Current Report (12/2018)
Orange Polska S.A., Warsaw, Poland
25 April, 2018

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 2018.

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 2018 (available at http://orange-ir.pl/results-center/results/2018).

Orange Polska in 1Q2018 reports stable year-on-year EBITDA (under IAS18 accounting) driven by convergence strategy and business transformation

key figures (PLN million)	**1Q 2018 (IFRS15)**	**1Q 2018 (IAS18)**	**1Q 2017 (IAS18)**	**change (IAS18)**
revenue	2,710	2,766	2,818	-1.8%
EBITDA	674	746	748	-0.3%
EBITDA margin	24.9%	27.0%	26.5%	+0.5 pp
operating income	33	105	109	-3.7%
net income/loss	-50	8	39	-79.5%
capex	388	388	385	+0.8%
organic cash flow	-155	-155	-254	n/a
adjusted organic cash flow[1]	-152	-152	-254	n/a

Evolution of business trends is presented under the old IAS18 accounting standard. The new accounting standard, IFRS15, has been implemented by Orange Polska prospectively i.e. no comparative figures for past years restated to IFRS15 are provided. In the opinion of the Company, such an approach assures continuity of performance vis-a-vis the recently announced strategy and already known business trends.

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

KPI (‘000)	1Q 2017	1Q 2018	Change
convergent customers (B2C)	738	1,090	+47.7%
mobile accesses (SIM cards)	15,272	14,368	-5.9%
post-paid	9,452	9,747	+3.1%
pre-paid	5,820	4,621	-20.6%
fixed broadband accesses (retail)	2,269	2,477	+9.2%
fixed voice lines (retail)	3,859	3,613	-6.4%

1Q 2018 highlights:

- **EBITDA stable yoy (under IAS18 accounting), reflecting continued improvement in underlying trends driven mainly by:**
  - **Accelerating convergence which allows us to curb churn and upsell more services**
  - **Growing monetisation of fibre investments**
  - **Ongoing optimisations resulting in another 5% yoy decrease in indirect costs**
- **Full-year adjusted EBITDA guidance at around PLN 3.0 billion under IAS18 and PLN 2.75 billion under IFRS15 confirmed**

- **Revenue down 1.8% yoy (under IAS18 accounting), reflecting:**
  - **Improving growth rate of convergence revenues, which increasingly offset decline of mono services revenues (mobile and fixed broadband)**
  - **Support for wholesale revenues coming from national roaming and international interconnect**
  - **Much lower growth of equipment sales as a result of value focus**
  - **Ongoing pressure on legacy areas**

- **Strong commercial performance in convergence, fibre and TV:**
  - **48% yoy growth of B2C convergent customers, +55k net adds in 1Q**
  - **112% yoy growth of fibre customers, +34k net adds in 1Q (adoption rate at 9.2%)**
  - **13% yoy growth of TV customers, +27k net adds in 1Q**
- **Evolution of mobile-only and fixed broadband-only customers reflects focus on convergence and value. New commercial actions just launched to improve performance of mono services**

- **Capex at PLN 388m, flat yoy, reflecting high capex for the fibre network roll-out and growing capex for mobile**
- **c. 2.7 million households connectable with fibre at the end of March (218k added in 1Q)**
- **Adjusted Organic Cash Flow[2] at PLN -152m reflects seasonally high payments for capex and handsets purchased in 4Q 2017**

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

Commenting on 1Q 2018 performance, Jean-François Fallacher, Chief Executive Officer, said:

"In 1Q, in line with the priorities we set in our Orange.one strategic plan, we maintained our focus on value: pushing convergence, monetising fibre and continuing to transform the business. These are the critical factors for the success of our turnaround strategy. On the back of the new campaign, Orange Love continues to sell very well and already constitutes two thirds of our total B2C convergent customer base. Penetration of convergence among individual fixed broadband customers reached 52% (up from 38% a year ago) and 40% among the post-paid handset customer base (up from 27% a year ago). Fibre service adoption reached 9.2% at the end of March and it keeps on increasing every quarter. Net fibre customer additions came in at 34,000 in 1Q. At the beginning of April our fibre customer base reached the 250,000 milestone.

Thanks to fibre and wireless-for-fixed, the transformation of our broadband base progresses quickly. At the same time, we see opportunities to enhance the performance of mobile and broadband non-convergent customer groups. With the new spring commercial season, we have just launched measures to improve these areas – and also create additional value.

We continue to transform our operations in order to be simpler, more digital and more efficient. Internally, we are pursuing the idea of culture change among our employees. We promote empowerment. We also aim to improve the work environment, so that our employees will identify more closely with our goals and values, and gain confidence in their future careers with Orange."

Financial Review

Revenues down by 1.8% year-on-year vs. +0.5% in 1Q 2017

Revenues (under IAS18 accounting) totalled PLN 2,766 million in 1Q, down 1.8% or PLN 52 million year-on-year. There were four main factors influencing the revenue trend.

Firstly, high growth of revenues from convergent services (38% year-on-year) driven by robust customer growth and upsell of new services. Secondly, revenues from mobile-only and fixed broadband-only services decline (14% year-on-year) as a result of migration to convergence, value focus reflected in service pricing and market competition.

However, it is important to underline that the improving growth rate of convergent service revenues increasingly offsets decline of mobile-only and fixed broadband-only revenues. Combined revenues of these categories were down 5% year-on-year in 1Q, as compared to 6% and 7% year-on-year decline in 4Q and 3Q 2017 respectively.

Thirdly, overall revenue performance in 1Q was greatly affected by much lower growth of equipment sales as a result of cutting handset subsidies and shift to SIM-only offers. Finally, wholesale revenues benefitted from a national roaming contract with Play and support from international interconnect.

Commercial performance reflects focus on convergence

Our commercial activity is very much focused on delivering a package of mobile and fixed services, which we define as convergence. It is our competitive edge, it constitutes a good customer loyalty tool and it allows us to upsell more services, winning a higher share of household media and telecom budgets. While pushing convergence, we limited customer communication of our mobile-only and fixed-only offers.

In 1Q our B2C convergent customer base increased by 55,000 or 48% year-on-year. At the end of March, 52% of our B2C broadband customers were convergent versus 38% a year ago. In B2C mobile handset customer base, penetration of convergence increased to 40% versus 27% at the end of March 2017. The total number of services used by B2C convergent customers reached 4.45 million, which implies that on average every customer uses more than four services.

Total fixed broadband customer base increased by 39,000 in 1Q, which was the eighth consecutive quarter of growth. It is driven by an attractive convergent offer and technological transformation. The share of ADSL customers stood at only 52% at the end of March, versus 65% a year ago. Our fibre network has reached almost 2.7 million households, which already constitutes close to 20% of all Polish households. Fibre customer base increased 112% year-on-year and added 34,000 in 1Q. Our non-convergent broadband customer base continues to shrink as a result of migration to convergence but also due to churn. We have just launched commercial actions to improve competitiveness of our xDSL offer.

Total post-paid customer base increased by 21,000 in 1Q 2018. In handset offers, net customer additions of 40,000 reflected the shift from volume to value in the commercial approach and focus on convergence. Mobile broadband customer base fell another quarter in a row, again driven by the shift to wireless for fixed offers and growing data packages for smartphone usage available in handset tariffs. Similarly to broadband, evolution of non-convergent mobile customer base is influenced by migration to convergence and market competition.

Following improvements in our content value proposition and focus on convergence, our pay-TV customer base continued to strongly expand. With net additions of 27,000 in 1Q, it reached 875,000 and increased 13% year-on-year.

In fixed voice, the net loss of lines was broadly stable at 71,000 in 1Q. This is attributable to growth of VoIP services, which are part of the Orange Love package. Excluding VoIP services, the loss of lines accelerated, as it is affected by structural negative market trends.

EBITDA stable year-on-year, in line with full-year expectations; margin +0.5 pp year-on-year

EBITDA for 1Q 2018 came in at PLN 746 million and was almost exactly stable year-on-year (under IAS18 accounting). A decrease in direct margin was offset by indirect cost optimisations. Direct margin mainly benefitted from another quarter of value focus in commercial expenses and lower growth of interconnect costs (helped by renegotiations of roaming wholesale rates). Another quarter in a row indirect costs were down 5% year-on-year. It was a consequence of numerous transformation actions launched in many areas of operations (e.g. IT, network, property, general expenses). Lower labour costs reflect start of implementation of the new Social Plan.

Net income impacted by slightly higher net financial expense

Net income for 1Q 2018 stood at PLN 8 million (under IAS18 accounting) versus PLN 39 million in 1Q 2017. Despite almost flat operating profit bottom line was lower as a result of slightly higher net financial expense. It was a consequence of particularly low net financial expense in 1Q 2017 when the discount expenses (related to the UMTS licence) benefitted from strengthening of PLN to EUR.

Adjusted Organic Cash Flow[3] reflects mainly seasonally high payments for capex

Adjusted organic cash flow for 1Q 2018 came in at PLN -152 million versus PLN -254 million in 1Q 2017. Capital expenditure cash outflows were PLN 565 million in 1Q 2018 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 2017. Operating cash flow came in at PLN 382 million in 1Q 2018, down PLN 60 million year-on-year, mainly due to higher severance payments resulting from implementation of the new Social Agreement and payments related to roaming.

Commenting on 1Q 2018 results, Maciej Nowohoński, Chief Financial Officer, said:

"Our financial performance in 1Q 2018 was in line with our expectations. The new revenue structure that we began to report this quarter is a better reflection of our strategy, and clearly shows that convergence is an engine of our turnaround as it increasingly offsets the decline of revenues from mobile-only and broadband-only services. Stabilisation of EBITDA (under IAS18 accounting) was also facilitated, among other factors, by continuation of our low handset subsidy policy, lower negative impact of 'roam like at home' and implementation of the new Social Agreement. We reiterate our full-year adjusted EBITDA guidance at around PLN 3.0 billion under IAS 18 and PLN 2.75 billion under IFRS 15."

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

Adjustments to financial data

in PLNm	1Q'18 IFRS15	1Q'18 IAS18	1Q'17 IAS 18
Revenue	2,710	2,766	2,818
	0	0	0
Adjusted revenue	2,710	2,766	2,818
EBITDA	674	746	748
	0	0	0
Adjusted EBITDA	674	746	748
Capital expenditures	388	388	385
	0	0	0
Adjusted capital expenditures	388	388	385
Organic cash flow	-155	-155	-254
– Investment grants received/ paid to fixed assets suppliers*	+3	+3	0
Adjusted organic cash flow	-152	-152	-254

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

Forward-looking statement

This press release contains forward-looking statements, including, but not limited to, statements regarding anticipated future events and financial performance with respect to our operations. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words like 'believe', 'expect', 'anticipate', 'estimated', 'project', 'plan', 'adjusted' and 'intend' or future or conditional verbs such as 'will,' 'would,' or 'may.' Factors that could cause actual results to differ materially from expected results include, but are not limited to, those set forth in our Registration Statement, as filed with the Polish securities and exchange commission, the competitive environment in which we operate, changes in general economic conditions and changes in the Polish and/or global financial and/or capital markets. Forward-looking statements represent management's views as of the date they are made, and we assume no obligation to update any forward-looking statements for actual events occurring after that date. You are cautioned not to place undue reliance on our forward-looking statements.

Orange Polska's Management Board is pleased to invite you to the Company's 1Q 2018 results presentation.

Orange Polska 1Q 2018 Results Presentation

Thursday 26th April 2018

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 2018 Results Conference Call

Conference code:
32151010#

Dial in numbers:

Poland: +48 22 583 9021

Canada: +1 416 2164194

France: +33 170710159

Germany: +49 69222225429

Netherlands: +31 207095119

United Kingdom: +44 2071943759

United States (Toll-Free): 8442860643

Orange Polska Group Consolidated

amounts in PLN millions	2017				2018	
	1Q	2Q	3Q	4Q	1Q	
Income statement	as reported (IAS18)	as reported (IAS18)	as reported (IAS18)	as reported (IAS18)	IFRS15	IAS18
Revenues						
Mobile-only services	**875**	**879**	**825**	**794**	**688**	**747**
Fixed-only services	**721**	**688**	**681**	**658**	**627**	**636**
Narrowband	333	317	308	299	287	287
Broadband	272	257	258	246	232	241
B2B Network Solutions	116	114	115	113	108	108
Convergent services B2C	**233**	**256**	**279**	**300**	**291**	**321**
Equipment sales	**303**	**304**	**297**	**352**	**351**	**309**
IT and integration services	**92**	**101**	**123**	**177**	**112**	**112**
Wholesale	**512**	**524**	**547**	**557**	**579**	**579**
Mobile wholesale	268	280	291	308	312	312
Fixed wholesale	176	180	193	184	188	188
Other	68	64	63	65	79	79
Other revenues	**82**	**87**	**62**	**72**	**62**	**62**
Total revenues	**2 818**	**2 839**	**2 814**	**2 910**	**2 710**	**2 766**
year-on-year*	**0,5%**	**-2,2%**	**-1,3%**	**-2,4%**	**n/a**	**-1,8%**
Labour expenses	(452)	(438)	(395)	(405)	(432)	(433)
External purchases	(1 554)	(1 541)	(1 555)	(1 766)	(1 549)	(1 524)
- Interconnect expenses	(409)	(421)	(474)	(474)	(448)	(448)
- Network and IT expenses	(157)	(167)	(157)	(171)	(148)	(148)
- Commercial expenses	(638)	(609)	(572)	(726)	(578)	(553)
- Other external purchases	(350)	(344)	(352)	(395)	(375)	(375)
Other operating incomes & expenses	(54)	(71)	(65)	(65)	(51)	(51)
Impairment of receivables and contract assets	(18)	(26)	(26)	(16)	(23)	(31)
Employment termination expenses		(8)		(200)		
Gain on disposal of assets	8	57	3	13	19	19
Reported EBITDA	**748**	**812**	**776**	**471**	**674**	**746**
% of revenues	*26,5%*	*28,6%*	*27,6%*	*16,2%*	*24,9%*	*27,0%*
The impact of Social Agreements net of related curtailment of long-term employee benefits		8		196		
Adjusted EBITDA	***748***	***820***	***776***	***667***	***674***	***746***
% of revenues	*26,5%*	*28,9%*	*27,6%*	*22,9%*	*24,9%*	*27,0%*
Depreciation & amortisation	(639)	(642)	(643)	(648)	(641)	(641)
(Impairment)/reversal of impairment of non-current assets	0	(1)	(5)	0	0	0
Operting income / (loss)	**109**	**169**	**128**	**(177)**	**33**	**105**
% of revenues	*3,9%*	*6,0%*	*4,5%*	*-6,1%*	*1,2%*	*3,8%*
Finance costs, net	(71)	(86)	(88)	(59)	(86)	(86)
Income tax	1	(12)	(12)	38	3	(11)
Consolidated net income / (loss)	**39**	**71**	**28**	**(198)**	**(50)**	**8**

* Change is calculated based on IAS18 figures

Orange Polska Group key performance indicators

customer base (in thousands)	2017 1Q	2017 2Q	2017 3Q	2017 4Q	2018 1Q
Convergent customers	**938**	**1,084**	**1,195**	**1,306**	**1,376**
o/w B2C	*738*	*858*	*945*	*1,035*	*1,090*
o/w B2B	*200*	*227*	*250*	*271*	*287*
Fixed telephony accesses					
POTS, ISDN & WLL	3,181	3,081	2,972	2,857	2,738
VoIP	678	728	771	827	875
Total retail main lines	**3,859**	**3,809**	**3,744**	**3,684**	**3,613**
o/w B2C convergent	*449*	*530*	*577*	*630*	*678*
o/w B2C PSTN convergent	*158*	*169*	*152*	*124*	*110*
o/w B2C VoIP convergent	*291*	*362*	*425*	*506*	*568*
Fixed broadband access					
ADSL	1,451	1,407	1,367	1,324	1,278
VHBB (VDSL+Fibre)	544	588	633	681	724
o/w VDSL	427	443	457	467	476
o/w Fibre	117	145	176	214	248
CDMA	14	0	0	0	0
Wireless for fixed	260	328	377	433	475
Retail broadband - total	**2,269**	**2,323**	**2,377**	**2,438**	**2,477**
o/w B2C convergent	*738*	*858*	*945*	*1,035*	*1,090*
TV client base					
IPTV	254	277	301	333	359
DTH (TV over Satellite)	521	515	512	515	515
TV client base - total	**775**	**792**	**814**	**848**	**875**
o/w B2C convergent	*351*	*418*	*473*	*551*	*597*
Mobile accesses					
Post-paid					
Mobile Handset	*7,009*	*7,112*	*7,200*	*7,270*	*7,310*
Mobile Broadband	*1,364*	*1,334*	*1,287*	*1,231*	*1,164*
M2M	*1,079*	*1,126*	*1,175*	*1,225*	*1,273*
Total postpaid	**9,452**	**9,573**	**9,662**	**9,726**	**9,747**
o/w B2C convergent	*1,366*	*1,601*	*1,760*	*1,959*	*2,085*
Total pre-paid	**5,820**	**4,983**	**4,696**	**4,698**	**4,621**
Total	**15,272**	**14,555**	**14,358**	**14,424**	**14,368**
Wholesale customers					
WLR	*614*	*587*	*564*	*531*	*507*
Bitstream access	*195*	*183*	*175*	*167*	*165*
LLU	*105*	*100*	*96*	*91*	*87*

quarterly ARPO in PLN per month	2017 1Q	2017 2Q	2017 3Q	2017 4Q	2018 1Q
Convergent services B2C	112.5	105.0	102.8	103.1	100.8
Fixed services only - voice	37.5	36.9	37.1	37.1	36.9
Fixed services only - broadband	58.0	57.3	58.8	56.6	56.6
Mobile services only	*21.8*	*23.5*	*23.5*	*23.0*	*21.9*
Postpaid excl M2M	*32.8*	*32.9*	*30.9*	*30.3*	*29.2*
Mobile Handset	35.1	35.5	33.1	32.5	31.1
Mobile Broadband	22.3	20.9	20.3	19.4	19.1
Prepaid	9.3	11.3	13.0	12.6	11.9
Mobile wholesale (convergent + mono)	6.0	6.7	7.3	7.7	7.2

other mobile operating statistics	2017				2018
	1Q	2Q	3Q	4Q	1Q
Number of smartphones (thousands)	6,312	6,441	6,552	6,744	6,886
AUPU (in minutes)					
post-paid	342.5	341.0	335.7	346.4	353.9
pre-paid	121.7	133.2	151.9	156.5	162.0
blended	248.0	259.8	269.5	278.7	285.8
Quarterly mobile customer churn rate (%)					
post-paid	3.1	2.8	2.9	3.2	3.1
pre-paid	21.3	25.0	17.5	10.9	14.6
SAC post-paid (PLN)	130.7	92.7	91.2	90.0	75.2
SRC post-paid (PLN)	64.0	36.6	39.7	56.0	39.7

Employment structure of Group as reported **Active full time equivalents (end of period)**	2017				2018
	1Q	2Q	3Q	4Q	1Q
Orange Polska	**15,481**	**15,131**	**14,818**	**14,587**	**14,372**
50% of Networks	347	351	347	341	348
Total	15,828	15,482	15,165	14,928	14,720

Terms used:

ARPO – average revenue per offer

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 divided by the weighted average number of customers in a given period.

Convergent services - Revenues from B2C convergent offers (excluding equipment sales). A convergent offer is defined as an offer combining at least a broadband access (xDSL, FTTx, cable or wireless for fixed) and a mobile voice contract (excluding MVNOs) with a financial benefit. Convergent services revenues do not include incoming and visitor roaming revenues.

Convergent services B2C ARPO - the average monthly revenues from convergent services generated by retail customers (B2C) divided by the average number of B2C convergent customers in a given period.

Fixed broadband-only services – Revenues from fixed broadband offers (excluding B2C convergent offers and equipment sales) including TV and VoIP services.

Fixed broadband-only services ARPO – the average monthly revenues from fixed broadband only services divided by the average number of accesses in a given period.

Mobile-only services - Revenue from mobile offers (excluding consumer market convergent offers) and Machine to Machine (M2M) connectivity. Mobile only services revenue does not include equipment sales, incoming and visitor roaming revenue.

Mobile-only services ARPO – the average monthly retail revenues from mobile only services excluding M2M connectivity, divided by the average number of SIM cards (excluding M2M) in a given period.

Mobile-only broadband ARPO – the average monthly retail revenues from SIM cards dedicated to mobile broadband access (excluding B2C convergent offers and equipment sales) divided by the average number of these SIM cards in a given period.

Mobile-only handset ARPO – the average monthly retail revenues from SIM cards dedicated to mobile handset access (excluding B2C convergent offers and equipment sales) 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.