



Current Report (38/2015)
Orange Polska S.A., Warsaw, Poland
July 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 2Q and 1H 2015.

Orange Polska reports strong commercial performance in mobile post-paid and satisfactory financial results in 2Q 2015

2Q 2015 highlights:

- revenue evolution at -2.3% year-on-year reflecting smaller impact of sale of equipment
- commercial results: strong performance in post-paid mobile but not yet in fixed broadband
 - +6% year-on-year post-paid customer base, +170k net adds in 2Q
 - +29% year-on-year mobile broadband customers, +102k net adds in 2Q
 - +50% year-on-year Orange Open customers using close to 2.6 million services, +36k net adds in 2Q
 - number of LTE users at 1,270k, +370k net adds in 2Q
 - +6% year-on-year TV base, +5k net adds in 2Q
 - +100% year-on-year VHBB customers, 25k net adds in 2Q, but ADSL base under pressure, with 52k net losses in 2Q
 - fixed voice lines erosion at -88k vs -77k in 1Q
- EBITDA margin at 31.8% (-1.9 pp year-on-year¹), reflecting higher commercial expenses, but supported by PLN +85m cost savings and gain on disposal of assets (PLN 43m)
- 1H organic cash flow² at PLN 531m, PLN +49m year-on-year; full year guidance confirmed

key figures (PLN million) IFRS	2Q 2015	2Q 2014	change	1H 2015	1H 2014	change
Group revenue ¹	3,013	3,084	-2.3%	5,943	6,064	-2.0%
excl. regulatory impact ¹			-1.6%			-1.3%
restated EBITDA ¹	959	1,040	-7.8%	1,919	1,987	-3.4%
restated EBITDA ¹ (as % of revenue)	31.8%	33.7%	-1.9 pp	32.3%	32.8%	-0.5 pp
net income	126	94	+34.0%	297	365	-18.6%
organic cash flow (guidance definition)	379	325	+16.6%	531	482	+10.2%

¹ restated as presented in a table on p.4

² guidance definition: including cash capex for fibre access network project and excluding one-offs: acquisition of any new spectrum, potential payment of the EC fine and certain other claims and litigations

commenting on 2Q 2015 performance, Bruno Duthoit, Chief Executive Officer, said:

“Our intensified marketing efforts in 2Q have translated into significant improvement in commercial momentum in post-paid mobile. Net additions were strong among all customer groups: business, consumers and machine-to-machine. However in the fixed business we continued to see a lot of pressure on fixed voice and ADSL broadband. To counteract, on top of the initiatives launched earlier, we have decided to lower Neostrada prices in regulated zones. As a result, we now have one price for all broadband speeds available all across Poland. In addition, to further enhance take-up of convergence, we have introduced for the first time dedicated mobile plans available only for customers using fixed services.

Our agenda for 2H includes continuation of proactive marketing approach as the market remains very competitive, in mobile and fixed. In line with the plan our fibre rollout project will be executed much more intensively. We maintain our targets for household coverage and capex which we announced in February. We are confident that it will boost Orange Polska’s long-term competitive edge.”

Financial Review

revenue evolution at -2.3% year-on-year (-1.6% year-on-year excluding regulatory impact)

Consolidated revenues totalled PLN 3,013 million in 2Q, down by 2.3% or PLN 71 million year-on-year. Regulatory impact stood at PLN 22 million and was mainly attributable to EU roaming rates cuts. Excluding this regulatory impact, the top-line decline came in at PLN 49 million or 1.6% year-on-year, compared to PLN 31 million (1.0%) a quarter ago. This minor deterioration resulted from lower year-on-year growth of equipment sales, which amounted to PLN 39 million in 2Q compared to PLN 95 million a quarter ago. This was offset by PLN 62 million year-on-year increase of the other revenue category, driven by ICT and realisation of broadband infrastructure projects in cooperation with local communities.

Total number of mobile customers has not changed significantly. However, a substantial improvement was achieved in post-paid segment as our commercial efforts combined with new attractive tariff plans resulted in 170,000 net additions in 2Q. These net additions were balanced between business, consumer and machine-to-machine customers. Prepaid base continued to decline, but at a slower pace than in the previous quarter. Mobile broadband customer base has reached 1.7 million, adding close to a record high 102,000 services in 2Q. Number of customers using our LTE network reached almost 1.27m growing more than in 1Q. Penetration of smartphones in post-paid voice increased to 55% from 45% a year ago.

Evolution of mobile blended ARPU has slightly improved versus the previous quarter, to -4.7% year-on-year. It continued to benefit from growing incoming traffic and good performance of prepaid. Data ARPU increased 20% year-on-year on the back of more than 100% growth of usage per customer. Its contribution to total ARPU increased to 20% from 16% a year ago.

The number of customers of Orange Open solutions has continued to expand and was higher by 50% year-on-year (36,000 net additions in 2Q). The total number of services used by Orange Open customers reached almost 2.6 million which implies an average of more than four services per customer.

The commercial performance of wireline business in 2Q has reflected a challenging market environment. The erosion of fixed voice lines accelerated to 88,000 vs 77,000 in 1Q. Despite good take-up of high speed internet (25,000 in 2Q), our total fixed retail broadband customer base was still affected by mobile broadband substitution. This translated into a further decline of ADSL lines by 52,000 in 2Q. On the positive side, broadband ARPU has increased by almost 2% year-on-year on the back of increased penetration of multi-service packages. Number of Fun-Pack (3P) customers is constantly increasing and has already reached 21% of total broadband base (vs 17% a year ago).

KPI ('000)	2Q 2015	2Q 2014	change
Orange Open customers	627	418	+50.0%
3P customers (BB, TV and VoIP)	455	383	+18.8%
number of mobile customers	15,587	15,461	+0.8%
post-paid	7,897	7,459	+5.9%
pre-paid	7,690	8,002	-3.9%
fixed voice lines (retail)	4,347	4,633	-6.2%
fixed broadband accesses (retail)	2,159	2,281	-5.3%
mobile broadband accesses	1,700	1,319	+28.9%
number of TV customers	761	720	+5.7%

EBITDA margin at 31.8% (-1.9 pp year-on-year³) reflecting higher commercial expenses and gain on asset disposals

EBITDA for 2Q 2015 amounted to PLN 959 million and was down 7.8%³ year-on-year or PLN 81 million. The decline reflected mainly lower revenues, higher interconnect costs due to increased share of unlimited mobile plans and our investment in customer acquisition. Direct commercial expenses were up PLN 39 million year-on-year as a result of a higher number of customer acquisitions and retentions which has driven improved commercial momentum in mobile post-paid. EBITDA was supported by PLN 85 million savings delivered by our cost optimization program and PLN 43 million gain on assets disposal.

2Q net income at PLN 126 million, up by 34% year-on-year

Orange Polska's net income for 2Q 2015 amounted to PLN 126 million, up PLN 32 million versus 2Q 2014. The growth reflected lower depreciation (down PLN 61 million year-on-year) and lower net financial expense due to debt refinancing (PLN 42 million lower than 2Q last year). These positives offset lower reported EBITDA and PLN 42 million higher income tax (in 2Q 2014 income tax benefited from a one-time refund and relief for new technologies).

2Q organic cash flow⁴ of PLN 379 million brings the total for 1H to PLN 531 million, in line with the full-year guidance

Organic cash flow amounted to PLN 379 million in 2Q 2015, compared to PLN 325 million a year ago. Higher cash generation resulted predominantly from PLN 46 million year-on-year lower cash paid for capex and PLN 53 million higher net proceeds from sales of assets. On the other hand cash flow was affected by PLN 47 million year-on-year higher working capital requirement as a result of lower positive impact from trade payables. This was a consequence of higher year-on-year payments for handsets purchased in 1Q.

³ restated as presented in a table on p.4

⁴ guidance definition: including cash capex for fibre access network project and excluding one-offs: acquisition of any new spectrum, potential payment of the EC fine and certain other claims and litigations

commenting on 2Q 2015 results, Maciej Nowohoński, Chief Financial Officer said:

“We have delivered solid financial results in 2Q. Lower year-on-year growth of mobile equipment sales was largely offset by revenues from infrastructure projects and ICT. Our increased marketing efforts weighed on EBITDA but visibly improved our commercial achievements in mobile. In line with what we outlined in February we have also intensified disposals of unused assets which improved our cash flow generation. As in 2H we expect no ease up in market competition, we will maintain high marketing activity which may weigh on our EBITDA margin. In line with our full-year plan cash flow will be lower year-on-year in the remainder of the year. The key reasons will be pressure on EBITDA and higher capex driven by our fibre rollout project.”

Restatements to financial data

<i>in PLNm</i>	2Q2014	2Q2015	1H2014	1H2015
revenue	3,084	3,013	6,079	5,943
-revenue of Wirtualna Polska	-	-	-15	-
restated revenue	3,084	3,013	6,064	5,943
EBITDA	996	959	2,138	1,918
-gain on disposal of Wirtualna Polska	-	-	-191	-
-EBITDA of Wirtualna Polska	-	-	-4	-
-the impact of certain claims and litigations	44	-	44	-
-employment termination expenses	-	-	-	1
restated EBITDA	1,040	959	1,987	1,919
capital expenditures	762	419	1,136	740
-acquisition of telecommunications licences	-367	-	-368	-
capital expenditures (outlook definition)	395	419	768	740

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 Q2 2015 Results Presentation Tuesday 28th July 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 Q2 2015 Results

Dial in numbers:
UK/Europe: +44-20-7136-2054
US: +1-646-254-3366

Toll free numbers:
UK: 0808-238-9069
US: +1-877-280-1254

Orange Polska Group Consolidated

amounts in PLN millions	2014					2015			
	1Q	2Q	3Q	4Q		1Q	2Q		
profit & loss statement	as reported					pro forma*		as reported	
revenues									
Mobile services	1,438	1,438	1,456	1,425	1,394		1,367	1,380	
voice traffic revenue	804	804	799	752	709		689	682	
data, messaging, content and M2M	461	461	475	484	483		470	475	
wholesale	173	173	182	189	202		208	223	
Mobile equipment sales	43	43	110	128	146		138	149	
Fixed services	1,420	1,420	1,386	1,373	1,341		1,306	1,290	
fixed narrowband	521	521	506	491	465		458	444	
fixed broadband, TV and VoIP	420	420	416	415	412		410	404	
enterprise solutions & networks	237	237	231	230	235		221	237	
wholesale	242	242	233	237	229		217	205	
Other revenue	94	79	132	120	206		119	194	
Total revenues	2,995	2,980	3,084	3,046	3,087		2,930	3,013	
year-on-year**	-7.9%	n/a	-5.4%	-3.6%	-0.8%		-1.7%	-2.3%	
labour expenses	(522)	(516)	(453)	(446)	(453)		(430)	(457)	
external purchases	(1,452)	(1,447)	(1,495)	(1,441)	(1,725)		(1,476)	(1,562)	
- interconnection costs	(280)	(280)	(297)	(322)	(332)		(321)	(333)	
- network and IT	(192)	(192)	(207)	(186)	(203)		(176)	(181)	
- commercial expenses	(605)	(602)	(610)	(561)	(769)		(643)	(662)	
- other external purchases	(375)	(373)	(381)	(372)	(421)		(336)	(386)	
other operating incomes & expenses	(79)	(79)	(148)	(125)	(53)		(70)	(78)	
employment termination expenses	0	0	0	0	8		0	0	
gain/loss on disposal of assets	9	9	8	6	34		5	43	
gain on disposal of Wirtualna Polska	191								
reported EBITDA	1,142	947	996	1,040	898		959	959	
% of revenues	38.1%	31.8%	32.3%	34.1%	29.1%		32.7%	31.8%	
- employment termination expenses					(8)		1		
- gain on disposal of Wirtualna Polska	(191)								
- impact of certain claims and litigation			44	29	(29)				
restated EBITDA	951	947	1,040	1,069	861		960	959	
% of revenues	31.8%	31.8%	33.7%	35.1%	27.9%		32.8%	31.8%	
depreciation & amortisation	(750)	(750)	(794)	(759)	(770)		(710)	(733)	
impairment of fixed assets	(1)	(1)	(2)	(4)	(10)		(3)	6	
EBIT	391	196	200	277	118		246	232	
% of revenues	13.1%	6.6%	6.5%	9.1%	3.8%		8.4%	7.7%	
financial result	(119)	(119)	(118)	(85)	(83)		(58)	(76)	
income tax	(1)	(1)	12	(52)	(5)		(17)	(30)	
Consolidated net income after tax	271	76	94	140	30		171	126	

*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	2014				2015	
	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Orange Open¹	286	352	418	480	539	591	627
Fixed telephony accesses							
POTS, ISDN & WLL	4,275	4,203	4,133	4,061	3,974	3,880	3,780
VoIP first line	466	482	500	518	538	555	567
Total retail main lines	4,741	4,685	4,633	4,579	4,512	4,435	4,347
Fixed broadband access							
ADSL	2,076	2,051	2,031	2,006	1,959	1,902	1,850
VHBB (VDSL+FTTH)	71	94	116	140	174	207	232
CDMA	154	140	134	123	108	89	77
retail broadband - total	2,301	2,285	2,281	2,269	2,241	2,198	2,159
TV client base							
IPTV	121	123	129	135	143	150	156
DTH (TV over Satellite)	586	585	591	600	605	606	605
TV client base - total	707	708	720	735	748	756	761
-o/w 'nc+' packages	116	124	132	141	150	158	158
3P services (TV+BB+VoIP)	351	364	383	402	423	441	455
Mobile accesses							
Post-paid	7,221	7,360	7,459	7,533	7,679	7,727	7,897
-o/w B2B	2,420	2,456	2,464	2,468	2,498	2,496	2,561
Pre-paid	8,104	8,035	8,002	8,058	7,950	7,791	7,690
Total²	15,325	15,395	15,461	15,591	15,629	15,518	15,587
- of which dedicated mobile broadband client base	1,165	1,233	1,319	1,413	1,521	1,598	1,700
Wholesale customers							
WLR	1,301	1,237	1,176	1,111	1,046	991	933
Bitstream access	330	322	311	295	280	263	261
LLU	172	169	165	159	152	146	141

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	2014				2015	
	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Orange Polska retail fixed voice ARPU	43.3	42.4	41.9	41.4	40.0	40.4	40.2
Orange Polska broadband ARPU (Broadband, TV & VoIP)	60.9	60.5	60.4	60.4	60.4	60.8	61.4
Mobile ARPU							
post-paid	57.2	55.6	55.6	53.3	51.4	50.5	50.0
-o/w B2B	69.7	68.0	65.7	61.2	57.2	57.1	55.0
pre-paid	13.0	11.9	12.2	12.7	12.8	12.1	12.9
Blended	32.8	31.8	32.1	31.4	30.7	30.2	30.6
retail ARPU (PLN)	29.2	28.2	28.3	27.3	26.2	25.6	25.7
wholesale ARPU (PLN)	3.6	3.6	3.9	4.1	4.5	4.6	4.9
voice ARPU (PLN)							
post-paid	36.4	35.3	35.0	32.7	30.7	30.0	29.3
pre-paid	8.7	8.0	8.0	8.1	8.0	7.8	8.4
blended	21.1	20.4	20.4	19.5	18.5	18.3	18.4
data ARPU (PLN)							
post-paid	9.3	9.9	9.9	10.4	10.4	10.7	11.2
pre-paid	0.7	0.7	0.9	1.6	1.5	1.0	1.3
blended	4.5	4.8	5.0	5.6	5.6	5.6	6.0
SMS&MMS and other ARPU (PLN)							
post-paid	11.5	10.5	10.8	10.2	10.3	9.8	9.5
pre-paid	3.6	3.3	3.3	3.1	3.4	3.2	3.2
blended	7.1	6.5	6.8	6.4	6.6	6.3	6.2

<i>other mobile operating statistics</i>	2013	2014				2015	
	4Q	1Q	2Q	3Q	4Q	1Q	2Q
MVNOs customers (thousands)	62	59	32	31	22	11	8
Number of smartphones (thousands)	3,804	3,920	4,044	4,284	4,581	4,768	4,965
volumes & churn							
AUPU (in minutes)							
post-paid	295.6	305.9	320.2	326.1	334.3	335.6	345.0
pre-paid	90.8	90.5	93.5	96.3	97.4	100.0	106.0
Blended	182.7	187.1	197.6	202.3	207.3	210.9	220.1
Quarterly mobile customer churn rate (%)							
post-paid	3.4	3.4	3.3	3.4	3.5	3.7	3.2
pre-paid	14.8	14.9	14.9	16.4	16.8	16.7	16.1
subsidies							
SAC post-paid (PLN)	521.6	441.4	366.4	340.0	368.0	375.1	320.8
SRC post-paid (PLN)	420.4	321.8	240.0	247.8	297.3	292.3	259.0
network coverage							
4G coverage in % of population	16.0%	28.7%	51.7%	58.7%	60.9%	72.0%	78.8%
3G coverage in % of population	90.2%	90.9%	97.2%	99.2%	99.4%	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	2Q
Orange Polska	19,922	19,224	18,594	18,207	18,047	17,887	17,393
50% of Networks	397	396	396	395	395	369	354
Total	20,319	19,620	18,990	18,602	18,442	18,256	17,747

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