Current Report (12/2017)
Orange Polska S.A., Warsaw, Poland
26 April, 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 1Q 2017.

Disclosures on performance measures, including adjustments, are presented in the Note 2 to Condensed IFRS Quarterly Consolidated Financial Statements of the Orange Polska Group for the 3 months ended 31 March 2017 (available at http://orange-ir.pl/results-center/results/2017).

Orange Polska in 1Q2017 continued commercial focus on convergence and fibre and delivered financial results confirming full-year targets

key figures (PLN million), IFRS	**1Q 2016**	**1Q 2017**	**change**
revenue	2,803	2,818	+0.5%
EBITDA	868	748	-13.8%
EBITDA margin	31.0%	26.5%	-4.5pp
operating income/loss	215	109	-49.3%
net income/loss	98	39	-60.2%
capex	3,545	385	-89.1%
adjusted capex[1]	377	385	+2.1%
organic cash flow	-3,204	-254	n/a
adjusted organic cash flow[1]	-56	-254	n/a

[1] please refer to adjustment table on p.5

KPI (‘000)	1Q 2016	1Q 2017	change[2]
convergent customers[3]	626	938	+50%
mobile accesses (SIM cards)	16,215	15,272	-5.7%
post-paid	8,526	9,452	+11.1%
pre-paid	7,689	5,820	-24.4%
fixed broadband accesses (retail)	2,130	2,269	+7.6%
fixed voice lines (retail)	4,120	3,859	-6.3%

1Q 2017 highlights:

- **revenue up 0.5% year-on-year, vs -4.2% in 1Q 2016**
  - **mobile revenues up 2.4% year-on-year, as further shift to instalment offers (reflected in equipment sales) offset lower service revenues (affected mainly by lower pre-paid)**
- **strong commercial performance in convergence, mobile post-paid and fixed broadband:**
  - **+11%[2] yoy mobile post-paid customers, +190k net adds in 1Q**
  - **+8%[2] yoy fixed broadband customers, +63k net adds in 1Q driven by wireless for fixed and fibre**
  - **+50% yoy convergent customers[3], +103k net adds in 1Q**
- **pre-paid base continued to be impacted by much lower new activations following SIM card registration obligation**
- **EBITDA at PLN 748m; FY guidance in the range of PLN 2.8-3.0bn confirmed**
  - **EBITDA margin at 26.5%, down 4.5 pp year-on-year, reflecting pressure on legacy business lines and distorted comparable basis (due to PLN 94m provision release in labour costs in 1Q 2016). Underlying trend of indirect costs optimisation intact.**
- **adjusted capex[4] at PLN 385m, +2.1% year-on-year, incl. PLN 126m for the fibre network roll-out**
  - **ex-fibre capex down 17% year-on-year**
- **almost 1.7 million households connectable with fibre at the end of March (215k added in 1Q);**
- **adjusted Organic Cash Flow[4] at PLN -254m as a result of high working capital requirement (mainly due to payments for capex and handsets purchased in Q4 2016)**

[2] includes effects of customer base revision made in 3Q 2016
[3] Since 1Q 2017 convergent customer definition has been modified and reflects only a combination of fixed broadband (incl. wireless for fixed) and mobile handset offer, with financial benefit
[4] please refer to adjustment table on p.5

commenting on 1Q 2017 performance, Jean-François Fallacher, Chief Executive Officer, said:

“In 1Q, in line with our priorities, our activity was focused on convergence and fibre. In mid-February we successfully launched the Orange Love convergent offer, which constitutes our flagship proposal for Polish households and small businesses and is our market differentiator. We are satisfied with the first commercial results. In the vast majority of activations we generate value through upsell of additional services. Our convergent base increased by more than 100k customers or 12% this quarter. Penetration of convergence among individual fixed broadband customers reached 38% and increased from 28% a year ago.

Our fibre customer base grew by 29k and almost equalled the commercial peak of 4Q. At the end of March our fibre service was available to almost 1.7 million households. In 1Q the network expanded by more than 200k households of which c.20% was generated on the infrastructure of other operators. This confirms that we are open to co-operation and aim to build our network in an efficient manner. We confirm our ambition to add more than 1 million households in 2017.

As we stated in February, we are in the process of reviewing our mid-term strategic plans with the aim to improve our execution and resource allocation, and generate new efficiencies. We plan to announce an update on our mid-term outlook in July along with the second quarter results.”

Financial Review

Revenues up by 0.5% year-on-year vs -4.2% in 1Q 2016

Revenues totalled PLN 2,818 million in 1Q, up 0.5% or PLN 15 million year-on-year. The growth resulted from higher share of instalment offers sales (reflected in robust growth of mobile equipment), higher revenues from ICT business and fixed broadband, which has returned to a modest growth (since this quarter wireless for fixed is reported in fixed broadband while previously it was part of mobile). These positives offset lower revenues from mobile services and legacy fixed business lines (PSTN and wholesale). Mobile service revenues were down 6.6% year-on-year, slightly more than in the previous quarters, mainly due to bonuses offered to pre-paid customers for SIM cards registration and revenue loss from unregistered pre-paid customers after 1st February 2017.

In 1Q our mobile post-paid customer base increased by 190,000 or 2.1%. In handset offers net customer additions continued to be very strong (158,000 vs 107,000 in 1Q 2016) driven by multi-SIM family offers, convergence and migration from pre-paid. Small contraction of mobile broadband customers reflects growing popularity of wireless for fixed offers and higher data packages for smartphone usage available in handset tariffs. Pre-paid base contracted by 717,000 which was a continued effect of much lower activations of new SIM cards following registration obligation. We expect this contraction to continue in the second quarter.

The share of LTE traffic in total mobile data transmission has reached 66% in 1Q. Smartphone penetration in post-paid handset customer base reached 68% versus 63% in 1Q 2016. Growth of data usage per user in post-paid handset customer base reached 120% year-on-year. The number of LTE unique active users reached 4.6 million, growing year-on-year by 90%.

Our convergent customer base increased by 12% or 103,000 in 1Q 2017 to 938,000. The total number of services used by B2C convergent customers approached 3 million, which implies that on average every customer uses four services.

Fixed broadband customer base increased by 63,000 in 1Q and reached 2.27m. Line losses in ADSL and CDMA were more than compensated by growing fibre, VDSL and wireless for fixed (which since this quarter is reported in fixed broadband while previously it was part of mobile). The number of fibre customers at the end of March stood at 117,000. The take-up rate of 29,000 was, as we expected, almost equalling the seasonally strongest 4Q (31,000) and much higher than in 1Q 2016 (10,000). Commercialization of the fibre network approached 7%. In fixed voice, structural decline slowed down with net loss of lines at 73,000 vs 74,000 in 1Q 2016.

EBITDA margin at 26.5%, down by 4.5 pp year-on-year, reflecting pressure on legacy business lines and an unfavourable comparable basis; FY objective confirmed

EBITDA for 1Q 2017 came in at PLN 748 million, down by PLN 120 million or 13.8% year-on-year. EBITDA margin stood at 26.5%, down by 4.5 pp year-on-year. The year-on-year trend was significantly distorted by PLN 94 million provision release in labour costs booked in 1Q 2016. Excluding this item, fall in EBITDA reflects mainly structural decline of legacy revenues and continued support from indirect costs optimisations, mainly in labour, advertising & promotion and other costs.

Net income at PLN 39 million supported by lower depreciation and net financial expense

Net income for 1Q 2017 stood at PLN 39 million versus PLN 98 million in 1Q 2016. Bottom line contracted less than EBITDA due to lower depreciation, lower net financial expense and also lower tax. Fall in depreciation reflected mainly extension of useful life of certain fixed assets – an impact of PLN 41 million recognised in 1Q 2017. Net financial expense was lower as strengthening of PLN to EUR supported UMTS licence discount expense. Finally, lower tax resulted from non-taxable FX impact and other changes in certain provisions.

Adjusted Organic Cash Flow[5] at PLN -254 million due to high working capital requirement

Adjusted organic cash flow for 1Q 2017 came in at PLN -254 million versus PLN -56 million in 1Q 2016. Lower EBITDA and higher working capital requirement were the two key factors behind year-on-year deterioration in cash generation. Working capital requirement was higher by PLN 215m mainly as a result of further growth of instalment receivables, inventory restock after Q4 peak commercial period and different timing of settlements with one of carrier customers. Capital expenditure cash outflows were PLN 706 million in 1Q 2017 (broadly similar to last year) as a result of high capex of the current quarter and due to payments to capex vendors as a consequence of high investments realised in 4Q 2016.

commenting on 1Q 2017 results, Maciej Nowohoński, Chief Financial Officer, said:

"Our financial performance in 1Q 2017 was in line with our full-year targets. Mobile revenues continued to be supported by robust growth of equipment sales as a result of the shift to instalment offers. To reflect our commercial approach and market trends, since this quarter, we have reclassified customers using offers based on wireless for fixed technology from mobile to fixed. This approach better reflects fixed broadband revenue trend. Excluding provision release a year ago, EBITDA contracted mainly due to structural decline of legacy revenues but was supported by ongoing optimisations in indirect expenses. We work as well to improve cash generation, not only through further savings but as well through initiatives in working capital area."

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[5] please refer to adjustment table on p.5

Adjustments to financial data

in PLNm	1Q'16	1Q'17
Capital expenditures	3,545	385
-acquisition of telecommunications licences	-3,168	-
Adjusted capital expenditures	377	385
Organic cash flow	-3,204	-254
-LTE auction deposits / Acquisition of LTE spectrum	+3,148	-
Adjusted organic cash flow	-56	-254

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 1Q 2017 results presentation.

Orange Polska 1Q 2017 Results Presentation

Thursday 27th April 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 1Q 2017 Results Conference Call

Conference code:
4082622

Dial in numbers:
UK/Europe: +44 (0) 330 336 9412
US: +1 719 325 2385

Toll free numbers:
UK: 0800 279 7204
US: +1 888 349 9618

Orange Polska Group Consolidated

Disclosures on performance measures, including adjustments, are presented in the Note 2 to Condensed IFRS Quarterly Consolidated Financial Statements of the Orange Polska Group for the 3 months ended 31 March 2017 (available at http://orange-ir.pl/results-center/results/2017)

amounts in PLN millions	2016								2017
	1Q		2Q		3Q		4Q		1Q
Income statement	as reported	after reclassification*	as reported	after reclassification*	as reported	after reclassification*	as reported	after reclassification*	as reported
Revenues									
Mobile revenues	**1,526**	**1,517**	**1,622**	**1,604**	**1,594**	**1,565**	**1,679**	**1,638**	**1,554**
Retail services	1,090	1,082	1,080	1,069	1,085	1,069	1,041	1,018	972
Wholesale services (including interconnect)	244	244	270	270	251	251	272	272	267
Mobile equipment sales	192	191	272	265	258	245	366	348	315
Fixed services	**1,192**	**1,200**	**1,175**	**1,186**	**1,156**	**1,172**	**1,139**	**1,162**	**1,134**
Fixed narrowband	401	401	387	387	376	376	363	363	350
Fixed broadband, TV and VoIP	381	389	375	386	369	385	365	388	393
Enterprise solutions & networks	219	219	218	218	222	222	233	233	215
Wholesale revenue (including interconnect)	191	191	195	195	189	189	178	178	176
Other revenue	**85**	**86**	**106**	**113**	**101**	**114**	**163**	**181**	**130**
Total revenues	**2,803**	**2,803**	**2,903**	**2,903**	**2,851**	**2,851**	**2,981**	**2,981**	**2,818**
year-on-year**	**-4.2%**	**n/a**	**-3.5%**	**n/a**	**-3.9%**	**n/a**	**1.9%**	**n/a**	**0.5%**
Labour expenses	(381)	(381)	(440)	(440)	(404)	(404)	(411)	(411)	(452)
External purchases	(1,476)	(1,476)	(1,580)	(1,580)	(1,535)	(1,535)	(1,841)	(1,841)	(1,554)
- Interconnect expenses	(354)	(354)	(384)	(384)	(381)	(381)	(395)	(395)	(409)
- Network and IT expenses	(160)	(160)	(168)	(168)	(164)	(164)	(178)	(178)	(157)
- Commercial expenses	(615)	(615)	(685)	(685)	(656)	(656)	(883)	(883)	(638)
- Other external purchases	(347)	(347)	(343)	(343)	(334)	(334)	(385)	(385)	(350)
Other operating incomes & expenses	(88)	(88)	(96)	(96)	(90)	(90)	(103)	(103)	(72)
Employment termination expenses									
Gain/(loss) on disposal of assets	10	10	37	37	9	9	14	14	8
Reported EBITDA	**868**	**868**	**824**	**824**	**831**	**831**	**640**	**640**	**748**
% of revenues	*31.0%*	*31.0%*	*28.4%*	*28.4%*	*29.1%*	*29.1%*	*21.5%*	*21.5%*	*26.5%*
Adjusted EBITDA	***868***	***868***	***824***	***824***	***831***	***831***	***640***	***640***	***748***
% of revenues	*31.0%*	*31.0%*	*28.4%*	*28.4%*	*29.1%*	*29.1%*	*21.5%*	*21.5%*	*26.5%*
Depreciation & amortisation	(653)	(653)	(683)	(683)	(695)	(695)	(694)	(694)	(639)
(Impairement)/reversal of impairement of non-current assets	0	0	1	1	1	1	(1,794)	(1,794)	0
Operting income	**215**	**215**	**142**	**142**	**137**	**137**	**(1,848)**	**(1,848)**	**109**
% of revenues	*7.7%*	*7.7%*	*4.9%*	*4.9%*	*4.8%*	*4.8%*	*-62.0%*	*-62.0%*	*3.9%*
Finance costs, net	(96)	(96)	(96)	(96)	(79)	(79)	(88)	(88)	(71)
Income tax	(21)	(21)	(29)	(29)	(21)	(21)	38	38	1
Consolidated net income	**98**	**98**	**17**	**17**	**37**	**37**	**(1,898)**	**(1,898)**	**39**

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

Orange Polska Group key performance indicators

Key operational performance indicators

customer base (in thousands)	2016 1Q	2016 2Q	2016 3Q	2016 4Q	2017 1Q
Convergent customers[1]	**626**	**679**	**738**	**835**	**938**
o/w B2C	*532*	*568*	*603*	*666*	*738*
o/w B2B	*94*	*111*	*135*	*169*	*200*
Fixed telephony accesses					
POTS, ISDN & WLL	3,487	3,415	3,337	3,268	3,181
VoIP	633	644	651	664	678
Total retail main lines	**4,120**	**4,059**	**3,988**	**3,932**	**3,859**
Fixed broadband access					
ADSL	1,669	1,613	1,562	1,503	1,451
VHBB (VDSL+Fibre)	366	409	436	492	544
o/w VDSL	339	370	379	404	427
o/w Fibre	27	39	57	88	117
CDMA	44	35	27	20	14
Wireless for fixed	50	82	128	191	260
Retail broadband - total	**2,130**	**2,139**	**2,153**	**2,206**	**2,269**
TV client base					
IPTV	200	213	214	234	254
DTH (TV over Satellite)	597	590	548	532	521
TV client base - total	**797**	**803**	**761**	**766**	**775**
-o/w 'nc+' packages	190	194	194	195	189
3P services (TV+FBB+VoIP)[1]	531	547	527	543	569
Mobile accesses					
Post-paid					
Mobile Handset	*6,369*	*6,491*	*6,640*	*6,851*	*7,009*
Mobile Broadband	*1,298*	*1,327*	*1,355*	*1,377*	*1,364*
M2M	*858*	*898*	*963*	*1,033*	*1,079*
Total postpaid	**8,526**	**8,716**	**8,957**	**9,262**	**9,452**
Pre-paid	**7,689**	**7,898**	**7,309**	**6,537**	**5,820**
Total	**16,215**	**16,614**	**16,266**	**15,799**	**15,272**
Wholesale customers					
WLR	*780*	*730*	*693*	*652*	*614*
Bitstream access	*234*	*222*	*213*	*202*	*195*
LLU	*125*	*120*	*116*	*110*	*105*

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

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

other mobile operating statistics	2016				2017
	1Q	2Q	3Q	4Q	1Q
MVNOs customers (thousands)	7	6	6	5	5
Number of smartphones (thousands)	5,809	5,996	6,057	6,291	6,312
volumes & churn					
AUPU (in minutes)					
post-paid	345.0	359.3	351.1	354.5	342.5
pre-paid	105.3	104.4	104.7	113.7	121.7
blended	225.3	231.8	230.4	244.7	248.0
Quarterly mobile customer churn rate (%)					
post-paid	3.0	2.8	2.7	2.8	3.1
pre-paid	15.7	15.2	16.9	18.1	21.3
subsidies					
SAC post-paid (PLN)	256.4	211.1	183.0	188.9	130.7
SRC post-paid (PLN)	222.1	176.3	169.8	179.9	64.0
network coverage					
4G coverage in % of population	89.2%	95.4%	97.4%	99.1%	99.2%
3G coverage in % of population	99.6%	99.6%	99.6%	99.6%	99.6%

Employment structure of Group as reported **Active full time equivalents (end of period)**	2016				2017
	1Q	2Q	3Q	4Q	1Q
Orange Polska	**16,497**	**16,099**	**15,786**	**15,537**	**15,481**
50% of Networks	349	338	344	343	347
Total	16,846	16,437	16,130	15,880	15,828

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.