



Current Report (22/2017)
Orange Polska S.A., Warsaw, Poland
25 October, 2017

Pursuant to Article 17(1) of the Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, the Management Board of Orange Polska S.A. hereby provides selected financial and operating data related to the activities of the Orange Polska Capital Group ("the Group", "Orange Polska") for 3Q 2017.

Disclosures on performance measures, including adjustments, are presented in the Note 2 to Condensed IFRS Quarterly Consolidated Financial Statements of the Orange Polska Group for the 3 months ended 30 September 2017 (available at <http://orange-ir.pl/results-center/results/2017>).

**Solid results allow for an increase of full-year adjusted EBITDA guidance
to around PLN 3.0 billion**

key figures (PLN million), IFRS	3Q 2016	3Q 2017	change	9m 2016	9m 2017	change
revenue	2,851	2,814	-1.3%	8,557	8,471	-1.0%
EBITDA	831	776	-6.6%	2,523	2,336	-7.4%
EBITDA margin	29.1%	27.6%	-1.5pp	29.5%	27.6%	-1.9pp
adjusted EBITDA ¹	831	776	-6.6%	2,523	2,344	-7.1%
adjusted EBITDA margin ¹	29.1%	27.6%	-1.5pp	29.5%	27.7%	-1.8pp
operating income	137	128	-6.6%	494	406	-17.8%
net income	37	28	-24.3%	152	138	-9.2%
capex	367	438	+19.3%	4,392	1,260	-71.3%
adjusted capex ¹	367	438	+19.3%	1,224	1,260	+2.9%
organic cash flow	169	290	+71.6%	-2,693	254	n/a
adjusted organic cash flow ¹	169	24	-85.8%	455	-12	n/a

¹ please refer to adjustment table on p.5

KPI ('000)	3Q 2016	3Q 2017	change
convergent customers ²	738	1,195	+61.9%
mobile accesses (SIM cards)	16,266	14,358	-11.7%
post-paid	8,957	9,662	+7.9%
pre-paid	7,309	4,696	-35.8%
fixed broadband accesses (retail)	2,153	2,377	+10.4%
TV customers	761	814	+7.0%
fixed voice lines (retail)	3,988	3,744	-6.1%

3Q 2017 highlights:

- **Commercial activity reflects more focus on value:**
 - strong 10% q-o-q growth of convergent customer base thanks to success of the Orange Love offer,
 - turnaround of fixed broadband business continues: +10% year-on-year customer base growth, +54k net adds in 3Q driven by wireless for fixed and fibre
 - +8% year-on-year mobile post-paid customers, +89k net adds in 3Q
- **Solid financial results despite a negative impact of the new roaming regulation**
 - revenue down 1.3% year-on-year:
 - improving growth rate in fixed broadband reflects customer base increase and success of convergence strategy
 - mobile service revenues affected by 'roam like at home'
 - equipment sales growth reflects much lower handset subsidies
 - pressure on legacy areas continues
 - EBITDA down 6.6% year-on-year; corresponding margin at 27.6%, down 1.5 pp year-on-year:
 - interconnect cost affected by robust growth of roaming traffic
 - commercial expenses benefit from a high share of SIM-only offers and optimisation of the distribution channel mix
- **FY adjusted EBITDA guidance revised up to 'around PLN 3.0bn' (from PLN 2.8-3.0bn)**
- **2.2 million households connectable with fibre (247k added in 3Q)**
 - fibre customer base at 176k (+31k net adds in 3Q)
 - service adoption rate at 8.0%
- **3Q 2017 capex at PLN 438m, +19.3% year-on-year, incl. PLN 177m for the fibre network roll-out**
 - ex-fibre capex for 9 months down 12% year-on-year
- **Adjusted Organic Cash Flow³ at PLN 24m reflecting lower EBITDA, working capital requirement and payment of UMTS licence instalment**

² Since 1Q 2017 convergent customer definition has been modified and reflects only a combination of fixed broadband (incl. wireless for fixed) and mobile handset offer, with financial benefit

³ please refer to adjustment table on p.5

Commenting on 3Q 2017 performance, Jean-François Fallacher, Chief Executive Officer, said:

“The highlight of the third quarter for us was a major revision of offers on the consumer market, both in convergence and mobile-only. We did this to achieve both radical simplification and higher value generation, in line with our new Orange.one strategy. We now have fewer offers and simpler offers. We have cancelled value-diluting offers, rebates and promotions. Both our mobile and convergent offers are now structured around a “more for more” approach. We have introduced subsidised smartphones, but they are only available with Orange Love, our flagship value proposition for Polish households consolidating their spending on telecom services. We want to maximise value creation from this new offer portfolio in the coming peak commercial season.

Orange Love continues to market very well: it has already attracted more than 400k customers and - even more importantly - Orange Love customer satisfaction is twice that of mono-product customers.

One of our key Orange.one priorities is improvement on the pay-TV market. I am very pleased that total net additions in TV in Q3 were the highest in more than 5 years. In IPTV technology, our customer base is up 41% year-on-year. At the same time, we continue to improve the adoption rate in our fibre network. In the first 9 months of this year we have already doubled our customer base - and the best period of the year is still in front of us.

Customers have very quickly got used to free roaming. Data consumption in EU roaming in the peak holiday season increased more than twenty times versus last year. This obviously had a negative impact on our financial results in Q3. We are working on how to limit this impact going forward.

Less than two months ago we announced a new strategy, called Orange.one, that will bring us a financial turnaround and establish a business model that will help us to grow and create value over the longer term. I would like to stress that the entire organisation of Orange Polska is focused and motivated to achieve the goals set in this plan. I am pleased to say that more than 90% of managers have chosen to participate in the voluntary share price-based incentive program.”

Financial Review

Revenue down 1.3% year-on-year, vs -3.9% in 3Q 2016

Revenues totalled PLN 2,814 million in 3Q, down 1.3% or PLN 37 million year-on-year. An improvement in the trend versus previous quarter reflects better evolution of fixed revenues and ICT. Trend in fixed broadband improved again: revenues were up 6.8% year-on-year driven by success of Orange Love and growing customer base. Fixed wholesale benefited from increased roaming traffic termination in the fixed network. Performance of mobile service revenues deteriorated chiefly as a result of implementation of new roaming regulations which ended roaming surcharges for those who travel periodically within the EU (‘roam like at home’). Equipment sales increased 13% year-on-year despite lower volumes mainly as a result of much lower handset subsidies.

Convergence continues to be in the centre of our commercial strategy. Its customer base increased by 111,000 or 10% quarter-on-quarter to 1.2 million. This achievement was driven by the Orange Love convergent offer, launched in February. Penetration of convergence in B2C fixed broadband base increased to 46% versus 32% a year ago, while in B2C mobile handset base it increased to 34% versus 21% in 3Q 2016. The total number of services used by B2C convergent customers reached 3.75 million, which implies that on average every customer uses four services. Changes in the Orange Love offer introduced in September will allow us to generate higher value from convergence in the coming periods.

In 3Q 2017 our mobile post-paid customer base increased by 89,000 or 0.9% quarter-on-quarter. In handset offers, net customer additions of 88,000 (vs 103,000 in 2Q 2017 and 171,000 in 3Q 2016), reflected the shift from volume to value and discontinuation of old value-dilutive offers. In addition, year-on-year comparison is distorted by the fact that the achievement of 3Q 2016 was partially boosted by increased migration from pre-paid following the registration obligation. Mobile broadband customer base fell by 47,000 driven by the shift to wireless for fixed offers and growing data packages for smartphone usage available in handset tariffs. Smartphone penetration in post-paid handset customer base reached almost 70% versus 65% in 3Q 2016. Growth of data usage per user in post-paid handset customer base continued to double in year-on-year terms.

Our fixed broadband customer base continued its transformation. In 3Q it increased by 54,000, or by 10% year-on-year, reaching 2.38 million. Net losses in ADSL bases were more than compensated by net additions from fibre, VDSL and wireless for fixed. The number of fibre customers increased by 31,000 (versus 28,000 in 2Q 2017) and reached 176,000. The share of growth technologies (fibre, wireless for fixed, VDSL) in our customer base reached 42% versus 26% in 3Q 2016.

Following improvements in our content value proposition we are visibly growing our TV customer base. Net additions in 3Q 2017 came in at 22,000 and were the highest in many years. Total customer base was up almost 7% year-on-year and exceeded 800,000.

In fixed voice, the net loss of lines slowed down to 65,000 vs 68,000 a year ago. This is solely attributable to the growth of VoIP services, which are part of the Orange Love package.

EBITDA margin at 27.6%, down 1.5 pp year-on-year, reflecting value strategy, cost optimisations and impact of roaming

EBITDA for 3Q 2017 came in at PLN 776 million, and was PLN 55 million down versus 3Q 2016. EBITDA margin stood at 27.6%, down 1.5 pp year-on-year. Deterioration in the trend versus previous quarter is predominantly attributable to the impact of new roaming regulations, as robust growth in traffic (mainly data) resulted in significant growth of interconnect costs. Commercial costs decline (12.8% year-on-year) reflects our value focus: much lower handset subsidies, a higher share of SIM-only transactions and optimisation of the distribution channel mix. At the same time indirect costs decreased by PLN 51 million year-on-year following strong optimisation of advertising and promotion, and savings in energy consumptions, maintenance and installation costs.

Net income at PLN 28 million supported mainly by lower depreciation

Net income for 3Q 2017 stood at PLN 28 million versus PLN 37 million in 3Q 2016. Lower reported EBITDA was almost entirely offset by lower depreciation. Fall in depreciation reflected mainly extension of useful life of certain fixed assets – an impact of PLN 35 million recognised in 3Q 2017.

Adjusted Organic Cash Flow⁴ at PLN 24 million due to lower EBITDA and working capital requirement

Adjusted organic cash flow for 3Q 2017 came in at PLN 24 million, down versus PLN 169 million in 3Q 2016. This year-on-year decrease almost entirely stemmed from PLN 55 million lower EBITDA and PLN 78 million higher year-on-year working capital requirement. The latter was influenced mainly by two factors. Firstly, growth of receivables related to international traffic terminated in our fixed network. Secondly, lower year-on-year positive effect of reverse factoring transactions.

Commenting on 3Q 2017 results, Maciej Nowohoński, Chief Financial Officer, said:

“We are satisfied with the financial results we achieved in the third quarter. Excluding a negative regulatory impact of more than PLN 70 million due to ‘roam like at home’, the EBITDA year-on-year

⁴ please refer to adjustment table on p.5

change would have been in positive territory. This result was thanks to good execution of our value strategy, which allows us to reach our commercial targets at much lower costs. We are especially pleased with the recovery of our fixed broadband business, which is supported by convergence, fibre and wireless for fixed. Taking into account the favourable results to date and a good outlook for the final quarter, we now expect full-year adjusted EBITDA to be around PLN 3 billion. At the same time, we reiterate our goal to stabilise EBITDA in 2018 - an important step towards our return to growth, as expressed in the Orange.one strategy we announced in September.”

Orange Polska 2017 forecast revision

Based on the analysis of financial results for the 9 months ended 30 September 2017 and the outlook for the fourth quarter of 2017, the Management Board of Orange Polska has increased forecast for the adjusted EBITDA for 2017 to around PLN 3.0 billion. It previously forecasted the adjusted EBITDA for 2017 to be in the range of PLN 2.8 – 3.0 billion.

More favourable adjusted EBITDA outlook is mainly a consequence of changes in the commercial strategy towards more focus on value in customer acquisitions and retentions. This approach results in much lower handset subsidies, a higher share of SIM-only transactions and optimisation of the distribution channel mix. All these factors positively impact level of commercial costs.

Adjustments to financial data

<i>in PLNm</i>	3Q'16	3Q'17	9m'16	9m'17
EBITDA	831	776	2,523	2,336
-Employment termination expense	-	-	-	8
Adjusted EBITDA	831	776	2,523	2,344
Capital expenditures	367	438	4,392	1,260
-acquisition of telecommunications licences	-	-	-3,168	-
Adjusted capital expenditures	367	438	1,224	1,260
Organic cash flow	169	290	-2,693	254
-LTE auction deposits / Acquisition of LTE spectrum	-	-	3,148	-
-Investment grants received*	-	-266	-	-266
Adjusted organic cash flow	169	24	455	-12

* relates to EU subsidies for Digital Poland Operational Programme (POPC)

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', 'adjusted' 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's Management Board are pleased to invite you to the Company's 3Q 2017 results presentation.

Orange Polska 3Q 2017 Results Presentation

Date: Thursday, 26th October 2017

Venue address:
Orange Polska
Aleje Jerozolimskie 160,
(Conference room – ground floor)
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 3Q 2017 Results Conference Call

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Orange Polska Group Consolidated

amounts in PLN millions	2016								2017		
	1Q		2Q		3Q		4Q		1Q	2Q	3Q
	as reported	after reclassification*	as reported	after reclassification*	as reported	after reclassification*	as reported	after reclassification*	as reported	as reported	as reported
Income statement											
Revenues											
Mobile revenues	1,526	1,517	1,622	1,604	1,594	1,565	1,679	1,638	1,554	1,568	1,502
Retail services	1,090	1,082	1,080	1,069	1,085	1,069	1,041	1,018	972	980	934
Wholesale services (including interconnect)	244	244	270	270	251	251	272	272	267	280	291
Mobile equipment sales	192	191	272	265	258	245	366	348	315	308	277
Fixed services	1,192	1,200	1,175	1,186	1,156	1,172	1,139	1,162	1,134	1,135	1,153
Fixed narrowband	401	401	387	387	376	376	363	363	350	337	326
Fixed broadband, TV and VoIP	381	389	375	386	369	385	385	388	393	395	411
Enterprise solutions & networks	219	219	218	218	222	222	233	233	215	223	223
Wholesale revenue (including interconnect)	191	191	195	195	189	189	178	178	176	180	193
Other revenue	85	86	106	113	101	114	163	181	130	136	159
Total revenues	2,803	2,803	2,903	2,903	2,851	2,851	2,981	2,981	2,818	2,839	2,814
year-on-year**	-4.2%	n/a	-3.5%	n/a	-3.9%	n/a	1.9%	n/a	0.5%	-2.2%	-1.3%
Labour expenses	(381)	(381)	(440)	(440)	(404)	(404)	(411)	(411)	(452)	(438)	(395)
External purchases	(1,476)	(1,476)	(1,580)	(1,580)	(1,535)	(1,535)	(1,841)	(1,841)	(1,554)	(1,541)	(1,555)
- Interconnect expenses	(354)	(354)	(384)	(384)	(381)	(381)	(395)	(395)	(409)	(421)	(474)
- Network and IT expenses	(160)	(160)	(168)	(168)	(164)	(164)	(178)	(178)	(157)	(167)	(157)
- Commercial expenses	(615)	(615)	(685)	(685)	(656)	(656)	(883)	(883)	(638)	(609)	(572)
- Other external purchases	(347)	(347)	(343)	(343)	(334)	(334)	(385)	(385)	(350)	(344)	(352)
Other operating incomes & expenses	(88)	(88)	(96)	(96)	(90)	(90)	(103)	(103)	(72)	(97)	(91)
Employment termination expenses										(8)	
Gain on disposal of assets	10	10	37	37	9	9	14	14	8	57	3
Reported EBITDA	868	868	824	824	831	831	640	640	748	812	776
% of revenues	31.0%	31.0%	28.4%	28.4%	29.1%	29.1%	21.5%	21.5%	26.5%	28.6%	27.6%
Employment termination expenses									8		
Adjusted EBITDA	868	868	824	824	831	831	640	640	748	820	776
% of revenues	31.0%	31.0%	28.4%	28.4%	29.1%	29.1%	21.5%	21.5%	26.5%	28.9%	27.6%
Depreciation & amortisation	(653)	(653)	(683)	(683)	(695)	(695)	(694)	(694)	(639)	(642)	(643)
(Impairment)/reversal of impairment of non-current assets	0	0	1	1	1	1	(1,794)	(1,794)	0	(1)	(5)
Operating income / (loss)	215	215	142	142	137	137	(1,848)	(1,848)	109	169	128
% of revenues	7.7%	7.7%	4.9%	4.9%	4.8%	4.8%	-62.0%	-62.0%	3.9%	6.0%	4.5%
Finance costs, net	(96)	(96)	(96)	(96)	(79)	(79)	(88)	(88)	(71)	(86)	(88)
Income tax	(21)	(21)	(29)	(29)	(21)	(21)	38	38	1	(12)	(12)
Consolidated net income / (loss)	98	98	17	17	37	37	(1,898)	(1,898)	39	71	28

* Adjusted after reclassification of Wireless Access for Fixed from mobile retail services to Fixed broadband, TV and VoIP & from mobile equipment sales to other revenue
** Change is calculated based on adjusted figures

Orange Polska Group key performance indicators

customer base (in thousands)	2016				2017		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Convergent customers¹	626	679	738	835	938	1,084	1,195
o/w B2C	532	568	603	666	738	858	945
o/w B2B	94	111	135	169	200	227	250
Fixed telephony accesses							
POTS, ISDN & WLL	3,487	3,415	3,337	3,268	3,181	3,081	2,972
VoIP	633	644	651	664	678	728	771
Total retail main lines	4,120	4,059	3,988	3,932	3,859	3,809	3,744
Fixed broadband access							
ADSL	1,669	1,613	1,562	1,503	1,451	1,407	1,367
VHBB (VDSL+Fibre)	366	409	436	492	544	588	633
o/w VDSL	339	370	379	404	427	443	457
o/w Fibre	27	39	57	88	117	145	176
CDMA	44	35	27	20	14	0	0
Wireless for fixed	50	82	128	191	260	328	377
Retail broadband - total	2,130	2,139	2,153	2,206	2,269	2,323	2,377
TV client base							
IPTV	200	213	214	234	254	277	301
DTH (TV over Satellite)	597	590	548	532	521	515	512
TV client base - total	797	803	761	766	775	792	814
-o/w 'nc+' packages	190	194	194	195	189	193	199
Mobile accesses							
Post-paid							
Mobile Handset	6,369	6,491	6,640	6,851	7,009	7,112	7,200
Mobile Broadband	1,298	1,327	1,355	1,377	1,364	1,334	1,287
M2M	858	898	963	1,033	1,079	1,126	1,175
Total postpaid	8,526	8,716	8,957	9,262	9,452	9,573	9,662
Total pre-paid	7,689	7,898	7,309	6,537	5,820	4,983	4,696
Total	16,215	16,614	16,266	15,799	15,272	14,555	14,358
Wholesale customers							
WLR	780	730	693	652	614	587	564
Bitstream access	234	222	213	202	195	183	175
LLU	125	120	116	110	105	100	96

¹ Since 1Q'17 convergent customer definition has been modified and reflects only a combination of fixed broadband (incl. wireless for fixed) and mobile handset offer, with financial benefit

quarterly ARPU in PLN per month	2016				2017		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Retail fixed voice ARPU	39.2	38.7	38.4	37.9	37.3	37.0	37.1
Fixed broadband ARPU (Broadband, TV & VoIP)	60.3	60.1	59.9	59.2	58.2	57.1	58.1
Mobile ARPU							
Total postpaid excl M2M	45.2	44.2	43.6	41.8	39.6	39.6	37.7
Mobile Handset	48.9	48.1	47.6	45.6	43.2	43.2	41.0
Mobile Broadband	27.3	25.2	23.3	22.8	21.6	20.6	19.6
Prepaid	12.4	11.9	12.0	12.6	12.6	15.2	17.6
Total Mobile excl M2M	28.8	28.0	27.9	28.3	28.1	30.1	30.5
retail ARPU	23.5	22.7	22.6	22.3	22.0	23.3	23.2
wholesale ARPU	5.3	5.3	5.3	5.9	6.0	6.7	7.3

other mobile operating statistics	2016				2017		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Number of smartphones (thousands)	5,809	5,996	6,057	6,291	6,312	6,441	6,552
AUPU (in minutes)							
post-paid	345.0	359.3	351.1	354.5	342.5	341.0	335.7
pre-paid	105.3	104.4	104.7	113.7	121.7	133.2	151.9
blended	225.3	231.8	230.4	244.7	248.0	259.8	269.5
Quarterly mobile customer churn rate (%)							
post-paid	3.0	2.8	2.7	2.8	3.1	2.8	2.9
pre-paid	15.7	15.2	16.9	18.1	21.3	25.0	17.5
SAC post-paid (PLN)	256.4	211.1	183.0	188.9	130.7	92.7	91.2
SRC post-paid (PLN)	222.1	176.3	169.8	179.9	64.0	36.6	39.7
4G coverage in % of population	89.2%	95.4%	97.4%	99.1%	99.2%	99.8%	99.8%
3G coverage in % of population	99.6%	99.6%	99.6%	99.6%	99.6%	99.6%	99.6%
Employment structure of Group as reported	2016				2017		
Active full time equivalents(end of period)	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Orange Polska	16,497	16,099	15,786	15,537	15,481	15,131	14,818
50% of Networks	349	338	344	343	347	351	347
Total	16,846	16,437	16,130	15,880	15,828	15,482	15,165

Terms used:

Average Usage per User (AUPU) – the average monthly total usage of minutes divided by the average number of SIM cards (excluding M2M) in a given period.

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

Fixed Broadband ARPU – the average monthly revenues from fixed broadband services (including TV and VoIP services) divided by the average number of accesses in a given period.

Mobile ARPU – the average monthly revenues from mobile services (outgoing and incoming, including connection and termination fees, visitors roaming, excluding M2M), divided by the average number of SIM cards (excluding M2M) in a given period.

Mobile Broadband ARPU – the average monthly revenues from SIM cards dedicated to mobile broadband access (all service revenues including outgoing and incoming) divided by the average number of these SIM cards in a given period.

Mobile Handset ARPU – the average monthly revenues from SIM cards dedicated to mobile handset access (all service revenues including outgoing and incoming) divided by the average number of these SIM cards in a given period.

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.