

**ORANGE POLSKA Q3 2016  
RESULTS CONFERENCE CALL  
October 25, 2016, 11:00 AM CET  
Chairperson: Leszek Iwaszko**

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

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Good morning, everyone, and welcome to Orange Polska's results conference for the third quarter of 2016. My name is Leszek Iwaszko, I am the Head of Investor Relations.

We have the entire Management Board of Orange Polska today with us. Starting from our CEO, Jean-Francois Fallacher, then in the order from my left, Mariusz Gaca, responsible for the business market; Maciej Nowohonski, CFO; Bozena Lesniewska, responsible for sales; Piotr Muszynski, responsible for strategy and transformation; Jolanta Dudek, responsible for customer care and Jacek Kowalski, responsible for HR.

Our results have been published yesterday and they are available on our IR website. Now let me hand the floor to Jean-Francois Fallacher to start the presentation.

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Jean-Francois Fallacher - Orange Polska SA - CEO [2]

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Thank you very much, Leszek. Good morning, ladies and gentlemen. So welcome, everyone, to our quarterly conference. I'm happy to announce the quarter 3 results, together with the management team of the Company. So I will start actually with the highlights of the quarter, Maciej will follow up with the financial review and I will conclude the presentation, before your question and answers.

So let's talk about the quarter 3 financials. As you see, have you seen last night when we published, they are actually in line with our plans. So we are really on track to reach our full-year objectives. Top-line evolution was on track with what we have observed in the first half and EBITDA trend was slightly better, thanks to more cost reduction than plan. Cash flow generation has been slightly affected this quarter, as we announced, due basically to payments and a bit of a higher CapEx in the last quarter. So that's about our financials, so they are on track.

I would say that this quarter is mainly characterized by a very strong commercial performance, so that is why I am going to the next slide. This quarter is mostly the quarter of the strong commercial performance, both in actually post-paid mobile and in broadband. I will go and comment on this, but mainly before this I would like to say a few words about pre-paid, because you will probably have noticed a big fall in our number of SIM cards in pre-paid, so I would like to spend a few minutes on this for everyone to understand very well what is happening on the pre-paid market.

Actually as we announced last quarter, pre-paid registration obligation in Poland came into force, meaning that as of actually the end of July, customers have to show an ID card -- new customers have to show an ID card before they can use our pre-paid card. So this has obviously had a very drastic impact on the new SIM card activation that we have on a daily basis and especially on what we call the one-time users. You have to know that 70%, so 70, 70% of the daily activations we are -- we were -- we used to have on pre-paid were what we call one-time users, so people actually paying the card, activating it, placing just a few calls and then the card was becoming inactive and disappearing.

So these pre-paid cards, as you can imagine, this usage of pre-paid has been drastically reduced with the registration, simply because now before using the card you need to go in one of the point of sales, where you can show an ID and register. So these users, these one-time users, for us they were what I call cash neutral, because usually they bringing us PLN4 to PLN5 revenues. You can imagine we pay commission, there is the cost of the plastic card, so these were cash neutral users.

So overall this isn't such an issue. Actually what you see happening now, I guess this is not only for Orange, because this is obviously for the entire market, this is a kind of clean up of the pre-paid market in Poland. So this is why actually you will see the number of the base actually dropping by PLN600,000.

Actually this is not such an issue, this is more of a statistical issue because the numbers are dropping, but once again, in terms of revenues, it's quite immaterial on this quarter and even I would say slightly, slightly positive if we would look at the cash situation. So that was what I wanted to explain to you on pre-paid.

So let's go back to our good results on post-paid. As you see, we have, I think, benefited from this also pre-paid registration because the migration from pre-paid to post-paid has been quite accelerated. And this translates into the very strong net adds that you see on this chart, which actually is the best quarter since many, many years in terms of net additions on our post-paid base for Orange Poland.

I would say if we look at the fixed side now as well, it was a good quarter. It is quite positive, if you look, the ADSL churn was quite under control and we had strong net additions, and I would like especially to comment now on the next page on our fiber numbers.

So fiber was as well showing very much improvements in terms of customer take-up where, as you see, we are now counting 57,000 fiber customers. Important as well is the fact that we have added more customers quarter on quarter, so from Q2 to Q3, than from Q1 to Q2. So we are accelerating, which is positive news and I think encouraging news, so that's I would say positive news for this quarter.

You see as well that the coverage in terms of households is now reaching 1.2 million households, so that is, I think, a strong achievement of ourselves in this Q3. Another topic on which I would like to attract your attention in terms of fiber, which shows in the graphs on the bottom left of this presentation, is the fact that actually first of all, 50% of these customers that we are attracting on fiber, they are convergence. So they are buying more than this service, but other services at Orange, that I think is strong. And also, if you look at the right chart, actually 92% of these customers are new broadband customers at Orange. So showing that fiber has really a positive effect for us, we are acquiring customers from competition, to be clear.

Now let's go at the next page. I would like to briefly comment, because it's a key topic for us on actually mobile and our mobile infrastructure. Well, as you saw, the trend is going on, our mobile traffic is doubling every year, so this year we see the same effect happening. I just want to highlight the fact that our deployment on the 800-megahertz frequency that we bought back last year in 2015 is going well, according to the plan, on schedule.

And as well, that we are happy because we have been for six consecutive months awarded by this independent -- not institute, but this independent website, very famous one called speedtest, for six months in a row the fastest mobile -- broadband mobile network in Poland, which is really factually showing that we are really number one network in this country and it's a confirmation of the attention we are paying to mobile network quality, because we believe really it's absolutely key for customer experience. So that's what I wanted to stress here.

We are also very happy and you have seen we have announced pretty recently, two weeks ago, that as the first mobile operator in Poland, we have launched voice-over-LTE service, so voice over 4G is an active 4G voice, which actually is of much better quality and you can join people instantly, so there is no delay when you call people. So it's the new I would say voice technology on 4G that we are proud to be the first to launch on the Polish market.

So that's what I wanted to start with to share with you and now I will pass the floor for more in-depth financial analysis to Maciej Nowohonski, our CFO. Maciej.

Thank you very much, Jean-Francois. Good morning, everybody. So we start the review, financial review on page 11. Just a snapshot view on the key financials and then we drill down the results.

So first of all, the top-line trend was in Q3 exactly the same as in the first semester. EBITDA evolution in quarter 3 is better in Q3 and even better if we assume that in Q1 we had a positive one-off for HR provision reversal, very substantial in terms of amount, so the trend is here encouraging. For the CapEx, CapEx is basically lower than last year and on the categories which are non-fiber, so there is a phasing of CapEx and I will comment later on also some elements of the CapEx for the future.

On the next slide we take a closer look of the revenue. So the underlying trend in Q3, as I said, were unchanged versus what we have reported in the previous quarter. There are two important drivers of the mobile revenue evolution. First of all, this is a strong uptake of the customer base, 13% on the post-paid, which is giving a lot of additional value to the Company. And equipment sales, which grow in terms of volumes.

For the fixed business, it is under pressure, so we do not hide it obviously. Mainly because of decline of our legacy businesses, which are first of all, the fixed voice category, PSTN and fixed wholesale services. So these are the structural factors and these factors are going to stay with us in the quarters to come.

In other revenue category, we were flagging to you in previous quarters that Q3 is the last quarter that we see the deterioration of this category, because in 2015 we have had infrastructure projects. So starting from Q4 we will not see it, so it will have significant impact on the year-on-year evolution of the revenue starting from Q4.

Now let's take a closer look at the mobile, which is on slide number 13. Here the total revenue is up by 3% this quarter and this is consisting of very high growth of the mobile equipment, driven by our shift towards installment model and it is also a contraction in our service revenues. And let me remind you that those two trends are in fact interconnected with each other, so there is a shift to installment model that drives transfer of part of the value from services to equipment. And this process will be with us for the next few quarters to come.

Service revenue in Q3 decreased more than in Q2, however, please note that in Q2 we were flagging to you a one-off, a positive impact of a one-off in wholesale revenue. So if we exclude it, the trend is there. Please remember that the trend in service revenue is also affected by increasing impact of convergent discounts, because we are increasing convergent base.

There is also a roaming effect, starting from this quarter we see the rates being downgraded, which is along the lines of the global change in the regulations for roaming. And also we see some small impact coming from the pre-paid registration bonuses. This is the impact that is because we are quite intensively registering our customers, we offer quite abundant packages for those customers who register. So that's also impacting the pre-paid revenue in Q3.

And all these factors are reflected in the ARPU evolution. There is obviously an ongoing trend of the pressure on the market coming from the competition, which is as you probably know, it's not easing at this stage, not increasing either. Our service revenue falls much less than the ARPU and as I said at the beginning, this is the impact of the strong, really strong uptake of the customer base, 13% year on year.

Now let's turn the page to fixed broadband, slide 14. Here, as Jean-Francois already mentioned, performance of broadband improved in Q3 from the commercial perspective. The losses of lines were trimmed and actually they are right now the lowest in around two years. On top of that, the LTE for fixed is getting good traction, so Q3 was really good from that perspective and we gained a momentum.

It is important step towards full recovery of this business that we have in our strategy. This better performance is, however, not yet visible on the revenue side, since we still see the impact of the pricing decrease which was effective last year. So the base is still rolling out towards this new pricing.

And return to growth in the fixed broadband is obviously a necessary condition for a successful turnaround of our Company.

So going to the next page, page 17 (sic -- "slide 15") for the fixed voice, here the trends are basically unchanged, so let me make some more general comment on this legacy area, because it is with us, it is a good cash flow generation area. However, the trends there are quite visible. So over the five past years, we saw PLN200 million to PLN300 million annual revenue contraction on those categories and this trend is difficult to stop.

Of course, we try to diminish this trend, thanks to proper pricing and banding of those services with other products that we have in our portfolio. However, this business is still partly regulated and has certain demographic trends, which are working very much against us today. These trends will obviously be also important for the outlook for the next year.

Going to the page 16, with EBITDA, as I said in Q3, contracted less than in the first semester. This is because of the cost category's evolution, so first of all, direct expenses are growing and are driven by two elements; interconnect costs, first of all. This is the trend which is with us since many quarters, so you are not surprised. And obviously our commercial activity, which is then visible in our cost base on the commercial front.

Here for commercial costs, we have the impact of the handset mix. We basically today sell more smartphones than we have been selling a year ago and we sell more valuable smartphones towards our customers. So there is a good demand on the market for good smartphones. We continue to deliver optimizations in all different categories of costs. First of all, this is labor, second of all, IT and the network expenses. Here there is a visible progress and thanks to that we are able to add additional savings to the portfolio for this year.

Looking forward, we expect more favorable EBITDA. We have better trends in the revenue in front of us and in indirect costs. And I reiterate once again that our full-year guidance is secured.

Now a couple of words for the net income, that's page 17 of the document. Evolution here is basically entirely reflecting the trend that we have in the operating profit and as you have noticed, we have since the LTE spectrum purchase much higher debt. But our net financial costs in this quarter have not increased versus last year and this is a consequence of two elements.

First of all, interest expense is going up naturally with the increase of the debt. Second of all, there is a positive effect which is coming from the lower discount expense and that benefits from the ForEx fluctuations in this quarter versus last quarter of 2015, Q3 of 2015.

So now let's move to page 18 for cash generation. There are two reasons for cash year-on-year evolution. First of all, this is EBITDA and second of all, this is the payments for CapEx that we see in quarter 3, from the CapEx originating in quarter 2 of this year. On the positive side, we have cash flow helped by lower requirement on the working capital side, so here receivables are still growing because volumes of installment receivables is increasing. And this is balanced, partly offset by positive change in payables.

You may have probably noticed in our financial statements that we started to use reverse factoring with some of our suppliers and that is helping us to sustain the position on the working capital front. This along with better EBITDA trend should have a positive impact on cash generation also in Q4.

And one important remark for the future, cash flow future, we look now how to sell installment receivables and how to accelerate real estate sales. We have both initiatives in our portfolio right now, but these initiatives at this stage at least are not easy and not economically obvious because of the negotiations that we have on the different fronts here. So today it is still too early to have them fully confirmed that they will happen, but we are working obviously intensively on them.

So now the last information is on page 19 of the document for the net debt. We've been flagging to you already in the previous quarter that the net debt to EBITDA will be higher at the end of Q3 and this is a basic consequence of the fact that we have paid the dividend, and we have paid also the yearly installment for one of our licenses, UMTS license and that is basically visible in the evolution of the net debt.

Today we are almost at the targeted level and we provisioned at the end of Q4 the net debt to EBITDA will improve, because of the cash flow generation that we are going to see in quarter 4. So at this stage, that's all from my side. Thank you very much for attention and I hand the floor back to Jean-Francois.

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Jean-Francois Fallacher - Orange Polska SA - CEO [4]

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Thank you, Maciej. So to conclude this presentation, for Q3 in a nutshell, strong commercial achievements. Very strong mobile post-paid net adds, good I would say evolution of our fixed very high broadband base, more than 50% of our pre-paid are registered, so again strong commercial quarter. And financials, as you see, in line with our expectations.

A few words now about next quarter, Q4 outlook. First of all, as you know, this is peak season coming, because Christmas is always a very important period for us. So we obviously are hoping for quite strong demand, especially this year because we have these two effects of pre-paid registration and also hopefully a boost in consumer consumption. And obviously we will focus more than ever in Q4 on improving our execution capacity, the execution of our strategy, so that's what is the plan. As concerns pre-paid registration, you have seen we have reopened a pretty attractive bonus for pre-paid registration. The reason of that is obviously that we want to avoid a tsunami or a wave effect just before the deadline, which is in February. So we want to smoothen the registration effect. So these bonuses might have a slight impact on our revenues in Q4, but I think it's important that we are again smoothening this migration.

Overall, our revenues evolution for Q4 should be a bit better than the previous quarter, simply because we will have no longer the impact of some infrastructure projects that we had in the first quarters. These are revenues that we were counting in 2015, so if you look at the year-on-year this is not going to be there. So for that reason, the year-on-year will be slightly better. And obviously as Maciej mentioned, these revenues, they will translate into the expected EBITDA trend. So we are reconfirming our EBITDA guidance.

So that concludes this presentation, thank you very much for your attention and now I will pass you the floor. We are ready for your questions. Thank you.

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Questions and Answers

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

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As usual, we start with the questions from the floor.

Pawel Puchalski - DM BZ WBK - Analyst [2]

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Pawel Puchalski, DM BZ WBK. First question is on customer base revision, because you are revising, actually cutting your base, but also you mentioned that the revision has no impact on the revenues. Am I getting it right that if you cut a base you must inflate ARPU to remain your revenues unchanged?

Maciej Nowohonski - Orange Polska SA - CFO [3]

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Thank you very much for the question. First of all, I would like to flag the customer base revision to the fact that when we communicated Q2 results, we have announced that our internal audit have spotted certain inaccuracies in one of the customer bases that we have reported and that basically was the TV customer base. We have launched a very rapid project of reconciliation of all, all our customer base that we report to the market and as a result of that, we have page 23 in this document which is very transparently showing the effect of the base revision and the effects of the net adds

gained from the business front in Q3.

And this is the only reason that we have done the base revision. There is no hidden agenda behind that. So now we are certain of the base, we have also established very strict new processes around the base reporting, to make sure that in the future we will not see such revision. And by the way, the base revision is except for TV base, which is around 6% base correction. All the other categories are basically regularization, not material and not meaningful even for the base itself, but not mentioning the revenue, where we do not see any change. I hope this answers your question.

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Pawel Puchalski - DM BZ WBK - Analyst [4]

But again, I would like to clarify, if I cut TV base by 7% and you claim that no impact on revenues, I would also have to increase artificially as a one-off ARPU by the same 6%. And I've got no problem with that, except for that distorts the trend, so I shall start the new trend starting from third quarter 2016.

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Maciej Nowohonski - Orange Polska SA - CFO [5]

Once again, thank you very much. Obviously arithmetic is working here, but to distort the trends the changes in the customer base would have to be really material and with all respect, we do not have such situation here. So this, I would say, regularization of the correctness of the reporting that we have as a strict rule for our corporate governance and we basically stick to that.

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Pawel Puchalski - DM BZ WBK - Analyst [6]

Of course, thank you very much, and the other question is on dividend. You are at 2.2 net debt to EBITDA, you will improve, as you said, insubstantially in quarter 4, but you are facing heavy CapEx and EBITDA decline next year. Do you think you will cut dividend paid next year?

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Maciej Nowohonski - Orange Polska SA - CFO [7]

Thanks again for the question. At this stage, obviously we will not speculate about what could happen for 2017. We will be 100% ready to answer all your questions regarding that in February, along with the communication of Q4. We basically work on those elements right now and we will be ready.

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Pawel Puchalski - DM BZ WBK - Analyst [8]

Thank you. If I might, would you feel comfortable with net debt to EBITDA at 2.4? That's my assumption, but would you feel comfortable with that level?

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Maciej Nowohonski - Orange Polska SA - CFO [9]

I will answer this question in February 2017.

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Pawel Puchalski - DM BZ WBK - Analyst [10]

Thank you very much.

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Maciej Nowohonski - Orange Polska SA - CFO [11]

Thank you.

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Leszek Iwaszko - Orange Polska SA - IR [12]

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Any more questions from the floor, because a large audience today? Anyone? Yes?

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Piotr Raciborski - Wood & Company. - Analyst [13]

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Hi, it's Piotr Raciborski, Wood & Company. My question also concerns arithmetic, but in terms of pre-paid segment. The pre-paid cards, we've seen an outflow of 600,000 cards that, as you have mentioned, generated immaterial revenue. So ARPU probably should go up as a result of this event and actually the ARPU in pre-paid segment deteriorated by 9% in third quarter versus only 7% in second quarter. So why even when we cut the immaterial revenue generating cards, we've seen such a decrease in the pre-paid segment ARPU?

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Maciej Nowohonski - Orange Polska SA - CFO [14]

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Okay, thank you very much for the question. Obviously, there are some trends of the pre-paid category which are with us not since Q3, but since long, long quarters. And those trends continue as well for Q3 and here I mentioned, for example, the evolution of the roaming, the evolution of the different migrations from pre-paid to post-paid.

And there is one specific item which is specific for Q3, which is the bonus that we have initiated in August for the customers. The mechanics are very simple here, once a customer is registered he is eligible to use quite an abundant package of the free internet traffic, and he's using it.

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Piotr Raciborski - Wood & Company. - Analyst [15]

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So what will be the trend in ARPU if we adjusted the denominator by the 600,000 outflow that is resulting from the regulatory changes?

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Maciej Nowohonski - Orange Polska SA - CFO [16]

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Well, I would say that would be around PLN0.30 better.

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Piotr Raciborski - Wood & Company. - Analyst [17]

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Could you repeat it to me.

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Maciej Nowohonski - Orange Polska SA - CFO [18]

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PLN0.30 better.

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Piotr Raciborski - Wood & Company. - Analyst [19]

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Thank you.

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Leszek Iwaszko - Orange Polska SA - IR [20]

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Do we have any more questions from the floor? If not, then I suggest -- oh, there is one.

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Przemysław Sawala-Uryasz Pekao Investment Banking S.A. [21]

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Looking at your net additions in FTTH segment, it was done all in the summer season, which is usually a slow one. I was wondering what is the run rate for monthly net additions in FTTH, because it wasn't certainly 18,000 divided by three months.

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Bożena Lesniewska - Orange Polska SA - Director, Sales & Commercial Digitization [22]

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As you can see, the difference between the Q3 and Q4 is over 50% of the increase of the sales. So we are going in this pace, we look at the quarterly basis and we will continue. We are at the increasing curve because it's new product and we still develop our sales.

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Przemysław Sawala-Uryasz Pekao Investment Banking S.A. r [23]

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So can we assume that you are increasing the rate of net additions by 15%?

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Bożena Lesniewska - Orange Polska SA - Director, Sales & Commercial Digitization [24]

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When we compared the Q3 to Q4, the -- is the pace, yes.

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Maciej Nowohonski - Orange Polska SA - CFO [25]

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Q2.

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Bożena Lesniewska - Orange Polska SA - Director, Sales & Commercial Digitization [26]

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Q2; Q3 to Q2.

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Przemysław Sawala-Uryasz Pekao Investment Banking S.A. [27]

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Thank you.

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Leszek Iwaszko - Orange Polska SA - IR [28]

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So just we switch to teleconference listeners, operator.

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Operator [29]

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(Operator Instructions). Now we take our first question from Ondrej Cabejsek from Berenberg. Please go ahead, your line is now open.

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Ondrej Cabejsek - Berenberg - Analyst [30]

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Yes, Ondrej here from Berenberg, thanks for taking my questions. Firstly, I would like to ask, because I didn't see in your presentation any charts or comments on your 2017 and 2018 revenue and EBITDA outlook, as we've seen in the past. So I was wondering whether you're still sticking to the views that you presented in the past quarters of EBITDA and revenue turnaround in the next years.

Second question relates to the CapEx plans, or whether you would like to share some assessment of what you've seen in terms of the fiber take-up so far, because the rate while improving, the take-up is



still below 5%. And looking forward and looking at your indebtedness, etc., are you still sticking to the plan of passing 3.5 million households by 2018? Are you not considering slowing this rollout down a bit, given the still slow take-up?

And related to that question is what is your assessment of the UPC-Multimedia merger on your CapEx plans? Thank you.

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Maciej Nowohonski - Orange Polska SA - CFO [31]

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So thank you very much, Ondrej, I will take the answer to the question number one and then I will give the floor to Jean-Francois for two other questions.

Yes, you rightfully noticed that we do not present the outlook for 2017 and 2018, this is correct and this is right and this is intended. We have been flagging already when communicating the mid-term strategy in February this year, that the next checkpoint will be in a year's time from that date.

So the next checkpoint is basically in February 2017 for the update on those elements, so we kindly ask you for a couple of months of patience. We are working on all of these elements which are appearing in your question.

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Jean-Francois Fallacher - Orange Polska SA - CEO [32]

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As concerns the question on fiber -- Jean-Francois Fallacher speaking -- so as I was telling you in the previous quarter, fiber for us is just a start. This is a very long-term investment.

We are happy with the results that we are presenting you today, 57,000 customers, so of course you will find it modest, but again it's the start. Let's look at the trend, so the trend is going upwards, which is positive. So at this stage there is no reason for us to slow down, so the plan is still valid.

You were asking about the UPC-Multimedia recent announcement, so for us, this is not a surprise. This market was -- there were rumors for the last, let's say, two quarters about this potential acquisition. You know that the fixed broadband market in Poland is extremely fragmented, so everybody was expecting some consolidation to happen. It looks like this is on the way.

So our vision on this potential merger at Orange is like you know -- again it's not a surprise for us. We like competition at Orange, so basically our strategy remains totally unchanged. We are going on to actually deploy fiber. We strongly believe that convergence is the way for us to go, we are the only convergent player on this market, so this is the way we see this news on the market.

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Ondrej Cabejsek - Berenberg - Analyst [33]

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Thank you. Could you just expand a bit on your reading of this? Do you expect, for example, competition to slow down a bit in the interim before the merger actually happens? Do you expect there is some network overlap that will eventually allow the two merged entities to be less competitive, allow for market share grab by you perhaps? Because in my numbers there is some overlap that increases the take-up rate of the potential merged entity to quite high numbers. So what is your reading of the situation there? If you could expand a bit please.

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Jean-Francois Fallacher - Orange Polska SA - CEO [34]

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Yes, of course. So we are having the same analysis that you're having basically. I'm not that long on this market, but my colleagues around the table explain to me that during the previous acquisition some years ago, cable acquisition, the process was pretty long. So we expect that there will be of course -- the competition authorities will look at this deal, so it might take a little bit of time. But however, this is not my style to speculate on -- our competitors will I would say manage this acquisition. Once again, we are really looking at it with confidence basically.

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Ondrej Cabejsek - Berenberg - Analyst [35]

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Okay, thank you very much.

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Operator [36]

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(Operator Instructions). We have a question coming in from Vera Sutedja from Erste Bank. Please go ahead, your line is now open.

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Vera Sutedja - Erste Bank - Analyst [37]

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Yes, good morning, everybody. My question is regarding for 2017, how confident are you that the EU fine will still be due next year? And I want also -- although you already said before, but just update us again on the process of selling receivables. Was it basically just because you are in negotiations here, or is this there is not enough demand from the banks for this kind of deal for selling receivables?

And my third question will be regarding ICT revenues, so do you expect in the fourth quarter there will be let's say a generally high ICT project, so that improves also the revenues in the fourth quarter? Thank you.

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Maciej Nowohonski - Orange Polska SA - CFO [38]

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So I will take the first two questions, Vera, good morning, and then I will pass the floor to Mariusz for ICT revenues for Q4. So first of all, European Commission fine that is with us, we obviously do not entirely control the process, everything is in the hands of the tribunal right now.

And I would say the next checkpoint is we believe, we believe, in the first semester of 2017 and then we will be having probably much more information about the timing of the potential closure of the case, or any other solution that the revision of the things at the tribunal may bring. So that's regarding EU fine.

Regarding selling receivables, yes, actually we are in the negotiation process with the different financial institutions. There is a big interest for that since we speak about important amounts to be potentially sold.

Just to recall you, at the end of Q3 we can estimate that this is around PLN800 million of the total potential which is with us for the balance sheet position and it will certainly grow by the end of this year. So we are now in the negotiating process, but negotiations are really tough. We cannot yet today conclude which direction they will basically go.

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Vera Sutedja - Erste Bank - Analyst [39]

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Thank you.

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Mariusz Gaca, Orange Polska, Vice President in charge of Business Market [40]

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So answering your ICT revenues -- it's Mariusz Gaca speaking. So in Q3 year-on-year -- this will be basically two points from my side. When you analyze the year-on-year evolution you see that the Q3 2015 revenue from ICT services was PLN61 million, while in Q3 2016 it was PLN45 million, and this is on slide 12.

And here one point of explanation, the difference is coming from actually one public tender that we invoiced in September 2015 for the value of PLN20 million and the total value of this contract was

more than PLN100 million. Obviously, what we see currently in the market, that there are not many big public tenders happening and this is the fact. So what we are trying to do, we are trying to compensate with other customers, which are basically commercial customers. So that relates to the year-on-year evolution.

And you also ask about the confidence in Q4 ICT revenues, and if you look at the seasonality of this business, usually Q4 is a peak season, as the majority of enterprise customers are about to finish or finalize their budgets. So they basically are pushing to finish projects, so I'm pretty confident about Q4 evolution versus Q3 and I'm pretty confident that the top line that we assumed for 2016 will be delivered, despite the fact that we are suffering to some extent the lack of big public tenders.

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Vera Sutedja - Erste Bank - Analyst [41]

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Okay, thank you for the answers.

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Operator [42]

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Thank you and we'll take our last question as a follow-up from Ondrej Cabejsek from Berenberg. Please go ahead, your line is open.

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Ondrej Cabejsek - Berenberg - Analyst [43]

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Thanks, so I want to ask about the fourth quarter please. In terms of guidance you're saying you're sticking to your full-year guidance, but looking at year-over-year dynamics it seems to me that you will likely be forced to cut commercial expenses quite a lot in the fourth quarter on a year-over-year basis to get there. Just wondering if there's any outlook for 2017 regarding commercial expenses and in the concept of how you can have the -- how your commercial activity in the market has worked in the past five quarters.

And then a follow-up is on the various questions in terms of the balance sheet optimization. If you could give us an update also on the real estate and any potential tower negotiations and disposals, either you or with other telecoms on the market. Thank you.

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Maciej Nowohonski - Orange Polska SA - CFO [44]

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Thank you, Ondrej. So coming back to Q4 evolution, naturally we do not predict to cut any costs, commercial costs and as a consequence stream volumes which would be a basic result of cutting the costs. Please also take a look at the evolution of our underlying trend in equipment revenue that we have in last quarters. It is growing pretty substantially and I'm not predicting that it will be smaller in Q4.

I would say fingers crossed for having higher volumes and more handsets in the hands of our customers and more usage of our network in a busy peak season, which is in front of us. So that's about the cut of commercial expenses that we do not provision.

Second of all, you wanted some additional zoom on the balance sheet for real estate and for the tower. So first of all, for real estate we are right now in the process of revamping our approach. It is in the middle, so I will not be too much talkative today on the topic.

But you may have heard from the market that we have put on the real estate market a number of quite substantial real estate items that are much bigger than the transactions volumes that we have been doing in the past. So it is the risk of concluding such transaction is I would say not very different from any other transaction that we had in the past.

It's difficult to predict, but on top of our increased activity in terms of putting to the market these big items in the city center of Warsaw or Lublin, we have right now in our pipe acceleration and revision of the real estate strategy and I will come back to you on that topic as soon as we are ready.

For the towers, we do not have any project right now and that's the fact, but we've been saying many times in the past that in the future why not to consider the tower as a real estate, another portion of the real estate that is with us, but not now, not now.

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Ondrej Cabejsek - Berenberg - Analyst [45]

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Thank you.

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Operator [46]

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There are no further questions over the phone at this time.

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Leszek Iwaszko - Orange Polska SA - Head of IR [47]

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Do we have any follow-ups from the floor then? I can't see, then thank you very much for the attention and see you in February for the full-year results conference. Thank you.

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Maciej Nowohonski - Orange Polska SA - CFO [48]

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Thank you very much.

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Operator [49]

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Thank you.

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