☐ - restated

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated half-year report PSr 2016

(year)

(according to par. 82 s. 2 and par. 83 s. 3 of the Decree of Minister of Finance dated 19 February 2009 - unified text Journal of Laws 2014, item 133, with amendments)
for the issuers in sectors of production, construction, trade or services

for the half-year of **2016**, i.e. **from 1 January 2016 to 30 June 2016**

including condensed consolidated financial statements prepared under: **International Financial Reporting Standards**
in currency: **PLN**

and condensed separate financial statements prepared under: **International Financial Reporting Standards**
in currency: **PLN**

date of issuance: **25 July 2016**

ORANGE POLSKA SA
(full name of issuer)

ORANGEPL (abbreviated name of the issuer)
Telecommunication (tel) (classification according to WSE/ sector)

02-326 (post code)
Warsaw (location)

Al. Jerozolimskie (street)
160 (number)

22 527 23 23 (telephone)
22 527 23 41 (fax)

investors@orange.com (e-mail)
www.orange.pl (www)

526-02-50-995 (NIP)
012100784 (REGON)

Ernst & Young Audyt Polska Sp. z o.o. Sp. komandytowa
(entity authorized to audit)

SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	half-year 2016	half-year 2015	half-year 2016	half-year 2015
condensed consolidated financial statements data				
I. Revenue	5 706 000	5 943 000	1 302 591	1 437 556
II. Operating income	357 000	478 000	81 498	115 624
III. Profit before income tax	165 000	344 000	37 667	83 210
IV. Consolidated net income	115 000	297 000	26 253	71 842
V. Net income attributable to owners of Orange Polska S.A.	115 000	297 000	26 253	71 842
VI. Earnings per share (in PLN/EUR) (basic and diluted)	0.09	0.23	0.02	0.06
VII. Weighted average number of shares (in millions) (basic and diluted)	1 312	1 312	1 312	1 312
VIII. Total comprehensive income	127 000	334 000	28 992	80 791
IX. Total comprehensive income attributable to owners of Orange Polska S.A.	127 000	334 000	28 992	80 791
X. Net cash provided by operating activities	1 378 000	1 362 000	314 576	329 455
XI. Net cash used in investing activities	(4 240 000)	(1 255 000)	(967 926)	(303 573)
XII. Net cash provided by financing activities	3 028 000	104 000	691 245	25 157
XIII. Total net change in cash and cash equivalents	166 000	212 000	37 895	51 281
	balance as at 30/06/2016	**balance as at 31/12/2015**	**balance as at 30/06/2016**	**balance as at 31/12/2015**
XIV. Total current assets	2 362 000	2 330 000	533 725	546 756
XV. Total non-current assets	22 084 000	19 322 000	4 990 171	4 534 084
XVI. Total assets	24 446 000	21 652 000	5 523 896	5 080 840
XVII. Total current liabilities	4 758 000	5 185 000	1 075 133	1 216 708
XVIII. Total non-current liabilities	7 912 000	4 490 000	1 787 821	1 053 619
XIX. Total equity	11 776 000	11 977 000	2 660 942	2 810 513
XX. Equity attributable to owners of Orange Polska S.A.	11 774 000	11 975 000	2 660 490	2 810 043
XXI. Share capital	3 937 000	3 937 000	889 617	923 853
condensed separate financial statements data				
	half-year 2016	half-year 2015	half-year 2016	half-year 2015
I. Revenue	5 606 000	5 734 000	1 279 763	1 387 001
II. Operating income	329 000	420 000	75 106	101 594
III. Profit before income tax	247 000	345 000	56 386	83 452
IV. Net income	215 000	303 000	49 081	73 293
V. Earnings per share (in PLN/EUR) (basic and diluted)	0.16	0.23	0.04	0.06
VI. Weighted average number of shares (in millions) (basic and diluted)	1 312	1 312	1 312	1 312
VII. Total comprehensive income	227 000	340 000	51 821	82 243
VIII. Net cash provided by operating activities	1 463 000	1 392 000	333 980	336 712
IX. Net cash used in investing activities	(4 246 000)	(1 258 000)	(969 296)	(304 298)
X. Net cash provided by financing activities	2 949 000	87 000	673 211	21 044
XI. Total net change in cash and cash equivalents	166 000	222 000	37 895	53 700
	balance as at 30/06/2016	**balance as at 31/12/2015**	**balance as at 30/06/2016**	**balance as at 31/12/2015**
XII. Total current assets	2 718 000	2 643 000	614 168	620 204
XIII. Total non-current assets	23 022 000	20 521 000	5 202 124	4 815 441
XIV. Total assets	25 740 000	23 164 000	5 816 292	5 435 645
XV. Total current liabilities	5 282 000	5 795 000	1 193 537	1 359 850
XVI. Total non-current liabilities	8 780 000	5 590 000	1 983 957	1 311 745
XVII. Total equity	11 678 000	11 779 000	2 638 798	2 764 050
XVIII. Share capital	3 937 000	3 937 000	889 617	923 853

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1
00-124 Warszawa

+48 (0) 22 557 70 00
+48 (0) 22 557 70 01
www.ey.com/pl

Independent Auditor's Report
on review of interim condensed consolidated financial statements
for the 6 month period ended 30 June 2016

To the Shareholders and Supervisory Board of Orange Polska S.A.

Introduction

We have reviewed the accompanying condensed IFRS interim consolidated financial statements of Orange Polska S.A. ("the Company"), located at 160 Aleje Jerozolimskie Street in Warsaw, and its subsidiaries ("the Group"), as of 30 June 2016, including the consolidated statement of financial position as at 30 June 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the period from 1 January 2016 to 30 June 2016 and the explanatory notes ("the Interim Condensed Consolidated Financial Statements").

Management is responsible for the preparation and presentation of accompanying interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union ('IAS 34'). Our responsibility is to express a conclusion on accompanying interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with National Financial Revision Standard 2410 based on International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* prepared by International Auditing and Assurance Standards Board and in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ('standards'). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than audit conducted in accordance with National Standards on Auditing or International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on accompanying interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

on behalf of:
Ernst & Young Audyt Polska spółka
z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
Reg. No 130

Key Certified Auditor

Łukasz Piotrowski
certified auditor
No. 12390

Partner

Mikołaj Rytel

Warsaw, 25 July 2016

ORANGE POLSKA GROUP

CONDENSED IFRS INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 30 JUNE 2016

July 25, 2016

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CONSOLIDATED INCOME STATEMENT

(in PLN millions, except for earnings per share)	*3 months ended 30 June 2016*	*6 months ended 30 June 2016*	*3 months ended 30 June 2015 (see Note 3)*	*6 months ended 30 June 2015 (see Note 3)*
Revenue	**2,903**	**5,706**	**3,013**	**5,943**
External purchases	(1,580)	(3,056)	(1,562)	(3,038)
Labour expense	(440)	(821)	(457)	(887)
Other operating expense	(166)	(296)	(144)	(291)
Other operating income	70	112	66	143
Gains on disposal of assets	37	47	43	48
Depreciation and amortisation	(683)	(1,336)	(733)	(1,443)
Reversal of impairment of non-current assets	1	1	6	3
Operating income	**142**	**357**	**232**	**478**
Interest income	5	10	5	8
Interest expense and other financial charges	(67)	(146)	(48)	(101)
Discounting expense	(34)	(56)	(33)	(41)
Finance costs, net	**(96)**	**(192)**	**(76)**	**(134)**
Income tax	(29)	(50)	(30)	(47)
Consolidated net income	**17**	**115**	**126**	**297**
Net income attributable to owners of Orange Polska S.A.	17	115	126	297
Net income attributable to non-controlling interests	-	-	-	-
Earnings per share (in PLN) (basic and diluted)	**0.01**	**0.09**	**0.10**	**0.23**
Weighted average number of shares (in millions) (basic and diluted)	1,312	1,312	1,312	1,312

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)	*3 months ended 30 June 2016*	*6 months ended 30 June 2016*	*3 months ended 30 June 2015*	*6 months ended 30 June 2015*
Consolidated net income	**17**	**115**	**126**	**297**
Items that will not be reclassified to profit or loss				
Actuarial gains on post-employment benefits	-	3	-	-
Income tax relating to items not to be reclassified	-	(1)	-	-
Items that may be reclassified subsequently to profit or loss				
Gains on cash flow hedges	51	12	62	46
Income tax relating to items that may be reclassified	(10)	(2)	(12)	(9)
Other comprehensive income, net of tax	**41**	**12**	**50**	**37**
Total comprehensive income	**58**	**127**	**176**	**334**
Total comprehensive income attributable to owners of Orange Polska S.A.	58	127	176	334
Total comprehensive income attributable to non-controlling interests	-	-	-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in PLN millions)	*At 30 June 2016*	*At 31 December 2015 (see Note 3)*
ASSETS		
Goodwill	3,940	3,940
Other intangible assets	5,985	3,010
Property, plant and equipment	10,693	11,025
Trade receivables	287	215
Derivatives	194	89
Other assets	56	52
Deferred tax assets	929	991
Total non-current assets	**22,084**	**19,322**
Inventories	203	228
Trade receivables	1,514	1,600
Derivatives	33	33
Income tax assets	1	2
Other assets	60	117
Prepaid expenses	119	84
Cash and cash equivalents	432	266
Total current assets	**2,362**	**2,330**
TOTAL ASSETS	**24,446**	**21,652**
EQUITY AND LIABILITIES		
Share capital	3,937	3,937
Share premium	832	832
Other reserves	(91)	(103)
Retained earnings	7,096	7,309
Equity attributable to owners of Orange Polska S.A.	**11,774**	**11,975**
Non-controlling interests	2	2
Total equity	**11,776**	**11,977**
Trade payables	795	767
Loans from related party	6,368	2,849
Other financial liabilities at amortised cost	74	81
Derivatives	143	125
Employee benefits	142	251
Provisions	314	358
Deferred income	76	59
Total non-current liabilities	**7,912**	**4,490**
Trade payables	1,774	2,130
Loans from related party	882	1,273
Other financial liabilities at amortised cost	40	45
Derivatives	1	9
Employee benefits	212	188
Provisions	839	803
Income tax liabilities	32	60
Other liabilities (including dividend of PLN 328 million paid on 7 July 2016)	505	191
Deferred income	473	486
Total current liabilities	**4,758**	**5,185**
TOTAL EQUITY AND LIABILITIES	**24,446**	**21,652**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in PLN millions)

	Share capital	Share premium	Other reserves				Retained earnings	Equity attributable to owners of OPL S.A.	Non-controlling interests	Total equity
			Losses on cash flow hedges	Actuarial losses on post-employment benefits	Deferred tax	Share-based payments				
Balance at 1 January 2016	**3,937**	**832**	**(83)**	**(43)**	**23**	**-**	**7,309**	**11,975**	**2**	**11,977**
Total comprehensive income for the 6 months ended 30 June 2016	-	-	12	3	(3)	-	115	127	-	127
Dividend	-	-	-	-	-	-	(328)	(328)	-	(328)
Balance at 30 June 2016	**3,937**	**832**	**(71)**	**(40)**	**20**	**-**	**7,096**	**11,774**	**2**	**11,776**
Balance at 1 January 2015	**3,937**	**832**	**(106)**	**(137)**	**45**	**79**	**7,746**	**12,396**	**2**	**12,398**
Total comprehensive income for the 6 months ended 30 June 2015	-	-	46	-	(9)	-	297	334	-	334
Dividend	-	-	-	-	-	-	(656)	(656)	-	(656)
Balance at 30 June 2015	**3,937**	**832**	**(60)**	**(137)**	**36**	**79**	**7,387**	**12,074**	**2**	**12,076**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in PLN millions)	*3 months*	*6 months*	*3 months*	*6 months*
	ended 30 June 2016		*ended 30 June 2015*	
				(see Note 3)
OPERATING ACTIVITIES				
Consolidated net income	17	115	126	297
Adjustments to reconcile net income to cash from operating activities				
Gains on disposal of assets	(37)	(47)	(43)	(48)
Depreciation and amortisation	683	1,336	733	1,443
Reversal of impairment of non-current assets	(1)	(1)	(6)	(3)
Finance costs, net	96	192	76	134
Income tax	29	50	30	47
Change in provisions and allowances	5	(124)	(44)	(134)
Operational foreign exchange and derivatives (gains)/losses, net	(8)	(6)	2	1
Change in working capital				
(Increase)/decrease in inventories, gross	36	21	(16)	(15)
(Increase)/decrease in trade receivables, gross	(74)	14	(150)	(174)
Increase/(decrease) in trade payables	51	(41)	58	(98)
(Increase)/decrease in prepaid expenses and other receivables	19	3	2	(57)
Increase/(decrease) in deferred income and other payables	(17)	3	(19)	101
Interest received	5	10	4	8
Interest paid and interest rate effect paid on derivatives, net	(94)	(139)	(82)	(110)
Exchange rate effect received/(paid) on derivatives, net	-	11	(12)	(12)
Income tax received/(paid)	34	(19)	33	(18)
Net cash provided by operating activities	**744**	**1,378**	**692**	**1,362**
INVESTING ACTIVITIES				
Purchases of property, plant and equipment and intangible assets	(480)	(4,025)	(419)	(740)
Increase/(decrease) in amounts due to fixed assets suppliers	19	(311)	36	(180)
Deposit paid in the auction for telecommunications licences	-	-	(228)	(428)
Exchange rate effect received/(paid) on derivatives economically hedging capital expenditures, net	2	14	(2)	5
Proceeds from sale of property, plant and equipment and intangible assets	57	82	73	88
Net cash used in investing activities	**(402)**	**(4,240)**	**(540)**	**(1,255)**
FINANCING ACTIVITIES				
Issuance of long-term debt	-	2,701	772	772
Repayment of long-term debt	(7)	(1,207)	(24)	(29)
Increase/(decrease) in short-term debt	(200)	1,517	(641)	(642)
Exchange rate effect received on derivatives hedging debt, net	-	17	-	3
Net cash provided by/(used in) financing activities	**(207)**	**3,028**	**107**	**104**
Net change in cash and cash equivalents	**135**	**166**	**259**	**211**
Effect of changes in exchange rates on cash and cash equivalents	-	-	1	1
Cash and cash equivalents at the beginning of the period	297	266	200	248
Cash and cash equivalents at the end of the period	**432**	**432**	**460**	**460**

Notes to the Condensed Interim Consolidated Financial Statements

1. The Orange Polska Group

Orange Polska S.A. ("Orange Polska" or "the Company" or "OPL S.A."), a joint stock company, was incorporated and commenced its operations on 4 December 1991. The Orange Polska Group ("the Group") comprises Orange Polska and its subsidiaries. Orange Polska shares are listed on the Warsaw Stock Exchange.

The Group is the principal provider of telecommunications services in Poland. The Group provides mobile and fixed telecommunications services, including calls, messaging, content, access to the Internet and TV. In addition, the Group provides ICT (Information and Communications Technology) services, leased lines and other telecommunications value added services, sells telecommunications equipment, provides data transmission, constructs telecommunications infrastructure, sells electrical energy and financial services.

Orange Polska's registered office is located in Warsaw at 160 Aleje Jerozolimskie St.

The list of entities included in the Condensed IFRS Interim Consolidated Financial Statements of the Group (the "Condensed Interim Consolidated Financial Statements") as at and for the 6 months ended 30 June 2016 is presented in Note 1.2 to the Orange Polska Group IFRS Consolidated Financial Statements and the notes thereto ("IFRS Consolidated Financial Statements") for the year ended 31 December 2015. Additionally, TPSA Eurofinance France S.A. was liquidated in June 2016.

On 24 May 2016, Management Boards of Orange Polska and its fully owned subsidiaries – Orange Customer Service Sp. z o.o. and TP Invest Sp. z o.o. – approved a formal plan of merger. The plan was approved at the Extraordinary General Meeting of OPL S.A. on 21 July 2016.

Segment (Group) revenue and results

The Group reports a single operating segment as decisions about resources to be allocated and assessment of performance are made on consolidated basis. Segment performance is evaluated by the Management Board mainly based on consolidated revenue, consolidated EBITDA, consolidated net income, consolidated organic cash flows, consolidated capital expenditures and consolidated net financial debt / restated EBITDA ratio based on cumulative restated EBITDA for the last four quarters.

To give a better representation of underlying performance, revenue from the Group's activities is restated for the impact of changes in the scope of consolidation. Restatements for the 6 months ended 30 June 2016 and 2015 are presented in the table below.

EBITDA is the key measure of operating profitability used by the Management Board and corresponds to operating income before depreciation and amortisation expense and impairment of non-current assets. To give a better representation of underlying performance, EBITDA is restated for the impact of changes in the scope of consolidation, employment termination programs, restructuring costs, significant claims, litigation and other risks and other significant non-recurring items. Restatements for the 6 months ended 30 June 2016 and 2015 are presented in the table below.

Organic cash flows are the key measure of cash flow generation used by the Management Board and correspond to net cash provided by operating activities decreased by purchases of property, plant and equipment and intangible assets, changes in amounts due to fixed assets suppliers, impact of net exchange rate effect paid/received on derivatives economically hedging capital expenditures and increased by proceeds from sale of property, plant and equipment and intangible assets. To give a better representation of underlying performance, organic cash flows are restated for the payments for acquisition of telecommunications licences and payments relating to significant claims, litigation and other risks. Restatements for the 6 months ended 30 June 2016 and 2015 are presented in the table below.

Capital expenditures are the key measure of resources allocation used by the Management Board and represent acquisitions of property, plant and equipment and intangible assets. To give a better representation of underlying performance, capital expenditures are restated for the impact of acquisition of telecommunications licences. Restatements for the 6 months ended 30 June 2016 and 2015 are presented in the table below.

Net financial debt / restated EBITDA ratio is the key measure of financial structure and liquidity used by the Management Board. The Management Board believes that this ratio is the most relevant measure and therefore net gearing ratio is no longer used. The table below presents the calculation of net financial debt:

(in PLN millions)

	At 30 June 2016	*At 31 December 2015*
Loans from related party	7,250	4,122
Other financial debt	114	126
Derivatives – net (liabilities less assets)	(83)	12
Gross financial debt after derivatives	**7,281**	**4,260**
Cash and cash equivalents	(432)	(266)
Effective portion of cash flow hedges	(71)	(83)
Net financial debt	**6,778**	**3,911**

Basic financial data of the operating segment is presented below:

(in PLN millions)	*6 months ended 30 June 2016*	*6 months ended 30 June 2015*
Restated revenue	5,706	5,933
Restated EBITDA	1,692	1,919
Net income as per consolidated income statement	115	297
Restated organic cash flows	286	535
Restated capital expenditures	857	740

	At 30 June 2016	*At 31 December 2015*
Net financial debt / restated EBITDA ratio	2.1	1.1

Restatements made to financial data of the operating segment are presented below:

(in PLN millions)	*6 months ended 30 June 2016*	*6 months ended 30 June 2015*
Revenue	5,706	5,943
- restatement for data of Contact Center Sp. z o.o. (1)	-	(10)
Restated revenue	5,706	5,933
EBITDA	1,692	1,918
- restatement for employment termination expense	-	1
Restated EBITDA	1,692	1,919
Organic cash flows	(2,862)	107
- restatement for payments for acquisition of telecommunications licences (see Note 5)	3,148	428
Restated organic cash flows	286	535
Capital expenditures	4,025	740
- restatement for expenditures on acquisition of telecommunications licences (see Note 5)	(3,168)	-
Restated capital expenditures	857	740

(1) Restated revenue and restated EBITDA for the 6 months ended 30 June 2015 do not include data of Contact Center Sp. z o.o. (a subsidiary disposed of in August 2015). The impact on restated EBITDA is below PLN 0.5 million.

2. Statement of compliance and basis of preparation

Basis of preparation

These unaudited Condensed Interim Consolidated Financial Statements are prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting ("IAS 34") and with all accounting standards applicable to interim financial reporting adopted by the European Union, issued and effective as at the time of preparing the Condensed Interim Consolidated Financial Statements (see also Note 3).

These Condensed Interim Consolidated Financial Statements should be read in conjunction with the audited IFRS Consolidated Financial Statements for the year ended 31 December 2015.

The Condensed Interim Consolidated Financial Statements include the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and selected explanatory notes.

Costs that arise unevenly during the year are anticipated or deferred in the interim financial statements only if it would also be appropriate to anticipate or defer such costs at the end of the year.

These Condensed Interim Consolidated Financial Statements are prepared in millions of Polish zloty ("PLN") and were authorised for issuance by the Management Board on 25 July 2016.

Changes to standards and interpretations in 2016

There were no new standards or interpretations issued from the date when the IFRS Consolidated Financial Statements for the year ended 31 December 2015 were issued.

3. Statement of accounting policies

The accounting policies and methods of computation used in the preparation of the Condensed Interim Consolidated Financial Statements are materially consistent with those described in Notes 2 and 31 to the audited IFRS Consolidated Financial Statements for the year ended 31 December 2015.

Changes in presentation of the income statement

From the fourth quarter of 2015, the Group reassesses the recoverable amount of trade and other receivables at their disposal date and presents gain on disposal on a net basis. As a result, the comparative amounts of other operating expense and income for the 6 months ended 30 June 2015 were decreased by PLN 64 million without impact on the consolidated net income.

Changes in presentation of the statement of financial position and the statement of cash flows

From the second quarter of 2016, the Group classifies finance lease receivables as trade receivables and cash inflows from finance lease are presented as net cash provided by operating activities. As a result, PLN 14 million was reclassified from other assets to trade receivables in the consolidated statement of financial position as at 31 December 2015. The comparative amounts in the consolidated statement of cash flows were adjusted accordingly: cash inflows from finance lease repaid by a lessee were reclassified from net cash used in investing activities to the line presenting increase/decrease in trade receivables, gross in net cash provided by operating activities.

4. Explanatory comments about the seasonality or cyclicality of interim Group operations

The Group's activities are not subject to any significant seasonality or cyclical trends of operations.

5. Items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence

In the first quarter of 2016, the Group signed with Trade Unions agreements that amended the value of retirement bonuses and jubilee awards paid to employees. Employees are no longer entitled to retirement bonuses higher than those set out in the Polish labour law if the retirement takes place after 31 December 2017. The agreements reduce also an average value of a jubilee award paid to employees upon completion of a certain number of years of service – for payments due after 2020. As a result, a credit of PLN 94 million was recognised in labour expense in the first quarter of 2016 with a corresponding release of the liabilities relating to long-term employee benefits.

On 25 January 2016, the Group received decisions in which the President of UKE granted Orange Polska the frequencies in the 800 MHz and 2600 MHz bands for a total amount of PLN 3,168 million declared in the auction. On the basis of these decisions, Orange Polska received the licenses for two blocks of 2x5 MHz each in the 800 MHz band and licenses for three blocks of 2x5 MHz each in the 2600 MHz band. The licenses are valid for 15 years from the date of receipt of the decisions. In February 2016, Orange Polska paid the whole amount less PLN 20 million of deposit paid in 2014 before the auction.
The amortisation of the above-mentioned frequencies began on 1 March 2016 and the amortisation charge amounted to PLN 70 million in the 6 months ended 30 June 2016.
Additionally, the amount of cash flows from investing activities for the 6 months ended 30 June 2015 includes PLN 428 million of the deposit paid in the course of the above-mentioned auction.

From 2016, the Group extended the estimated useful lives for certain network assets which decreased the depreciation expense by PLN 163 million in the 6 months ended 30 June 2016. The Group completed the analysis of the estimated useful lives for these assets. As a consequence, depreciation expense in 2016 is expected to be lower by approximately PLN 300 million than in 2015.

6. Changes in loans from related party

On 3 February 2016, the Group and Atlas Services Belgium S.A., a subsidiary of Orange S.A., concluded a Loan Agreement for PLN 2,700 million with repayment date in 2021. On 31 March 2016, the Group repaid EUR 280 million of the Credit Facility Agreement signed with Atlas Services Belgium S.A. Additionally, in the 6 months ended 30 June 2016, the net cash flows from issuance and repayments of the Revolving Credit Facility from Atlas Services Belgium S.A. amounted to PLN 1,520 million.

As at 30 June 2016, the total outstanding balance of loans from the related party amounted to PLN 7,250 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related party amounted to 1.89% before swaps and 3.32% after swaps as at 30 June 2016.

The Group has entered into new derivative transactions under the agreement with Orange S.A. hedging interest rate risk on the related party financing provided in PLN.
The total nominal amount of cross currency interest rate swaps and interest rate swaps outstanding under the agreement as at 30 June 2016 was EUR 670 million and PLN 4,750 million, respectively, with a total fair value amounting to PLN 51 million.

7. Fair value of financial instruments

Derivative instruments are the Group's financial assets and liabilities which are measured subsequent to their initial recognition at fair value. The fair value of derivatives is determined as described in Note 21 to the IFRS Consolidated Financial Statements for the year ended 31 December 2015. Significant inputs to the valuation technique used by the Group to measure the fair value of derivatives are classified to Level 2 of the fair value hierarchy described in Note 22.1.

The carrying amount of the Group's financial instruments approximates their fair value, except for telecommunications licence payables for which as at 30 June 2016 and 31 December 2015 the estimated fair value exceeded the carrying amount by approximately PLN 180 million due to significant change between the original effective interest rates and current market rates.

8. Dividend

On 12 April 2016, the General Meeting of Orange Polska S.A. adopted a resolution on the payment of an ordinary dividend of PLN 0.25 per share from the 2015 profit and retained earnings from previous years. The total dividend, paid on 7 July 2016, amounted to PLN 328 million.

9. Changes in major litigation and claims, contingent liabilities and contingent assets since the end of the last annual reporting period

The information hereunder refers to the matters presented in Note 28 to the IFRS Consolidated Financial Statements for the year ended 31 December 2015 or describes major matters that occurred after 31 December 2015.

a. Proceedings by UOKiK

Proceedings by UOKiK related to retail prices of calls to Play
UOKiK informed the Company that it had further prolonged the proceedings. The indicated date of prolongation is 18 September 2016.

Proceedings by UOKiK related to tenders for mobile services
UOKiK informed the Company that it had further prolonged the proceedings. The indicated date of prolongation is 22 August 2016.

b. Proceedings by the European Commission related to broadband access

On 27 February 2016, Orange Polska appealed the verdict of the General Court of 17 December 2015 to the Court of Justice.

c. Other contingent liabilities and provisions

Apart from the above mentioned, operational activities of the Group are subject to legal, social and administrative regulations and the Group is a party to a number of legal proceedings and commercial contracts related to its operational activities. Some regulatory decisions can be detrimental to the Group and court verdicts within appeal proceedings against such decisions can have negative consequences for the Group. The Group monitors the risks on a regular basis and the Management believes that adequate provisions have been recorded for known and quantifiable risks.

10. Related party transactions

As at 30 June 2016, Orange S.A. owned 50.67% of shares of the Company and had the power to appoint the majority of OPL S.A.'s Supervisory Board Members. The Supervisory Board decides about the composition of the Management Board.

The Group's income earned from the Orange Group comprises mainly data transmission, research and development services and interconnect. The purchases from the Orange Group comprise mainly costs of interconnect, data transmission, IT services, consulting services and brand fees.

Financial receivables, payables, finance costs, net and other comprehensive income/(loss) concerning transactions with the Orange Group relate mainly to loan agreements concluded with Atlas Services Belgium S.A. and agreement with Orange S.A. concerning derivative transactions to hedge exposure to foreign currency risk and interest rate risk related to the abovementioned loan agreements. Cash and cash equivalents deposited with Orange S.A. relate to the Cash Management Treasury Agreement.

(in PLN millions)	*3 months ended 30 June 2016*	*6 months ended 30 June 2016*	*3 months ended 30 June 2015*	*6 months ended 30 June 2015*
Sales of goods and services and other income:	**60**	**106**	**55**	**104**
Orange S.A. (parent)	34	60	33	60
Orange Group (excluding parent)	26	46	22	44
Purchases of goods (including inventories, tangible and intangible assets) and services:	**(66)**	**(130)**	**(66)**	**(132)**
Orange S.A. (parent)	(21)	(40)	(17)	(38)
Orange Group (excluding parent)	(45)	(90)	(49)	(94)
- including Orange Brand Services Limited (brand licence agreement)	*(32)*	*(66)*	*(33)*	*(66)*
Finance costs, net:	**(61)**	**(131)**	**(40)**	**(84)**
Orange S.A. (parent)	80	36	86	(69)
Orange Group (excluding parent)	(141)	(167)	(126)	(15)
Other comprehensive income/(loss):	**23**	**(3)**	**46**	**47**
Orange S.A. (parent)	23	(3)	46	47
Dividend declared:	**166**	**166**	**332**	**332**
Orange S.A. (parent)	166	166	332	332

(in PLN millions)	*At 30 June 2016*	*At 31 December 2015*
Receivables:	**55**	**44**
Orange S.A. (parent)	33	29
Orange Group (excluding parent)	22	15
Payables:	**70**	**81**
Orange S.A. (parent)	21	32
Orange Group (excluding parent)	49	49
Financial receivables:	**194**	**110**
Orange S.A. (parent)	194	110
Cash and cash equivalents deposited with:	**243**	**87**
Orange S.A. (parent)	243	87
Financial payables:	**7,393**	**4,250**
Orange S.A. (parent)	143	128
Orange Group (excluding parent)	7,250	4,122
Dividend payable to:	**166**	**-**
Orange S.A. (parent)	166	-

Compensation (remuneration, bonuses, post-employment and other long-term benefits and termination indemnities - cash and non-monetary benefits) paid in accordance with contractual commitments by OPL S.A. and its subsidiaries to OPL S.A.'s Management Board and Supervisory Board Members during the 6 months ended 30 June 2016 and 2015 amounted to PLN 10.4 million and PLN 6.4 million, including PLN 1.8 million and PLN 1.3 million accrued in previous periods, respectively. The increase of compensation paid during the 6 months ended 30 June 2016 in comparison to the amounts paid for the same period in 2015 results from an increase of number of the Members of the Management Board of OPL S.A. from 5 persons in 2015 to 8 persons in 2016 and payment of post-employment benefits to Mr Bruno Duthoit after his resignation as the President and Member of the Management Board of OPL S.A. During the 6 months ended 30 June 2016 and 2015, the amount of accrued cost of compensation for the Company's Management Board amounted to PLN 2.3 million and PLN 1.5 million, respectively.

On 3 February 2016, prof. Andrzej K. Koźmiński submitted his resignation as the Deputy Chairman and Member of the Supervisory Board of OPL S.A. with effect on 12 April 2016.

On 4 February 2016, Mr Bruno Duthoit submitted his resignation as the President and Member of the Management Board of OPL S.A. with effect on 30 April 2016. On the same day, the Supervisory Board of OPL S.A. appointed Mr Jean-François Fallacher as the President of the Management Board of OPL S.A. with effect on 1 May 2016.

On 7 April 2016, Mr Gérard Ries submitted his resignation as the Member of the Supervisory Board of OPL S.A. with effect on the same day.

On 12 April 2016, the General Meeting of OPL S.A. appointed prof. Michał Kleiber as the Member of the Supervisory Board of OPL S.A.

On 28 June 2016, Ms Marie-Christine Lambert submitted her resignation as the Member of the Supervisory Board of OPL S.A. with effect on 30 June 2016.

On 4 July 2016, Mr Michał Paschalis-Jakubowicz submitted his resignation as the Member of the Management Board of OPL S.A. with immediate effect.

On 13 July 2016, the Supervisory Board of OPL S.A. appointed Mr Patrice Lambert-de Diesbach and Mr Federico Colom Artola as the Members of the Supervisory Board of OPL S.A.

11. Subsequent events

On 7 July 2016, the Group drew down PLN 240 million of the Revolving Credit Facility from Atlas Services Belgium S.A., a subsidiary of Orange S.A.

Pursuant to Art. 90 of the Decree of the Minister of Finance of 19 February 2009 on current and periodic information to be disclosed by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state - Journal of Laws of 2009, no. 33, item 259, with amendments ("the Decree of the Minister of Finance of 19 February 2009"), the Management Board of Orange Polska S.A. ("OPL S.A.", "the Company") discloses the following information:

I. Shareholders entitled to exercise at least 5% of total voting rights at the General Meeting of OPL S.A., either directly or through subsidiaries, as at the date of publication of the interim report and changes in the ownership structure in the period since the submission of the previous quarterly report

The ownership structure of the Company's share capital, based on the information available to the Company as at 25 July 2016, i.e. the date of submission of the interim report for the 6 months ended 30 June 2016 was the same as at 25 April 2016, i.e. the date of submission of the quarterly report for the first quarter of 2016.

Shareholder	Number of shares held	Number of votes at the General Meeting of OPL S.A.	Percentage of the total number of votes at the General Meeting of OPL S.A.	Nominal value of shares held (in PLN)	Share in the capital
Orange S.A.	664,999,999	664,999,999	50.67%	1,994,999,997	50.67%
Other shareholders	647,357,480	647,357,480	49.33%	1,942,072,440	49.33%
TOTAL	**1,312,357,479**	**1,312,357,479**	**100.00%**	**3,937,072,437**	**100.00%**

II. Statement of changes in ownership of OPL S.A.'s shares or rights to them (options) held by Members of the Management Board and the Supervisory Board of OPL S.A., according to information obtained by OPL S.A., in the period since the submission of the previous quarterly report

As part of the Company's incentive program, Members of the Management Board of the Company acquired OPL S.A. registered A-series bonds with a pre-emption right attached to the bonds to subscribe for the Company's shares with priority over existing shareholders.

The number of bonds with a pre-emption right held by Members of the Management Board of the Company at the dates of submission of the interim report for the 6 months ended 30 June 2016 and the quarterly report for the first quarter of 2016 is as follows:

	25 July 2016	25 April 2016
Jean-François Fallacher (1)	-	Not applicable
Mariusz Gaca	68,839	68,839
Piotr Muszyński	190,896	190,896
Jolanta Dudek	13,768	13,768
Jacek Kowalski	25,241	25,241
Bożena Leśniewska	27,536	27,536
Maciej Nowohoński	36,715	36,715
Bruno Duthoit (2)	Not applicable	-
Michał Paschalis-Jakubowicz (3)	Not applicable	-

(1) On 4 February 2016, the Supervisory Board of OPL S.A. appointed Mr Jean-François Fallacher as the President of the Management Board of OPL S.A. with effect on 1 May 2016.
(2) On 4 February 2016, Mr Bruno Duthoit submitted his resignation as the President and Member of the Management Board of OPL S.A. with effect on 30 April 2016.
(3) On 4 July 2016, Mr Michał Paschalis-Jakubowicz submitted his resignation as the Member of the Management Board of OPL S.A. with immediate effect.

Mr Maciej Witucki, the Chairman of the Supervisory Board of OPL S.A., held 305,557 bonds with a pre-emption right as at 25 July 2016 and 25 April 2016. Other Members of the Supervisory Board of OPL S.A. do not participate in the Company's incentive program and as at 25 July 2016 and 25 April 2016 held no bond with a pre-emption right.

Mr Maciej Witucki, the Chairman of the Supervisory Board of OPL S.A., held 4,000 OPL S.A. shares as at 25 July 2016 and 25 April 2016. There was no OPL S.A. share held by other members of the Management Board or the Supervisory Board of OPL S.A.

III. Information on guarantees or collaterals of loans or borrowings granted by the Company or its subsidiaries to other entities or their subsidiaries, where the total amount of guarantees or collaterals account for at least 10% of the Company's equity

In the 6 months ended 30 June 2016, neither the Company nor its subsidiaries granted guarantees or collateral of loans or borrowings to any entity or its subsidiary with a total value representing the equivalent of at least 10% of OPL S.A.'s shareholders equity.

IV. The Management Board's comment on previously published financial forecasts

As published on 15 February 2016 in the current report 13/2016, the Group forecasts the restated EBITDA for 2016 to be in the range of PLN 3.15 - 3.30 billion and net financial debt to restated EBITDA ratio is expected to be not higher than 2.2 for the full year 2016. The Management Board of Orange Polska S.A. confirms the above-mentioned forecast based on analysis of financial results for the 6 months ended 30 June 2016.

V. Factors which, in the opinion of the Group, may affect its results over at least the next quarter

Factors that, in the Management Board's opinion, have influence on the Group's operations or may have such influence in the near future are presented in Section 4 of Management Board's Report on the Activity of Orange Polska Group in the first half of 2016. Additionally, threats and risks that may impact the Group's operational and financial performance are reviewed in detail in the Chapter IV of the above mentioned Report.

VI. Foreign exchange rates

The statement of financial position data as at 30 June 2016 and 31 December 2015 presented in the table "Selected financial data" was translated into Euro at the average exchange rate of the National Bank of Poland ("NBP") at the end of the reporting period. The income statement data, together with the statement of comprehensive income and statement of cash flows data for the 6 months ended 30 June 2016 and 2015, was translated into Euro at an exchange rate which is the arithmetical average of the average NBP rates published by the NBP on the last day of each month of the 6 months periods ended 30 June 2016 and 2015.

The exchange rates used in the translation of the statement of financial position, income statement, statement of comprehensive income and statement of cash flows data are presented below:

	30 June 2016	31 December 2015	30 June 2015
Statement of financial position	4.4255 PLN	4.2615 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	4.3805 PLN	Not applicable	4.1341 PLN

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1
00-124 Warszawa

+48 (0) 22 557 70 00
+48 (0) 22 557 70 01
www.ey.com/pl

Independent Auditor's Report
on review of interim condensed financial statements
for the 6 month period ended 30 June 2016

To the Shareholders and Supervisory Board of Orange Polska S.A.

Introduction

We have reviewed the accompanying condensed IFRS interim separate financial statements of Orange Polska S.A. ("the Company") located at 160 Aleje Jerozolimskie in Warsaw, as of 30 June 2016, including the statement of financial position as at 30 June 2016, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the period from 1 January 2016 to 30 June 2016 and the explanatory notes ("the Interim Condensed Financial Statements").

Management is responsible for the preparation and presentation of accompanying interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union ('IAS 34'). Our responsibility is to express a conclusion on accompanying interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with National Financial Revision Standard 2410 based on International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* prepared by International Auditing and Assurance Standards Board and in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ('standards'). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than audit conducted in accordance with National Standards on Auditing or International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on accompanying interim condensed financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

on behalf of:
Ernst & Young Audyt Polska spółka
z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
Reg. No 130

Key Certified Auditor	Partner
Łukasz Piotrowski certified auditor No. 12390	Mikołaj Rytel

Warsaw, 25 July 2016

ORANGE POLSKA S.A.

CONDENSED IFRS INTERIM SEPARATE FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 30 JUNE 2016

July 25, 2016

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INCOME STATEMENT

(in PLN millions, except for earnings per share)	*3 months*	*6 months*	*3 months*	*6 months*
	ended 30 June 2016		*ended 30 June 2015*	
				(see Note 3)
Revenue	**2,842**	**5,606**	**2,870**	**5,734**
External purchases	(1,614)	(3,145)	(1,542)	(3,062)
Labour expense	(360)	(668)	(376)	(719)
Other operating expense	(172)	(308)	(147)	(301)
Other operating income	78	131	72	157
Gains on disposal of assets	37	47	43	48
Depreciation and amortisation	(682)	(1,335)	(731)	(1,440)
Reversal of impairment of non-current assets	1	1	6	3
Operating income	**130**	**329**	**195**	**420**
Dividend income	77	109	13	58
Interest income	40	81	48	98
Interest expense and other financial charges	(102)	(216)	(91)	(190)
Discounting expense	(34)	(56)	(33)	(41)
Finance costs, net	**(19)**	**(82)**	**(63)**	**(75)**
Income tax	(15)	(32)	(24)	(42)
Net income	**96**	**215**	**108**	**303**
Earnings per share (in PLN) (basic and diluted)	**0.07**	**0.16**	**0.08**	**0.23**
Weighted average number of shares (in millions) (basic and diluted)	1,312	1,312	1,312	1,312

STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)	*3 months*	*6 months*	*3 months*	*6 months*
	ended 30 June 2016		*ended 30 June 2015*	
Net income	**96**	**215**	**108**	**303**
Items that will not be reclassified to profit or loss				
Actuarial gains on post-employment benefits	-	3	-	-
Income tax relating to items not to be reclassified	-	(1)	-	-
Items that may be reclassified subsequently to profit or loss				
Gains on cash flow hedges	51	12	62	46
Income tax relating to items that may be reclassified	(10)	(2)	(12)	(9)
Other comprehensive income, net of tax	**41**	**12**	**50**	**37**
Total comprehensive income	**137**	**227**	**158**	**340**

STATEMENT OF FINANCIAL POSITION

(in PLN millions)	*At 30 June 2016*	*At 31 December 2015 (see Note 3)*
ASSETS		
Goodwill	3,909	3,909
Other intangible assets	5,983	3,008
Property, plant and equipment	10,758	11,082
Investments in subsidiaries	244	244
Trade receivables	257	215
Loans and receivables excluding trade receivables	949	1,207
Derivatives	194	89
Other assets	56	51
Deferred tax assets	672	716
Total non-current assets	**23,022**	**20,521**
Inventories	180	209
Trade receivables	1,462	1,514
Loans and receivables excluding trade receivables	505	480
Derivatives	33	33
Other assets	40	114
Prepaid expenses	114	75
Cash and cash equivalents	384	218
Total current assets	**2,718**	**2,643**
TOTAL ASSETS	**25,740**	**23,164**
EQUITY AND LIABILITIES		
Share capital	3,937	3,937
Share premium	832	832
Other reserves	(91)	(103)
Retained earnings	7,000	7,113
Total equity	**11,678**	**11,779**
Trade payables	795	767
Financial liabilities at amortised cost excluding trade payables	7,351	4,087
Derivatives	143	125
Employee benefits	117	214
Provisions	308	347
Deferred income	66	50
Total non-current liabilities	**8,780**	**5,590**
Trade payables	1,745	2,135
Financial liabilities at amortised cost excluding trade payables	1,565	2,020
Derivatives	1	9
Employee benefits	178	161
Provisions	809	764
Income tax liabilities	31	43
Other liabilities (including dividend of PLN 328 million paid on 7 July 2016)	479	181
Deferred income	474	482
Total current liabilities	**5,282**	**5,795**
TOTAL EQUITY AND LIABILITIES	**25,740**	**23,164**

STATEMENT OF CHANGES IN EQUITY

(in PLN millions)

	Share capital	Share premium	Other reserves				Retained earnings	Total equity
			Losses on cash flow hedges	Actuarial losses on post-employment benefits	Deferred tax	Share-based payments		
Balance at 1 January 2016	**3,937**	**832**	**(83)**	**(45)**	**25**	**-**	**7,113**	**11,779**
Total comprehensive income for the 6 months ended 30 June 2016	-	-	12	3	(3)	-	215	227
Dividend	-	-	-	-	-	-	(328)	(328)
Balance at 30 June 2016	**3,937**	**832**	**(71)**	**(42)**	**22**	**-**	**7,000**	**11,678**
Balance at 1 January 2015	**3,937**	**832**	**(106)**	**(136)**	**46**	**76**	**7,550**	**12,199**
Total comprehensive income for the 6 months ended 30 June 2015	-	-	46	-	(9)	-	303	340
Dividend	-	-	-	-	-	-	(656)	(656)
Balance at 30 June 2015	**3,937**	**832**	**(60)**	**(136)**	**37**	**76**	**7,197**	**11,883**

STATEMENT OF CASH FLOWS

(in PLN millions)	*3 months ended 30 June 2016*	*6 months ended 30 June 2016*	*3 months ended 30 June 2015 (see Note 3)*	*6 months ended 30 June 2015 (see Note 3)*
OPERATING ACTIVITIES				
Net income	96	215	108	303
Adjustments to reconcile net income to cash from operating activities				
Gains on disposal of assets	(37)	(47)	(43)	(48)
Depreciation and amortisation	682	1,335	731	1,440
Reversal of impairment of non-current assets	(1)	(1)	(6)	(3)
Finance costs, net	19	82	63	75
Income tax	15	32	24	42
Change in provisions and allowances	17	(100)	(35)	(125)
Operational foreign exchange and derivatives (gains)/losses, net	(7)	(5)	1	-
Change in working capital				
(Increase)/decrease in inventories, gross	40	25	(8)	2
(Increase)/decrease in trade receivables, gross	(48)	11	(98)	(120)
Increase/(decrease) in trade payables	26	(70)	27	(124)
(Increase)/decrease in prepaid expenses and other receivables	13	5	(6)	(61)
Increase/(decrease) in deferred income and other payables	(21)	(18)	(29)	83
Dividends received	77	109	-	45
Interest received	6	12	5	10
Interest paid and interest rate effect paid on derivatives, net	(94)	(140)	(82)	(111)
Exchange rate effect received/(paid) on derivatives, net	-	11	(12)	(12)
Income tax received/(paid)	34	7	33	(4)
Net cash provided by operating activities	**817**	**1,463**	**673**	**1,392**
INVESTING ACTIVITIES				
Purchases of property, plant and equipment and intangible assets	(485)	(4,033)	(423)	(748)
Increase/(decrease) in amounts due to fixed assets suppliers	18	(314)	36	(177)
Deposit paid in the auction for telecommunications licences	-	-	(228)	(428)
Exchange rate effect received/(paid) on derivatives economically hedging capital expenditures, net	2	14	(2)	5
Proceeds from sale of property, plant and equipment and intangible assets	57	82	73	85
Decrease in loans and other financial assets	2	5	3	5
Net cash used in investing activities	**(406)**	**(4,246)**	**(541)**	**(1,258)**
FINANCING ACTIVITIES				
Issuance of long-term debt	-	2,701	772	772
Repayment of long-term debt	(7)	(1,207)	(23)	(28)
Increase/(decrease) in short-term debt	(283)	1,438	(628)	(660)
Exchange rate effect received on derivatives hedging debt, net	-	17	-	3
Net cash provided by/(used in) financing activities	**(290)**	**2,949**	**121**	**87**
Net change in cash and cash equivalents	**121**	**166**	**253**	**221**
Effect of changes in exchange rates on cash and cash equivalents	-	-	1	1
Cash and cash equivalents at the beginning of the period	263	218	173	205
Cash and cash equivalents at the end of the period	**384**	**384**	**427**	**427**

Notes to the Condensed Interim Separate Financial Statements

1. Orange Polska S.A.

Orange Polska S.A. ("Orange Polska" or "the Company" or "OPL S.A."), a joint stock company, was incorporated and commenced its operations on 4 December 1991. Orange Polska shares are listed on the Warsaw Stock Exchange.

Orange Polska is the principal provider of telecommunications services in Poland. The Company provides mobile and fixed telecommunications services, including calls, messaging, content, access to the Internet and TV. In addition, Orange Polska provides ICT (Information and Communications Technology) services, leased lines and other telecommunications value added services, sells telecommunications equipment, provides data transmission, sells electrical energy and financial services.

Orange Polska's registered office is located in Warsaw at 160 Aleje Jerozolimskie St.

On 24 May 2016, Management Boards of Orange Polska and its fully owned subsidiaries – Orange Customer Service Sp. z o.o. and TP Invest Sp. z o.o. – approved a formal plan of merger. The plan was approved at the Extraordinary General Meeting of OPL S.A. on 21 July 2016.

2. Statement of compliance and basis of preparation

Basis of preparation

These unaudited Condensed IFRS Interim Separate Financial Statements for the 6 months ended 30 June 2016 (the "Condensed Interim Separate Financial Statements") are prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting ("IAS 34") and with all accounting standards applicable to interim financial reporting adopted by the European Union, issued and effective as at the time of preparing the Condensed Interim Separate Financial Statements (see also Note 3).

These Condensed Interim Separate Financial Statements should be read in conjunction with the audited Orange Polska S.A. IFRS Separate Financial Statements and the notes thereto ("IFRS Separate Financial Statements") for the year ended 31 December 2015.

The Condensed Interim Separate Financial Statements include the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and selected explanatory notes.

Costs that arise unevenly during the year are anticipated or deferred in the interim financial statements only if it would also be appropriate to anticipate or defer such costs at the end of the year.

These Condensed Interim Separate Financial Statements are prepared in millions of Polish zloty ("PLN") and were authorised for issuance by the Management Board on 25 July 2016.

Changes to standards and interpretations in 2016

There were no new standards or interpretations issued from the date when the IFRS Separate Financial Statements for the year ended 31 December 2015 were issued.

3. Statement of accounting policies

The accounting policies and methods of computation used in the preparation of the Condensed Interim Separate Financial Statements are materially consistent with those described in Notes 2 and 30 to the audited IFRS Separate Financial Statements for the year ended 31 December 2015.

Changes in presentation of the income statement

From the fourth quarter of 2015, the Company reassesses the recoverable amount of trade and other receivables at their disposal date and presents gain on disposal on a net basis. As a result, the comparative amounts of other operating expense and income for the 6 months ended 30 June 2015 were decreased by PLN 64 million without impact on the net income.

Changes in presentation of the statement of financial position and the statement of cash flows

From the second quarter of 2016, the Company classifies finance lease receivables as trade receivables and cash inflows from finance lease are presented as net cash provided by operating activities. As a result, PLN 13 million was reclassified from other assets to trade receivables in the statement of financial position as at 31 December 2015. The comparative amounts in the statement of cash flows were adjusted accordingly: cash inflows from finance lease repaid by a lessee were reclassified from net cash used in investing activities to the line presenting increase/decrease in trade receivables, gross in net cash provided by operating activities.

4. Explanatory comments about the seasonality or cyclicality of interim operations

The Company's activities are not subject to any significant seasonality or cyclical trends of operations.

5. Items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence

On 21 January 2016, Orange Polska signed with Trade Unions an agreement that amended the value of retirement bonuses and jubilee awards paid to employees. Employees are no longer entitled to retirement bonuses higher than those set out in the Polish labour law if the retirement takes place after 31 December 2017. The agreement reduces also an average value of a jubilee award paid to employees upon completion of a certain number of years of service – for payments due after 2020. As a result, a credit of PLN 81 million was recognised in labour expense in the first quarter of 2016 with a corresponding release of the liabilities relating to long-term employee benefits.

On 25 January 2016, the Company received decisions in which the President of UKE granted Orange Polska the frequencies in the 800 MHz and 2600 MHz bands for a total amount of PLN 3,168 million declared in the auction. On the basis of these decisions, Orange Polska received the licenses for two blocks of 2x5 MHz each in the 800 MHz band and licenses for three blocks of 2x5 MHz each in the 2600 MHz band. The licenses are valid for 15 years from the date of receipt of the decisions. In February 2016, Orange Polska paid the whole amount less PLN 20 million of deposit paid in 2014 before the auction.
The amortisation of the above-mentioned frequencies began on 1 March 2016 and the amortisation charge amounted to PLN 70 million in the 6 months ended 30 June 2016.
Additionally, the amount of cash flows from investing activities for the 6 months ended 30 June 2015 includes PLN 428 million of the deposit paid in the course of the above-mentioned auction.

From 2016, the Company extended the estimated useful lives for certain network assets which decreased the depreciation expense by PLN 163 million in the 6 months ended 30 June 2016. The Company completed the analysis of the estimated useful lives for these assets. As a consequence, depreciation expense in 2016 is expected to be lower by approximately PLN 300 million than in 2015.

6. Changes in financial liabilities at amortised cost excluding trade payables

On 3 February 2016, the Company and Atlas Services Belgium S.A., a subsidiary of Orange S.A., concluded a Loan Agreement for PLN 2,700 million with repayment date in 2021. On 31 March 2016, Orange Polska S.A. repaid EUR 280 million of the Credit Facility Agreement signed with Atlas Services Belgium S.A. Additionally, in the 6 months ended 30 June 2016, the net cash flows from issuance and repayments of the Revolving Credit Facility from Atlas Services Belgium S.A. amounted to PLN 1,520 million.

As at 30 June 2016, the total outstanding balance of loans from the related party amounted to PLN 7,250 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related party amounted to 1.89% before swaps and 3.32% after swaps as at 30 June 2016.

Orange Polska S.A. has entered into new derivative transactions under the agreement with Orange S.A. hedging interest rate risk on the related party financing provided in PLN.
The total nominal amount of cross currency interest rate swaps and interest rate swaps outstanding under the agreement as at 30 June 2016 was EUR 670 million and PLN 4,750 million, respectively, with a total fair value amounting to PLN 51 million.

In the 6 months ended 30 June 2016, the Company issued and redeemed short-term bonds under the Orange Polska S.A. Bond Issuance Programme. The bonds are denominated in PLN and are offered by private placement to the Orange Polska Group's entities, exclusively within the territory of the Republic of Poland. The bonds are redeemed at their par value. In the 6 months ended 30 June 2016, the net cash flows on the bonds amounted to PLN (84) million. As at 30 June 2016 and 31 December 2015, the aggregate par value of the outstanding bonds issued under the programme amounted to PLN 160 million and PLN 242 million, respectively.

7. Fair value of financial instruments

Derivative instruments are the Company's financial assets and liabilities which are measured subsequent to their initial recognition at fair value. The fair value of derivatives is determined as described in Note 20 to the IFRS Separate Financial Statements for the year ended 31 December 2015. Significant inputs to the valuation technique used by the Company to measure the fair value of derivatives are classified to Level 2 of the fair value hierarchy described in Note 21.1.

The carrying amount of the Company's financial instruments approximates their fair value, except for telecommunications licence payables, loans from subsidiaries and bonds issued by subsidiaries. As at 30 June 2016 and 31 December 2015, the estimated fair value of telecommunications licence payables exceeded their carrying amount by approximately PLN 180 million. The estimated fair value of loans from subsidiaries and bonds issued by subsidiaries exceeded their carrying amounts by approximately PLN 140 million as at 30 June 2016 and PLN 190 million as at 31 December 2015. The differences result from significant changes between the original effective interest rates and current market rates.

8. Dividend

On 12 April 2016, the General Meeting of Orange Polska S.A. adopted a resolution on the payment of an ordinary dividend of PLN 0.25 per share from the 2015 profit and retained earnings from previous years. The total dividend, paid on 7 July 2016, amounted to PLN 328 million.

9. Changes in major litigation and claims, contingent liabilities and contingent assets since the end of the last annual reporting period

The information hereunder refers to the matters presented in Note 27 to the IFRS Separate Financial Statements for the year ended 31 December 2015 or describes major matters that occurred after 31 December 2015.

a. Proceedings by UOKiK

Proceedings by UOKiK related to retail prices of calls to Play
UOKiK informed the Company that it had further prolonged the proceedings. The indicated date of prolongation is 18 September 2016.

Proceedings by UOKiK related to tenders for mobile services
UOKiK informed the Company that it had further prolonged the proceedings. The indicated date of prolongation is 22 August 2016.

b. Proceedings by the European Commission related to broadband access

On 27 February 2016, Orange Polska appealed the verdict of the General Court of 17 December 2015 to the Court of Justice.

c. Other contingent liabilities and provisions

Apart from the above mentioned, operational activities of the Company are subject to legal, social and administrative regulations and the Company is a party to a number of legal proceedings and commercial contracts related to its operational activities. Some regulatory decisions can be detrimental to the Company and court verdicts within appeal proceedings against such decisions can have negative consequences for the Company. The Company monitors the risks on a regular basis and the Management believes that adequate provisions have been recorded for known and quantifiable risks.

10. Related party transactions

As at 30 June 2016, Orange S.A. owned 50.67% of shares of the Company and had the power to appoint the majority of OPL S.A.'s Supervisory Board Members. The Supervisory Board decides about the composition of the Management Board.

OPL S.A.'s income earned from its subsidiaries comprises mainly telecommunications equipment sales, property rental and related fees and IT services. The purchases from the subsidiaries comprise mainly customer support and management services, network development and maintenance, selling fees and property maintenance. Costs incurred by the Company in transactions with its subsidiaries also comprise donations to Fundacja Orange.

Income earned from the Orange Group comprises mainly data transmission, research and development services and interconnect. The purchases from the Orange Group comprise mainly costs of interconnect, data transmission, IT services, consulting services and brand fees.

OPL S.A.'s financial income earned from its subsidiaries comprises mainly dividends from the subsidiaries and interest on bonds issued by the subsidiaries. Financial costs incurred by OPL S.A. in transactions with the subsidiaries comprise interest on loans from the subsidiaries and interest on bonds issued to the subsidiaries. The Company's financial receivables from its subsidiaries comprise mainly bonds issued by the subsidiaries, together with accrued interest. Financial payables to the subsidiaries comprise loans from the subsidiaries, together with accrued interest, and bonds issued to the subsidiaries.

Financial receivables, payables, financial expense and other comprehensive income/(loss) concerning transactions with the Orange Group relate to loan agreements concluded with Atlas Services Belgium S.A. and agreement with Orange S.A. concerning derivative transactions to hedge exposure to foreign currency risk and interest rate risk related to the abovementioned loan agreements. Financial income from Orange S.A. and cash and cash equivalents deposited with Orange S.A. relate to the Cash Management Treasury Agreement.

(in PLN millions)	*3 months*	*6 months*	*3 months*	*6 months*
	ended 30 June 2016		*ended 30 June 2015*	
Sales of goods and services and other income:	**122**	**222**	**102**	**196**
Orange Polska Group (subsidiaries)	62	116	47	92
Orange Group	60	106	55	104
- Orange S.A. (parent)	34	60	33	60
- Orange Group (excluding parent)	26	46	22	44
Purchases of goods (including inventories, tangible and intangible assets) and services:	**(334)**	**(620)**	**(337)**	**(639)**
Orange Polska Group (subsidiaries)	(268)	(490)	(271)	(507)
Orange Group	(66)	(130)	(66)	(132)
- Orange S.A. (parent)	(21)	(40)	(17)	(38)
- Orange Group (excluding parent)	(45)	(90)	(49)	(94)
- including Orange Brand Services Limited (brand licence agreement)	*(32)*	*(66)*	*(33)*	*(66)*
Financial income:	**112**	**181**	**58**	**150**
Orange Polska Group (subsidiaries)	111	180	57	148
Orange S.A. (parent)	1	1	1	2
Financial expense, net:	**(96)**	**(202)**	**(84)**	**(175)**
Orange Polska Group (subsidiaries)	(34)	(70)	(43)	(89)
Orange Group	(62)	(132)	(41)	(86)
- Orange S.A. (parent)	79	35	85	(71)
- Orange Group (excluding parent)	(141)	(167)	(126)	(15)
Other comprehensive income/(loss):	**23**	**(3)**	**46**	**47**
Orange S.A. (parent)	23	(3)	46	47
Dividend declared:	**166**	**166**	**332**	**332**
Orange S.A. (parent)	166	166	332	332

(in PLN millions)	*At 30 June 2016*	*At 31 December 2015*
Receivables:	**117**	**126**
Orange Polska Group (subsidiaries)	62	82
Orange Group	55	44
- Orange S.A. (parent)	33	29
- Orange Group (excluding parent)	22	15
Payables:	**272**	**365**
Orange Polska Group (subsidiaries)	202	284
Orange Group	70	81
- Orange S.A. (parent)	21	32
- Orange Group (excluding parent)	49	49
Financial receivables:	**1,648**	**1,797**
Orange Polska Group (subsidiaries)	1,454	1,687
Orange S.A. (parent)	194	110
Cash and cash equivalents deposited with:	**243**	**86**
Orange S.A. (parent)	243	86
Financial payables:	**8,953**	**6,120**
Orange Polska Group (subsidiaries)	1,560	1,870
Orange Group	7,393	4,250
- Orange S.A. (parent)	143	128
- Orange Group (excluding parent)	7,250	4,122
Dividend payable to:	**166**	-
Orange S.A. (parent)	166	-

Compensation (remuneration, bonuses, post-employment and other long-term benefits and termination indemnities - cash and non-monetary benefits) paid in accordance with contractual commitments by OPL S.A. and its subsidiaries to OPL S.A.'s Management Board and Supervisory Board Members during the 6 months ended 30 June 2016 and 2015 amounted to PLN 10.4 million and PLN 6.4 million, including PLN 1.8 million and PLN 1.3 million accrued in previous periods, respectively. The increase of compensation paid during the 6 months ended 30 June 2016 in comparison to the amounts paid for the same period in 2015 results from an increase of number of the Members of the Management Board of OPL S.A. from 5 persons in 2015 to 8 persons in 2016 and payment of post-employment benefits to Mr Bruno Duthoit after his resignation as the President and Member of the Management Board of OPL S.A. During the 6 months ended 30 June 2016 and 2015, the amount of accrued cost of compensation for the Company's Management Board amounted to PLN 2.3 million and PLN 1.5 million, respectively.

On 3 February 2016, prof. Andrzej K. Koźmiński submitted his resignation as the Deputy Chairman and Member of the Supervisory Board of OPL S.A. with effect on 12 April 2016.

On 4 February 2016, Mr Bruno Duthoit submitted his resignation as the President and Member of the Management Board of OPL S.A. with effect on 30 April 2016. On the same day, the Supervisory Board of OPL S.A. appointed Mr Jean-François Fallacher as the President of the Management Board of OPL S.A. with effect on 1 May 2016.

On 7 April 2016, Mr Gérard Ries submitted his resignation as the Member of the Supervisory Board of OPL S.A. with effect on the same day.

On 12 April 2016, the General Meeting of OPL S.A. appointed prof. Michał Kleiber as the Member of the Supervisory Board of OPL S.A.

On 28 June 2016, Ms Marie-Christine Lambert submitted her resignation as the Member of the Supervisory Board of OPL S.A. with effect on 30 June 2016.

On 4 July 2016, Mr Michał Paschalis-Jakubowicz submitted his resignation as the Member of the Management Board of OPL S.A. with immediate effect.

On 13 July 2016, the Supervisory Board of OPL S.A. appointed Mr Patrice Lambert-de Diesbach and Mr Federico Colom Artola as the Members of the Supervisory Board of OPL S.A.

11. Subsequent events

On 7 July 2016, OPL S.A. drew down PLN 240 million of the Revolving Credit Facility from Atlas Services Belgium S.A., a subsidiary of Orange S.A.

ORANGE POLSKA GROUP

MANAGEMENT BOARD'S REPORT

FIRST SIX MONTHS ENDED 30 JUNE 2016

25 July 2016

This report on the activity of the Orange Polska Group ("the Group" or "Orange Polska") in the first half of 2016 has been drawn up in compliance with Article 90 of the Decree of the Minister of Finance of 19 February 2009 on current and periodic information disclosed by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state (Journal of Laws of 2014, item 133). For additional information please refer to the full year 2015 report.

Disclosures on performance measures, including restatements, are presented in the Note 1 to Condensed IFRS Interim Consolidated Financial Statements of the Orange Polska Group for the 6 months ended 30 June 2016.

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CHAPTER I
HIGHLIGHTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

as of June 30, 2016 and for the six month period ended thereon

1 SUMMARISED FINANCIAL STATEMENTS

	For 6 months ended				
	30 June 2016		30 June 2015		Change
	in PLN mln	in EUR[1] mln	in PLN mln	in EUR[2] mln	
Consolidated Income Statement					
Revenue	5,706	1,303	5,943	1,438	-4.0%
EBITDA	1,692	386	1,918	464	-11.8%
EBITDA margin	29.7%		32.3%		*-2.6pp*
EBITDA (restated*)	1,692	386	1,919	464	-11.8%
EBITDA margin (restated)*	29.7%		32.3%		*-2.6pp*
Operating income	357	81	478	116	-25.3%
Operating margin	*6.3%*		*8.0%*		*-1.7pp*
Consolidated net income	115	26	297	72	-61.3%
Net income attributable to owners of Orange Polska S.A	115	*26*	297	*72*	-61.3%
*Weighted average number of shares (in millions)***	*1,312*		*1,312*		*n/a*
Earnings per share (in PLN) (basic and diluted)	*0.09*	*0.02*	*0.23*	*0.06*	*-60.9%*
Consolidated Statement of Cash Flows					
Net cash provided by operating activities	1,378	315	1,362	329	1.2%
Net cash used in investing activities	(4,240)	(968)	(1,255)	(304)	237.8%
Net cash provided by financing activities	3,028	691	104	25	2,811.5%
Net change in cash and cash equivalents	166	38	211	51	-21.3%
Capex	4,025	919	740	179	443.9%
Capex *(restated*)*	857	196	740	179	15.8%
Organic cash flow	(2,862)	(653)	107	24	n/a
Organic cash flow (restated)*	286	65	535	129	-46.5%

	As of				
	30 June 2016		31 December 2015		Change
	in PLN mln	in EUR[3] mln	in PLN mln	in EUR[4] mln	
Consolidated Statement of Financial Position					
Cash and cash equivalents	432	98	266	62	62.4%
Other intangible assets	5,985	1,352	3,010	706	98.8%
Property, plant and equipment	10,693	2,416	11,025	2,587	-3.0%
Total assets	24,446	5,524	21,652	5,081	12.9%
Financial liabilities at amortised cost***, of which:	7,364	1,664	4,248	997	73.4%
Current	922	208	1,318	309	-30.0%
Non-current	6,442	1,456	2,930	688	119.9%
Other liabilities, current and non-current	5,306	1,199	5,427	1,273	-2.2%
Total equity	11,776	2,661	11,977	2,811	-1.7%

Notes on data conversion:

1 – PLN/EUR fx rate of 4.3805 applied

2 – PLN/EUR fx rate of 4.1341 applied

3 – PLN/EUR fx rate of 4.4255 applied

4 – PLN/EUR fx rate of 4.2615 applied

** For restatements of basic financial data please see Note 1 to the Condensed IFRS Interim Consolidated Financial Statements.*
*** Weighted average number of shares in 6 months ended June 30, 2016 and June 30, 2015, respectively.*
**** Excluding trade payables.*

1.1 Comments on the Consolidated Income Statement

The consolidated revenue amounted to PLN 5,706 million in the first half of 2016 and was lower by PLN 237 million (4.0%) compared to the first half of 2015.

Restated EBITDA - operating income before depreciation and amortisation expense and impairment of non-current assets (EBITDA restated, please see Note 1 to the Condensed IFRS Interim Consolidated Financial Statements) amounted to PLN 1,692 million in the first half of 2016 and was PLN 227 million lower compared to the first half of 2015.

In particular, in the first half of 2016 compared to the first half of 2015:

- Retail mobile revenue which include revenue from mobile voice traffic and mobile data, messaging, content and M2M decreased by PLN 146 million, due to the decrease of average revenue per customer (ARPU) which stemmed from market competition but also among others concentration of the business model on instalments offers, higher popularity of family offers and SIM-only offers;
- Wholesale mobile revenues increased by PLN 83 million due to higher traffic. Increase in revenues is linked with higher interconnection costs;
- Mobile equipment revenues increased by PLN 177 million, due to higher instalment sales;
- Fixed narrowband revenue decreased by PLN 114 million, mainly due to substitution of fixed traffic and lines to mobile;
- Fixed broadband, TV and VoIP decreased by PLN 58 million, due to lower customer base;
- Revenues from fixed wholesale decreased by PLN 36 million, due to lower customer base driven by fixed to mobile substitution;
- Other revenues decreased by PLN 122 million, due to timing of ICT and end of infrastructure projects in 2015;
- Interconnection costs increased by PLN 84 million, mainly due to higher mobile voice and data traffic;
- Network & IT expenses decreased by PLN 29 million, mainly thanks to saving initiatives;
- Labour expenses decreased by PLN 66 million, mainly due to lower headcount and lower actuarial provisions;

Operating income (EBIT) amounted to PLN 357 million in the first half of 2016 and was PLN 121 million lower compared to the first half of 2015, mainly due to lower reported EBITDA by PLN 226 million partially offset by the decrease in depreciation & amortisation by the amount of PLN 107 million.

In the first half of 2016 net finance costs were PLN 58 million higher than in the first half of 2015, which resulted mainly from a increase in net interest expense and other financial charges of PLN 43 million and increase in discounting expense of PLN 15 million.

Consolidated net income amounted to PLN 115 million in the first half of 2016 and was lower by PLN 182 million compared to the first half of 2015. Earnings per share decreased to PLN 0.09 in the first half of 2016 from PLN 0.23 in the first half of 2015.

1.2 Comments on the Consolidated Statement of Cash Flows

Net cash from operating activities amounted to PLN 1,378 million in the first half of 2016 and was higher by PLN 16 million compared to the first half of 2015. Lower EBITDA and higher interest paid on debt were offset by much lower working capital requirement.

Net cash used in investing activities amounted to PLN 4,240 million in the first half of 2016 and was higher by PLN 2,985 million compared to the first half of 2015. The increase was mainly attributable to payment in the first half of 2016 for the frequencies in the 800 MHz and 2600 MHz bands for a total amount of PLN 3,148 million. Additionally, the amount of cash flows from investing activities in the first half of 2015 includes PLN 428 million of the deposit paid in the course of the above-mentioned auction.

Net cash provided by financing activities amounted to PLN 3,028 million in the first half of 2016 and was higher by PLN 2,924 million compared to the first half of 2015. The increase was mainly attributable to cash inflow from related party loans.

1.2.1 Capital Expenditures (CAPEX)

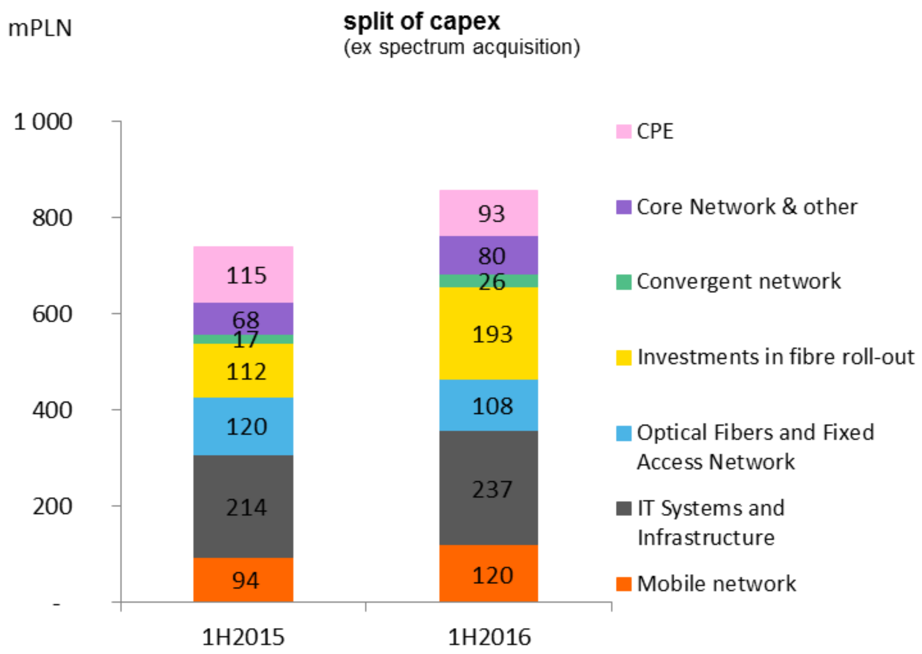
Restated capital expenditures in the first half of 2016 amounted to PLN 857 million and were higher by PLN 117 million year-on-year. The main reason for higher capex in 2016 was further roll-out of the fibre network, which involved investments of PLN 193 million.

The Group invested mainly in the following areas:

- roll-out of the fibre access network in the announced investment programme, which covered 295 thousand households in the first half of 2016; including the lines developed in 2014 and 2015, there are now more than 1 million households within the reach of the fibre network, mainly in Warsaw, Łódź, Cracow, Wrocław, Szczecin, Gdańsk, Lublin, Sosnowiec, Bydgoszcz, Zielona Góra, Elbląg, Opole, Białystok, Piotrków Trybunalski, Katowice, Mysłowice, Rzeszów, Kielce and Toruń;

- investments to enhance the range of LTE services and the quality of the mobile network, expand the capacity and range of GSM/UMTS services, and adapt the mobile access network to the 4G technology requirements, particularly in the areas not covered by the mobile access network consolidation project (i.e. strategic or underinvested regions);
- expansion of the mobile transport and core network in order to handle the growing volume of data transmission and ensure the service quality expected by customers;
- implementation of IT transformation programmes, including a single billing system for fixed-line services for B2C customers;
- investment projects related to the portfolio development and sales and customer service processes as well as the modernisation and enhancement of the IT technical infrastructure;
- research and development.

The break-down of capital expenditures by main categories (excluding telecommunication licences) is presented in the diagram below.



1.3 Comments on the Consolidated Statement of Financial Position

As at 30 June 2016, total equity amounted to PLN 11,776 million and was lower by PLN 201 million than as at 31 December 2015. The change was attributable mainly to the declaration of dividend of PLN 328 million, which was partially offset by consolidated net income of PLN 115 million generated in the first half of 2016.

Property, plant, equipment and other intangible assets increased by PLN 2,643 million compared to 31 December 2015, mainly as a result of capital expenditures that were higher by PLN 2,689 million than depreciation and amortisation. The capital expenditures mainly concerned acquisition of frequencies in the 800 MHz and 2600 MHz bands for a total amount of PLN 3,168 million.

Total assets were higher by PLN 2,794 million than as at 31 December 2015. The change resulted mainly from the above-mentioned increase of PLN 2,643 million in property, plant, equipment and other intangible assets, an increase of PLN 105 million in derivatives, an increase of PLN 166 million in cash and cash equivalents, which was offset by a decrease of PLN 62 million in deferred tax assets.

Total non-current and current liabilities increased by PLN 2,995 million to PLN 12,670 million as at 30 June 2016. The change resulted mainly from an increase of PLN 3,128 million in loans from a related party, an increase of other liabilities as a result of declaration of dividend (PLN 328 million, paid on 7 July 2016), which was offset by a decrease of PLN 328 million in trade payables.

1.4 Related Parties Transactions

Please see Note 10 to the Condensed IFRS Interim Consolidated Financial Statements about Group's transactions with related entities.

1.5 Description of Significant Agreements

Please see section 1.9.1 below for information on significant agreements concluded by the Group in the first half of 2016.

1.6 Subsequent Events

Please see Note 11 to the Condensed IFRS Interim Consolidated Financial Statements for information on subsequent events.

1.7 Scope of Consolidation within the Group

Please see Note 1.2 to the IFRS Consolidated Full-Year Financial Statements for information about the scope of consolidation within the Group.

1.8 Information about the Loan or Borrowing Collaterals or Guarantees Provided by the Issuer or Its Subsidiaries

Please see section III of the Additional Information to the Consolidated Half-Year Report PSr 2016 for the relevant information.

In the 6 months ended June 30, 2016, neither the Company nor its subsidiaries granted guarantees or collateral of loans or borrowings to any entity or its subsidiary with a total value representing the equivalent of at least 10% of OPL S.A.'s shareholders equity. Please see section 1.9.4 below for additional information.

1.9 Management of Financial Resources and Liquidity of the Group

In the reported period, the Group financed its activities by cash from operating activities and loans provided by the Orange SA Group.

In the first six months of 2016, the Group repaid long-term bank loans totalling PLN 1,191 million and a revolving loan of PLN 240 million provided by the Orange SA Group.

The Group benefited from a long-term loan, of which a total of PLN 2,700 million was used, and a revolving loan, of which a total of PLN 1,760 million was used, both provided by the Orange SA Group.

As of June 30, 2016, Group's interest-bearing liabilities (before derivatives) totalled PLN 7,284 million, which is an increase of PLN 3,125 million compared to December 31, 2015.

The value of liabilities under financial lease and other financial liabilities as of June 30, 2016 amounted to PLN 80 million and was PLN 9 million lower compared to December 31, 2015.

Group's liquidity remained solid, owing to strong cash position, amounting to PLN 432 million at June 30, 2016, and available credit facilities totalling the equivalent of PLN 2,252 million (please see section 1.9.2 below for details).

Based on available cash, back-up and revolving credit facilities, as well as external sources of financing, the Group has sufficient funds to carry out its investment projects, including capital investments, scheduled for implementation in 2016.

1.9.1 Loan and Borrowings Agreements

In the first six months of 2016, the following major loan agreement was concluded within the Group:

On February 3, 2016, Orange Polska S.A. concluded a loan agreement with Atlas Services Belgium SA, a wholly-owned subsidiary of Orange SA, which provided the Group with long-term financing of up to PLN 2,700 million, with the maturity date of June 20, 2021.

1.9.2 Unused Credit Facilities

As of June 30, 2016, the Group had outstanding general-purpose credit facilities amounting to an equivalent of PLN 502 million.

In addition, the Group had an unused limit of back-up liquidity financing of PLN 1,750 million, provided by Orange SA.

1.9.3 Loan Covenants

Agreements to which Orange Polska S.A. is a party do not impose any obligations on the Group to meet any financial ratios. For informational purposes, the ratio of net debt to restated EBITDA was 2.1 on June 30, 2016.

1.9.4 Guarantees and Collaterals

In the reported period, Orange Polska S.A. requested banks to issue bank guarantees with respect to liabilities of TP Teltech sp. z o.o., an Orange Polska's wholly-owned subsidiary, towards its business partners, while Orange Polska promised to cover any claims related to payments under the guarantee. As of June 30, 2016, those guarantees totalled PLN 11 million.

Furthermore, a collateral of PLN 2.6 million granted in December 2015 by Orange Polska S.A. to Bank Handlowy w Warszawie S.A. to secure a bank guarantee issued by the latter upon request of TP Teltech sp. z o.o. as a proper performance bond was still in force on June 30, 2016.

1.9.5 Hedging Transactions

In the first six months of 2016, the Group continued to minimise its exposure to foreign exchange volatility by concluding and maintaining cross currency swap, currency option, cross currency interest rate swap and non-deliverable forward contracts, which at June 30, 2016 covered:

- 99.7% of debt denominated in foreign currencies,
- 58.0% of licence payable for the 2100 MHz spectrum (UMTS licence); and
- 72.8% of European Commission proceedings provision.

As a result of hedging, Group's effective currency exposure at June 30, 2016 was as follows:

- USD 3 million of debt;
- EUR 69 million of licence payable for the 2100 MHz spectrum (UMTS licence); and
- EUR 39 million of European Commission proceedings provision.

The Group has also hedged a portion of the exposure to foreign exchange risk generated by operating expenditures (e.g. handset purchases) and capital expenditures.

In addition, the Group uses interest rate swaps and cross currency interest rate swaps to hedge its interest rate risk. As of June 30, 2016 the Group's proportion between fixed/floating rate debt (after hedging) was 67/33% as compared to 88/12% on December 31, 2015.

1.9.6 Group's Financial Liquidity and Net Financial Debt

At June 30, 2016, Group's liquidity ratios increased as compared to the end of 2015. The Group's higher financial liquidity resulted from a decrease of PLN 450 million in current liabilities (less provisions and deferred credits) and an increase of PLN 32 million in current assets.

The liquidity ratios for the Group at June 30, 2016 and December 31, 2015, respectively, are presented in the table below.

	June 30, 2016	December 31, 2015
Current ratio Current assets / current liabilities*	0.69	0.60
Quick ratio Total current assets – inventories / current liabilities*	0.63	0.54
Super-quick ratio Total current assets – inventories – receivables / current liabilities*	0.19	0.13

*Current liabilities less provisions and deferred credits were used to determine the ratio.

Group's net financial debt (after valuation of derivatives) increased to PLN 6,778 million at June 30, 2016 (from PLN 3,911 million at the end of December 2015).

Such a significant increase in debt resulted from the payment of PLN 3,148 million in February for the frequency blocks in the 800 MHz and 2600 MHz bands acquired in the auction.

CHAPTER II
MANAGEMENT BOARD'S REPORT ON OPERATING AND FINANCIAL PERFORMANCE OF THE GROUP

in the first half of 2016

2 OPERATING AND FINANCIAL PERFORMANCE OF THE GROUP

The Group identifies a single operating segment in its business activity. Segment performance is evaluated mainly based on consolidated revenue, consolidated EBITDA, consolidated net income, consolidated organic cash flows, consolidated capital expenditures and consolidated net financial debt / EBITDA ratio based on cumulative EBITDA for the last four quarters. EBITDA corresponds to operating income before depreciation and amortisation expense and impairment of non-current assets. Organic cash flows correspond to net cash provided by operating activities decreased by purchases of property, plant and equipment and intangible assets, changes in amounts due to fixed assets suppliers, impact of net exchange rate effect paid/received on derivatives economically hedging capital expenditures and increased by proceeds from sale of fixed assets. To enhance the performance evaluation, where it is materially important for trends analysis, these financial data can be restated to exclude the impact of significant non-recurring transactions or other events and changes in the scope of consolidation.

Selected financial data (PLN million) IFRS	**1 H 2016**	**1 H 2015**	**change**
Revenue	5,706	5,943	-4.0%
Restated revenue *	5,706	5,933	-3.8%
EBITDA	1,692	1,918	-11.8%
EBITDA margin	29.7%	32.3%	-2.6pp
Restated EBITDA *	1,692	1,919	-11.8%
Restated EBITDA margin *	29.7%	32.3%	-2.6pp
Operating income	357	478	-25.3%
Net income	115	297	-61.3%
Organic cash flow	- 2,862	107	n/a
Organic cash flow (restated*)	286	535	-46.5%

** For restatements of basic financial data please see Note 1 to the Condensed IFRS Interim Consolidated Financial Statements.*

Restated revenue totalled PLN 5,706 million in the first half of 2016 and was down PLN 227 million (or 3.8%) year-on-year.

The decrease resulted from fixed line revenue erosion and much lower other revenue. In the fixed line segment, the decline affected mainly voice and wholesale services, which are influenced by negative structural factors as legacy services. Fixed broadband revenues were also down (by 7%) due to a decline in both customer base and average revenue per user (ARPU). A nearly 40% decrease in other revenue was mainly a consequence of completion of broadband infrastructure projects, which in the first half of 2015 generated revenues of PLN 86 million.

These negatives were only partially offset by an increase in mobile revenues. This was supported by dynamic growth of mobile equipment sales, resulting from a strategic decision to focus on instalment sales in customer acquisition, while considerably reducing sales of traditional subsidised offers. On the one hand it stimulated rapid growth in equipment sales, but on the other hand it negatively affected revenues from mobile services, as ARPU in instalment schemes is lower than in subsidised offers. Due to lower ARPU, mobile services decreased 1.9% year-on-year.

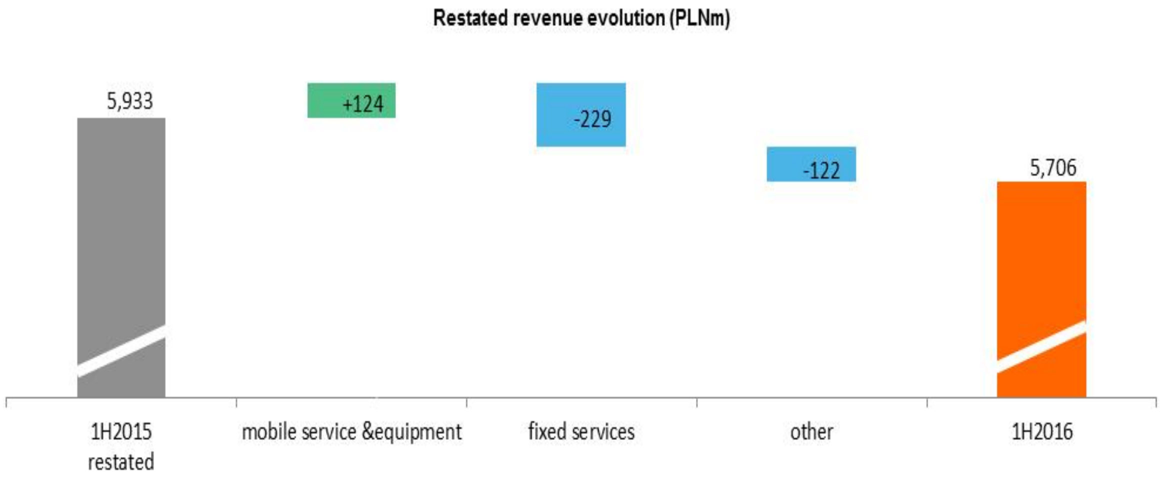
Total operating costs (determined as EBITDA less revenues) remained flat year-on-year in the first half of 2016. As a result, the revenue erosion was entirely reflected in a decrease in restated EBITDA. Restated EBITDA margin decreased by 2.6 percentage points year-on-year and stood at 29.7%.

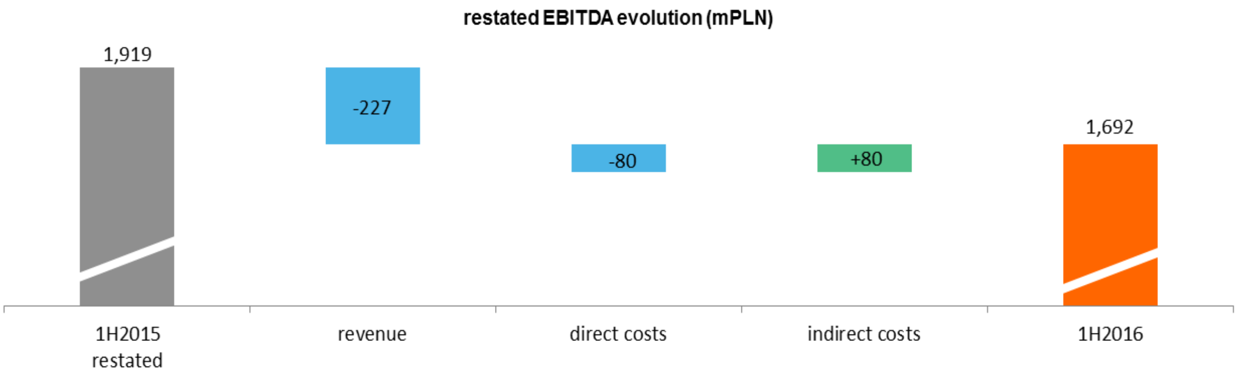
Cost evolution reflected the approach presented in the new strategic action plan: an increase in direct costs (up 4%) and further optimisation with respect to indirect costs (down also 4%).

Cost evolution can be attributed mainly to the following factors:

- A 6.7% decrease year-on-year in labour costs owing to workforce optimisation (in line with the Social Plan announced in December 2015) and release of provisions;
- An increase by nearly 13% in interconnect costs due to growth in retail traffic (particularly resulting from higher popularity of unlimited tariffs) and wholesale traffic;
- A decrease of approximately 8% in network and IT expenses, resulting from revenue decline and optimisation initiatives;
- Commercial costs, following a significant increase in 2015, remained flat in the first half of 2016, despite the continued rapid increase in customer base. This was related to a growing share of SIM-only agreements in new customer contracts.

The margin decline resulted greatly from negative structural trends in high-margin traditional fixed line services (mainly fixed line voice, certain wholesale and business data services); the decrease in these services was almost entirely reflected in profit erosion.





Striving to reverse the negative trends, Orange Polska has focused on the development of bundled services, promotion of its convergent offer as well as further optimisation of its cost base and improvement in the customer satisfaction from Orange services. The Group has developed a new action plan for 2016–2018, which provides for intensive investments and marketing efforts that should result in a significant improvement in revenue and EBITDA evolution (please see section 3.2 below for more information).

2.1 Mobile Services

Revenues			
PLN million	**For 6 months ended**		**Change 2016/2015**
	June 30, 2016	**June 30, 2015**	
Mobile revenues:	3,148	3,034	3.8%
o/w Retail services	2,170	2,316	-6.3%
o/w Wholesale services (including interconnect)	514	431	19.3%
o/w Mobile equipment sales	464	287	61.7%

Key performance indicators					
'000, unless indicated otherwise	**June 30, 2016**	**Dec 31, 2015**	**June 30, 2015**	**Change 30.06.2016/ 31.12.2015**	**Change 31.12.2015/ 30.06.2015**
Total mobile customers (SIM)	16,696	15,906	15,587	5.0%	2.0%
o/w post-paid	8,798	8,361	7,897	5.2%	5.9%
o/w pre-paid	7,898	7,545	7,690	4.7%	-1.9%
Dedicated mobile broadband (post-paid and pre-paid)	2,473	2,001	1,693	23.6%	18.2%
Convergent customers*	799	728	627	9.8%	16.1%

* Convergent service a bundle of fixed-line and mobile services

Key performance indicators					
	1H2016	**1H2015**	**1H2014**	**Change 2016/2015**	**Change 2015/2014**
SRC (post-paid), PLN	199	276	281	-27.9%	-1.8%
SAC (post-paid), PLN	252	348	404	-27.6%	-13.9%
Monthly blended ARPU, PLN	28.5	30.4	32.0	-6.3%	-5.0%
post-paid	44.8	50.3	55.6	-10.8%	-9.7%
pre-paid	12.2	12.5	12.1	-2.4%	3.3%

As at the end of June 2016, Orange Polska had a mobile customer base of 16.7 million, which is an increase of 790 thousand or 5% vs. end of 2015. The growth was well balanced between pre-paid and post-paid services. In the post-paid segment, we continued excellent commercial momentum, which started in 2015. In pre-paid, this was the highest growth rate in many years and a rebound after two years of losses.

The growth in post-paid (in both voice and mobile broadband) was based mainly on the offers introduced in 2015 and supported by effective marketing. Net additions were well balanced between business customers, consumers and M2M. Anti-churn initiatives also proved successful. As a result, quarterly churn rate in the post-paid segment decreased to less than 3%, a many years' low.

The growth in pre-paid was mainly driven by sub-brand Nju Mobile and mobile broadband with greatly enhanced pre-paid offer (unlimited calls and data pool included in the price), supported by effective communication. A marketing campaign aimed to stimulate pre-paid usage among post-paid and fixed line customers also contributed to the growth.

Blended ARPU amounted to PLN 28.5 in the first half of 2016 and was 6.3% down year-on-year. Post-paid ARPU erosion followed the trend from previous periods, while the rate of decline of pre-paid ARPU was higher.

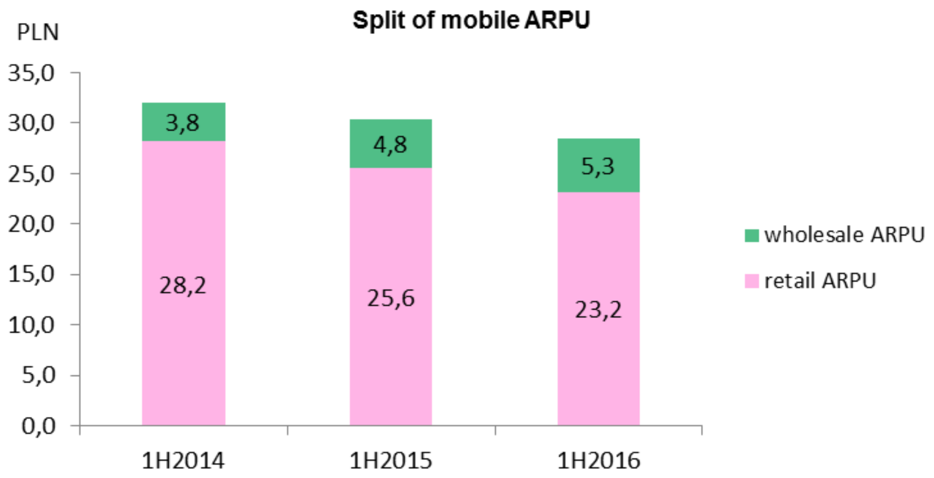
The ARPU decline in the first half of 2016 can be attributed to the following factors:

- popularity of family offers, in which customers get several SIM cards;
- growing take-up of SIM-only offers;
- focus on instalment sales in customer acquisition, while gradually reducing sales of traditional subsidised offers (in the instalment scheme, a portion of revenue corresponding to the handset is reported as revenue from equipment sales rather than revenue from services, which is the basis for ARPU calculation);
- discounts granted to customers subscribing to convergent services;
- ongoing pricing pressure, mainly in the B2B segment;

- in pre-paid, a marketing campaign aimed to stimulate post-paid usage among pre-paid and fixed line customers;
- lower incoming traffic growth than in 2015.

However, it should be noted that a number of these factors have a dilutive effect on ARPU and does not result directly from intensified price competition.

Customer acquisition and retention costs (SAC, SRC) were falling, which was attributable mainly to further rapid growth in share of instalment schemes in the overall sales structure as well as growing popularity of SIM-only offers.



2.1.1 Market and Competition

The mobile market has been in a saturation phase for several years. The estimated number of SIM cards increased by 2.2% compared to December 31, 2015, driving the mobile penetration rate (among population) to 149.6% at the end of June 2016.

According to Orange Polska's own estimates, between the end of December 2015 and the end of June 2016 the four leading operators maintained their aggregate market share of 98%. In the reported period, Orange Polska's estimated share in the mobile market by SIM cards grew by 0.8pp. (to 29.2% at the end of June); as a result, the Group maintained its leadership in the market by volume.

Due to differences in methodology, such as different definitions of an active pre-paid SIM card or different methods of customer acquisition and retention (instalment sales, subsidies), positioning of the data sets presented by various operators against one another is becoming increasingly difficult.

Owing to legislation changes, which have imposed on mobile operators the obligation of pre-paid SIM cards registration as from July 25, 2016, the market structure by segments (post-paid/pre-paid) is expected to change in 2017.

In the reported period, Play retained its leadership in mobile number portability, gaining 285 thousand customers in the first six months, with the net effect of 106 customers. Transfers from T-Mobile were the highest (241 thousand of its customers decided to port their number to another operator in the first six months of 2016).

Numbers ported to Orange Polska totalled 225 thousand. Mobile number portability net effect was 36 thousand in the January-June period, which was an improvement over the first half of 2015 (-51 thousand). Notably, the balance was positive for post-paid services alone and higher than last year.

2.1.2 Convergent Offer

One of the key strategic objectives of Orange Polska is to be the convergence leader, providing mobile and fixed line service bundles. By addressing the household telecommunication needs in a comprehensive manner and encouraging customers to buy additional services, convergence increases customer satisfaction and reduces churn, as churn rate is much lower than among single service users. It also contributes to revenue growth and increased efficiency of IT and marketing spending. In the mass market, Orange Polska is the only operator to offer convergent services, which is definitely a product differentiator and competitive advantage contributing to the market success.

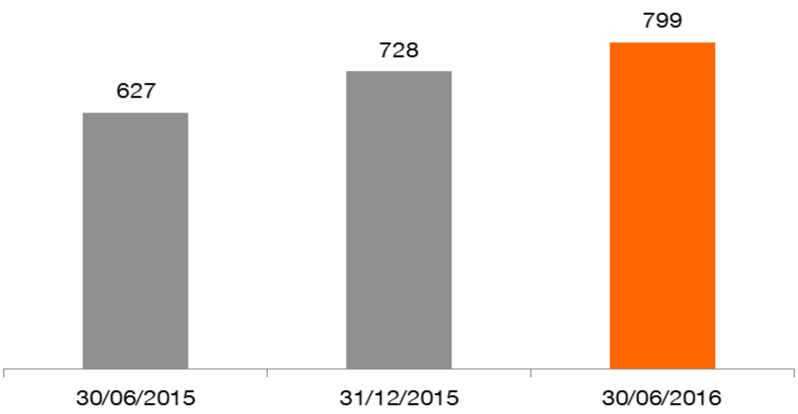
In the first six months of 2016, convergent offer push was one of the pillars of our marketing activity both in the consumer market and among business customers (small to medium enterprises). We focused on the offers introduced in previous periods (Orange Open, Open Smart Plans) as well as new marketing initiatives. Major elements contributing to the scope and attractiveness of convergent offers included fibre network roll-out and development of a TV offer based on our own content aggregation based on the IPTV technology.

The key marketing initiatives related to convergence and launched in the first half of 2016 were as follows:

- Orange Open Extra offer launched in June to replace Open Smart Plans; the promotion offers benefits for mobile services to customers who sign or renew a fixed line service agreement. Depending on the bundle chosen, subscribers to fixed line services (whether in the fibre or copper technology) can get a 50% discount for mobile subscription fee for the term of the contract or a 100% discount for the first twelve months;
- In the business market, a new convergent offer at a highly competitive price, *Domestic and European Package with Internet*, launched in March; it offers a discount for subscribing to two mobile voice services plus a fixed line service (or the *LTE Internet for Business – Office* offer). Depending on the needs, the offer may be extended to include additional SIM cards dedicated to voice or mobile broadband services. Since its introduction, the package has been hugely popular and has been the most frequently chosen promotion among business customers.

At the end of June 2016, our convergent customer base reached 799 thousand, which is an increase of 71 thousand (or 9.8%) compared to the end of December 2015. The total number of services sold in the convergence scheme exceeded 3.4 million. On average, each customer uses more than four Orange services.

Convergent base (in thousand)



According to a report by the European Commission ("Implementation of the EU regulatory framework for electronic communication – 2015"), bundle service penetration in Poland remains relatively low compared to West European benchmarks. We expect that in the next few years the demand for convergent offers will steadily grow in Poland as households recognise benefits of buying a number of services from one operator. Therefore, our convergent offer will be further enhanced and promoted as one of the pillars of the Company's strategy. It will be a very important element in ensuring the success of our broadband service offer in the fibre technology.

2.1.3 Mobile Voice and Data Services

In line with the medium term action plan announced in February, we continued strong marketing push with respect to mobile voice and data services in the first half of 2016. We maintained momentum in net additions, which resulted in an increase of 5% in mobile post-paid customer base (compared to less than 3% in the first half of 2015). In addition, the negative trend in the pre-paid customer base was reversed.

The key trends in the mass market did not change from 2015 and were as follows:

- Further portfolio simplification and reduction in the number of tariff plans;
- An offer featuring unlimited calls to all mobile networks and unlimited SMSs is the key tool in customer acquisition and retention;
- A data package is an indispensable element of any offer and the data pool volume is one of the key competitive distinguishers, particularly with the roll-out of the LTE network on new frequency bands;
- Competition based on simple price cuts is gradually replaced by a trend of adding new services (e.g. roaming, access to music services) or larger data pools for the same price;
- Multi-SIM family offers remain still very popular;
- Convergent offers, involving the introduction of a bundle of selected mobile and fixed line tariff plans;

- A strong offer of modern smartphones remains very important, especially in the context of the LTE network development;
- The developments in the mobile broadband segment included growing data pools offered for the same price as well as promotions offering unlimited data transfer on LTE networks.

There were no major changes in our portfolio of post-paid tariff plans in the mass market. In a process of portfolio simplification, the handset offer in the instalment scheme was unified (except for the Zetaphone offer). This enhanced the offer legibility, increased flexibility for customers and improved the availability of medium- to high-end handsets owing to a reduced starting fee.

In pre-paid, we enhanced the attractiveness of our portfolio for both the Orange Free Pre-Paid offer and the Nju Mobile brand. Customers can now make unlimited voice calls to all mobile networks. In addition, the data pools embedded in the subscription fee were increased. Owing to more appealing offer supported by effective communication, in the first half of 2016 we reversed the negative trend in the pre-paid customer base. In subsequent months our marketing efforts in pre-paid will be determined by the card registration obligation, effective from July 25. We launched a campaign encouraging early registration of pre-paid cards well in advance of this deadline.

As for initiatives addressed to business customers, the LTE Internet for Business offer was refined. It was simplified to just two tariff plans with lower subscription fees and enriched to include unlimited 3G/LTE Internet access. A new plan, *Office*, was added to the portfolio. In this plan, customers can set their office zone, where they can use fast office Internet in any technology available without any data limits.

2.2 Fixed Line Services and Other Revenue

Revenue			
PLN million	**For 6 months ended**		**Change 2016/2015**
	June 30, 2016	**June 30, 2015**	
Fixed services	2.367	2.596	-8,8%
of which fixed narrowband	788	902	-12,6%
of which fixed broadband, TV and VoIP	756	814	-7,1%
of which enterprise solutions and networks	437	458	-4,6%
of which wholesale (including interconnect)	386	422	-8,5%
Other revenue	191	313	-39,0%

Key performance indicators					
'000, unless indicated otherwise	**June 30, 2016**	**Dec 31, 2015**	**June 30, 2015**	**Change 30.06.2016/ 31.12.2015**	**Change 31.12.2015/ 30.06.2015**
Fixed voice lines (retail: PSTN and VoIP)	4,059	4,194	4,347	-3.2%	-3.5%
Convergent customers*	799	728	627	9.8%	16.1%
Fixed broadband accesses (retail)	2,057	2,105	2,159	-2.3%	-2.5%

* Convergent service a bundle of fixed-line and mobile services

Key performance indicators	**1H2016**	**1H2015**	**1H2014**	**Change 2016/2015**	**Change 2015/2014**
Retail fixed voice ARPU, in PLN	39.0	40.3	42.2	-3.2%	-4.5%
Fixed broadband, TV and VoIP ARPU, in PLN	60.3	61.1	60.5	-1.3%	1.0%

In the first half of 2016, fixed-line revenue remained under pressure from both other market players and mobile technologies.

Erosion of fixed voice customer base was 135 thousand in the first six months of 2016, a slowdown compared to 165 thousand in the first half of 2015 and 153 thousand in the second half off 2015. The decline can be attributed mainly to structural demographic factors and growing attractiveness of mobile services with unlimited calls to all networks. Orange Polska has attempted to mitigate the decline in fixed line voice mainly by service bundling. At the end of June, 20% of all fixed line services were part of convergent packages.

The negative trends in fixed line voice affected also the wholesale segment. In the first half of 2016, a rate of decline in wholesale was similar to that reported a year earlier.

As for broadband, TV and VoIP revenue, the number of services continued to fall, though at a much lower rate than in the first half of 2015. The decline was a result of competition from both CATV operators and mobile technologies. Owing to excellent sales of high-speed broadband and a major decline in the CDMA technology, which is no longer competitive, a share of VDSL and FTTH customers in the entire customer base grew to 20% (from 15% at the end of 2015). Broadband ARPU slightly decreased year-on-year, as the effects of significant price cuts in June 2015 were partially offset by cross-selling of services.

In the first six months of 2016, other revenue decreased by almost 40%, mainly as a consequence of completion of infrastructure projects, which in the first half of 2015 generated revenues of PLN 86 million. This effect will subside in the second half of 2016.

2.2.1 Market and Competition

Fixed Line Voice Market

The Group estimates that the fixed line penetration rate was at 20.4% of Poland's population at the end of June 2016, as compared to 20.9% at the end of December 2015. The decline is still attributable mainly to growing popularity of mobile technologies. In countries like Poland, where the fixed line penetration was low at the time of introduction of mobile technology, mobile telephony is largely a substitute to fixed line telephony. The aforementioned downward trend has been also affecting regulated fixed-line wholesale products (WLR and LLU).

Fixed Broadband Market

According to Group's estimates, the total number of fixed broadband access lines at the end of June 2016 slightly increased year-on-year. The penetration of fixed broadband services in Poland's population stood at 18.9% at the end of June 2016, which is an increase compared to the end of June 2015. A major factor affecting the market evolution is the popularisation of mobile broadband access, which, depending on speed and price option, may be either substitute of or complementary to fixed broadband access. Competition from mobile broadband intensified in 2015 as a result of the development of LTE networks by all mobile operators and high marketing activity related to the relevant offers, and this has continued in 2016. This factor contributed to a higher churn rate among Orange Polska's fixed broadband customers.

Cable television (CATV) operators are the key player in the broadband market, and their total market share has been steadily growing. It is estimated at 36.2% by volume or 34.5% by value in Q2 2016, as compared to 34.7% by volume and 32.7% by value in Q2 2015. The increase in CATV market share results from popularity of bundled offers, which may be effectively sold by CATV operators due to their strong position on the television market. It is also a result of growth of the broadband speeds offered by CATV operators, without raising prices, which contributes to an increase in average line speeds and raises customers' expectations in this respect.

Alternative operators, primarily Netia, still use the wholesale BSA and LLU based services. The number of BSA-based lines at the end of June 2016 declined by 23 thousand compared to the end of December 2015, while the number of LLU-based lines at the end of June 2016 totalled 120 thousand as compared to 131 thousand at the end of December 2015.

Investments in new generation broadband infrastructure (of capacity of 30 Mbps or more, focusing on speeds of above 100 Mbps) based on the fibre technology have been a major market trend in 2016. Owing to release of EU funds for this purpose, such investments (carried out in a co-financing scheme) are now possible outside big cities (i.e. the only locations where FTTH investments have been economically justified so far), that is also in semi-urban or rural areas not covered by fixed broadband networks.

For Orange Polska, the development of such infrastructure poses a major challenge to its market position (as the investors will offer much faster services than those provided over traditional broadband lines), but at the same time a great opportunity to stimulate the entire market, especially that owing to the openness principle the new infrastructure will make it possible to reach new customers and retain the existing ones by offering a completely new quality.

A total of 2.0–3.4 million households, typically located in 'coverage gap' areas with no fixed line infrastructure, are within range of such investment projects. The projects are scheduled for completion by 2022.

According to Orange Polska's internal estimates, the Group had the following market shares:

Fixed voice market share in June 2016

	2Q 2016 (estimated)	4Q 2015	Change
Retail local access[1]	51.7%	52.1%	-0.4pp

Fixed broadband market – key performance indicators:

	June 30, 2016	Dec 31, 2015
Market penetration rate in Poland – broadband lines (in total population)	18.9%	18.8%
Total number of broadband lines in Poland ('000)	7,248	7,246
Market share of Orange Polska	28.6%	29.3%

2.2.2 Fixed Line Data Services

Orange Polska's initiatives in the fixed broadband segment reflect the objectives contained in the new medium term action plan announced in February 2016. Due to great differences in the competitive environment, technological potential related to population density, our market shares and customer needs, we use local approach in our activities, which differ in big cities, medium to small towns and rural areas.

In big cities, we focus on the development of FTTH coverage and recovery of market share in fixed broadband by capitalising on our excellent position in the mobile market; whereas in rural areas mobile technologies, supplemented by fixed ones, are the primary broadband access solution. Our main challenge is to defend the fixed broadband customer base, particularly by cross-sales of mobile services.

In the first half of 2016, the roll-out of the FTTH network went on schedule, and the level of 1 million connectable households was exceeded in June. Our fibre services are already available in 23 cities. So far, customer additions have not been significant, but we are at the beginning of the road and we expect considerable intensification of the process in subsequent periods. It should be noted that the FTTH service is a novelty in the Polish market and has low awareness among consumers. Currently, our marketing efforts aim to raise this awareness and create demand for the service. Furthermore, it is specific to the Polish market that customers sign two-year loyalty agreements, which is a factor slowing down customer migration from cable networks to our FTTH network.

As for portfolio developments, we have been greatly promoting convergence, using our strong position in the mobile market. For example, in June we launched the Orange Open Extra offer to replace Open Smart Plans; the promotion offers benefits for mobile services to customers who sign or renew a fixed line service agreement. Depending on the bundle chosen, subscribers to fixed line services (whether in the fibre or copper technology) can get a 50% discount for mobile subscription fee for the term of the contract or a 100% discount for the first twelve months.

To enhance the competitiveness of our offer in terms of TV content, since February 2016 our TV offer, available to fixed broadband customers using the IPTV platform, has been based on the content aggregated by Orange Polska. Content aggregation means that Orange Polska has been buying rights to TV channels directly from broadcasters. Before, our offer used to be based on content reselling. This shift in approach, from resale to independent content aggregation, enables greater flexibility in adjusting our TV portfolio to the needs of customers as well as development of additional services, such as catch-up TV, multiroom and multiscreen.

As part of efforts aimed at business customers, a new business service combining high-speed Internet access and VoIP, *Fiber Business Package*, was introduced in April 2016.

In the business segment, Orange Polska has continued its efforts to improve service safety and quality parameters. The time to repair in the *Business Package* and *Fiber Business Package* has been reduced to eight hours (during stand-by hours of the maintenance force). In June, the *Orange Internet Protection* service was added to the *Business VPN* portfolio.

[1] Without Wholesale Line Rental but with Orange WLR and VoIP services, which are the equivalents of subscriber lines.

3 OUTLOOK FOR THE DEVELOPMENT OF ORANGE POLSKA

3.1 Market Outlook

According to Group's estimates, the value of Poland's telecommunication market from end users decreased by 1.6% in the first half of 2016 (year-on-year). This was due to drop in wholesale mobile market as the effect of Midas consolidation in Cyfrowy Polsat Group. Re-evaluation of the fixed line market continued. It was accompanied by a decline in the mobile retail market due to a decrease in average prices paid by customers.

Mobile operators continue to offer voice services with unlimited minutes both in their mobile and fixed-line portfolio. This contributes to a decline of the market value, particularly in the mobile segment. On the other hand growing popularity of smartphones, tablets and other devices that use mobile broadband access has a positive impact on the development of the telecom market, particularly mobile data services. Operators have been strongly promoting services based on data transfer, trying to commercialise the frequencies from the 800 MHz band purchased in the recent auction.
Fixed to mobile substitution continues to be an important adverse factor on the market. In previous years, this trend affected mainly fixed-line voice services; now, it affects the fixed broadband segment, as well. Popularisation of LTE, depending on price options, could potentially affect the substitute role of mobile services to fixed line services or the complementarity of both services.

In subsequent years, market developments will concentrate around growing importance of fixed-mobile convergence, further bundling of telecommunication services with television and entertainment, as well as expansion of services based on 4G technology. Major developments in the business market will most likely include growing popularity of combining telecom offers with ICT offers as well as growth in the machine-to-machine (M2M) segment.

Poland is currently going through a transformation on the fixed line Internet market towards a higher share of very high speed broadband in total broadband access. Having a product with very high connection speed in its portfolio is crucial for a company to stay competitive and to face challenges posed by growing needs of customers. Orange Polska commenced considerable investments in the fibre-optic technology in 2015; these were continued in the first six months of 2016.

In February 2016, the Cyfrowy Polsat Group informed about taking full control of the Midas Group (which, in addition to Midas, includes Aero 2 sp. z o.o., Altalog sp. z o.o. and Sferia S.A.). This strategic decision has enabled the Cyfrowy Polsat Group to take complete control over the frequencies available to the Midas Group and generated additional synergies, particularly cost savings, among the group companies as a result of the group structure simplification.

Furthermore, business partnerships which combine telecommunication services with other sectors of the economy have been gaining popularity. Telecom operators, including Orange Polska, sell banking services or, in conjunction with electricity providers, have started to offer power supply to its customers. We expect these processes to continue in the future.

3.2 Orange Polska's Medium Term Action Plan

In February 2016, Orange Polska announced its new strategic plan for the years 2016–2018. The plan provides for intensive investments in customer acquisition and ensuring best mobile and fixed connectivity in order to build long-term value and reverse the negative trends in market share, revenue and income evolution.

The new action plan does not involve any far-reaching changes as compared to the priorities set in the previous one, with customer, network investments, convergence and agility remaining at the top of the list. A much emphasised change, however, is the intensity of our actions, for which we see the following reasons.

First, in our opinion, the market offers favourable conditions for investments. The macroeconomic outlook for Poland is positive, as economic growth and falling unemployment should lead to an increase in the purchasing power of both consumers and businesses. Also the regulatory environment provides favourable opportunities for investments. The telecom market, though still highly competitive, is more stable than it was a few years ago. Competition is becoming more diverse rather than limited to simple price offers.

Second, we notice rapidly evolving customer needs. The continued digitisation of the society generates a vast increase in demand for data transfer. This is particularly evident on mobile networks, where consumers want to stay on-line anytime and anywhere. Fixed line networks have also seen rapid growth in data consumption with a shift in the traffic structure generating demand for high speeds. According to Cisco, the average growth in mobile traffic in Poland will exceed 60% per annum to 2019. As for fixed line traffic, Analysys Mason forecasts its growth by almost 30% each year over the same period. On the other hand, we notice that customers tend to expect something more than a cheap offer. They increasingly appreciate offer simplicity and customer experience. Households increasingly recognise benefits from buying multiple services from a single supplier. We believe that the demand for convergent offers will grow at an even faster rate than hitherto.

Third, the frequencies from the 800 MHz spectrum have been assigned. The auction completion and frequency assignment significantly increase the market transparency, which has been disturbed for this reason for the last few years. Orange Polska has turned out the winner, considerably improving its holdings in terms of mobile frequencies. It has had a major impact on both technological and commercial aspects of our strategy. Furthermore, we have been enriched by experience of the first year of our extensive investments in the fibre network.

Through intensive network investments and aggressive marketing expenditure on customer acquisition we want to improve our market shares and lay the foundation for future growth. We expect that the households which are our customers will start to use much more of our services, contributing to further rapid growth in our convergent customer base.

Our strategy related to ensuring best connectivity and undertaking commercial initiatives will take into account the specifics of local markets, so as to ensure the optimum resource allocation. The competitive environment, our market shares in various market segments, conditions for network development and customer needs are all different in big cities, medium to small towns and rural areas. Our actions will account for these differences, while convergence will remain the common denominator for our efforts. In big cities, we will focus on the development of the FTTH coverage and recovery of market shares in fixed broadband by capitalising on our excellent position in the mobile market, whereas in rural areas mobile technologies, supplemented by fixed ones, will be the primary broadband access solution. Our main challenge will be to defend the fixed broadband customer base, particularly by cross-sales of mobile services.

With respect to the fibre network roll-out, our strategic plan provides for connecting up to 1 million households annually to 2018. In 2016–2018, we intend to spend over PLN 2 billion on this project, the vast majority of which will be invested in big cities. As a result, up to 3.5 million customers should be within the reach of our FTTH services by the end of 2018. This plan will be monitored on a current basis for achievement of our commercial objectives.

In terms of finance, our new strategic plan is to bring an increase in consolidated revenue and EBITDA in 2018. The key factors in reversing the negative trends will be improvements in both our mobile and fixed line arms. We expect further significant growth in mobile customer base and further ARPU improvement, driven by rapid demand for data transfer, while EBITDA will be supported by revenue improvement, operating leverage and further cost optimisation initiatives.

Our key commitments, grouped into five categories, are presented in the table below.

leadership in connectivity to guarantee best connectivity, both in mobile and fixed, regardless of geography of customers	**our commitments** – to connect up to 2.8 million of households within the reach of our FTTH network in 2016–2018 – to further develop our LTE coverage based on the newly purchased spectrum and provide best connectivity experience on LTE – to increase LTE coverage in population to more than 99% in 2017 – to improve volume market share statistics in fixed broadband and mobile
leadership in convergence to offer a full palette of services, enriched by non-telco products, available for households in all geographies	**our commitments** – to strengthen our position of unique convergent player in Poland – to adjust our intensive commercial strategy to the specifics of different geographical zones – to have >1 million customers of our convergent offers by 2018 – number of households using 3 or more services to reach ca. 45% penetration in our household customer base in 2018
best customer experience to put our customers at the heart of everything we do	**our commitments** – to improve customer experience by offering attractive products and services, accompanied by improvements in customer service and sales channels, both traditional and on-line – to be innovative and flexible in responding to our competitors' moves – to be among top 2 major operators for Net Promoter Score
agile and efficient company to be an agile and flexible company with a proven ability to find efficiency	**our commitments** – constant transformation of indirect costs – process optimisation and automation, IT spending optimisation as well as facilitation of commercial initiatives, especially in convergence – Social Plan signed with trade unions, enabling up to 2,050 voluntary leaves in 2016–2017 – further optimisation of real estate portfolio

financial outlook	our commitments
to build long term-value for the company and all stakeholders, that will allow us to return to a growth path.	– revenues back to growth in 2018 following success of FTTH and growth in mobile customers – EBITDA back to growth in 2018, driven by revenues improvement, operating leverage and business optimisation – in 2016–2018 our net debt-to-restated EBITDA ratio will not be higher than 2.2 – FTTH total capex in 2016–2018 at the level of ca PLN 2.2 bn – ex-FTTH capex down to the level of PLN 1.3–1.4 bn in 2018

3.3 Orange Polska's Strengths

The Polish telecommunication market is highly competitive and challenging. Therefore, all actions taken by the Group need to be determined and consistent in order to adapt to changing conditions and respond to new market trends.

In our opinion, the strategic position of Orange Polska has markedly improved over the last twelve months.

Winning the auction for frequencies in the 800 MHz band has greatly improved the Company's competitive position in terms of mobile spectrum resources, particularly in consideration of the unsuccessful outcome of the tendering procedure for the 1800 MHz frequencies in 2013. A chance to offer fast Internet on the LTE frequency band is absolutely crucial for handling rapidly growing mobile data traffic. Having these frequencies is also very important for us in the context of a considerable share in the fixed broadband market in rural areas.

The decision to invest heavily in the FTTH network in big cities aims to provide a structural solution to the issue of competitiveness of our fixed line network. Over the recent years, our market shares in big cities have been falling, mainly due to less competitive offer vs. cable networks.

Having both a mobile network and a fast fixed line network constitutes our competitive advantage and is necessary to meet the growing data traffic, while ensuring high quality of service to mobile customers.

A trend to purchase convergent services is clear in the market, and should further intensify in the future. Orange Polska is currently the sole convergent operator in the mass market and the largest one in the business market. Our convergent customer base has been rapidly growing, and convergence remains one of the key pillars of our strategy.

We have considerably improved our position in the mobile market. Despite market saturation, over the last four quarters our aggregate mobile customer base have grown by 7% (over 11% in the post-paid segment). We have greatly reduced churn. We have also improved customer satisfaction rates and the Net Promoter Score (NPS).

The most important of Orange Polska's numerous strengths are as follows:

- Service portfolio expansion to include sales of electric energy and banking services;
- Broadly recognised Orange brand in the telecommunications services market;
- Innovative B-brand mobile offer (under the nju.mobile brand);
- The ability to build and develop strategic alliances, e.g. with T-Mobile (see section 4.4 below), *nc+* and mBank;
- High recognition of corporate social responsibility standards (inclusion in the RESPECT Index of WSE-listed companies; for three years, top positions in the Ranking of Responsible Companies developed by the Responsible Business Forum, *Gazeta Prawna* weekly and Leona Koźmiński Academy; CSR Golden Leaf, which is awarded to selected companies from the Top 500 List of *Polityka* magazine, plus CSR Super Leaf, which has been awarded to just three companies honoured in all the five editions of the competition; *Ethical Company* title in a competition held by Puls Biznesu magazine and PwC Consulting plus a special honorary mention for outstanding approach to ethical corporate culture promotion as well as corruption and fraud prevention), including projects carried out by the Orange Polska Foundation and efforts to ensure web security for minors;
- Poland's largest sales network, enabling professional customer service during and after sales; simultaneously, modern distribution channels, particularly on-line, are being developed;
- Active participation in building the information society through various initiatives, including development of the telecommunication infrastructure in the areas at risk of digital exclusion (in March 2016, Orange Polska received the 2015 Solution of the Year award in the Smart City competition for its Business Intelligence Hackathon API – BIHAPI, an initiative to promote Open Data and API, in which the involved municipalities provide data which are then used by programmers for developing innovative city applications);

- Broad international co-operation and access to know-how of Orange Polska's partners from the Orange Group, including use of the Buy-In company (a joint venture of Orange Group and Deutsche Telekom) as well as close co-operation and R&D experience sharing within the Orange Labs network;
- One of Poland's top employers in 2016 according to Top Employers Institute's study (awarded with prestigious Top Employer Polska 2016 and Top Employer Europe 2016 certificates) and one of the most attractive companies as a potential employer in the telecommunication industry for students (according to the 'Your Perspective' Programme ranking list);
- Experienced workforce and well-developed work assessment and competence development system.

4 MATERIAL EVENTS THAT HAD OR MAY HAVE INFLUENCE ON ORANGE POLSKA'S OPERATIONS

Presented below are the key events that, in Management's opinion, have influence on Orange Polska's operations now or may have such influence in the near future. Apart from this section, the threats and risks that may impact the Group's operational and financial performance are also reviewed in the Chapter IV hereof.

4.1 Implementation of the Group's new Medium Term Action Plan

In February 2016, Orange Polska announced its new strategic plan for the years 2016–2018. The plan provides for intensive investments in customer acquisition and ensuring best mobile and fixed connectivity in order to build long-term value and reverse the negative trends in market share, revenue and income evolution. The new plan has been built around four major ambitions: to be the market leader in connectivity, convergence and customer experience and to be an agile and flexible company.

The plan provides for vast network investments and intensive marketing expenditure on customer acquisition. In our opinion, the widely understood market conditions, evolution of customer needs and completion of the auction for mobile frequencies have created favourable environment for a market offensive. We want to improve our market shares and lay the foundation for future growth. We expect that the households which are our customers will start to use much more of our services, contributing to further rapid growth in our convergent customer base.

In terms of finance, our new strategic plan is to bring an increase in consolidated revenue and EBITDA in 2018. The key factors in reversing the negative trends will be improvements in both our mobile and fixed line arms. We expect further significant growth in mobile customer base and further ARPU improvement, driven by rapid demand for data transfer, while EBITDA will be supported by revenue improvement, operating leverage and further cost optimisation initiatives.

4.2 Changes in Legislation Concerning Pre-paid Services

The Anti-terrorism Act came into force on July 2, 2016. Pursuant to the new regulations, telecom operators have the obligation to obtain and properly verify the personal data of new customers prior to providing pre-paid services to them (this requirement becomes effective on July 25, 2016). They should also complete the registration of the existing pre-paid customers by February 1, 2017; after this deadline, all not registered pre-paid cards will be deactivated.

Immediately after the initial reports about the draft bill, Orange Polska undertook intensive efforts to prepare the Company for the resulting changes in the regulatory environment. Among a number of actions, the following three were the most important:

(1) Preparing IT systems (billing, CRM, customer care, etc.) for the new legal requirements with the overriding objective of implementing as friendly model of registration as possible;

(2) Redefining the model of relations with distributors and developing new forms of co-operation in order to ensure a fast and easy path for customers to meet the legal requirements;

(3) A package of educational initiatives aimed specifically to Orange customers or generally to the market.

4.3 4G Development and Frequency Auction

In an auction for frequencies from the 800 MHz and 2600 MHz bands, which ended in 2015, Orange Polska won two blocks in the 800 MHz spectrum (a total of 2×10 MHz) and three blocks in the 2600 MHz spectrum (a total of 2×15 MHz). The Company offered a total of PLN 3.168 billion for the above-mentioned blocks. The final prices in the Polish auction for this spectrum are among the highest in Europe. However, the prices offered by Orange Polska are lower than the average prices to be paid by competitors.

On January 25, 2016, Orange Polska received decisions in which the President of UKE granted the frequencies to Orange Polska. The frequency licences are valid for 15 years from the date of receipt of the decision (the decision is immediately executable). Orange Polska has paid the required fees.

Upon withdrawal by NetNet of its request for spectrum assignment, on June 23, 2016 the President of UKE, having re-examined the assignment requests, issued decisions resulting in the following changes:

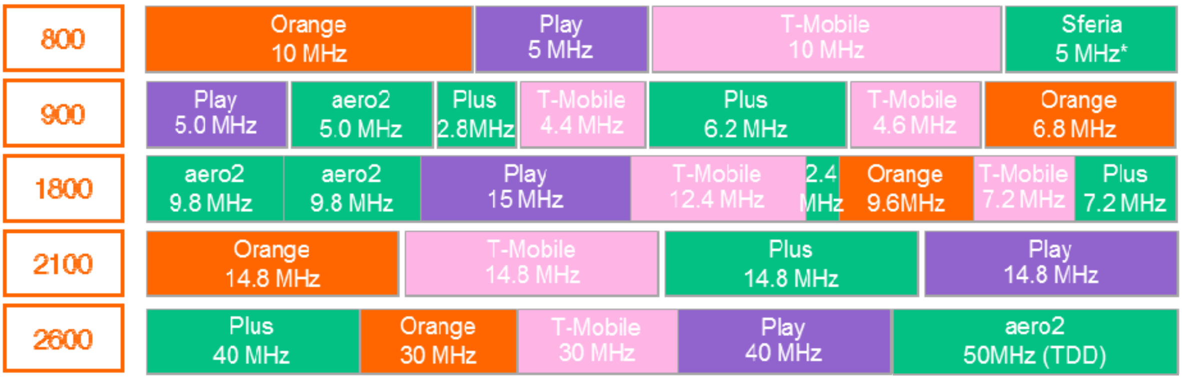
- Frequency block C (initially assigned to T-Mobile) was re-assigned to P4;
- Frequency block D (initially assigned to P4) was re-assigned to T-Mobile;
- Frequency block E (given up by NetNet) was re-assigned to T-Mobile.

There were no changes concerning frequencies assigned to Orange in the 800 MHz band (blocks A and B) or 2600 MHz band. Thus, the post-auction spectrum arrangement can be considered final (which does not exclude subsequent proceedings before the competent courts).

Orange Polska launched LTE services using 800 MHz and 2600 MHz frequencies on February 3, 2016. In the first six months of 2016, Orange Polska increased its LTE network coverage from 83.7% to 95.4%. The

Company's priority is to expand the service range using the 800 MHz spectrum, increasing coverage to 98% by the year-end. This will be accompanied by expansion of capacity in urban areas using the 2600 MHz layer as well as increase in service availability through frequency aggregation (with speeds up to 300 Mbps).

The current spectrum map is presented below:



* As a result of an agreement between the company and the government
The frequencies assigned to the Cyfrowy Polsat Group are shown in green.

4.4 RAN sharing co-operation

Orange Polska continued its RAN sharing co-operation with T-Mobile, which started in 2011. As a result of this co-operation, Orange Polska's customers can use services provided via about 10,400 base stations, including about 5,000 sites of the Company's partner. In the first six months of 2016, the LTE 1800 service (provided using a shared 15 MHz channel) was available via more than 6,600 sites, whereas the LTE 800 and LTE 2600 MHz services were rolled out by Orange Polska via its own base stations (there was no agreement with any other operator in this respect).

In connection with the completion of the process of 800 MHz spectrum assignment and final block distribution, Orange Polska intends to commence talks with T-Mobile regarding expansion of the co-operation to include sharing of the 800 MHz and 2600 MHz bands (in the MORAN scheme).

4.5 Competition in the Mobile Market

As the mobile market has entered the saturation phase, there are two areas which have the key importance in the activity of infrastructure-based operators, namely (i) customer base increase by winning customers from rival operators in the number portability scheme, and (ii) wholesale revenues.

Despite continued intensive marketing policy, there was a notable slowdown in mobile number portability to Play. In the first six months of 2016, the latter 'won over' 285 thousand customers from other operators (compared to 389 thousand in the first half of 2015). This might indicate that as market shares of all players level off, the market success can no longer result from simple price competition.

In February 2016, the Cyfrowy Polsat Group informed about taking full control of the Midas Group (which, in addition to Midas, includes Aero 2 Sp. z o.o., Altalog Sp. z o.o. and Sferia S.A.). This strategic decision has enabled the Cyfrowy Polsat Group to take complete control over the frequencies available to the Midas Group and generated additional synergies, particularly cost savings, among the group companies as a result of the group structure simplification.

Although the market share of other operators (incl. MVNOs) has been rapidly growing, it is still small. It was estimated at 2% as of the end of June 2016. Virgin Mobile is particularly notable among MVNOs, as its customer base exceeded 400 thousand at the end of the second quarter.

Furthermore, introduction by mobile operators of new electronic communication services (e.g. Cyfrowy Polsat GO, Play TV) or non-core services (electricity, insurance, finance, banking, etc.) aims not only at generating additional income but also building the loyalty of the existing customer base.

The auction for the 800 MHz and 2600 MHz frequencies, which ended in October 2015, will influence further development of services and offers in the mobile market, as these frequencies will enable operators to expand LTE services. Polkomtel was the only one among the top four operators not to have directly participated in the auction for the 800 MHz spectrum, arguing that the costs involved are too high as compared to the costs of expansion of its own network. Consequently, it started to roll out its LTE-Advanced network using combined bandwidths from the 1800 MHz and 2600 MHz bands.

4.6 Competition in the Fixed Broadband Market

In the first six months of 2016, cable television (CATV) operators, which hold a total share of approximately 40% in the pay TV market and control one third of the broadband market, continued a strategy of strengthening their market position.

However, the currently used marketing tools, such as offer enhancement, addition of new telecommunication services to bundles and introduction of comprehensive household solutions (including insurance and electricity), concentrated in urban areas where CATV operators were present hitherto, are no longer sufficient to attain their goals.

Due to market saturation in big cities, CATV operators need to seek new growth opportunities in smaller towns. This is effected through both greenfield investments and acquisitions of smaller players, which are declared by all major CATV operators (UPC, Multimedia Polska and Vectra). Rumours reappeared in the first half of 2016 of potential consolidation involving acquisition of Multimedia Polska by UPC Polska, Poland’s largest CATV operator. Should the transaction be effected, UPC would strengthen its leadership position in big cities and greatly increase its market share in medium to small towns. Nationwide, the estimated market share of UPC in the fixed broadband market and TV market would increase to approximately 22% and 16%, respectively.

The expansion of CATV operators in local markets, where Orange Polska has had an established position so far, poses a potential risk for the Group. The situation in big cities shows that it is difficult for Orange Polska to compete with CATV operators’ comprehensive offer on the basis of its traditional copper infrastructure. Therefore, the Group’s FTTH investment programme covers also smaller towns, where CATV operators have not consolidated their presence yet.

It is also worth mentioning that CATV operators have communicated the need to provide fully functional and attractive mobile offer to their customers. This may lead to either a strategic alliance or merger of a CATV operator and a mobile operator. Such a development would reduce the competitive advantage of the Group as the sole provider of the convergent offer in the mass market. In anticipation of such a scenario, Orange Polska has made its priority to enhance the existing convergent offer.

As growing customisation of content (particularly related to entertainment) and expansion of services on demand (such as IPTV, HD channel portfolio, music and video-on-demand) generate increasing demand for high-speed broadband lines, CATV operators continuously modernise and expand their networks and, more and more frequently, they also lease third party’s fibre-optic lines. These investments also aim at acquiring customers from the business segment, which has been a growing source of revenue for cable televisions.

4.7 TV Portfolio Development

In February 2016, Orange Polska launched a new TV offer for IPTV customers, which is based on the content aggregated by the Company. This change has enabled greater flexibility in adjusting our TV portfolio to the needs of customers as well as development of additional services, such as catch-up TV, multiroom and multiscreen. The package of TV channels for the basic subscription fee has increased from 61 to 91 (including 25 HD channels), tailored to suit the needs of all family members. As a result, Orange Polska has enhanced its competitive position with respect to content, which is the key element of our household-oriented strategy, enabling us to monetize the intended investments in the FTTH technology in the coming years.

Simultaneously, Orange Polska has continued its partnership with the nc+ satellite platform, offering NC+ packages to Orange satellite TV and IPTV customers. As part of this partnership, the nc+ leading promotion, celebrating the 21st anniversary of Canal+, was made available to Orange TV customers in April 2016. Furthermore, a promotion dedicated to the existing nc+ customers was introduced in 2016, which offered a bundle of an nc+ package plus LTE broadband from Orange.

4.8 Infrastructure Development

Fixed Line

In 2015, the Company commenced massive development of FTTH lines. By the end of June 2016, the FTTH network had reached over 1 million households. The number of households in VDSL technology stood at 4.77m at the end of June.

The G.fast technology is tested by Orange Labs. It is an access technique standardised by ITU-T at the end of 2014, which makes it possible to achieve high speeds over twisted-pair copper wire. A pilot network project based on this technology was launched at the end of March 2016.

In March 2016, Orange Polska resumed a pilot network project in the Multimedia over Coax Alliance (MoCA) technology, which involved launching services from the Orange FTTH bundle via last mile coaxial cables. The pilot project is carried out in all cities and towns where Orange Polska provides FTTH services. Its key purpose is to estimate the potential for an increase in the FTTH conversion rate.

Convergence

In the first six months of 2016, Orange Polska conducted research on the hybrid access to the Internet (DSL+LTE). The hybrid service should reduce churn of *Neostrada* users and increase access speed as a result of adding a radio interface to CPE (Customer Premises Equipment) routers. The launch of such a service will require implementation of new aggregation routers and new CPEs as well as ensuring proper network infrastructure and capacity.

As for content management, the Company developed the Content PoP network and commenced the roll-out of the Content Delivery Network (CDN) of a new generation. The Content PoP network considerably improves the quality of the content (e.g. YouTube videos) provided to end users, while generating additional revenue and reducing network development costs.

Furthermore, a project of development of a new convergent backbone IP network based exclusively on 100 Gbps links (launched in 2015) was continued in the first half of 2016. As a result of a tender procedure for the new network and the application of new technologies, the costs of maintenance and future expansions were significantly reduced.

Mobile

In 2015, Orange Polska completed its first connection in the VoLTE technology, which enables higher quality of voice calls on mobile networks. The commercial implementation of this technology should be expected in 2016.

In the first half of 2016, Orange Polska continued the development of its mobile network by both expanding the existing facilities and adding new sites. Owing to investments in the mobile infrastructure, the 3G (UMTS/HSPA) network covered 99.6% of Poland's population as of the end of June 2016. Furthermore, in the wake of the positive outcome of the frequency auction, the rollout of the LTE network in the 800MHz and 2600MHz bands started in 2016. Owing to the new bandwidth, LTE coverage had reached 95.4% of Poland's population by the end of June 2016.

Simultaneously, the expansion of the Evolved Packet Core (EPC) network to handle the growing mobile data traffic has been continued.

IP

At the same time, migration of broadband customers from ATM to the IP standard was continued. As a result, at the end of June 2016, over 78% of Neostrada customers and 67% of iDSL customers were handled using access nodes connected via the IP aggregation network.

In 2016, Orange Polska intends to launch commercial domestic IP voice interconnections between the Orange mobile network and two other mobile networks. This will enable the HD quality of voice calls between the connected networks.

4.9 Group's Distribution Channels Evolution

Focused on delivering excellent sales and after sales service to residential and business customers, the Group operates various distribution channels: traditional points of sale (POS), alternative channel, on-line sales, telesales and active sales. Further development of the on-line sales channel and cross-channel initiatives remains our key objective, as it is directly reflected in customer satisfaction and further efficiency gains.

Currently, we have a chain of approximately 790 points of sale, either our own or operated by agents, which offer complete portfolio of our mobile and fixed line services. We have gradually modernised these stores to ensure comfort and convenience to our customers. We have opened 11 interactive Smart Stores, designed in line with the latest trends to encourage customers to explore new solutions in a very nice and easy way. In addition, we have introduces a new store format: Fiber Shops. These are stores located close to housing estates within the FTTH network reach, which combine image-building and sales functions. After a period of rapid sales of the fibre offer (typically the first few months after the completion of the FTTH investment project), they can be moved to other locations. In these stores, customers can meet professional consultants, discuss the specifics of fibre technology, try out the FTTH service and finalise transactions.

On-line sales are the fastest growing channel. We have been gradually implementing cross-channel solutions, as close co-operation between all our contact channels ensures uniform seamless customer experience at any time and any place. Owing to the fact that a great number of our customers begin their experience with Orange on the Internet, we have refurbished the self-service section of the www.orange.pl portal and the 'My Orange' mobile app, making them more friendly and intuitive to use.

The telesales channel is also used to contact customers (mainly for retention), while the product and agreement are subsequently delivered by courier free of charge.

In addition, we have been actively developing our door-to-door sales network. This is the most effective way to compete with cable operators and sell our services based on the fibre technology (launched in 2015).

4.10 Regulatory Obligations

Pursuant to the President of UKE's decisions issued in 2012, Orange Polska has a significant market power in the following relevant retail markets:

- market for provision of access services to a fixed public telephone network and maintaining readiness to provide telecommunication services to consumers (market 1/2003);
- market for provision of access services to a fixed public telephone network and maintaining readiness to provide telecommunication services to business customers (market 2/2003).

Under the aforementioned decisions, Orange Polska is subject to an obligation to obtain UKE's approval for its price lists and terms of service provision as well as a ban on underpricing, a ban on obligating users to subscribe to services which are unnecessary for them, a ban on unjustified preferences for groups of users and a ban on hindering the market entry of other operators.

Pursuant to decisions designating Orange Polska as an SMP operator in the relevant wholesale markets according to the Commission's Recommendation of 2007, Orange Polska has the following regulatory obligations:

- In the domestic market for call origination on a fixed public telephone network (market 2/2007): obligation to enable end-user service management, offer wholesale services for the purposes of resale (WLR), provide telecommunications infrastructure and enable colocation and other forms of facility sharing (on the terms specified in the reference offer);
- In the domestic market for call termination on Orange Polska's fixed line network (market 3/2007): obligation to provide access to the network on non-discriminatory terms specified in the reference offer, including obligation to charge flat interconnect rates for the service;
- In the domestic market for provision of wholesale (physical) access to network infrastructure, including shared or fully unbundled access, in a fixed location (market 4/2007): The scope of the market was extended to include not only copper but also fibre optic loops and subloops. Orange Polska has an obligation to provide access to this infrastructure on the terms specified by UKE in the reference offer;
- In the domestic market for wholesale broadband access services, excluding 76 local administrative units (market 5/2007), where the market was recognised as competitive; in the deregulated areas, Orange Polska has no regulatory obligations (with respect to either FTTx or xDSL), excluding an interim obligation (to October 2016) to maintain the BSA access provided before. In the regulated area, Orange Polska has an obligation to provide access to its copper and fibre optic infrastructure on the terms specified in the reference offer approved by the President of UKE.

Pursuant to SMP decisions for the markets 2/2007, 3/2007 and 4/2007, Orange Polska has an obligation to charge cost-based telecommunication access fees and an obligation to carry out regulatory accounting in accordance with a manual approved by the President of UKE. The relevant regulatory statements for these markets have to be submitted to an independent audit.

Pursuant to the SMP decision for the market 5/2007, Orange Polska has an obligation to calculate costs of services and charge access fees based on the operator's justified costs. The service costing results for these markets are subject to an independent audit. Until a regulatory audit is conducted, Orange Polska has an obligation to charge cost-based prices.

Under the President of UKE's decision of September 16, 2015, Orange Polska was designated as an SMP operator in the national wholesale market for high quality access services at a fixed location, up to 2 Mbps (market 4/2014 up to 2 Mbps). Consequently, regulatory obligations related to access, non-discrimination and transparency, including obligations to submit a reference offer and carry out regulatory accounting, were imposed on Orange Polska. In addition, the Company has an obligation to charge cost-based wholesale rates.

Furthermore, Orange Polska is an SMP operator in the market for call termination on Orange Polska's mobile network (market 7/2007). The key regulatory obligations imposed on Orange Polska in this market are the non-discrimination obligation, the transparency obligation to disclose and publish information on matters related to providing access, the obligation to provide telecommunication access and the obligation to charge rates for call termination on Orange Polska's network according to the time schedule set in the SMP decision of December 14, 2012 (i.e. PLN 0.0429 / minute from July 1, 2013). On December 31, 2012, Orange Polska appealed from the UKE's decision of December 14, 2012, which imposed regulatory obligations on the Company in the market 7/2007. On July 16, 2015, the first-instance Antimonopoly Court cancelled the UKE's decision with respect to rates. The ruling is not final, as both parties to the proceedings appealed against it.

On December 14, 2010, the President of UKE designated Orange Polska as an SMP operator in the market for SMS termination on Orange Polska's mobile network. The most important regulatory obligation imposed by the decision is to provide SMS termination services based on costs. Orange Polska's appeal from the decision was rejected. The Company filed a cassation appeal. On May 6, 2015, the Supreme Court cancelled the Appellate Court's ruling and transferred the case back for re-examination. On August 19, 2015, the Appellate Court revised the SMP decision imposing regulatory obligations on Orange Polska in the market for SMS termination by clarifying access obligations and setting the maximum SMS termination rate at PLN 0.05. Orange Polska filed a cassation appeal against the ruling. The proceedings are pending.

4.11 Proposed Regulatory Changes

UKE has been reviewing the local loop unbundling (LLU) market. The relevant draft decision was published on March 6, 2016. It provides for deregulation in 26 communes (*gminas*), which means no LLU obligation for copper or FTTH networks. Following consultation of the draft decision, UKE decided to expand the scope of deregulation, which necessitated commencement of another consultation process. On June 28, 2016, UKE published a modified draft decision, which provides for not only complete deregulation in 26 communes, but also major deregulation in a further 255 communes (including the cities of Warsaw, Łódź, Wrocław, Bydgoszcz, Toruń and Gdańsk) for FTTH lines. The only regulatory obligations to remain within these areas include providing access as well as regulatory accounting, while UKE decided not to impose on Orange Polska the obligation of cost-based access pricing, reference offer development (the terms of access may be freely determined by the Company) or non-discrimination (particularly in terms of prices). The proceedings are pending.

Furthermore, UKE has started the review of the SMS termination market. The relevant draft decision, lifting from Orange Polska the regulatory obligations in this market, was published on June 30, 2016. The proceedings are pending.

4.12 Roaming Regulation

On November 25, 2015 the European Parliament and the Council passed the Regulation 2015/2120 on roaming on public mobile communications networks within the Union.

The Regulation introduces new rules on provision of roaming services within EU. A mechanism for capping retail roaming charges was introduced from April 30, 2016. It involves surcharges to domestic prices of 5c per minute of call made, 2c per SMS and 5c per MB of data. Roaming retail prices (the sum of the domestic price and any surcharge) cannot be higher than 19c/minute, 6c/SMS and 20c/MB, whereas surcharges for incoming calls cannot exceed the weighted average of mobile termination rates (MTR) across the EU set out by BEREC, i.e. 0.0114c/minute. As of June 15, 2017, prices of retail services in roaming will become equal to prices of services at home.

Before prices of roaming services become equal to those of domestic services, the European Commission has been mandated to review wholesale rates and propose a new piece of legislation in this respect on the basis of the results of the review. The consultation procedure is pending.

4.13 Mobile Termination Rates (MTR)

On April 1, 2016, the principle of differentiating MTRs for calls originating within and outside the European Economic Area (EEA) was implemented on the Polish market. Calls originating outside EEA are subject to higher than regulated rates. Mobile operators have been free (i.e. without any regulatory indications) to determine MTRs on their own networks for traffic originating outside EOG.

4.14 Cost Calculation Results

Under the regulatory obligations resulting from having significant market power in the relevant markets, Orange Polska has an obligation to prepare the regulatory accounting statement for 2015 and the service costing description for the market 5/2007 for 2017, and submit them to an independent audit.

In performance of its regulatory obligations, on February 6, 2016, Orange Polska submitted a manual for drawing up regulatory statements for 2015 and the service costing description for the market 5 for 2017 for the President of UKE's approval. On April 22, 2016, the President of UKE issued a decision on approving the manual. On May 13, 2016, Orange Polska applied to the President of UKE for the re-examination of the case, communicating its reservations about the decision. The proceedings are pending.

On June 7, 2016, the President of UKE appointed Ernst & Young Audyt Polska sp. z o.o. sp. k. to conduct an audit of Orange Polska. The auditor has started the audit; its outcome will be an audit report together with the auditor's opinion, which should be published by UKE not later than on August 30, 2016.

In performance of its regulatory obligations, Orange Polska submitted a manual for drawing up regulatory statements for 2016 and the service costing description for the market 5 for 2018 for the President of UKE's approval. The President of UKE has initiated the relevant proceedings, which are pending.

4.15 Compensation for Universal Service Costs

The President of UKE's procedures regarding determination of operators to share in the compensation of the USO net cost deficit for the years 2007 to 2011 are pending.

On April 22, 2016, the President of UKE determined a list of operators to share in the compensation of the USO net cost deficit for 2007. However, some applications for the re-examination of the case have been submitted and the procedure is pending. Consequently, the procedures to determine the share of individual operators in the compensation for 2007 have not been initiated yet.

Furthermore, court proceedings instituted upon Orange Polska's complaints against UKE's decisions on the amount of compensation due to Orange Polska are pending.

On May 17, 2016 and June 6, 2016, the Supreme Administrative Court upheld the Regional Administrative Court's rulings which had partly cancelled the President of UKE's decisions on the compensation of the USO net cost deficit for 2006 and 2007. Thus, these decisions have been repealed in part involving the President of UKE's refusal to grant compensation for 2006 and 2007. Consequently, the President of UKE has to recommence the relevant administrative procedure and once again issue decisions on the compensation for 2006 and 2007 due to Orange Polska. With respect to the previously granted amounts of compensation, the President of UKE's decisions are final and binding.

4.16 Changes in Legislation

Domestic Law

- On February 7, 2016, the Act of January 15, 2016 amending the Police Act and certain other acts came into force. This has introduced a catalogue of situations in which the relevant services can obtain telecommunication data and imposed on operators the obligation to provide at their own expense the technical and organisational means enabling secret surveillance by the Police.
- On April 17, 2016, the Act of August 5, 2015 on amending the Act on competition and consumer protection and certain other acts came into force. This has introduced new tools for influencing companies, including telecom operators, with respect to "abusive clauses".

The following new legislation is directly related to the telecom activity of Orange Polska:

- On July 1, 2016, the Act of June 9, 2016 amending the Act on supporting the development of telecommunication services and networks and certain other acts came into force. This amendment has transposed the Directive on measures to reduce the cost of deploying high-speed electronic communication networks ('Cost Directive') into the Polish legal system.
- On July 2, 2016, the Anti-terrorism Act of June 10, 2016 came into force. Pursuant to it, telecom operators have the obligation to obtain and properly verify the personal data of new customers prior to providing pre-paid services to them (this requirement becomes effective on July 25, 2016); they should also complete the registration of the existing pre-paid customers by February 1, 2017. Moreover, the bill has imposed on telecom operators certain obligations related to telecommunication infrastructure and activity.

The following bills which may affect Orange Polska are currently at various stages of the legislative process:

- The Ministry of Digitisation has commenced concept work on the draft Act on electromagnetic field (EMF) levels, which is to address the issue of EMF emissions in a comprehensive manner as well as increase social and institutional control in this respect.
- The government is working on the draft Act amending the Gambling Act on and certain other acts, which is to impose a new obligation on telecom operators: they will have to block access to electronic addresses listed in the Register of Prohibited Websites kept by the Ministry of Finance.
- The draft Act on the audio-visual fee introduces a new mechanism for determining and charging a fee for the public media, namely PLN 15 per month for each electricity meter. The bill is being scrutinised by an extraordinary parliamentary committee. However, owing to the requirement to notify amendments to the European Commission (as the proposed fee can be considered public aid), the coming into force of the bill will be delayed. As a result, the obligation to pay the audio-visual fee will not emerge before 2017/2018.
- The draft Act amending the Act on the minimum wage and certain other acts, which is being scrutinised by the parliament, introduces the minimum hourly rate for contractor's agreements and service agreements to which the contract's agreement regulations apply. This may result in a situation that people working on an eight-hours-a-day schedule under such agreements may earn more than those working under contracts of employment.

EU Law

- The Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) has been promulgated. The Regulation provides uniform legal framework for personal data protection and shall apply from May 25, 2018. Infringements may be subject to administrative fines of up to €20 million or 4% of the total worldwide annual turnover.

- The European Commission is working on a fundamental revision of the package of telecom directives (the legislative proposal is to be presented in the early spring of 2017).

4.17 Claims and Disputes, Fines and Proceedings

Please see Note 9 to the Condensed IFRS Interim Consolidated Financial Statements for detailed information about material proceedings and claims against Group companies as well as fines imposed thereon, including a fine imposed by the European Commission.

CHAPTER III
ORGANISATION AND CORPORATE STRUCTURE

5 CHANGES IN THE GROUP'S STRUCTURE IN THE FIRST HALF OF 2016

5.1 Changes in the Corporate Structure of Orange Polska S.A.

There were no major changes in the corporate structure of Orange Polska in the first half of 2016.

5.1.1 Management Board of Orange Polska S.A.

As of June 30, 2016, the Management Board was composed of eight Members, who have been assigned the direct supervision over the following Company's matters:

- President of the Management Board;
- Vice President of the Management Board in charge of Operations;
- Vice President of the Management Board in charge of Business Market;
- Management Board Member in charge of Finance;
- Management Board Member in charge of Human Resources;
- Management Board Member in charge of Sales and Commercial Digitisation;
- Management Board Member in charge of Customer Care and Customer Excellence; and
- Management Board Member in charge of Marketing.

On July 4, 2016, Michał Paschalis-Jakubowicz, Member of the Management Board of Orange Polska S.A. in charge of Marketing resigned from his position due to personal reasons with immediate effect. During the transition period, Jean-François Fallacher, President of the Management Board, has taken over management responsibilities in the area of marketing.

5.1.2 Business Units of Orange Polska S.A.

The total number of business units within the organisation slightly changed.

As of June 30, 2016, Orange Polska had 78 business units, reporting directly to:

1) President of the Management Board: 6 business units;
2) Vice President of the Management Board in charge of Business Market: 7 business units;
3) Vice President of the Management Board in charge of Operations: 12 business units;
4) Management Board Member in charge of Finance: 6 business units;
5) Management Board Member in charge of Human Resources: 9 business units;
6) Management Board Member in charge of Sales and Commercial Digitisation: 6 business units;
7) Management Board Member in charge of Customer Care and Customer Excellence: 2 business units;
8) Management Board Member in charge of Marketing: 10 business units;
9) Executive Officer in charge of Corporate Affairs: 6 business units;
10) Executive Director in charge of Shared Services: 4 business units;
11) Executive Director in charge of Effectiveness & Transformation: 3 business units;
12) Executive Director in charge of Carriers Market: 7 business units; and
13) Executive Director in charge of Brand and Marketing Communication.

5.1.3 Changes in the Structure of Subsidiaries of Orange Polska S.A.

There were no major organisational changes in Orange Polska S.A.'s subsidiaries in the first half of 2016.

5.2 Ownership Changes within the Group in the First Half of 2016

5.2.1 Merger of Orange Polska S.A. with Orange Customer Service sp. z o.o. and TP Invest sp. z o.o.

On May 24, 2016, the Management Board of Orange Polska S.A. approved the plan of merger of Orange Polska as the acquiring company with Orange Customer Service sp. z o.o. and TP Invest sp. z o.o. as the acquired companies.

5.2.2 Deregistration of TPSA Eurofinance France SA

On June 17, 2016, TPSA Eurofinance France S.A. was deleted from the French register of companies.

5.3 Parent Company's Shareholders

As of June 30, 2016, the share capital of the Company amounted to PLN 3,937 million and was divided into 1,312 million fully paid ordinary bearer shares of nominal value of PLN 3 each.

The ownership structure of the share capital based on information available on July 25, 2016 was as follows:

Shareholder	Number of shares held	Number of votes at the General Assembly of Orange Polska S.A.	Percentage of the total voting power at the General Assembly of Orange Polska S.A.	Nominal value of shares held (in PLN)	Interest in the Share Capital
Orange SA	664,999,999	664,999,999	50.67%	1,994,999,997	50.67%
Other shareholders	647,357,480	647,357,480	49.33%	1,942,072,440	49.33%
TOTAL	1,312,357,479	1,312,357,479	100.00%	3,937,072,437	100.00%

As of June 30, 2016, Orange SA held a 50.67% stake in the Company. Orange SA has the power to appoint the majority of Orange Polska S.A. Supervisory Board members. The Supervisory Board appoints and dismisses members of the Management Board.

Orange S.A. is one of the world's foremost telecommunications operators, with a turnover of €40 billion in 2015 and 156,000 employees worldwide, including 97,000 in France. Present in 28 countries, the Orange Group serves 263 million customers all over the world, including 201 million mobile customers and 18 million fixed broadband customers. Orange S.A. is also the leading provider of global IT and telecommunication services to multinational corporations under its brand Orange Business Services. In March 2015, the Orange Group unveiled its new strategic plan 'Essentials 2020'. Orange is listed on Euronext Paris (symbol: ORA) and on the New York Stock Exchange (symbol: ORAN).

As of June 30, 2016, the Company has no information regarding valid agreements or other events that may result in changes in the proportions of shares held by the shareholders.

Orange Polska S.A. did not issue any employee shares in the first half of 2016.

6 GROUP'S STRUCTURE AS OF JUNE 30, 2016

Please see Note 1.2 to the IFRS Full Year Consolidated Financial Statements for the description of the Group's organisation.

6.1 Corporate Governance Bodies of the Parent Company

I. Composition of the Management Board on January 1, 2016:

1.	Bruno Duthoit	- President of the Board
2.	Mariusz Gaca	- Vice President of the Board
3.	Piotr Muszyński	- Vice President of the Board
4.	Jolanta Dudek	- Board Member
5.	Jacek Kowalski	- Board Member
6.	Bożena Leśniewska	- Board Member
7.	Maciej Nowohoński	- Board Member
8.	Michał Paschalis-Jakubowicz	- Board Member

On February 4, 2016, Mr. Bruno Duthoit resigned from the position of the Company's CEO with effect from the end of the day of April 30, 2016. On the same day, the Supervisory Board appointed Mr. Jean-François Fallacher as the President of the Management Board of Orange Polska effective as of May 1, 2016.

Composition on June 30, 2016:

1.	Jean-François Fallacher	- President of the Board
2.	Mariusz Gaca	- Vice President of the Board
3.	Piotr Muszyński	- Vice President of the Board
4.	Jolanta Dudek	- Board Member
5.	Jacek Kowalski	- Board Member
6.	Bożena Leśniewska	- Board Member
7.	Maciej Nowohoński	- Board Member
8.	Michał Paschalis-Jakubowicz	- Board Member

On July 4, 2016, Michał Paschalis-Jakubowicz, Member of the Management Board of Orange Polska S.A. in charge of Marketing resigned from his position due to personal reasons with immediate effect. During the transition period, Jean-François Fallacher, President of the Management Board, has taken over management responsibilities in the area of marketing.

II. Composition of the Supervisory Board and its Committees and changes thereof in the first half of 2016

Composition on January 1, 2016:

1.	Maciej Witucki	- Chairman of the Supervisory Board
2.	Prof. Andrzej K. Koźmiński	- Deputy Chairman and Independent Board Member
3.	Gervais Pellissier	- Deputy Chairman and Chairman of the Strategy Committee
4.	Marc Ricau	- Board Member and Secretary
5.	Dr. Henryka Bochniarz	- Independent Board Member
6.	Jean-Marie Culpin	- Board Member
7.	Eric Debroeck	- Board Member
8.	Ramon Fernandez	- Board Member
9.	Dr. Mirosław Gronicki	- Independent Board Member
10.	Russ Houlden	- Independent Board Member and Chairman of the Audit Committee
11.	Marie-Christine Lambert	- Independent Board Member
12.	Maria Pasło-Wiśniewska	- Board Member
13.	Gérard Ries	- Board Member
14.	Dr. Wiesław Rozłucki	- Independent Board Member and Chairman of the Remuneration Committee
15.	Valérie Thérond	- Board Member

On February 3, 2016, Prof. Andrzej K. Koźmiński resigned from the position as Member of the Supervisory Board with effect on April 12, 2016.

On April 7, 2016, Mr. Gérard Ries resigned from the position as Member of the Supervisory Board with effect on April 7, 2016.

On April 12, 2016, the mandates of Messrs. Jean-Marie Culpin, Eric Debroeck, Mirosław Gronicki, Gervais Pellissier, Marc Ricau and Maciej Witucki expired.

On the same day, Messrs. Jean-Marie Culpin, Eric Debroeck, Michał Kleiber, Gervais Pellissier, Marc Ricau and Maciej Witucki were appointed by the Annual General Assembly as Members of the Supervisory Board.

On June 28, 2016, Ms. Marie-Christine Lambert resigned from the position as Member of the Supervisory Board with effect on June 30, 2016.

Composition on June 30, 2016:

1.	Maciej Witucki	- Chairman of the Supervisory Board
2.	Gervais Pellissier	- Deputy Chairman and Chairman of the Strategy Committee
3.	Marc Ricau	- Board Member and Secretary
4.	Dr. Henryka Bochniarz	- Independent Board Member
5.	Jean-Marie Culpin	- Board Member
6.	Eric Debroeck	- Board Member
7.	Ramon Fernandez	- Board Member
8.	Russ Houlden	- Independent Board Member and Chairman of the Audit Committee
9.	Prof. Michał Kleiber	- Independent Board Member
10.	Maria Pasło-Wiśniewska	- Independent Board Member
11.	Dr. Wiesław Rozłucki	- Independent Board Member and Chairman of the Remuneration Committee
12.	Valérie Thérond	- Board Member

At present, Orange Polska has five independent members on the Supervisory Board, namely: Dr. Henryka Bochniarz, Russ Houlden, Prof. Michał Kleiber, Maria Pasło-Wiśniewska and Dr. Wiesław Rozłucki.

Composition of the Committees of the Supervisory Board on June 30, 2016:

The Audit Committee

1. Russ Houlden – Chairman
2. Maria Pasło-Wiśniewska
3. Marc Ricau

The Audit Committee is chaired by Mr. Russ Houlden, an independent Member of the Supervisory Board. He has relevant experience and qualifications in finance, accounting and audit.

The Remuneration Committee

1. Dr. Wiesław Rozłucki – Chairman
2. Maria Pasło-Wiśniewska
3. Marc Ricau
4. Valérie Thérond

The Strategy Committee

1. Gervais Pellissier – Chairman
2. Dr. Henryka Bochniarz
3. Jean-Marie Culpin
4. Eric Debroeck
5. Prof. Michał Kleiber
6. Maria Pasło-Wiśniewska

Mr. Maciej Witucki, Chairman of the Supervisory Board, and Mr. Russ Houlden, Independent Board Member and Chairman of the Audit Committee, participate in the meetings of the Strategy Committee on a permanent basis.

6.1.1 Orange Polska Shares Held by Persons Who Manage or Supervise Orange Polska

Members of the Management Board did not hold any shares of Orange Polska S.A. or related entities as of July 25, 2016.

As part of the Company's incentive program, members of the Management Board of the Company acquired Orange Polska registered A-series first option bonds, giving the right to subscribe for the Company's shares with priority over existing shareholders. The number of first option bonds held by members of the Management Board of the Company on July 25, 2016 was as follows:

Mariusz Gaca	68,839
Piotr Muszyński	190,896
Jacek Kowalski	25,241
Maciej Nowohoński	36,715
Jolanta Dudek	13,768
Bożena Leśniewska	27.536

As of July 25, 2016, Mr. Maciej Witucki, Chairman of the Orange Polska Supervisory Board, held 305,557 first option bonds. Other Members of the Supervisory Board of Orange Polska S.A. do not participate in the Company's incentive program and as of February 15, 2016 held no first option bonds. As of July 25, 2016, Mr. Maciej Witucki, Chairman of the Orange Polska Supervisory Board, held 4,000 shares of Orange Polska S.A. No other persons who manage or supervise Orange Polska held the Company's shares.

6.1.2 General Assembly

On April 12, 2016, the Annual General Assembly approved a dividend of PLN 328 million (i.e. PLN 0.25 per share). A total of 1,312,357,479 shares were eligible for dividend. The dividend was paid on July 7, 2016.

6.2 Workforce

As of June 30, 2016, Orange Polska employed 16,099 people (in full-time equivalents), which is a decrease of 7.4% compared to the end of June 2015.

Orange Polska S.A.'s workforce reduction was mainly a result of the implementation of the Social Agreement for the years 2016–2017. Pursuant to it, a total of 360 employees left the Company in the first six months of 2016, approximately 95% of whom under the voluntary departure programme. Severance pay averaged PLN 66.9 thousand per employee in the first half of 2016. The voluntary departure programme was also effected in Orange Customer Service sp. z o.o. (OCS). Pursuant to the Social Agreement for the years 2016–2017 between the OCS Management Board and trade unions, a total of 248 people left the company in the first six months of 2016, 97% of whom on a voluntary departure basis. Severance pay averaged PLN 59.2 thousand in the first half of 2016. Voluntary departures at OCS were effected on the same terms as in Orange Polska S.A.

In the first half of 2016, external recruitment in Orange Polska totalled 246 positions. External recruitment was mainly related to sale positions and customer service staff.

6.2.1 Social Agreement

On December 2, 2015, the Management Board of Orange Polska S.A. concluded with trade unions a new Social Agreement for the years 2016–2017, which come into force on January 1, 2016. In particular, the Social Agreement concerns investments in a friendly work environment and pay rises (2.5% both in 2016 and 2017), as well as enabling long-standing employees to leave Orange Polska S.A. with fair compensation and supporting employees in seeking jobs in the market (outplacement).

In the years 2016–2017, up to 2,050 employees of Orange Polska S.A. and Orange Customer Service sp. z o.o. (a wholly-owned subsidiary of Orange Polska S.A.) will be eligible for the voluntary departure package, provided that they have seniority of 10 or more years in the calendar year in which their employment is terminated. In addition, the parties concluded separate agreements with trade unions specifying that up to 730 employees of Orange Polska S.A. and 300 employees of Orange Customer Service sp. z o.o. may use the package in 2016. In Orange Polska S.A., the voluntary departure offer is addressed to the employees who are covered by the Intragroup Collective Labour Agreement.

The package offered to departing employees depends on their seniority in the Group and ranges between 4 and 15 basic monthly salaries. In 2014, this is increased by an additional compensation of PLN 5,000 for employees with seniority of 10 to 15 years, PLN 10,000 for employees with seniority of more than 15 but less than 20 years or PLN 26,000 for employees with seniority of more than 20 years.

CHAPTER IV
KEY RISK FACTORS

7 RISK FACTORS AFFECTING THE ACTIVITIES OF ORANGE POLSKA

There were no material changes with respect to the key risk factors affecting the activities of Orange Polska compared to the state of affairs presented in the chapter 8 of the Management Board's Report on the Activity of the Group in 2015.

Please see Note 28 to the IFRS Consolidated Full-Year Financial Statements for 2015 and Note 9 to the Condensed IFRS Interim Consolidated Financial Statements for the first half of 2016 for additional information about major outstanding claims and litigations.

8 TELECOMMUNICATIONS SECTOR RISKS

This section describes potential risks in the telecommunications sector that may affect the Group's operations except for the key risk factors referred to in section 7 above.

8.1 Regulatory Risks

Orange Polska continuously makes efforts towards the regulator and alternative operators in order to meet its regulatory obligations in the optimum way, particularly with respect to provision of wholesale services.

The Group has explored all possible legal means to protect its interests.

8.1.1 Pre-paid Registration

On July 2, 2016, the Anti-terrorism Act of June 10, 2016 came into force. Pursuant to it, telecom operators have the obligation to obtain and properly verify the personal data of new customers prior to providing pre-paid services to them (this requirement becomes effective on July 25, 2016); they should also complete the registration of the current pre-paid customers by February 1, 2017. Moreover, the bill has imposed on telecom operators certain obligations related to telecommunication infrastructure and activity.

8.1.2 Roaming Rates

According to the Regulation 2015/2120 of November 2015 on roaming on public mobile communications networks within the Union, a mechanism for capping retail roaming charges was implemented from April 30, 2016. It involves surcharges to domestic prices of 5c per minute of call made, 2c per SMS and 5c per MB of data. Furthermore, according to the Regulation, roaming retail prices (the sum of the domestic price and any surcharge) cannot be higher than 19c/minute, 6c/SMS and 20c/MB, whereas surcharges for incoming calls cannot exceed the weighted average of mobile termination rates (MTR) across the EU set out by BEREC, i.e. 0.0114c/minute.

As of June 15, 2017, prices of retail services in roaming will become equal to prices of services at home.

After elimination of roaming charges, operators will be protected against abusive use of roaming through the "fair use" policy, which will enable them to cap the volume of roaming services provided at domestic prices and apply surcharges to domestic prices, if a roaming provider demonstrates that it is not able to recover its costs by charging domestic rates for roaming services. The decision on an additional surcharge applied by the operator will be made by the regulator.

Currently, there are no provisions regulating "fair usage"; the relevant mechanisms and detailed rules are to be determined in a regulation which should be adopted by BEREC at the end of 2016 or beginning of 2017.

Before prices of roaming services become equal to those of domestic services, the European Commission has been mandated to review wholesale rates and propose a new piece of legislation in this respect on the basis of the results of the review.

On June 15, 2016, the European Commission published a draft regulation including a proposal to reduce the maximum wholesale rates from June 15, 2017 to the following levels:

- 4c per minute of call made;
- 1c per SMS, and
- 0.85c per MB of data.

The consultation procedure is pending.

8.1.3 Single Reference Offer

The single reference offer ("SRO") for RIO, WLR, BSA and LLU services which is currently in force was approved by the President of UKE on September 29, 2010.

In the first half of 2016, UKE issued the following decisions which modified SRO:

- processing of number porting via the Location and Information Platform with the Central Data Base (PLI CBD) – decision of April 11, 2016 (upon re-examination of the case);
- changes in rates for providing fibre lines and fibre local loop – decision of May 16, 2016; and
- introduction of a shortened process for wholesale (BSA and LLU) service delivery – decision of June 4, 2016.

In particular, pending proceedings at UKE regarding SRO modification concern the following:

- call initiation service in performance of an obligation imposed in the market 2/2007;

- call termination service, particularly with respect to cancellation of division into charge periods, in performance of UKE's decision obligating Orange Polska S.A. to amend its SRO in this respect (status: pending consultation of the draft decision);
- providing access to telecommunication network nodes in connection with the regulatory obligations for the market 5/2007 imposed on Orange Polska by the UKE's decision of October 7, 2014 (status: consultation completed; under consolidation by the European Commission).

8.1.4 Leased Lines (RLLO)

The telecommunication access reference offer for the provision of leased line services with respect to terminating segments, trunk segments and end-to-end lines (the Reference Leased Lines Offer – RLLO) which is currently in force was approved by UKE on December 31, 2009.

After UKE decided to partially deregulate the leased lines service, Orange Polska applied to UKE for declaring void the decisions modifying RLLO with respect to leased lines terminating segments above 2 Mbps and leased lines trunk segments.

On December 21, 2015, Orange Polska submitted to the President of UKE a new draft reference offer for services of high-quality access provided at a fixed location with capacity of up to and including 2 Mbps. The ensuing procedure is pending.

Furthermore, in 2016, the President of UKE decided to discontinue the following sets of proceedings concerning RLLO:

- proceedings initiated upon Orange Polska's request for RLLO modification, mainly with respect to rate reduction;
- proceedings initiated *ex officio* to obligate Orange Polska to prepare modification to RLLO by expanding it to include the Ethernet;
- proceedings initiated upon NASK's request to obligate Orange Polska to prepare modification to RLLO with respect to terms of service provision to alternative operators, as well as proceedings initiated upon Orange Polska's request for RLLO modification in the wake of the outcome of the former proceedings.

8.1.5 New Costing Model for Fixed Termination Rates (FTR)

Since 2014, UKE has been working on a new FTR costing model (LRIC bottom-up) in order to implement the Commission recommendation of 7 May 2009 (2009/396/WE) in the Polish market. On August 28, 2014, UKE announced the results of a bidding procedure for the model development. The winner was Ernst&Young, which subsequently developed the model pursuant to a contract with UKE.

In February 2015, UKE presented the FTR calculation results based on statistical data. FTR cuts and elimination of asymmetry of rates can be expected at the end of 2016 at the earliest.

Furthermore, the European Commission initiated the evaluation of the Commission Recommendation of May 7, 2009 on the regulatory treatment of fixed and mobile termination rates in the EU (2009/396/EU). The Commission aims to evaluate the impact of the Recommendation, and assess whether to maintain or amend it as a tool for achieving the policy objectives of promoting competition, EU citizens' interests and developing the internal market. The Commission is obligated to review the Recommendation no later than 31 December 2016.

8.2 Competitive Risks

8.2.1 CATV Operators

In the first six months of 2016, cable television (CATV) operators, which hold a total share of approximately 40% in the pay TV market and control one third of the broadband market, continued a strategy of strengthening their market position.

However, the currently used marketing tools, such as offer enhancement, addition of new telecommunication services to bundles and introduction of comprehensive household solutions (including insurance and electricity), concentrated in urban areas where CATV operators were present hitherto, are no longer sufficient to attain their goals.

Due to market saturation in big cities, CATV operators need to seek new growth opportunities in smaller towns. This is effected through both greenfield investments and acquisitions of smaller players, which are declared by all major CATV operators (UPC, Multimedia Polska and Vectra).

Rumours reappeared in the first half of 2016 of potential consolidation involving acquisition of Multimedia Polska by UPC Polska, Poland's largest CATV operator. Should the transaction be effected, UPC would strengthen its leadership position in big cities and greatly increase its market share in medium to small towns. Nationwide, the estimated market share of UPC in the fixed broadband market and TV market would increase to approximately 22% and 16%, respectively.

The expansion of CATV operators in local markets, where Orange Polska has had an established position so far, poses a potential risk for the Group. The situation in big cities shows that it is difficult for Orange Polska to compete with CATV operators' comprehensive offer on the basis of its traditional copper infrastructure. Therefore, the Group's FTTH investment programme covers also smaller towns, where CATV operators have not consolidated their presence yet.

It is also worth mentioning that CATV operators have communicated the need to provide fully functional and attractive mobile offer to their customers. This may lead to either a strategic alliance or merger of a CATV operator and a mobile operator. Such a development would reduce the competitive advantage of the Group as the sole provider of the convergent offer in the mass market. In anticipation of such a scenario, Orange Polska has made its priority to enhance the existing convergent offer.

As growing customisation of content (particularly related to entertainment) and expansion of services on demand (such as IPTV, HD channel portfolio, music and video-on-demand) generate increasing demand for high-speed broadband lines, CATV operators continuously modernise and expand their networks and, more and more frequently, they also lease third party's fibre-optic lines. These investments also aim at acquiring customers from the business segment, which has been a growing source of revenue for cable televisions.

8.2.2 Cross-selling of Services within the Cyfrowy Polsat Group

In the first six months of 2016, Cyfrowy Polsat and Polkomtel (both in the Cyfrowy Polsat Group controlled by Zygmunt Solorz-Żak) continued cross-sales of bundled offers combining mobile voice, mobile broadband and TV, coupled with sales of electrical energy and financial services in order to strengthen marketing relationship with both existing and new customers and build a joint customer base.

In the first half of 2016, the Cyfrowy Polsat Group announced that the process of operational, organisational and structural integration of both companies, i.e. Polkomtel and Cyfrowy Polsat, had been almost completed. Aiming to expand its post-paid customer base, the Cyfrowy Polsat Group offers its customers a number of benefits in the 'SmartDOM' *(Eng.'Smart Home')* programme (which is a range of household-dedicated services provided by Polkomtel and Cyfrowy Polsat), e.g. the lowest price guarantee for a bundle of satellite TV, mobile broadband and mobile voice services or a promotional price for the Euro 2016 Championship broadcast package in May 2016. In addition, the customers of Cyfrowy Polsat, Plus and Plus Bank are eligible for the dedicated 'Paszport korzyści'(*Eng. 'Passport of Benefits'*) loyalty programme.

8.2.3 New Medium Term Strategy of T-Mobile

After a period of active efforts in the business market (resulting directly from the merger with GTS Polska), in a medium term strategy presented in March 2016, T-Mobile announced that it would now focus on post-paid individual customers and the SOHO (Small Office/Home Office) segment. T-Mobile has the ambition to become the leader by value and achieve a 25% market share in pre-paid segment by 2020. The related strategy is divided into three main stages: mitigation of churn (2016), increase in the market share for new contracts (2017) and transition to the leadership in customer acquisitions (2018–2020). The goal set by the company is to be attained through the following: development of an image of the leader in the digital world, top network quality and offer simplicity. As part of the announced strategy, T-Mobile also ultimately intends to double its revenue from business customers in the ICT market.

8.2.4 Fixed/Mobile Substitution

Fixed/mobile substitution is one of the major challenges for telecom operators, particularly in Central and Eastern Europe, where the fixed line penetration at the time of popularisation of mobile telephony was significantly lower than in West European countries.

The fixed/mobile substitution in Poland, like in other CEE countries, has a greater scale than in the majority of West European countries and the ratio of 'only-mobile' users is generally higher.

Offers in which a fixed voice service is an added value to a broadband or mobile service as the equivalent of a 'traditional' fixed line have been clearly gaining popularity. Such services dedicated to fixed applications (at home or office) but based on the mobile infrastructure are generally offered by mobile operators; yet, the mobile virtual network operator (MVNO) model has been increasingly used for this purpose, lately. Netia, Novum, Telestrada and the Polish Services Group intend to migrate their fixed-line customers to a mobile network.

8.2.5 Mobile Broadband Access slows down the Fixed Broadband growth

The upward trend in the mobile broadband segment continued in the first half of 2016. Orange Polska estimates that the mobile broadband penetration of Poland's population reached 18.0% at the end of June 2016. In Poland, mobile broadband access, depending on price options, seems to be partly a substitute to fixed broadband access, and the development of the former has partly slowed down the growth of the latter over the recent years.

Mobile broadband service providers have aimed at enhancing the coverage and technological capacity of their networks in order to offer higher data transmission rates.

8.2.6 WLR, BSA and LLU Wholesale Markets

The terms of provision of regulated wholesale services, WLR, BSA and LLU, are determined by the Single Reference Offer ("SRO"; see section 8.1.3 above).

8.2.7 Leased Lines Market

Orange Polska's main competitors in the wholesale leased lines market are Netia Group, PGE/Exatel Group, GTS/T-Mobile Group, Multimedia Group and ATM. These companies have network resources that enable them to compete with Orange Polska's offer in terms of quality and price, and have their own nodes in all the sixteen regions of Poland. On the other hand, these operators are the core customers of Orange Polska's wholesale services. A major part of the leased lines market is the retail segment with additional competition from smaller market players that develop their retail offer on the basis of lines leased from Orange Polska or other large players.

At the end of 2015, the current regulated offer (RLLO) was limited to capacities of up to 2 Mbps only, while other capacities were deregulated. The latter are now included in the category of data services as one of the available transfer technologies used in commercial services. These rules apply to all new and migrated lines, while Orange Polska still maintains the existing lines activated under earlier agreements. The companies that have used the retail leased lines services so far may, upon registration in the register of telecom operators, use the wholesale price list for capacities of up to 2 Mbps.

There has been an increasingly noticeable shift towards sophisticated data transmission services on managed networks as well as convergent services which combine traditional leased line services with packet network services. For this reason, in Poland, like in other European countries, customers have been migrating from traditional data transmission services to managed solutions. Both Orange Polska and its rival companies have been expanding their service portfolio in this direction. This shift has also been noticed by the regulator. Consequently, a change of the regulatory framework for leased lines is expected in 2016. This should involve the establishment of the new relevant market for high-quality access in a fixed location at up to 2 Mbps, technologically neutral, which will include a portion of the existing market 13 (for speeds up to 2 Mbps) as well as the technologies offered hitherto in commercial data services of up to 2 Mbps.

8.2.8 Polkomtel's Letters to UOKiK and the European Commission

On April 1, 2014, the European Commission notified Orange Polska about a letter it had received from Polkomtel informing about a potential breach by Orange Polska and T-Mobile Polska of the Treaty provisions prohibiting agreements which may distort competition within the internal market (Article 101(1) of the Treaty). The letter also indicated a potential breach of the jurisdiction provisions contained in the Council Regulation 139/2004 on the control of concentrations between undertakings; Polkomtel claimed that the establishment of NetWorkS! should have been, allegedly, subject to approval by the European Commission rather than by UOKiK.

On April 15, 2014, Orange Polska sent to the European Commission a response to Polkomtel's charges, stating that in the Company's opinion they were groundless. In 2014 and 2015, the Commission sent additional questions to Orange Polska and the Company submitted the information and documents requested by the Commission.

On April 11, 2014, UOKiK opened initial proceedings to clarify whether the activity of telecommunication operators related to their co-operation in providing access to, integration of or co-use of telecommunication networks, telecommunication infrastructure or frequencies might have resulted in a breach of the Act on competition and consumer protection. On January 15, 2016, UOKiK announced that it had completed the proceedings and would send its findings to the European Commission.

CHAPTER V
STATEMENTS

9 STATEMENTS OF THE MANAGEMENT BOARD

9.1 Statement on Adopted Accounting Principles

Orange Polska S.A. Management Board, composed of:

1.	Jean-François Fallacher	- President of the Board
2.	Mariusz Gaca	- Vice President in charge of Business Market
3.	Piotr Muszyński	- Vice President in charge of Operations
4.	Jolanta Dudek	- Board Member in charge of Customer Care and Customers Excellence
5.	Jacek Kowalski	- Board Member in charge of Human Resources
6.	Bożena Leśniewska	- Board Member in charge of Sales and Commercial Digitisation
7.	Maciej Nowohoński	- Board Member charge of Finance, Chief Financial Officer

hereby confirms that according to its best knowledge the Condensed Interim Consolidated Financial Statements and comparable data have been drawn up in compliance with the accounting regulations in force and reflect the Group's property, financial standing and financial result in an accurate, reliable and transparent manner.

This Management Board's Report provides accurate depiction of the development, achievements and standing of the issuer's group, including the description of major threats and risks.

9.2 Statement on Appointment of the Licensed Auditor of the Group's Consolidated Financial Statements

Orange Polska S.A. Management Board hereby declares that the licensed auditor to review the Condensed Interim Consolidated Financial Statements has been appointed in compliance with the relevant regulations and that both the auditor and the chartered accountants carrying out the review meet the requirements to develop an impartial and independent report on the reviewed financial statements in compliance with the relevant regulations and professional standards.

9.3 Management Board's Position as to the Achievement of the Previously Published Financial Projections for the Given Period

As published on 15 February 2016 in the current report 13/2016, the Group forecasts the restated EBITDA for 2016 to be in the range of PLN 3.15 - 3.30 billion and net financial debt to restated EBITDA ratio is expected to be not higher than 2.2 for the full year 2016. The Management Board of Orange Polska S.A. confirms the above-mentioned forecast based on analysis of financial results for the 6 months ended 30 June 2016.

GLOSSARY OF TELECOM TERMS

4G – fourth generation of mobile technology, sometimes called LTE (Long Term Evolution)

Access Fee – revenues from monthly fee from New Tariff Plans (incl. Free minutes)

ARPU – Average Revenues per User

AUPU – Average Usage per User

BSA – Bitstream Access Offer

CATV – Cable Television

CDMA – Code Division Multiple Access, second generation wireless mobile network used also as a wireless local loop for locations where cable access is not economically justified

EBITDA – Operating income + depreciation and amortisation + impairment of goodwill + impairment of non-current assets

F2M – Fixed to Mobile Calls

FBB – Fixed Broadband

FTTH – Fibre To The Home

FVNO – Fixed Virtual Network Operator

ICT – Information and Communication Technologies

ILD – International Calls

IP TV – TV over Internet Protocol

Liquidity Ratio – Cash and unused credit lines divided by debt to be repaid in the next 18 months

LLU – Local Loop Unbundling

LTE – Long Term Evolution, standard of data transmission on mobile networks (4G)

M2M – Machine to Machine, telemetry

MTR – Mobile Termination Rates

MVNO – Mobile Virtual Network Operator

Net Gearing – net gearing after hedging ratio = net debt after hedging / (net debt after hedging + shareholders' equity)

Organic Cash Flow – Organic Cash Flow = Net cash provided by Operating Activities – (CAPEX + CAPEX payables) + proceeds from sale of assets

RAN agreement – agreement on reciprocal use of radio access networks

RGU – Revenue Generation Unit

RIO – Reference Interconnection Offer

SAC – Subscriber Acquisition Costs

SIMO – mobile SIM only offers without devices

SMP – Significant Market Power

SRC – Subscriber Retention Cost

UKE – Urząd Komunikacji Elektronicznej (Office of Electronic Communications)

UOKiK – Urząd Ochrony Konkurencji i Konsumentów (Office for Competition and Consumer Protection)

USO – Universal Service Obligation

VDSL – Very-high-bit-rate Digital Subscriber Line

VHBB – Very high speed broadband above 30Mbps

VoIP – Voice over Internet Protocol

WLL – Wireless Local Loop

WLR – Wholesale Line Rental