



**Current Report (4/2017)**  
**Orange Polska S.A., Warsaw, Poland**  
**February 13, 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 4Q 2016 and FY 2016.

Disclosures on performance measures, including adjustments, are presented in the Note 3 to the IFRS Consolidated Financial Statements of the Orange Polska Group for the 12 months ended 31 December 2016 (available at <http://orange-ir.pl/results-center/results/2016>).

**Orange Polska reports in 2016 strong commercial performance in mobile post-paid and very high speed fixed broadband, full-year objectives achieved**

key figures (PLN million), IFRS	4Q 2015	4Q 2016	change	12M 2015	12M 2016	change
revenue	2,926	2,981	+1.9%	11,840	11,538	-2.6%
adjusted revenue <sup>1</sup>	2,926	2,981	+1.9%	11,826	11,538	-2.4%
EBITDA	584	640	+9.6%	3,431	3,163	-7.8%
EBITDA margin	20.0%	21.5%	+1.5 pp	29.0%	27.4%	-1.6pp
adjusted EBITDA <sup>1</sup>	673	640	-4.9%	3,517	3,163	-10.1%
adjusted EBITDA <sup>1</sup> margin	23.0%	21.5%	-1.5 pp	29.7%	27.4%	-2.3 pp
operating income/loss	-118	-1,848	n/a	572	-1,354	n/a
net income/loss	-153	-1,898	n/a	254	-1,746	n/a
capex	860	777	-9.7%	1,998	5,169	+158.7%
adjusted capex <sup>1</sup>	860	777	-9.7%	1,998	2,001	+0.2%
organic cash flow	863	165	-80.9%	962	-2,528	n/a
adjusted organic cash flow <sup>1</sup>	122	165	+35.2%	962	620	-35.6%

<sup>1</sup> please refer to adjustment table on p.6

Customer statistics reflect base revisions made in Q3 2016 as described in the table on p.7.

KPI ('000)	4Q 2015	4Q 2016	change <sup>2</sup>
convergent customers	728	879	+20.7%
mobile accesses (SIM cards)	15,906	15,990	+0.6%
post-paid	8,361	9,453	+13.4%
pre-paid	7,545	6,537	-13.5%
mobile broadband accesses	2,001	2,666	+33.2%
fixed voice lines (retail)	4,194	3,932	-6.2%
fixed broadband accesses (retail)	2,105	2,015	-3.3%

**Highlights: 2016 adjusted EBITDA guidance achieved; 2017 adjusted EBITDA guidance at PLN 2.8-3.0bn**

- **2016 bottom line affected by PLN 1,793m non-cash asset impairment loss due to reassessment of future projected cash flows coupled with an increase in the discount rate to reflect higher business risk**
- **adjusted revenue<sup>3</sup> decline at -2.4% year-on-year, slightly lower vs -2.9% in 2015**
  - **mobile revenues up 4.9% year-on-year, reflecting strong equipment sales and post-paid customer base growth**
  - **4Q alone up by 1.9% year-on-year as a result of equipment sales and higher ICT**
- **strong commercial performance in mobile post-paid and in VHBB:**
  - **+13% yoy mobile post-paid customers, +368k net adds in 4Q (+1.1 m in FY)**
  - **+33% yoy mobile broadband customers, +51k net adds in 4Q (+665k in FY)**
  - **+65% yoy VHBB customers, including +71k of fibre net adds in FY (of which +31k in 4Q)**
  - **+21% yoy convergent customers, +42k net adds in 4Q (+151k in FY)**
- **pre-paid impacted by much lower new activations following SIM card registration obligation**
- **adjusted EBITDA<sup>3</sup> at PLN 3,163m; FY guidance<sup>4</sup> achieved**
  - **adjusted EBITDA<sup>3</sup> margin at 27.4%, down by 2.3pp year-on-year, reflecting higher interconnect and commercial expenses**
- **adjusted capex<sup>3</sup> at PLN 2,001m, flat year-on-year, incl. PLN 528m for the fibre network roll-out; FY outlook delivered**
  - **ex-fibre capex down 13% year-on-year to below PLN 1.5bn**
- **c. 1.5 million households connectable with fibre at the end of 2016 (755k added in 2016);**
- **adjusted Organic Cash Flow<sup>3</sup> at PLN 620m**
- **management guides for adjusted EBITDA in 2017 to be in the range of PLN 2.8–3.0bn, reflecting mainly continued pressure on legacy revenues and expected impact of new roaming regulations and uncertainty on pre-paid**
- **taking into consideration challenging business outlook, decision to maximise cash allocation to strategic investment projects, and potential payment of EC fine the management will recommend not paying any dividend in 2017**

<sup>2</sup> please refer to the table presenting effect of customer base revisions on p.7

<sup>3</sup> please refer to adjustment table on p.6

<sup>4</sup> management forecasted adjusted EBITDA for 2016 to be in the range of PLN 3.15–3.30 billion. Financial leverage defined as net debt-to-adjusted EBITDA was expected to be not higher than 2.2x for the full-year 2016.

## **commenting on 2016 performance and prospects for 2017, Jean-François Fallacher, Chief Executive Officer, said:**

“Last year, in line with our mid-term action plan, we focused on investments in connectivity improvement, and on very proactive customer acquisition. We doubled our fibre network as planned, reaching close to 1.5m households; and we expanded our mobile 4G/LTE network to cover almost the entire Polish population.

Thanks to fibre, we added more high-speed fixed broadband customers than in the previous year, with a significant improvement in fibre take-up in Q4. Our mobile post-paid services base increased 13% year-on-year - the highest growth in many years, despite the ongoing tough competitive environment. According to our estimates, we increased our volume market share in high speed broadband by a few percentage points, and our value market share in the retail mobile market has stabilised. A particular challenge for pre-paid in 2016 was the introduction of obligatory customer registration. As of 1 February 2017 around 96% of our active customers had registered their SIMs, which we deem a success and evidence that we handled the transition well.

In 2017 our key priorities will not change but our focus will be even more on improving our execution of commercial actions and our investment process. Importantly, these efforts will be underpinned by the organisational changes that we introduced, starting from January 2017, with respect to both B2C and B2B areas. We will further improve our customer proposition and transform our distribution channels. A few days ago we launched a new offer, Orange Love, which is our first fixed-mobile ‘hard bundle’ and which, along with a new 4K TV experience, marks our new approach to winning households and promoting convergence. We plan to expand our fibre network by more than 1 million new households in 2017, i.e. much more than in 2016, and we will simultaneously accelerate service delivery time. We will also speed up the simplification and transformation of our business, to improve our agility and protect profitability. We have decided to provide an update on our longer term outlook later in the year, once we have better visibility of the effects of the above-mentioned initiatives.”

## **Financial Review**

### **adjusted revenue<sup>5</sup> decline limited to -2.4% year-on-year vs -2.9% in 2015**

Adjusted revenues totalled PLN 11,538 million in 2016, down -2.4% or PLN 288 million year-on-year. The decline resulted mainly from a fall in fixed services and lower other revenues. Evolution of fixed services reflects primarily structural erosion of legacy business, which impacted fixed voice and wholesale revenues. Fixed broadband revenues were also down as consequence of falling ADSL base and lower ARPU. A decrease in other revenues resulted from completion of infrastructure projects (that generated PLN 127 million revenues in 2015), and lower ICT revenues. These negatives were partially offset by an increase in mobile revenues, which were driven up by post-paid customer base growth and shift towards instalment offers.

In 4Q alone, revenues were up 1.9% or PLN 55 million year-on-year. This growth reflected much higher share of instalment offers in customer acquisitions (reflected in robust growth of mobile equipment sales) as well as higher revenues from ICT business.

In 2016 our mobile customer base increased by 96,000 or 0.6%. This slight increase is a consequence of two opposite trends. Firstly, our post-paid base increased by 1.1 million, or by 13%, which was the highest growth in many years. This was mainly driven by much higher popularity of multi-SIM Family offers and increased migration from pre-paid. Secondly, our pre-paid base was impacted by the obligation of SIM card registration (that came into force in July), which resulted in a sharp drop in low usage one-time activations. As a consequence, our reported pre-paid base declined by 1 million. However, this reduction does not impact our pre-paid business in a material way.

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<sup>5</sup> please refer to adjustment table on p.6

The share of LTE in total mobile data transmission is growing gradually and has reached 62% in 4Q. Smartphone penetration in post-paid handset customer base reached 67% versus 59% in 4Q 2015. Growth of data usage per user in mobile post-paid again exceeded 100% year-on-year. The number of LTE unique users reached 4.3 million, growing 14% in 4Q 2016.

Our convergent customer base increased by 21% or 151,000 in 2016 to 879,000. The total number of services used by convergent customers approached 4 million, which implies that on average every customer uses more than four services.

In 2016, the total number of fixed retail broadband lines decreased by 68,000 versus 136,000 in 2015. This fall was stemming from pressure on ADSL base (affected by mobile broadband substitution and competition from cable operators) as well as ongoing customer losses in legacy CDMA technology. In contrast, our high-speed broadband customer base continued to grow significantly, driven by our fibre network roll-out and migrations from ADSL. The number of fibre customers at year end stood at 88,000. The take-up rate improved as the year progressed: 31,000 in 4Q vs 18,000 in 3Q, 12,000 in 2Q and 10,000 in 1Q. Fixed broadband ARPU reflected constant competitive pressure from mobile broadband and cable operators. In fixed voice, structural decline slowed down with net loss of lines at 259,000 vs 318,000 in the previous year.

**adjusted EBITDA<sup>6</sup> margin at 27.4%, down by 2.3pp year-on-year, reflecting higher interconnect and commercial expenses; FY objective achieved**

Adjusted EBITDA for full year amounted to PLN 3,163 million, down by PLN 354 million or 10.1% year-on-year. Adjusted EBITDA margin stood at 27.4%, down by 2.3 pp year-on-year. Its evolution reflects mainly a fall in revenues, an increase in direct costs (by PLN 249 million) and further optimisation of indirect costs (a fall by PLN 183 million). Direct cost year-on-year evolution was mainly affected by higher interconnect costs (reflecting growing customer base and traffic per customer) as well as growing commercial costs, mainly due to change in mix of handsets and unfavourable FX impact (weaker PLN to EURO). These negatives were partly compensated by improvement in indirect costs, mainly due to ongoing optimisation in the network & IT areas and a headcount decrease following implementation of the social plan.

In 4Q alone, adjusted EBITDA came in at PLN 640 million and was lower by only PLN 33 million over 4Q 2015.

**2016 net loss at PLN 1,746 million, impacted by lower EBITDA and asset impairment loss**

Orange Polska's bottom line for 2016 stood at PLN -1,746 million versus PLN 254 million in 2015. It was heavily affected by PLN 1,793m non-cash asset impairment loss due to reassessment of future projected cash flows coupled with an increase in the discount rate to reflect higher business risk. It was also impacted by lower EBITDA and higher net financial costs (PLN 68 million above 2015), mainly as a result of higher debt. This was partly offset by lower depreciation (down by PLN 146 million) as amortisation of the new spectrum was offset by a positive effect from extension of useful life for certain network assets.

**adjusted organic Cash Flow<sup>6</sup> at PLN 620 million**

Adjusted organic cash flow for 2016 came in at PLN 620 million versus PLN 962 million in 2015. Net cash from operating activities (before income tax and change in working capital) was down PLN 365 million, mainly as a result of lower EBITDA. Capital expenditure cash outflows were higher by PLN 320 million, mainly as a consequence of payments to capex vendors, while proceeds from asset disposals were lower by PLN 24 million. These negatives were partly offset by PLN 323 million lower requirement for working capital as growing receivables (due to instalment effect) were largely compensated by supply chain optimisation. Tax paid was lower by PLN 44 million versus previous year.

**commenting on 2016 results, Maciej Nowohoński, Chief Financial Officer, said:**

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<sup>6</sup> please refer to adjustment table on p.6

“Our financial performance in 2016 was in line with our expectations. We delivered on our adjusted EBITDA and financial leverage guidance. Our mobile revenue trend improved, thanks to much higher equipment sales and small improvement in service revenue trend. Performance in fixed was unchanged and reflected continued pressure on legacy business lines and the impact of lower broadband prices. EBITDA evolution reflected lower revenue and our proactive customer acquisition approach.

Bottom line for 2016 was affected by recognition of non-cash asset impairment loss due to reassessment of future projected cash flows coupled with an increase in the discount rate to reflect higher business risk. Lower future cash flows are mainly a consequence of more conservative assumptions regarding performance on the mobile market, uncertainty in pre-paid, continuous deterioration in the legacy business and falling competitiveness of ADSL.

Looking forward to 2017, we expect to achieve adjusted EBITDA in the range of PLN 2.8-3.0 billion. We will face continued pressure on our revenue. In legacy fixed revenue (PSTN, wholesale), we anticipate ongoing structural decline. In mobile, on one hand we expect lower growth of equipment sales and, on the other hand, service revenue will be impacted by ongoing competitive pressure, new roaming regulations and uncertainty in pre-paid. Just as in 2016, we plan to address these conditions with further optimisations in indirect expenses; at the same time, we expect direct costs to grow.

We expect our capex in 2017 to stay at around PLN 2bn, with a growing share dedicated to fibre network rollout. Investment in fibre is absolutely crucial to build long-term value for the company and all its stakeholders and we have an ambitious target for households connectable in 2017. Cash generation will be affected by lower EBITDA, high capex and most likely by a higher working capital requirement as well. Taking this into consideration and also potential payment of EC fine the management will recommend not paying any dividend in 2017.”

#### **Orange Polska 2017 forecast**

The Management Board of Orange Polska hereby publishes the Company’s guidance for the full year 2017. Management forecasts adjusted EBITDA to be in the range of PLN 2.8–3.0 billion.

Adjusted EBITDA performance will reflect pressure on top-line, coming mainly from negative structural trends in legacy fixed services (mainly fixed voice and certain fixed wholesale services) that almost fully filter through to profits. We also expect lower growth of mobile equipment sales, while mobile service revenues will reflect new roaming regulations and uncertainty on pre-paid.

We expect our direct costs to grow, driven by interconnect, customer equipment and content. Indirect expenses should be reduced as a result of new savings initiatives and proceeds from sale of our real estate portfolio.

Realisation of this forecast will be monitored by the Company on an ongoing basis. Should there occur deviation from the forecasted EBITDA of at least 10%, the Company will make a revision to the forecast and immediately publish it in the form of a current report.

## Adjustments to financial data

<i>in PLNm</i>	4Q'15	4Q'16	FY'15	FY'16
Revenue	2,926	2,981	11,840	11,538
-Revenue of Contact Center	-	-	-14	-
Adjusted revenue	2,926	2,981	11,826	11,538
EBITDA	584	640	3,431	3,163
-EBITDA of Contact Center	-	-	-4	-
-Employment termination expense net of related curtailment of long-term employee benefits	89	-	90	-
Adjusted EBITDA	673	640	3,517	3,163
Capital expenditures	860	777	1,998	5,169
-acquisition of telecommunications licences	-	-	-	-3,168
Adjusted capital expenditures	860	777	1,998	2,001
Organic cash flow	863	165	962	-2,528
-LTE auction deposits / Acquisition of LTE spectrum	-741	-	-	3,148
Adjusted organic cash flow	122	165	962	620

### Impact of customer base revision (as reported along with 3Q 2016 results)

Customer base revision resulted from internal audit of the accuracy of the reporting processes. These processes have been amended to ensure the correctness of the reporting going forward. This revision has no impact on revenues.

<i>customer base (in thousands)</i>	<i>2Q2016</i>	<i>effect of base revision</i>	<i>net change of customers in 3Q</i>	<i>3Q2016</i>
<b>Convergent customers</b>	799	0	38	837
<b>Fixed telephony accesses</b>				
POTS, ISDN & WLL	3,415	-1	-77	3,337
VoIP	644	-2	9	651
<b>Total retail main lines</b>	<b>4,059</b>	<b>-3</b>	<b>-68</b>	<b>3,988</b>
<b>Fixed broadband access</b>				
ADSL	1,613	-5	-46	1,562
VHBB (VDSL+Fibre)	409	-17	44	436
<i>o/w VDSL</i>	370	-17	26	379
<i>o/w Fibre</i>	39	0	18	57
CDMA	35	0	-8	27
<b>Retail broadband - total</b>	<b>2,057</b>	<b>-22</b>	<b>-10</b>	<b>2,025</b>
<b>TV client base</b>				
IPTV	213	-15	16	214
DTH (TV over Satellite)	590	-32	-10	548
<b>TV client base - total</b>	<b>803</b>	<b>-46</b>	<b>4</b>	<b>761</b>
<i>-o/w 'nc+' packages</i>	194	0	0	194
<b>3P services (TV+FBB+VoIP)</b>	547	-34	14	527
<b>Mobile accesses</b>				
Post-paid	8,798	-22	309	9,085
<i>-o/w B2B</i>	2,817	0	76	2,893
Pre-paid	7,898	11	-600	7,309
<b>Total</b>	<b>16,696</b>	<b>-12</b>	<b>-290</b>	<b>16,394</b>
<i>- of which dedicated mobile broadband accesses</i>	2,473	0	142	2,615

## 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 is pleased to invite you to the Company's 4Q and full year 2016 results presentation.**

Orange Polska 4Q and full year 2016 Results Presentation

**Tuesday 14<sup>th</sup> February 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 4Q 2016 Results Conference Call

Conference code:

5509174

Dial in numbers:

UK/Europe: +44 20 3427 1900  
US: +1 646 254 3362

Toll free numbers:

UK: 0800 279 5736  
US: +1 877 280 1254



	2015				2016				2015		2016				
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY	FY	FY	FY			
<b>Income statement</b>															
<b>Revenues</b>															
Mobile revenues	1,505	1,529	1,523	1,555	1,549	1,546	1,546	1,546	1,526	1,622	1,594	1,679	6,141	6,119	6,421
Retail services	1,159	1,157	1,151	1,159	1,153	1,108	1,108	1,108	1,090	1,080	1,085	1,041	4,589	4,567	4,296
Wholesale services (including interconnect)	208	223	223	225	225	253	253	253	244	270	251	272	909	909	1,037
Mobile equipment sales	138	149	149	171	171	185	185	185	192	272	258	366	643	643	1,088
<b>Fixed services</b>	<b>1,306</b>	<b>1,290</b>	<b>1,290</b>	<b>1,263</b>	<b>1,265</b>	<b>1,224</b>	<b>1,230</b>	<b>1,230</b>	<b>1,192</b>	<b>1,175</b>	<b>1,156</b>	<b>1,139</b>	<b>5,083</b>	<b>5,091</b>	<b>4,662</b>
Fixed narrowband	458	444	445	431	431	413	413	413	401	387	376	363	1,746	1,747	1,527
Fixed broadband, TV and VoIP	410	404	404	396	396	391	391	391	381	375	369	365	1,601	1,601	1,490
Enterprise solutions & networks	221	237	236	234	236	224	230	230	219	218	222	233	916	923	892
Wholesale revenue (including interconnect)	217	205	205	202	202	196	196	196	191	195	189	178	820	820	753
<b>Other revenue</b>	<b>119</b>	<b>194</b>	<b>195</b>	<b>153</b>	<b>153</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>85</b>	<b>106</b>	<b>101</b>	<b>163</b>	<b>616</b>	<b>616</b>	<b>455</b>
<b>Total revenues</b>	<b>2,930</b>	<b>2,925</b>	<b>3,013</b>	<b>3,008</b>	<b>2,971</b>	<b>2,926</b>	<b>2,926</b>	<b>2,926</b>	<b>2,803</b>	<b>2,903</b>	<b>2,851</b>	<b>2,981</b>	<b>11,840</b>	<b>11,826</b>	<b>11,538</b>
<b>year-on-year**</b>	<b>-1.7%</b>	<b>n/a</b>	<b>-2.3%</b>	<b>n/a</b>	<b>-2.4%</b>	<b>n/a</b>	<b>-5.1%</b>	<b>n/a</b>	<b>-4.2%</b>	<b>-3.5%</b>	<b>-3.9%</b>	<b>1.9%</b>	<b>-2.9%</b>	<b>n/a</b>	<b>-2.4%</b>
Labour expenses	(430)	(457)	(453)	(430)	(429)	(396)	(396)	(396)	(381)	(440)	(404)	(411)	(1,713)	(1,705)	(1,636)
External purchases	(1,476)	(1,474)	(1,562)	(1,561)	(1,524)	(1,709)	(1,709)	(1,709)	(1,476)	(1,580)	(1,535)	(1,844)	(6,271)	(6,265)	(6,432)
- Interconnect expenses	(321)	(321)	(333)	(342)	(342)	(349)	(349)	(349)	(354)	(364)	(361)	(395)	(1,345)	(1,345)	(1,513)
- Network and IT expenses	(176)	(181)	(181)	(180)	(180)	(197)	(197)	(197)	(180)	(188)	(164)	(178)	(734)	(734)	(670)
- Commercial expenses	(644)	(662)	(663)	(638)	(638)	(801)	(801)	(801)	(615)	(685)	(683)	(883)	(2,745)	(2,746)	(2,839)
- Other external purchases	(335)	(386)	(384)	(364)	(361)	(362)	(362)	(362)	(347)	(343)	(334)	(385)	(1,447)	(1,440)	(1,410)
Other operating incomes & expenses	(69)	(78)	(78)	(98)	(98)	(122)	(122)	(122)	(88)	(96)	(90)	(103)	(367)	(367)	(377)
Employment termination expenses	(1)	(1)	(1)	(1)	(1)	(128)	(128)	(128)	(1)	(1)	(1)	(1)	(129)	(129)	(129)
Gain/(loss) on disposal of assets	5	5	43	10	10	13	13	13	10	37	9	14	71	71	70
<b>Reported EBITDA</b>	<b>959</b>	<b>959</b>	<b>959</b>	<b>929</b>	<b>929</b>	<b>584</b>	<b>584</b>	<b>584</b>	<b>868</b>	<b>824</b>	<b>831</b>	<b>640</b>	<b>3,431</b>	<b>3,431</b>	<b>3,163</b>
% of revenues	32.7%	32.8%	31.8%	31.9%	31.3%	20.0%	20.0%	20.0%	31.0%	28.4%	29.1%	21.5%	29.0%	29.0%	27.4%
- Employment termination expenses net of related curtailment of long-term employee benefits	1	1				89	89	89					90	90	
- Gain on disposal of Contact Center					(4)										(4)
<b>Adjusted EBITDA</b>	<b>960</b>	<b>960</b>	<b>959</b>	<b>929</b>	<b>925</b>	<b>673</b>	<b>673</b>	<b>673</b>	<b>868</b>	<b>824</b>	<b>831</b>	<b>640</b>	<b>3,521</b>	<b>3,517</b>	<b>3,163</b>
% of revenues	32.8%	32.8%	31.8%	31.9%	31.2%	23.0%	23.0%	23.0%	31.0%	28.4%	29.1%	21.5%	29.7%	29.7%	27.4%
Depreciation & amortisation (impairment)/reversal of impairment of non-current assets	(710)	(710)	(733)	(733)	(716)	(712)	(712)	(712)	(653)	(683)	(695)	(694)	(2,871)	(2,871)	(2,725)
<b>Operating income</b>	<b>246</b>	<b>246</b>	<b>232</b>	<b>212</b>	<b>212</b>	<b>(118)</b>	<b>(118)</b>	<b>(118)</b>	<b>215</b>	<b>142</b>	<b>137</b>	<b>(1,848)</b>	<b>572</b>	<b>572</b>	<b>(1,354)</b>
% of revenues	8.4%	8.4%	7.7%	7.1%	7.1%	-4.0%	-4.0%	-4.0%	7.7%	4.9%	4.8%	-62.0%	4.8%	4.8%	-11.7%
Finance costs, net	(58)	(58)	(76)	(76)	(76)	(81)	(81)	(81)	(96)	(96)	(79)	(88)	(291)	(291)	(359)
Income tax	(17)	(17)	(30)	(30)	(26)	46	46	46	(21)	(29)	(21)	38	(27)	(27)	(33)
<b>Consolidated net income</b>	<b>171</b>	<b>171</b>	<b>126</b>	<b>110</b>	<b>110</b>	<b>(153)</b>	<b>(153)</b>	<b>(153)</b>	<b>98</b>	<b>17</b>	<b>37</b>	<b>(1,898)</b>	<b>254</b>	<b>254</b>	<b>(1,746)</b>

\* Adjusted for deconsolidation of Contact Center (1Q-3Q'15) and after reclassification of wholesale SMS service revenue from "Retail mobile services" to "Fixed enterprise solutions & networks"

\*\* Change is calculated based on adjusted figures

## Orange Polska Group key performance indicators

customer base (in thousands)	2015				2016			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Convergent customers<sup>1</sup></b>	591	627	667	728	766	799	837	879
<b>Fixed telephony accesses<sup>2</sup></b>								
POTS, ISDN & WLL	3,880	3,780	3,681	3,580	3,487	3,415	3,337	3,268
VoIP	555	567	587	614	633	644	651	664
<b>Total retail main lines</b>	<b>4,435</b>	<b>4,347</b>	<b>4,268</b>	<b>4,194</b>	<b>4,120</b>	<b>4,059</b>	<b>3,988</b>	<b>3,932</b>
<b>Fixed broadband access<sup>2</sup></b>								
ADSL	1,902	1,850	1,794	1,734	1,669	1,613	1,562	1,503
VHBB (VDSL+Fibre)	207	232	271	316	366	409	436	492
o/w VDSL	204	227	263	299	339	370	379	404
o/w Fibre	3	5	8	17	27	39	57	88
CDMA	89	77	66	55	44	35	27	20
<b>Retail broadband - total</b>	<b>2,198</b>	<b>2,159</b>	<b>2,131</b>	<b>2,105</b>	<b>2,079</b>	<b>2,057</b>	<b>2,025</b>	<b>2,015</b>
<b>TV client base<sup>2</sup></b>								
IPTV	150	156	169	184	200	213	214	234
DTH (TV over Satellite)	606	605	605	603	597	590	548	532
<b>TV client base - total</b>	<b>756</b>	<b>761</b>	<b>774</b>	<b>787</b>	<b>797</b>	<b>803</b>	<b>761</b>	<b>766</b>
-o/w 'nc+' packages	158	158	164	182	190	194	194	195
<b>3P services (TV+FBB+VoIP)<sup>2</sup></b>	<b>441</b>	<b>455</b>	<b>478</b>	<b>507</b>	<b>531</b>	<b>547</b>	<b>527</b>	<b>543</b>
<b>Mobile accesses<sup>2</sup></b>								
Post-paid	7,727	7,897	8,087	8,361	8,576	8,798	9,085	9,453
-o/w B2B	2,496	2,561	2,601	2,688	2,754	2,817	2,893	2,986
Pre-paid	7,791	7,690	7,606	7,545	7,689	7,898	7,309	6,537
<b>Total<sup>3</sup></b>	<b>15,518</b>	<b>15,587</b>	<b>15,693</b>	<b>15,906</b>	<b>16,265</b>	<b>16,696</b>	<b>16,394</b>	<b>15,990</b>
- of which dedicated mobile broadband accesses	1,590	1,693	1,806	2,001	2,229	2,473	2,615	2,666
<b>Wholesale customers</b>								
WLR	991	933	886	832	780	730	693	652
Bitstream access	263	261	254	245	234	222	213	202
LLU	146	141	136	131	125	120	116	110

1. Convergent customers are included in fixed telephony, fixed broadband and mobile  
2. 3Q2016 reflects impact of customer base revision (see 'KPIs base revision')  
3. All SIM cards, including handsets, mobile broadband, M2M

quarterly ARPU in PLN per month	2015				2016			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Retail fixed voice ARPU <sup>2</sup>	40.4	40.2	40.0	39.3	39.2	38.7	38.4	37.9
Fixed broadband ARPU (Broadband, TV & VoIP) <sup>2</sup>	60.8	61.4	61.2	61.2	60.3	60.2	60.3	59.9
<b>Mobile ARPU<sup>2</sup></b>								
post-paid	50.5	50.0	49.1	47.1	45.3	44.3	43.7	41.9
-o/w B2B	57.1	55.0	53.9	49.8	48.8	46.8	46.0	44.0
pre-paid	12.1	12.9	13.2	12.7	12.4	11.9	12.0	12.6
blended	30.2	30.6	30.6	29.8	28.9	28.1	28.1	28.5
retail ARPU	25.6	25.7	25.6	24.5	23.6	22.8	22.8	22.6
wholesale ARPU	4.6	4.9	5.0	5.3	5.3	5.3	5.3	5.9
handset ARPU	31.0	31.7	31.8	31.1	30.1	29.7	30.1	30.6
broadband ARPU	23.1	22.2	21.8	20.7	21.4	19.2	17.9	18.5

2. 3Q2016 reflects impact of customer base revision (see 'KPIs base revision')

other mobile operating statistics	2015				2016			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
MVNOs customers (thousands)	11	8	8	7	7	6	6	5
Number of smartphones (thousands)	4,768	4,965	5,256	5,470	5,809	5,996	6,057	6,291
<b>volumes &amp; churn</b>								
<b>AUPU (in minutes)</b>								
post-paid	335.6	345.0	341.3	342.5	345.0	359.3	351.1	354.5
pre-paid	100.0	106.0	107.8	107.5	105.3	104.4	104.7	113.7
blended	210.9	220.1	221.1	223.9	225.3	231.8	230.4	244.7
<b>Quarterly mobile customer churn rate (%)</b>								
post-paid	3.7	3.2	3.0	3.0	3.0	2.8	2.7	2.8
pre-paid	16.7	16.1	17.0	16.9	15.7	15.2	16.8	18.1
<b>subsidies</b>								
SAC post-paid (PLN)	375.1	320.8	306.8	336.4	265.7	237.5	211.0	214.7
SRC post-paid (PLN)	292.3	259.0	214.6	277.6	221.1	177.2	174.8	186.0
<b>network coverage</b>								
4G coverage in % of population	72.0%	78.8%	79.0%	83.7%	89.2%	95.4%	97.4%	99.1%
3G coverage in % of population	99.4%	99.4%	99.6%	99.6%	99.6%	99.6%	99.6%	99.6%
<b>Employment structure of Group as reported</b>								
<b>Active full time equivalents (end of period)</b>								
	2015				2016			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Orange Polska	17,887	17,393	16,871	16,599	16,497	16,099	15,786	15,537
50% of Networks	369	354	356	368	349	338	344	343
Total	18,256	17,747	17,227	16,967	16,846	16,437	16,130	15,880

#### 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.