 2014

Orange Polska's net income for 3Q 2014 came in at PLN 140 million versus PLN 239 million in 3Q 2013. This year-on-year decrease is predominantly driven by lower EBITDA (mainly, as a consequence of revenue pressure), partly offset by lower depreciation (down by PLN 16 million year-on-year) and lower net financial costs (PLN 33 million below last year) as a consequence of debt refinancing completed in May. Income tax was up PLN 19 million compared to 3Q 2013 which had a low effective tax rate.

With PLN 369 million in 3Q and year-to-date at PLN 851 million, organic cash flow in line with the full-year guidance

Organic cash flow amounted to PLN 369 million in 3Q 2014, compared to PLN 434 million a year ago. Lower cash generation resulted from two factors. Firstly, cash from operating activities (before income tax paid and change in working capital) were down by PLN 145 million mainly as a result of higher cash outflow for UMTS licence in line with the schedule of payments and revenue pressure. Secondly, increase in working capital requirement was PLN 59 million higher year-on-year, mostly due to less favourable balance of inventories and receivables, as a result of introduction of instalment sales. This was partly compensated by PLN 127 million less cash spent on capital expenditures.

³ please refer to restatement table on p. 4

commenting on 3Q 2014 results, Maciej Nowohoński, Chief Financial Officer said:

“Our financial performance in 3Q was marked by competitive pressure on our ARPU. However, strict cost control across all lines delivered savings of PLN 80 million in the period, totalling PLN 217 million in 2014 so far. Our restated EBITDA was satisfactory, with the corresponding margin above the one for the previous quarter. Taking into account the UMTS licence fee which was PLN 50 million higher than last year, our cash flow generation remains healthy. We are on target to deliver our full-year guidance for organic cash flow of at least PLN 1.1 billion. We are financially well equipped to face the commercial high season of 4Q. We are now building up commercial and financial plans for 2015, which may also reflect possible new opportunities in very high broadband.”

Restatements to financial data

<i>in PLN millions</i>	3Q2013	3Q2014	9m2013	9m2014
revenue	3,196	3,046	9,766	9,125
-revenue of Wirtualna Polska and ORE	-35		-92	
restated revenue	3,161	3,046	9,674	9,125
EBITDA	1,165	1,040	3,202	3,178
-EBITDA of Wirtualna Polska and ORE	-6		-25	
-employment termination expenses			18	
-gain on disposal of Wirtualna Polska				-191
-impact of certain claims and litigation		29		73
restated EBITDA	1,159	1,069	3,195	3,060
capital expenditures	692	395	1,544	1,531
-acquisition of telecommunications licences	-254	-9	-254	-377
capital expenditures (guidance definition)	438	386	1,290	1,154

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 Q3 2014 Results Presentation Thursday 23rd October 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 Q3 2014 Results

Conference code:
1700351

Dial in numbers:
UK/Europe: +44-20-3427-1902
US: +1-646-254-3388

Toll free numbers:
UK: 0800-279-5004
US: +1-877-280-1254

The results will be available on our website (www.orange.pl/investors) on 22nd October after market close. If you are on the Orange Polska mailing list, you will receive further notification by email as soon as they are available.

Orange Polska Group Consolidated

amounts in PLN millions	2013								2014		
	1Q		2Q		3Q		4Q		1Q	2Q	3Q
profit & loss statement	as reported	pro forma*	as reported	as reported	as reported						
revenues											
Mobile services	1,533	1,533	1,590	1,590	1,514	1,514	1,473	1,473	1,438	1,456	1,425
voice traffic revenue	887	887	917	917	906	906	835	835	804	799	752
data, messaging, content and M2M	433	433	443	443	448	448	470	470	461	475	484
wholesale	213	213	230	230	160	160	168	168	173	182	189
Mobile equipment sales	33	33	40	40	35	35	41	41	43	110	128
Fixed services	1,554	1,554	1,515	1,515	1,500	1,500	1,488	1,488	1,420	1,386	1,373
fixed narrowband	614	614	582	582	559	559	542	542	521	506	491
fixed broadband, TV and VoIP	421	421	421	421	422	422	423	423	420	416	415
enterprise solutions & networks	251	251	250	250	258	258	261	261	237	231	230
wholesale	268	268	262	262	261	261	262	262	242	233	237
Other revenue	147	132	158	116	147	112	155	110	94	132	120
Total revenues	3,267	3,252	3,303	3,261	3,196	3,161	3,157	3,112	2,995	3,084	3,046
year-on-year**	-7.2%	n/a	-9.9%	n/a	-7.9%	n/a	-9.3%	n/a	-7.9%	-5.4%	-3.6%
labour expenses	(545)	(538)	(516)	(502)	(453)	(442)	(432)	(420)	(522)	(453)	(446)
external purchases	(1,596)	(1,593)	(1,649)	(1,635)	(1,501)	(1,484)	(1,694)	(1,674)	(1,452)	(1,495)	(1,441)
- interconnection costs	(314)	(314)	(358)	(357)	(284)	(284)	(295)	(295)	(280)	(297)	(322)
- network and IT	(188)	(187)	(209)	(208)	(208)	(208)	(241)	(231)	(192)	(207)	(186)
- commercial expenses	(642)	(696)	(620)	(659)	(562)	(603)	(752)	(768)	(605)	(610)	(561)
- content costs	(37)	(36)	(43)	(42)	(34)	(33)	(35)	(34)	(35)	(31)	(23)
- other external purchases	(415)	(360)	(419)	(369)	(413)	(356)	(371)	(346)	(340)	(350)	(349)
other operating incomes & expenses	(85)	(85)	(144)	(144)	(92)	(91)	(166)	(166)	(79)	(148)	(125)
employment termination expenses	(18)	(18)	(1)	(1)		0	(167)	(167)	0	0	0
gain/loss on disposal of assets	10	10	11	11	15	15	4	4	9	8	6
gain on disposal of Wirtualna Polska									191		
reported EBITDA	1,033	1,028	1,004	990	1,165	1,159	702	689	1,142	996	1,040
% of revenues	31.6%	31.6%	30.4%	30.4%	36.5%	36.7%	22.2%	22.1%	38.1%	32.3%	34.1%
- restructuring costs	18	18					129	129			
- gain on disposal of Wirtualna Polska									(191)		
- impact of certain claims and litigation										44	29
- adjustment linked to TPSA/PTK merger							33	33			
restated EBITDA	1,051	1,046	1,004	990	1,165	1,159	864	851	951	1,040	1,069
% of revenues	32.2%	32.2%	30.4%	30.4%	36.5%	36.7%	27.4%	27.3%	31.8%	33.7%	35.1%
depreciation & amortisation	(791)	(789)	(783)	(778)	(775)	(770)	(758)	(756)	(750)	(794)	(759)
impairment of fixed assets	(1)	(1)	(3)	(3)	0	0	(5)	(5)	(1)	(2)	(4)
EBIT	241	238	218	209	390	389	(61)	(72)	391	200	277
% of revenues	7.4%	7.3%	6.6%	6.4%	12.2%	12.3%	-1.9%	-2.3%	13.1%	6.5%	9.1%
financial result	(134)	(134)	(108)	(108)	(118)	(118)	(118)	(118)	(119)	(118)	(85)
income tax	(26)	(25)	(34)	(32)	(33)	(33)	77	79	(1)	12	(52)
Consolidated net income after tax	81	79	76	69	239	238	(102)	(111)	271	94	140

*pro forma adjusted for deconsolidation of Wirtualna Polska and ORE and reclassifications of costs related to ICT (mainly equipment) from 'other external purchases' to 'commercial expenses' and costs related to infrastructure projects for the Polish regions from 'network and IT' to 'other external purchases'

**change is calculated based on pro forma figures for 2013

Orange Polska Group key performance indicators

customer base (in thousands)	2012	2013				2014		
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Orange Open¹	33	72	125	211	286	352	418	480
Fixed telephony accesses								
POTS, ISDN & WLL	4,751	4,586	4,458	4,358	4,275	4,203	4,133	4,061
VoIP first line	336	390	423	445	466	482	500	518
Total retail main lines	5,087	4,976	4,881	4,803	4,741	4,685	4,633	4,579
Fixed broadband access								
ADSL	2,139	2,130	2,112	2,096	2,083	2,059	2,042	2,019
VHBB (VDSL+FTTH)	26	28	36	49	64	86	105	127
CDMA	180	175	169	160	154	140	134	123
Group retail broadband - total	2,345	2,333	2,317	2,305	2,301	2,285	2,281	2,269
TV client base								
IPTV	119	117	117	119	121	123	129	135
DTH (TV over Satellite)	588	582	582	583	586	585	591	600
TV client base - total	706	699	699	702	707	708	720	735
-o/w 'nc+' packages	83	98	101	115	123	133	144	155
3P services (TV+BB+VoIP)	248	286	314	333	351	364	383	402
Mobile accesses								
Post-paid	6,911	6,906	6,970	7,052	7,221	7,360	7,459	7,533
-o/w B2B	2,428	2,407	2,399	2,402	2,420	2,456	2,464	2,468
Pre-paid	7,984	7,980	7,977	8,074	8,104	8,035	8,002	8,058
Total²	14,895	14,886	14,947	15,126	15,325	15,395	15,461	15,591
- of which dedicated mobile broadband subscription client base	985	1,043	1,079	1,120	1,165	1,233	1,319	1,413
Group wholesale customers (external to Group)								
WLR	1,472	1,443	1,397	1,356	1,301	1,237	1,176	1,111
Bitstream access	347	342	343	340	330	322	311	295
LLU	185	181	178	175	172	169	165	159

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				2014		
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Orange Polska retail fixed voice ARPU	45.7	45.3	44.4	43.7	43.3	42.4	41.9	41.4
Orange Polska broadband ARPU (Broadband, TV & VoIP)	57.8	59.7	60.1	60.5	60.9	60.5	60.4	60.4
Mobile ARPU (outside the Group)								
post-paid	64.5	60.4	62.7	59.2	57.2	55.6	55.6	53.3
-o/w B2B	79.9	75.6	77.5	72.2	69.7	68.0	65.7	61.2
pre-paid	16.2	14.2	14.6	13.8	13.0	11.9	12.2	12.7
Blended	37.9	34.9	36.2	34.2	32.8	31.8	32.1	31.4
retail ARPU (PLN)	31.4	30.2	31.1	30.8	29.2	28.2	28.3	27.3
wholesale ARPU (PLN)	6.4	4.7	5.1	3.4	3.6	3.6	3.9	4.1
voice ARPU (PLN)								
post-paid	46.5	41.9	43.4	39.5	36.4	35.3	35.0	32.7
pre-paid	11.9	9.6	10.2	9.6	8.7	8.0	8.0	8.1
blended	27.2	24.0	25.1	23.0	21.1	20.4	20.4	19.5
data ARPU (PLN)								
post-paid	7.0	7.8	8.4	9.1	9.3	9.9	9.9	10.4
pre-paid	0.6	0.6	0.5	0.6	0.7	0.7	0.9	1.6
blended	3.4	3.8	4.1	4.4	4.5	4.8	5.0	5.6
SMS&MMS and other ARPU (PLN)								
post-paid	10.9	10.7	10.9	10.6	11.5	10.5	10.8	10.2
pre-paid	3.7	3.9	3.8	3.7	3.6	3.3	3.3	3.1
blended	7.4	7.0	7.0	6.8	7.1	6.5	6.8	6.4

<i>other mobile operating statistics</i>	2012	2013				2014		
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
MVNOs customers (thousands)	69	66	67	69	62	59	32	31
Number of smartphones (thousands)	3,262	3,384	3,526	3,613	3,804	3,920	4,044	4,284
volumes & churn								
AUPU (in minutes)								
post-paid	251.7	253.1	264.6	266.8	273.7	279.7	294.7	299.1
pre-paid	90.6	90.2	94.5	91.3	90.8	90.5	93.5	96.3
Blended	165.6	165.7	173.7	173.2	176.3	180.3	190.1	194.2
Quarterly mobile customer churn rate (%)								
post-paid	3.4	3.7	3.6	3.3	3.4	3.4	3.3	3.4
pre-paid	15.0	15.5	15.1	14.6	14.8	14.9	14.9	16.4
subsidies								
SAC post-paid (PLN)	583.8	556.8	502.3	484.8	521.6	441.4	366.4	340.0
SRC post-paid (PLN)	388.9	446.8	381.9	358.4	420.4	321.8	240.0	247.8
network coverage								
Group 3G coverage in % of population:	69.0%	69.9%	73.7%	85.5%	90.2%	90.9%	97.2%	99.2%

Employment structure of Group as reported active full time equivalents (end of period)	2012	2013				2014		
	4Q reported	1Q reported	2Q reported	3Q reported	4Q reported	1Q	2Q	3Q
Orange Polska	21,920	21,617	21,024	20,143	19,922	19,224	18,594	18,207
50% of Networks	397	395	392	398	397	396	396	395
Total	22,317	22,012	21,416	20,541	20,319	19,620	18,990	18,602

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