

**ORANGE POLSKA Q4 and FY2014
RESULTS CONFERENCE CALL
February 13, 2015, 11:00 AM CET
Chairperson: Leszek Iwaszko**

Leszek Iwaszko, Orange Polska SA - Head, IR [1]

Good morning, everyone. Welcome to Orange Polska results conference for the quarter-four 2014 and the full-year 2014 results. My name is Leszek Iwaszko. I am the Head of Investor Relations.

We are joined today by management of Orange Polska, starting with; Bruno Duthoit, Chief Executive Officer; Maciej Nowohonski, CFO; Mariusz Gaca, who is responsible for the business market; Piotr Muszynski, Chief Operating Officer; Michal Paschalis-Jakubowicz, responsible for the mass market; and Jacek Kowalski, who is responsible for HR.

Please note that our results have been published yesterday and they are available on our IR website, www.orange-ir.pl. Now I hand the floor to Bruno Duthoit to start the presentation.

Bruno Duthoit, Orange Polska SA - CEO [2]

Thank you, Leszek. Good morning, ladies and gentlemen. The agenda for today is as follows.

I will begin with some highlights of 2014 and the fourth quarter. I will then ask Mariusz Gaca to present our commercial achievements. Maciej Nowohonski will then lead you through the financial review. Finally, I will conclude the presentation with a few takeaways for 2015 before opening the Q&A session.

Let's start with the introduction on Slide 5. 2014 was full of challenges, yet we delivered on our commitments. Our organic cash flow generation was up 4% year on year, which was in line with the commitment of at least repeating the level from 2013. CapEx was close to what we had assumed, of below PLN1.8b.

Let's now look at the highlights of the quarter four on Slide 6. In Q4 we maintained high level of commercial activity which delivered a good result, especially in mobile broadband. The number of postpaid services increased more than 6% year on year and 2% versus quarter three.

Demand for mobile broadband keeps on growing, driven by our attractive offers and constant network improvement. The number of LTE users nearly doubled over the quarter, while our network covers more than 60% of the country's population with this technology.

First commercial result of recently-launched Orange Finanse are very promising. By the end of 2014 it gained 36,000 customers and a few days ago this number already grew to 58,000. I am pleased to say that the assessment of Orange Energia pilot was positive and the full commercial rollout has just started today.

Financial result of Q4 were strong. Revenues excluding regulation were nearly flat year on year on good mobile and ICT performance. Restated EBITDA was also flat, supported by substantial cost optimization.

As we flagged a quarter ago, fixed broadband market deregulation is bringing us new opportunities. We have come up with a substantial investment plan for the current year. We will cover that in detail at the end of our presentation.

Long-awaited spectrum auction finally started on Tuesday this week. You will appreciate that we are not answering questions with regards to this process, in particular, regarding potential pricing due to its sensitive nature.

Thank you very much. I now give the floor to Mariusz to talk about commercial highlights of 2014.

Mariusz Gaca, Orange Polska SA - Deputy CEO [3]

Thank you, Bruno. Good morning, everyone. Let's look at slide 7.

In 2014 we made further good commercial progress, especially in mobile services. Our statistics improved both nominally and relatively to our competitors. Mobile numbers transferred to Orange Polska totaled 400,000, which gave us 26% share in ports-in and this is the fourth year of consecutive growth.

Our total mobile number portability balance improved significantly and, for postpaid services, was positive the second year in a row. Postpaid offers have become much more attractive for customers in Poland.

As a result, we see increased migration to this segment from prepaid. More than 6% growth in our postpaid base in 2014 was also supported by growing popularity of mobile broadband and our second mobile brand, Nju.

In mobile broadband, according to our estimates, in 2014 we increased our market share in volume terms by a few percentage points. I am also personally very happy to say that despite particularly tough market environment we managed to increase the number of B2B mobile voice customers, and this is for the first time since 2010.

On the next page we review performance of our convergent offer, Orange Open. In 2014 the number of Orange Open customers increased by close to 90%. It now covers almost a quarter of our total fixed broadband customer base, up from 12% at the end of 2013.

Why we consider Orange Open so important to us? Benefits arising from convergence allow us to achieve two positive effects. Firstly, up-selling; the majority of those who enter the solution buy additional service, there were 64% of them in 2014 and that figure was increasing quarter after quarter.

Secondly, churn reduction; Orange Open significantly reduces churn in all services versus single offers. In the case of fixed broadband churn reduction reaches 35% and in the case of mobile voice it even exceeds 50%. In 2015 we plan new commercial actions to give additional boost to our convergent offer.

Thank you very much. Now I will give the floor to Maciej, who will provide highlights on our last year's cost savings and continue with the financial review.

Maciej Nowohonski, Orange Polska SA - CFO [4]

Mariusz, thank you. Good morning, everyone.

In 2014 our OpEx transformation continued. We delivered sustainable savings, much exceeding the previous year, without jeopardizing revenue generation capabilities. I would like to stress diversification of these savings. Close to 60% were coming from sources other than labor.

It is not easy to point one or two big actions that stand behind these savings. They consist of a number of small initiatives, which, when put together, add up to a significant figure.

Our workforce optimization progressed as scheduled in the social agreement signed in December 2013. This year we expect another reduction of around 1,400 people.

Many of you ask me if we have a target for cost optimization, how much further it may progress. My answer is that this is a moving target which adjusts to changes in our business structure, technological progress and learning curve of our employees, who constantly discover new sources of efficiencies. I can also assure you that our ambitions regarding savings plans for 2015 are set high.

The financial review starts on Slide 11. Our 2014 results were in line with the given outlook and guidance. The top-line erosion slowed significantly in H2. Regulatory impact is now much lower. Competitive pressure during the year shifted more to business segment, while in B2C we see some signs of stabilization.

EBITDA decreased in 2014, but we managed to improve slightly our margin. It was supported by cost savings mentioned earlier, effective commercial spending and revenues from installment offers. Finally, as it was already mentioned by Bruno, both CapEx and organic cash flow were in line with our objectives.

Let's review our results for the quarter in more detail, starting from revenue. Excluding regulatory impact our revenue were nearly flat year on year in Q4, which was by far the best achievement of all quarters of 2014. It was driven by better performance in mobile and robust growth of other revenue category, which was up by 87% year on year in Q4.

You may remember a quarter ago I mentioned rephasing of ICT contracts towards end of the year. This is what, in fact, happened. The second factor behind the hike in other revenues was broadband infrastructure projects realized in cooperation with local governments in north and southeast of Poland.

On the next slide we take a closer look on mobile. I am pleased with mobile revenue performance in Q4, which was up 2.7% without regulatory impact. These dynamics improved versus previous quarters.

The key factor that contributed to this improvement was a lower pressure on our overall ARPU, which resulted firstly from 25% year-on-year growth of wholesale ARPU -- versus 20% growth in Q3 -- due to growing voice usage and popularity of unlimited offers, and, secondly, from lower deceleration in B2C retail ARPU due to better performance of prepaid especially in the period before Christmas.

In B2B voice we see strong competitive pressure. This is the main reason of almost 18% year-on-year B2B ARPU decline in Q4. We expect this pressure to weigh on our results in the coming quarters as well.

To summarize year 2014 in mobile let me share a few general comments. In voice segment the market is saturated in the number of users, but usage per customer continues to grow. In messaging segment we see increased usage of new tools like Facebook communicator or WhatsApp.

However, that does not hurt us, at least so far. The number of SMS per customer still increases because they are included in unlimited packages. In data both the number of users and the usage continues to grow strongly. This is driven by proliferation of smartphones and tablets combined with the development of LTE networks. Data usage per customer doubled at Orange Polska in 2014.

Let's now turn to broadband. Q4 was not an easy period for our fixed broadband. On the one hand, our high-speed broadband offers continue to sell very well. Net additions were the best of all quarters of 2014. It was partly driven by introduction of new offers in deregulated zones. However, we see pressure on our ADSL base coming from cable operators and mobile broadband.

Not yet saturated LTE networks offer good customer experience, which is further boosted by attractive promotions of operators. We believe that in the longer term mobile broadband will be complementing rather than substituting fast fixed broadband. The main reason is inevitable saturation, which may happen fast. We need to make our network more competitive. We are determined to address it in 2015.

Let's now turn to fixed voice. We have managed to stabilize churn of fixed voice customers at around 5% due to continued efforts to bundle these services with broadband and mobile. However, fixed voice revenue evolution slightly deteriorated in Q4. This was a combination of low business traffic affecting our ARPU and slightly increased erosion of PSTN customers.

Higher PSTN churn is correlated with churn in fixed broadband customers. We plan increased anti-churn efforts this year to move fixed voice customers to convergent and bundled offers. And, specifically in B2B, we aim at transforming our customers towards IP-based solutions like unified communication as a service, business pack and business talk.

This concludes the review of our top line. Let's now look at our restated EBITDA. Q4 restated EBITDA amounted to PLN861m and was flat versus the previous year.

We managed to improve the margin by 0.6 percentage points to nearly 28%. EBITDA was supported by cost optimization program, lower direct commercial costs and a gain on sale of assets.

Like in the previous quarter, we had more interconnect costs driven by growing number of customers and traffic per customer. We also incurred greater costs related to ICT and infrastructure projects, which followed higher revenues from these sources.

Let's now look at the net income. Net income amounted to PLN30m in Q4 versus a loss of PLN102m the year before. And just a reminder for Q4 of 2013 this was effected by restructuring provision.

Total net income for the full year was at PLN535m and included a gain on sale of Wirtualna Polska. It was also supported by lower depreciation charges and lower financial costs due to debt refinancing.

That concludes the review of the P&L. On the next page we look at CapEx evolution.

Excluding spectrum, CapEx amounted to slightly less than PLN1.8b and was down 7% year on year. The decrease was driven entirely by PLN150m lower expenses on mobile network after completion of the network modernization project.

Let's now review the cash flow generation. First of all, we have achieved the cash flow guidance. Since Q1 we have reaffirmed the market that we were on track. Today we have a pleasure to confirm it.

Now is a good moment to summarize the whole 2014. The cash proceeds from our customers were significantly lower than in 2013. They decreased in a stronger way than revenue deterioration. It is because cash from the installment offers sold in 2014 will be mainly collected in 2015.

Activity related to installment offers is visible on the slide as increase in working capital requirement. Overall we are happy with our cash collection. Our customers are good and regular payers. The Company has improved customer credit scoring processes for the sake of the quality of new customer acquisition.

Now, our OpEx decreased significantly and the cash paid to suppliers followed that trend. This was possible thanks to tight resource management and selectivity. In 2015 we will continue our efforts and we expect significant cash benefits.

An attractive supply chain financing program is now in place and we see some of our suppliers moving into that. This program is another example of our efforts to optimize working capital.

As you remember, in May 2014 we switched to intra-group financing. First impact was seen in H2 of last year, but full effect of savings, around PLN100m, will be visible in 2015.

Finally, as you remember, we spoke many times about the intensification of the real estate disposals. In 2014 that increased to PLN85m in proceeds, around 60% more than in 2013. This year we will continue the efforts and hope to see higher figures.

To summarize, I want to reiterate the strong dedication of Orange Polska to cash management and its sustainability in the long term.

Let's now analyze how this translated into net debt. We have reduced our net debt by PLN378m in 2014. This followed reduction of around PLN500m the year before. In consequence, the net debt remained at 1.1 times' EBITDA and gearing was limited to 25%.

As a result of that refinancing we have reduced our effective cost of debt from more than 6% in 2013 to 5% last year. This, in 2015, will be down further to around 4% following full-year effect of the refinancing. Our balance sheet is sound. As you can see on the slide, we have close to PLN3b of unused credit facilities.

Ladies and gentlemen, thank you for your attention. This concludes the financial review and I hand the floor back to Bruno for the conclusion.

Bruno Duthoit, Orange Polska SA - CEO [5]

Thank you, Maciej. Ladies and gentlemen, let me now share with you our plan for 2015. Most of our priorities for 2015 will be a continuation from the previous year. We strongly intend to further improve customer

experience and fight to boost net promoter score. To do so, our approach must be more convergent, competent, but at the same time cost effective.

We plan new commercial actions. We hope for another strong year in convergence and mobile broadband, which will be driven by LTE take-up. We aim to defend our MNP balance and will adopt actions to counteract pressure in B2B segment.

Cost savings are necessary to protect our profitability. As Maciej already mentioned, our ambitions here are high. Apart from continued workforce optimization, this means further optimization of call centers, point of sales and, as usual, rigorous approach to indirect costs. We intend to speed up disposal process of unused properties.

In 2015 we will increase our investments in the development of networks. We aim to further boost LTE coverage and open a new chapter for our investment in fast fixed broadband. Let's look at this last point, in more detail on the next two slides.

This page demonstrates how the Polish broadband market has changed over the past few years. In the number of customers the total market is not growing a lot. When we take into account household penetration it has been practically unchanged over the past three years. However, within that group of users there is undergoing a big shift toward high-speed broadband, which is set at above 30 megabit per second.

Over the past five years our market share in fixed broadband decreased at the expense of cable operators. On one hand, they invested a lot in fast networks and on the other they enjoyed much higher flexibility in terms of retail pricing due to lack of regulations. We are determined to change this unfavorable pattern.

On the next page we introduce our plan for this year. We believe that we have a lot of argument to invest. We have the market to address. We are incentivized by recent deregulation.

The result of our Warsaw pilot are very encouraging. We substantially improved our market share in the area of pilot, mostly taking customers away from cable operators. Finally, our weapon is high mobile market share in big cities, which open opportunities for cross-sell and convergence.

Implementation of our plans has required us to adapt the new approach to sales tactics and customer targeting. Our marketing campaigns, communication channels, number of active door-to-door sales people and technical staff in any given area is adjusted to local environment and level of competition.

We want to cover up to 650,000 houses. Our CapEx is considered as not more than PLN450m. That is the plan for this year. The natural question is why we speak only about 2015. We would like to preserve flexibility regarding further years, depending on the speed of customer take-up and success of monetization. We will come back to you about the longer-term plan in due course.

Let's now look at the key trends anticipated for 2015. We anticipate our revenue in 2015 to be below last year. We expect pressure on our top line to be driven by B2B segment both in mobile and fixed part of our business. Please also note that between Q2 and Q4 2014 our revenue evolution was supported by launch of installment offers.

As we mentioned already a few times today, we will continue to reduce cost. The new savings are expected to partly offset revenue decline, as we are fighting to protect profitability level.

Our new investment project is expected to boost our CapEx in 2015. In total we plan it at below PLN2b. However, excluding fiber project we intend further optimization. Obviously, this figure do not include new spectrum.

On the next page we review our guidance for cash generation. In 2014 we generated PLN1.15b of organic cash flow and taking the business of last year as a reference, so excluding planned investment in fiber, we should deliver more or less similar organic cash flow also in 2015.

If we include fiber access network project we expect to generate around PLN900m. This number constitutes our guidance for the current year. Please note, only part of our investment in fiber will be effectively paid in 2015.

This guidance excludes some one-offs, such as acquisition of new spectrum, payment of an EC fine and certain other claims and litigations.

Let's now turn to dividend proposal. Management of Orange Polska is committed to responsible use of Company cash resources. While we understand how important remuneration is to our shareholders, we need to balance this with the need to reinvest into profitable growth opportunities and the strength of the balance sheet.

Regarding the need to invest, we face a major uncertainty related to the spectrum cost and we have decided to invest in fiber rollout. Regarding our leverage, we remain committed to keep our leverage below 1.5 in the long-term.

Taking the right balance between these aspects and taking into account that we deliver on our 2014 commitments, the management will recommend to general meeting of shareholders a cash dividend of PLN0.5 per share to be paid in 2015.

We will reassess our dividend position one year from now. Our thought process will be exactly the same. It will depend on cash generation in 2015 and long-term prospects in that regard, LTE spectrum cost, the level of fiber investment in 2016 and, finally, European Court of Justice verdict for the EC fine.

Ladies and gentlemen, this concludes the presentation. Thank you for your attention and we are now open to questions. Thank you.

QUESTIONS AND ANSWERS

Leszek Iwaszko, Orange Polska SA - Head, IR [1]

Right, so just as we usually do, we'll start with the questions from the floor.

Pawel Szpigiel, mBank Securities - Analyst [2]

Good morning, Pawel Szpigiel from mBank Securities. Thank you for the presentation. Correct me if I am wrong, cash CapEx for FTTH project this year would be around PLN250m, right?

Maciej Nowohoński, Orange Polska SA - CFO [3]

This is what we, in fact, expect, so this is around that figure.

Pawel Szpigiel, mBank Securities - Analyst [4]

Okay. And on the commercial expenses this quarter I saw this line stable year on year after -- in contrast to last quarter's, where commercial expenses were down by more than 7% year on year. Is that the evidence that the Company commence a fierce fight for the client again?

Maciej Nowohoński, Orange Polska SA - CFO [5]

I would answer this way that this is mainly determined by the number of the commercial acts that we do in the handset type of -- handset category of acts.

And that was pretty much abundant in Q4, so customers are interesting before the Christmas period to get the service together with the handset. And in that respect our activity in the last Q4 was really high. So the level of the SIM- only contacts was effectively much lower than in the previous quarters.

Pawel Szpigel, mBank Securities - Analyst [6]

Okay, so could you reveal what can I expect in 2015 in terms of commercial expenses?

Maciej Nowohoński, Orange Polska SA - CFO [7]

In terms of the trend for the 2015 we do not specifically guide on that, as you know. But the trends that you have seen in 2014, they will not be disappearing, so the SIM-only category is still to be quite abundant in 2015. And in fact the level of the commercial costs in our handset category is dependent on the success of the new offers that we are planning to launch, which is to be commercially disclosed in the future.

And we will still be willing to fight on the market with a combination of the different type of the offers that we have in our portfolio. Because the balance in terms of the value for us of those different types of offer either be it SIM-only or a typical handset transaction or installment transaction. This is -- the balance is really very close to each other, so the value created is well balanced.

Pawel Szpigel, mBank Securities - Analyst [8]

Okay, I understand. On slide number 24, investment in fiber technology, you say that expected IRR is significantly above weighted average cost of capital. And could you give me a feel what is that weighted average cost of capital? What is the methodology of computing that?

Maciej Nowohoński, Orange Polska SA - CFO [9]

I will not particularly speak about our weighted average cost of capital. I'm sure that every analyst has its own assumption here. As you know, on the market the weighted average cost of capital for this type of a telco business is between 8% and 10%, so this is a reference point that you probably should take into account.

Pawel Szpigel, mBank Securities - Analyst [10]

Okay, thank you very much.

Pawel Puchalski, DM BZ WBK - Analyst [11]

Pawel Puchalski DM BZWBK. Question one. We are talking about PLN450m investment in fiber to the home in 2015. Do I get this right that we talking only about first part of your long-term investments and in 2016 there will be another lot of investments?

Bruno Duthoit, Orange Polska SA - CEO [12]

I explained during the presentation that it is definitely the figure for 2015 and we will decide during the year the plan for the next year based on the resultant sales of this first rollout. Now, definitely there is intention to continue, but we are not giving a figure for the next year at this stage.

Pawel Puchalski, DM BZ WBK - Analyst [13]

Okay. The other question would be on your leverage, because we just heard that you intend to keep your leverage below 1.5 in long term. Shall we analysts assume that Orange Polska is prepared to keep -- to let your leverage growing beyond 2.0 for a year or two?

Maciej Nowohoński, Orange Polska SA - CFO [14]

It's difficult for me to comment at 2.0. For sure, in the long term we remain at the self-imposed objective to be lower than 1.5. However, it is not excluded that in the certain period of time, for example, after the LTE auction, we are a bit higher for a certain period of time. But sustainable long-term objective here remain below 1.5.

Leszek Iwaszko, Orange Polska SA - Head, IR [15]

Are there any more questions from the floor? If not then I suggest we switch to our teleconference listeners, operator.

Operator [16]

(Operator Instructions). Ondrej Cabejsek, Wood & Company.

Ondrej Cabejsek, Wood & Company - Analyst [17]

Hi, thank you for taking my question. I'm perhaps following up on the net debt to EBITDA limitation. And I have to say I'm quite surprised that you went through with the announcement of the dividend at this time with the LTE auction ongoing.

So my question is, should the auction turn out to be really expensive, what -- is there a chance that this would perhaps eat into your CapEx levels for the year? Would you be revising your FTTH rollout plans, for example?

And my second question is what scope of cost cutting in absolute numbers you see in 2015, given that you had almost PLN300m -- or slightly more than PLN300m this year. If you could be more specific as to what the number might be. Thank you.

Maciej Nowohonski, Orange Polska SA - CFO [18]

So, I will take those two questions. Maciej Nowohonski. Thank you, Ondrej for them.

So, first question was about the impact of LTE auction on the CapEx, if I understood correctly your question. We do not intend today to speak explicitly about the consequences of the auction because it is right now in progress, so this is what Bruno said before. We do not intend, on the other hand, to change our CapEx plans for 2015 following the auction result.

And then the second --

Ondrej Cabejsek, Wood & Company - Analyst [19]

Sorry, that would mean that even if the auction turns out much more -- maybe your full budget is PLN2b, say you spend PLN2b in the auction, your net debt goes to maybe two times' EBITDA, you would still sustain that level for some temporary period that would not touch your CapEx plans? Is that correct?

Maciej Nowohonski, Orange Polska SA - CFO [20]

Thanks once again, Ondrej, for this question. I'm sorry, I would -- will not be able to day to fully answer to your way of thinking.

And then to answer your second question about the savings for 2015, you heard many times -- during our speech many times that we are dedicated to next savings for 2015. We have many actions launched already to secure that. And I believe that -- well, today it's difficult to say about the concrete figures, but we hope to have a better offset of the revenue loss in 2015 that we have been encountering in 2014, thanks to the OpEx savings.

Ondrej Cabejsek, Wood & Company - Analyst [21]

Okay, great. Thank you very much.

Operator [22]

Ivan Kim, VTB Capital.

Ivan Kim, VTB Capital - Analyst [23]

Can you give us some rough idea how far are we through that process? And probably, if possible, what was the dynamics of your market share over 2014, not split specific market share numbers, but just the change maybe?

And then secondly, on the EBITDA contribution or margin off those ICT projects and broadband infrastructure projects that boosted the revenue in the fourth quarter, do we have a -- can you give also an idea of what was the contribution of those to EBITDA? Thank you.

Bruno Duthoit, Orange Polska SA - CEO [24]

Could you repeat your first question, because your speech was cut?

Ivan Kim, VTB Capital - Analyst [25]

Sure. The first question was about the B2B contract re-pricing. So basically how far do you think we're in that process? Is it two-thirds of the contracts re-priced, half of the contracts re-priced? And then also what -- how your B2B market share has changed over 2014 roughly? Thank you.

Mariusz Gaca, Orange Polska SA - Deputy CEO [26]

Okay, some problems with the mike.

When it goes to B2B mobile we are currently having roughly more than 40% of our base in unlimited offers. And that's the first point.

And here maybe a comment from my side that, as you know, it was mentioned many times we have installment offers launched 2014. And what you see as the ARPU reported this is the part that is without the installment, because installment goes to another category in our P&L.

And therefore for this particular year it's quite difficult to compare year-on-year evolution, because as seen from the customer perspective this bill might not be necessarily equally lower than what we are reporting as ARPU, as we're reporting ARPU only the service part. So that's just a technical comment, especially important from the market perspective when it goes to capturing value.

Nevertheless, coming back to your question, unlimited offers are more than 40% in mobile. When it goes to IPVPNs and managed networks I would say that -- and I think I was mentioning that also last quarter, the majority of the contracts are already re-priced. So now we'll see full impact of this re-price.

And I don't see any big contract to be re-priced in the course of Q1, for example. There's a bunch of contracts that are under the business-as-usual renegotiations and, therefore, I would not quote probably any number here. I would just conclude with the fact that the majority of the contracts were in 2014, so it's over.

Maciej Nowohonski, Orange Polska SA - CFO [27]

And then, Ivan, you were asking about the EBITDA contribution of our ICT and infrastructure projects, right?

Ivan Kim, VTB Capital - Analyst [28]

That's correct.

Maciej Nowohonski, Orange Polska SA - CFO [29]

Yes. So here what I can only say is that the contribution from the margin perspective for those projects is interesting, but it's definitely lower than the average EBITDA that we have.

Ivan Kim, VTB Capital - Analyst [30]

Okay, thanks.

Operator [31]

Igor Semenov, Deutsche Bank.

Igor Semenov, Deutsche Bank - Analyst [32]

Yes, hi. If possible I'd like to get a bit more color on your guidance. Do I understand correctly that you're expecting a decline in the EBITDA margin for this year?

Secondly, in terms of the pressures on the revenue line it sounds like you're expecting the decline to be more significant than what we saw in the second half of this year. So would that be correct?

And finally in the CapEx guidance below PLN2b this is before spectrum. Does it mean that it's going to be above the -- this year's CapEx of PLN1.8b? Just a bit more color if you could that would be great. Thank you.

Maciej Nowohonski, Orange Polska SA - CFO [33]

So, piece by piece -- Maciej Nowohonski speaking -- the profitability for 2015 we do not specifically guide on the figure here. But we have given you on the slide some indication that the absolute value of EBITDA may be under pressure, mainly coming from the revenue.

Then in terms of the profitability in the percentage -- percentage-wise it cannot be ruled out that we could do similarly as in 2014. However, this will be quite challenging.

Then in terms of the CapEx guidance I'm not sure I fully understand your question. But basically what we guide -- what we said in our outlook, in fact, is that the total CapEx for 2015 should be below the level of PLN2b. And that figure includes also the up to PLN450m on fiber that Bruno mentioned.

Igor Semenov, Deutsche Bank - Analyst [34]

Yes, I understood it. PLN2b could be like PLN1.5b, so I just want to understand if -- is it going to be higher than 2014 CapEx of PLN1.8b, or is it going to be lower?

Maciej Nowohonski, Orange Polska SA - CFO [35]

Yes, mechanically it shall be higher.

Igor Semenov, Deutsche Bank - Analyst [36]

Okay. All right, good. Thank you very much.

Operator [37]

Maria Sutedja, Erste Bank.

Maria Sutedja, Erste Bank - Analyst [38]

Yes, good morning, everybody. My question is regarding the fiber investment. Could you give a bit more clarification how this PLN450m rollout -- what kind of target coverage your plan to achieve with this?

Maybe you can elaborate in probably a bit on which cities you're focusing at. And how are you going to market this product, whether this is going to be market as a separate entity -- separate -- separate offerings or part of your Orange Open.

The next question would be on the handset installment effect. Could you please tell us how much was the effect on revenues from this handset intel installment in the fourth quarter and in the full year? So we shall assume that this effect will not take place any more in 2015 if that's correct.

The last one is about your comment on the level of the real estate sale that you said is going to accelerate in 2015. Would you mind to remind us again how much was it, the proceeds in 2014, so that we can have a bit of a guidance of how much it's going to be in 2015? Thank you.

Bruno Duthoit, Orange Polska SA - CEO [39]

I will take the first and you the second point, Michal. Concerning the FTTH, fiber-to-the-home, investment products we say this PLN450m we intend to make connectable up to 650,000 households this year, on the top of what is already existing. We have 75,000 households already connectable, mainly in Warsaw, is the first point.

And we didn't -- we will not disclose today a list of towns which are -- which will be addressed. But I can say that it's mostly in deregulated area and it is mostly, but not only, in the biggest towns of the country. That is, for the rollout, and we already start, it will accelerate naturally month after month.

And concerning the market approach offer and the second point I will give the floor to Michal.

Michal Paschalis-Jakubowicz, Orange Polska SA - Mass Market [40]

Well, clearly, regarding the market offering I will be very much constrained by the competitive confidentiality.

So the points that I will just share with you are around the fact that FTTH will be targeting customers from the big cities predominantly with the complete 3P and 4P offering, so the demanding product for the demanding customers, which clearly also would indicate the potential packaging of this. However, I'm sure you will understand I will not provide any more information at this stage.

Maria Sutedja, Erste Bank - Analyst [41]

Thank you.

Maciej Nowohonski, Orange Polska SA - CFO [42]

Okay. So Vera you were asking also about the installment impact on our revenue.

Maria Sutedja, Erste Bank - Analyst [43]

Yes.

Maciej Nowohonski, Orange Polska SA - CFO [44]

So we can -- to cut the story short, in 2014 the impact of installments was around PLN220m positive. And quarterly impact in Q4 was not very different from the previous quarters. It was a bit smaller than in the previous quarters, but not too much.

So you can still expect the impact to be visible on the year-to-year comparison after Q1. Because just to recall you the offer was launched in April, so there will be an impact in Q1 results of that. And then it will diminish due to the fact that it was existing a year before.

And then I mention once again the figure of the real estate proceeds. This was in 2014 PLN85m cash.

Maria Sutedja, Erste Bank - Analyst [45]

Okay. So in 2015 we should expect more than this one basically?

Maciej Nowohoński, Orange Polska SA - CFO [46]

This is what we hope to see. This is everything what is at our hands. We manage that. We do not manage fully the demand on the market and we hope to see increased figures if the demand meets our expectation.

Maria Sutedja, Erste Bank - Analyst [47]

Okay, thank you very much.

Operator [48]

Dalibor Vavruska, Citigroup.

Dalibor Vavruska, Citigroup - Analyst [49]

Hello. Good morning, just two quick questions if I may. One is, you commented the developments in the fourth quarter rather in a positive light, which I think -- you met the guidance etc.

But when I look at some of the underlying trends, for example, the revenue growth in broadband, the revenue growth in fixed voice, the revenue growth in mobile data, some of the subscriber additions, the sales of the bundles, I'm not sure what the Cyfrowy Polsat number is, but so far it has been growing quite fast relatively to you guys.

I'm just wondering how happy you are about the underlying operating trends in these numbers rather than the headline financing -- financial numbers that you're reporting.

And the second question is I'm just interested if you're envisaging any kind of consolidation in the telecom market in Poland? And if so whether you have any plans, or any options, or any thinking what kind of role Orange can play in there. Thank you.

Bruno Duthoit, Orange Polska SA - CEO [50]

Dalibor, on your first point, I think in the presentation we -- Mariusz, Maciej, and myself, we present the point which are -- we consider as positive and points which maybe bring problem.

Positive I think is definitely the development of convergence. It is the development of postpaid base, both mobile voice and mobile broadband. Particularly in B2B for the first time since four years we have increased -- net increase of mobile voice postpaid in B2B.

What is less positive I can say, and it was clearly presented, it is Q4 evolution of the fixed broadband. And I can say it is one reason to support the new investment in fiber to the home we are launching now. Another point, it is a continuation and maybe you can see slight acceleration, but slight, of the decrease of fixed voice -- traditional fixed voice on our customer base, and that is a point.

And on the top of that, but it is not new, it's not new in Q4, we are under pressure of B2B price because of competition and because of what is happening both in mobile and fixed. And it is what we embark in the 2015 budget and what we are now making comment about revenue pressure for 2015.

That is a point I think where we are quite transparent. And globally operationally we can say if we look at an operational point of view I see the Company and the teams and their partners deliver pretty well in Q4.

The second question I can say we are not working on any consolidation at this stage. If there are some opportunities appearing this year or later on the market for sure Orange Polska could be possibly interested.

But today we are already in a -- for historical reason we have relatively strong position in terms of market share for fixed, all segment, fixed, internet, mobile, all mobile segment.

Any consolidation also should be considered very, very carefully and there are also some regulation aspects which have to be taken into account. And you see that today we announced an organic investment in fiber to the home, but it is not excluding possibly consolidation, but nothing today on the table.

Dalibor Vavruska, Citigroup - Analyst [51]

Thank you, Bruno. And then can I have just one very quick follow up? I'm really sorry that question was already asked, because I joined a little bit later.

In the fiber project is it -- do you think it's going to materially change the subscriber trends in broadband subscribers in 2015? You think that in 2015 we're actually going to see some real trend change in the dynamics of the revenue and subscriber of the broadband business?

Bruno Duthoit, Orange Polska SA - CEO [52]

Not yet. You will see some impact on Q4 this year, because you know the rollout, the ramp-up will start. It will be increasing month after month. The real impact is for next year. The real impact of this year's investment is for next year.

Dalibor Vavruska, Citigroup - Analyst [53]

And is it possible to say which number you're targeting in terms of the actual subscriber number, not the home passed, but what -- [the 2016] subscribers how many of these broadband lines you want to sell?

Bruno Duthoit, Orange Polska SA - CEO [54]

It's difficult to say, because I think it will be a relatively modest figure. I don't want to commit on any figure, but more than 10,000 as a customer base at the end of the year.

But it has no big sense because the real boom of customers will arrive starting from end of this year and mainly in 2016. Because naturally for operational reasons more than 50% of this investment will be done in H2, it is clear.

Dalibor Vavruska, Citigroup - Analyst [55]

Thank you. Thank you very much.

Operator [56]

Igor Semenov, Deutsche Bank.

Igor Semenov, Deutsche Bank - Analyst [57]

Yes, thanks very much for the opportunity. Do you have any visibility on the timing with the EU fine?

Bruno Duthoit, Orange Polska SA - CEO [58]

Not yet at this stage. We should be invited for a hearing during the next month and then the tribunal of Luxembourg will decide. We believe at this stage that a decision could be taken most probably rather next year than this year.

Igor Semenov, Deutsche Bank - Analyst [59]

Okay, all right. Thank you.

Operator [60]

(Operator Instructions). Ondrej Cabejsek, Wood & Company.

Ondrej Cabejsek, Wood & Company - Analyst [61]

Yes, thank you. I have a question regarding the sustainability of the ICT revenue growth in the fourth quarter. So that seems like a pretty volatile line on your income statement. So if you could comment on what trends you expect there.

And one more question, please, the -- regarding the EBITDA contribution of the finance and energy projects. If you could shed some light on what you expect this year if scalability is there, in the sense that there is no big upfront investment decreasing your short-term EBITDA margin which you would see growing up later. So what is -- what's the impact there? Thank you.

Mariusz Gaca, Orange Polska SA - Deputy CEO [62]

I will take the question of ICT revenue sustainability. In 2015 rather do not expect a different pattern than in 2014. We are working now on some investments that should make us more independent from projects, but results are rather to come from 2016 than in 2015.

Ondrej Cabejsek, Wood & Company - Analyst [63]

Thank you.

Maciej Nowohoński, Orange Polska SA - CFO [64]

Then, Ondrej, the question about the contribution of the -- of our new baby projects, energy and finance, it is not going to be significant still in 2015. We will see the substantial effects later on.

And please take into consideration the fact that those projects are not designed to bring only some cash contribution, but they are also working together with our major portfolio of the core business products. And they're designed to reduce the level of the churn in the future, thanks to the implementation of those two elements.

Ondrej Cabejsek, Wood & Company - Analyst [65]

Yes, that's understood. Thank you very much.

Operator [66]

Jakub Dubaniewicz, New Street Research.

Jakub Dubaniewicz, New Street Research - Analyst [67]

Hi, thank you for taking the question. Today we spoke a lot about your fiber plans. I was wondering whether you could give some clarity about your VDSL.

I understand that you have actually substantial coverage of VDSL, so first question will be how much of your -- of the population can you actually address with your VDSL offer, how attractive it is compared to your competitors and how much of customer conversion do you hope to achieve in 2015 from ADSL to VDSL? Thank you.

Bruno Duthoit, Orange Polska SA - CEO [68]

Concerning the VDSL coverage, we [have] a bit more than 4m households which are addressable with our VDSL offer in the country, which is a bit less than 40% of the household of the country. And as it was presented we increased by 150% the VDSL base last year versus 2013.

So we have 160,000 VDSL customers starting from almost zero two years ago. And our own ambition definitely this year is to increase a lot. And it is happening. Now we have quite high monthly sales. The project is [appreciated] and one-third is gross add, two-third is migration from existing ADSL Neostrada offer.

And we believe whatever will be, the development of FTTH, there is still significant room of growth for VDSL on our network this year and during the next years. And it will -- it's really helping to keep the revenue of the fixed broadband at the current level.

Maybe Michal would like to add something concerning the coverage, VDSL what was done last year? No. Okay.

Jakub Dubaniewicz, New Street Research - Analyst [69]

Okay, excellent. Thank you.

Operator [70]

There are no further questions on the telephone at this time.

Leszek Iwaszko, Orange Polska SA - Head, IR [71]

Do we have any follow-up questions from the floor? If not, then this concludes our presentation. Thank you very much and we'll be reporting Q1 results in April.

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