



Current Report (53/2016)
Orange Polska S.A., Warsaw, Poland
October 24, 2016

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 2016 and 9M 2016.

Disclosures on performance measures, including restatements, are presented in the Note 2 to the Condensed IFRS Quarterly Consolidated Financial Statements of the Orange Polska Group for the 3 months ended 30 September 2016 (available at <http://orange-ir.pl/results-center/results/2016>).

Orange Polska reports in 3Q 2016 strong commercial performance in mobile post-paid and VHBB, financial results in line with full-year objectives

key figures (PLN million), IFRS	3Q 2015	3Q 2016	change	9M 2015	9M 2016	change
revenue	2,971	2,851	-4.0%	8,914	8,557	-4.0%
restated revenues ¹	2,967	2,851	-3.9%	8,900	8,557	-3.9%
EBITDA	929	831	-10.5%	2,847	2,523	-11.4%
EBITDA margin	31.3%	29.1%	-2.2 pp	31.9%	29.5%	-2.4 pp
restated EBITDA ¹	925	831	-10.2%	2,844	2,523	-11.3%
restated EBITDA ¹ margin	31.2%	29.1%	-2.1 pp	32.0%	29.5%	-2.5 pp
operating income	212	137	-35.4%	690	494	-28.4%
net income	110	37	-66.4%	407	152	-62.7%
capex	398	367	-7.8%	1,138	4,392	+285.9%
restated capex ¹	398	367	-7.8%	1,138	1,224	+7.6%
organic cash flow	-8	169	n/a	99	-2,693	n/a
restated organic cash flow ¹	305	169	-44.6%	840	455	-45.8%

3Q 2016 highlights:

Customer statistics in 3Q reflect customer base revisions as described in the table on p.5.

- **3Q restated revenue¹ down 3.9% year-on-year vs -3.8% in 1H 2016**
 - **mobile revenues up 2.9% year-on-year, driven by sales of equipment**
- **strong commercial momentum in mobile post-paid and in VHBB:**
 - **+13% yoy mobile post-paid customers, +309k net adds in 3Q**
 - **+45% yoy mobile broadband customers, +142k net adds in 3Q**
 - **+72% yoy VHBB customers, +44k net adds in 3Q (incl. +18k of FTTH customers)**
 - **+25% yoy convergent customers, +38k net adds in 3Q**
- **pre-paid base impacted by much lower new activations following SIM card registration obligation**

¹ please refer to restatement table on p.4

- restated EBITDA² margin at 29.1%, down by 2.1pp year-on-year, reflecting higher interconnect and commercial expenses; FY guidance in the range of PLN 3.15-3.30bn confirmed
- restated capex² at PLN 367m (down 7.8% year-on-year), incl. PLN 119m for the fibre network roll-out
- 1.2 million households connectable with fibre at the end of 3Q (216k added in 3Q);
- restated Organic Cash Flow² at PLN 169m

commenting on 3Q 2016 performance, Jean-François Fallacher, Chief Executive Officer, said:

“The third quarter was encouraging for Orange Polska. Commercial results were good while financial results were in line with our full-year objectives. We added the most post-paid customers in many years, owing to successful commercial actions and accelerated migration from pre-paid. As a result of new regulations that came into force in July, a significant proportion of our active pre-paid customers have already registered their SIM cards. As a side effect, we saw a much lower number of new activations which affected our reported pre-paid SIM base. However, as the vast majority of these are low usage one-time activations, the reduction does not impact our pre-paid business in a material way.

In 3Q, we improved our performance in a very competitive fixed broadband market. Our customer base was close to stable, owing to high net additions to our high speed broadband options and lower churn in ADSL. Customer take-up of fibre broadband improved materially, and we expect even better results in this area going forward.

Independent customer survey done by speedtest.pl showed that Orange has been the fastest mobile broadband network in Poland for six consecutive months. I am very pleased with that. This is good evidence that our convergent network strategy works for customers.

As we move into the fourth quarter, traditionally our peak season, we plan to remain proactive on the commercial front. However, we will be carefully monitoring our profitability and remaining cautious about costs to ensure that we meet our financial targets.”

Financial Review

3Q restated revenue² down 3.9% year-on-year vs -3.8% in 1H 2016

Restated revenues totalled PLN 2,851 million in 3Q, down -3.9% or PLN 116 million year-on-year. The decline resulted mainly from a fall in fixed services (stemming mainly from structural erosion of fixed voice) and lower other revenues (resulting from completion of infrastructure projects, that generated PLN 42 million revenues in 3Q 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 equipment sales.

Our post-paid base increased by 309,000 customers in 3Q, which was the highest growth in many years. This was driven by our successful commercial actions, accelerated migration from pre-paid and particularly good results of our sub-brand nju. In contrast, reported pre-paid base declined by 600,000. This was largely due to much lower new pre-paid card activations following registration obligation that came into force in July. However, as the vast majority of these are low usage one-time activations, the reduction does not impact our pre-paid business in a material way.

The number of customers using our LTE network reached 3.8 million, growing 19% in 3Q 2016 versus 2Q 2016. The share of LTE in total mobile data transmission has reached 57%. Growth of data usage per user in mobile post-paid continues to exceed 100% yoy.

² please refer to restatement table on p.4

Mobile blended ARPU was down 8.2% year-on-year, a similar trend to the previous quarter. Post-paid ARPU erosion was broadly unchanged (down 11.0% year-on-year) and was mainly stemming from changes in the customer mix (higher share of SIM-only and instalment contracts), high popularity of multi-SIM offers, convergent discounts and lower roaming rates. Pre-paid ARPU in 3Q included first impact of bonuses offered to customers for SIM card registration in a form of free minutes and gigabytes.

Net additions to our convergent base (at 38,000) were slightly higher than in the previous quarter (33,000).

In fixed broadband performance improved significantly. Net customer losses (at 10,000) were the lowest in many quarters owing to strong customer take-up of our high speed services (VDSL and FTTH) which came in at 44,000 in 3Q, and lower line losses in ADSL. The share of high speed services in total base (ex-CDMA) is now at 22% vs. 13% a year ago. Fixed broadband ARPU continued to be affected by price cuts introduced in 2015. In fixed voice, structural decline has continued with net loss of lines at 68,000 vs 61,000 in 2Q 2016.

KPI ('000)	3Q 2015	3Q 2016	change ³
convergent customers	667	837	+25.5%
mobile customers	15,693	16,394	+4.5%
post-paid	8,087	9,085	+12.6%
pre-paid	7,606	7,309	-4.0%
mobile broadband accesses	1,806	2,615	+44.8%
fixed voice lines (retail)	4,268	3,988	-6.5%
fixed broadband accesses (retail)	2,131	2,025	-4.0%

restated EBITDA⁴ margin at 29.1%, down by 2.1 pp year-on-year, reflecting higher interconnect and commercial expenses

Restated EBITDA for 3Q 2016 amounted to PLN 831 million and was lower by PLN 94 million versus prior year. Restated EBITDA margin stood at 29.1%, down by 2.1 pp year-on-year. Total cost base was lower, as optimisations in indirect costs (mainly in labour, network and IT) offset growing direct expenses. Direct costs were up due to higher interconnect costs, reflecting growing mobile retail and wholesale traffic, as well as higher commercial costs. The latter was mainly a consequence of continued marketing push, change in mix of handsets (more smartphones) and unfavourable FX impact (weaker PLN to EUR).

3Q net income at PLN 37 million, impacted by lower EBITDA

Orange Polska's net income for 3Q 2016 came in at PLN 37 million, versus PLN 110 million in 3Q 2015. The drop is entirely attributed to lower operating income which was down PLN 75 million year-on-year. Despite much higher debt (following payment for new spectrum in February), net financial costs were broadly flat year-on-year. This is because higher net interest costs were offset by much lower discount expense, which was supported by favourable forex exchange movements in the period.

restated organic Cash Flow⁴ at PLN 169 million

Restated organic cash flow for 3Q 2016 stood at PLN 169 million versus PLN 305 million in 3Q 2015. This deterioration stemmed from two main factors. Firstly, net cash from operating activities (before income tax and change in working capital) was down PLN 102 million, mainly as a result of lower EBITDA. Secondly, cash paid for capex was PLN 76 million higher largely due to payments to capex vendors as a consequence of high investments realised in 2Q. On the positive side, cash

³ please refer to the table presenting effect of customer base revisions on p.5

⁴ please refer to restatement table on p.4

flow was helped by lower requirement for working capital. The effect of higher receivables balance (a consequence of continued growth of instalment contracts) was partly offset by a positive change in payables (largely attributed to supply chain optimisations).

commenting on 3Q 2016 results, Maciej Nowohoński, Chief Financial Officer said:

“After 9 months of 2016 our financial results are on track to reach our full-year objectives. In Q3 key top-line trends remained unchanged: growth in mobile was offset by falling revenues from fixed business and other activity. EBITDA contracted less than revenues as optimisations in indirect costs offset growth in direct expenses. As completion of infrastructure projects will no longer weigh on us, we expect better revenue evolution in the fourth quarter, which should translate also into more favourable EBITDA trend. We reiterate our full-year leverage and EBITDA guidance⁵.”

Restatements to financial data

<i>in PLNm</i>	3Q'15	3Q'16	9M'15	9M'16
Revenue	2,971	2,851	8,914	8,557
-Revenue of Contact Center	-4	-	-14	-
Restated revenue	2,967	2,851	8,900	8,557
EBITDA	929	831	2,847	2,523
-EBITDA of Contact Center	-4	-	-4	-
-Employment termination expense	-	-	1	-
Restated EBITDA	925	831	2,844	2,523
Capital expenditures	398	367	1,138	4,392
-acquisition of telecommunications licences	-	-	-	-3,168
Restated capital expenditures	398	367	1,138	1,224
Organic cash flow	-8	169	99	-2,693
-LTE auction deposits / Acquisition of LTE spectrum	313	-	741	3,148
Restated organic cash flow	305	169	840	455

⁵ Management forecasts restated EBITDA for 2016 to be in the range of PLN 3.15-3.30 billion. Financial leverage defined as net debt-to-restated EBITDA is expected to be not higher than 2.2x for the full-year 2016.

Impact of customer base revision

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 the revenues.

<i>customer base (in thousands)</i>	<i>2Q2016</i>	<i>effect of base revision</i>	<i>net change of customers in Q3</i>	<i>3Q2016</i>
Convergent customers	799	0	38	837
Fixed telephony accesses				
POTS, ISDN & WLL	3,415	-1	-77	3,337
VoIP first line	644	-2	9	651
Total retail main lines	4,059	-3	-68	3,988
Fixed broadband access				
ADSL	1,613	-5	-46	1,562
VHBB	409	-17	44	436
<i>o/w VDSL</i>	370	-17	26	379
<i>o/w FTTH</i>	39	0	18	57
CDMA	35	0	-8	27
Retail broadband - total	2,057	-22	-10	2,025
TV client base				
IPTV	213	-15	16	214
DTH (TV over Satellite)	590	-32	-10	548
TV client base - total	803	-46	4	761
- <i>o/w 'nc+' packages</i>	194	0	0	194
3P services (TV+FBB+VoIP)	547	-34	14	527
Mobile accesses				
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
Total	16,696	-12	-290	16,394
- of which dedicated mobile broadband accesses	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', 'restate' 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 3Q 2016 Results Presentation Tuesday 25th October 2016

Venue address:
Orange Polska
Aleje Jerozolimskie 160,
02-326 Warsaw,
Poland

Start: 11.00 CET

The presentation will also be available via [a live webcast](#) on our website and via a live conference call:

Time:
11:00 (Warsaw)
10:00 (London)
05:00 (New York)

Conference title:
Orange Polska Q3 2016 Results Conference Call

Conference code:
7176933

Dial in numbers:
UK/Europe: +44 20 3043 2024
US: +1 719-457-1036

Toll free numbers:
UK: 0800 358 6377
US: 800-263-0877

	2015				2016			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	3Q
amounts in PLN millions								
Income statement								
Revenues								
Mobile revenues	1,505	1,501	1,523	1,549	1,552	1,546	1,526	1,594
retail services	1,159	1,155	1,157	1,153	1,114	1,108	1,090	1,085
wholesale services (including interconnect)	208	208	223	225	253	253	244	251
mobile equipment sales	138	138	149	171	185	185	192	258
Fixed services	1,306	1,306	1,290	1,263	1,224	1,230	1,192	1,156
Fixed narrowband	458	458	444	431	413	413	401	376
Fixed broadband, TV and VoIP	410	410	404	396	391	391	381	369
Enterprise solutions & networks	221	221	237	236	224	230	219	222
Wholesale revenue (including interconnect)	217	217	205	202	196	196	191	189
Other revenue	119	118	194	153	150	150	85	106
Total revenues	2,930	2,925	3,013	2,967	2,926	2,926	2,803	2,851
year-on-year**	-1.7%	n/a	-2.3%	n/a	-5.1%	n/a	-4.2%	-3.9%
Labour expenses	(430)	(427)	(457)	(453)	(429)	(396)	(381)	(404)
External purchases	(1,476)	(1,474)	(1,562)	(1,521)	(1,709)	(1,709)	(1,476)	(1,535)
- Interconnect expenses	(321)	(321)	(333)	(342)	(349)	(349)	(354)	(381)
- Network and IT expenses	(176)	(176)	(181)	(180)	(197)	(197)	(160)	(164)
- Commercial expenses	(644)	(644)	(662)	(638)	(801)	(801)	(615)	(656)
- Other external purchases	(335)	(333)	(386)	(364)	(362)	(362)	(347)	(334)
Other operating incomes & expenses	(69)	(69)	(78)	(98)	(122)	(122)	(88)	(90)
Employment termination expenses	(1)	(1)			(128)	(128)		
Gain/(loss) on disposal of assets	5	5	43	10	13	13	10	9
Reported EBITDA	959	959	959	929	584	584	868	831
% of revenues	32.7%	32.8%	31.8%	31.9%	20.0%	20.0%	31.0%	29.1%
- Employment termination expenses net of related curtailment of long-term employee benefits	1	1			89	89		
- Gain on disposal of Contact Center	(4)							
Restated EBITDA	960	960	959	925	673	673	868	831
% of revenues	32.8%	32.8%	31.8%	31.9%	23.0%	23.0%	31.0%	29.1%
Depreciation & amortisation	(710)	(710)	(733)	(716)	(712)	(712)	(683)	(695)
(Impairment)/reversal of impairment of non-current assets	(3)	(3)	6	(1)	10	10	0	1
EBIT	246	246	232	212	(118)	(118)	215	137
% of revenues	8.4%	8.4%	7.7%	7.1%	-4.0%	-4.0%	7.7%	4.8%
Finance costs, net	(58)	(58)	(76)	(76)	(81)	(81)	(96)	(79)
Income tax	(17)	(17)	(30)	(26)	46	46	(21)	(21)
Consolidated net income	171	171	126	110	(153)	(153)	98	37

* Restated for deconsolidation of Contact Center(1Q-3Q'15) and after reclassification of wholesale SMS service revenue from 'Data, messaging, content and M2M' to "Enterprise solutions & networks"

** Change is calculated based on restated figures

Orange Polska Group key performance indicators

customer base (in thousands)	2015				2016		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Convergent customers¹	591	627	667	728	766	799	837
Fixed telephony accesses²							
POTS, ISDN & WLL	3,880	3,780	3,681	3,580	3,487	3,415	3,337
VoIP first line	555	567	587	614	633	644	651
Total retail main lines	4,435	4,347	4,268	4,194	4,120	4,059	3,988
Fixed broadband access²							
ADSL	1,902	1,850	1,794	1,734	1,669	1,613	1,562
VHBB	207	232	271	316	366	409	436
o/w VDSL	204	227	263	299	339	370	379
o/w FTTH	3	5	8	17	27	39	57
CDMA	89	77	66	55	44	35	27
Retail broadband - total	2,198	2,159	2,131	2,105	2,079	2,057	2,025
TV client base²							
IPTV	150	156	169	184	200	213	214
DTH (TV over Satellite)	606	605	605	603	597	590	548
TV client base - total	756	761	774	787	797	803	761
-o/w 'nc+' packages	158	158	164	182	190	194	194
3P services (TV+FBB+VoIP)²	441	455	478	507	531	547	527
Mobile accesses²							
Post-paid	7,727	7,897	8,087	8,361	8,576	8,798	9,085
-o/w B2B	2,496	2,561	2,601	2,688	2,754	2,817	2,893
Pre-paid	7,791	7,690	7,606	7,545	7,689	7,898	7,309
Total³	15,518	15,587	15,693	15,906	16,265	16,696	16,394
- of which dedicated mobile broadband accesses	1,590	1,693	1,806	2,001	2,229	2,473	2,615
Wholesale customers							
WLR	991	933	886	832	780	730	693
Bitstream access	263	261	254	245	234	222	213
LLU	146	141	136	131	125	120	116

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
Retail fixed voice ARPU ²	40.4	40.2	40.0	39.3	39.2	38.7	38.4
Fixed broadband ARPU (Broadband, TV & VoIP) ²	60.8	61.4	61.2	61.2	60.3	60.2	60.3
Mobile ARPU ²							
post-paid	50.5	50.0	49.1	47.1	45.3	44.3	43.7
-o/w B2B	57.1	55.0	53.9	49.8	48.8	46.8	46.0
pre-paid	12.1	12.9	13.2	12.7	12.4	11.9	12.0
blended	30.2	30.6	30.6	29.8	28.9	28.1	28.1
retail ARPU	25.6	25.7	25.6	24.5	23.6	22.8	22.8
wholesale ARPU	4.6	4.9	5.0	5.3	5.3	5.3	5.3
handset ARPU	31.0	31.7	31.8	31.1	30.1	29.7	30.1
broadband ARPU	23.1	22.2	21.8	20.7	21.4	19.2	17.9

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

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.