☐ - restated

POLISH FINANCIAL SUPERVISION AUTHORITY

Quarterly consolidated report for the third quarter of 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, No. 133, with amendments)
for the issuers in sectors of production, construction, trade or services

for the third quarter of **2016**, i.e. **from 1 January 2016 to 30 September 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: **24 October 2016**

ORANGE POLSKA SA
(full name of issuer)

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

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SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	3 quarter cumulative period from 01/01/2016 to 30/09/2016	3 quarter cumulative period from 01/01/2015 to 30/09/2015	3 quarter cumulative period from 01/01/2016 to 30/09/2016	3 quarter cumulative period from 01/01/2015 to 30/09/2015
condensed consolidated financial statements data				
I. Revenue	8 557 000	8 914 000	1 958 661	2 143 561
II. Operating income	494 000	690 000	113 075	165 925
III. Profit before income tax	223 000	480 000	51 044	115 426
IV. Consolidated net income	152 000	407 000	34 792	97 872
V. Net income attributable to owners of Orange Polska S.A.	152 000	407 000	34 792	97 872
VI. Earnings per share (in PLN/EUR) (basic and diluted)	0,12	0,31	0,03	0,07
VII. Weighted average number of shares (in millions) (basic and diluted)	1 312	1 312	1 312	1 312
VIII. Total comprehensive income	169 000	463 000	38 683	111 338
IX. Total comprehensive income attributable to owners of Orange Polska S.A.	169 000	463 000	38 683	111 338
X. Net cash provided by operating activities	2 032 000	2 073 000	465 116	498 497
XI. Net cash used in investing activities	(4 726 000)	(1 968 000)	(1 081 762)	(473 248)
XII. Net cash provided by /(used in) financing activities	2 769 000	(123 000)	633 812	(29 578)
XIII. Total net change in cash and cash equivalents	75 000	(17 000)	17 167	(4 088)
	balance as at 30/09/2016	**balance as at 31/12/2015**	**balance as at 30/09/2016**	**balance as at 31/12/2015**
XIV. Total current assets	2 184 000	2 330 000	506 494	546 756
XV. Total non-current assets	21 756 000	19 322 000	5 045 455	4 534 084
XVI. Total assets	23 940 000	21 652 000	5 551 948	5 080 840
XVII. Total current liabilities	4 085 000	5 185 000	947 356	1 216 708
XVIII. Total non-current liabilities	8 037 000	4 490 000	1 863 868	1 053 619
XIX. Total equity	11 818 000	11 977 000	2 740 724	2 810 513
XX. Equity attributable to owners of Orange Polska S.A.	11 816 000	11 975 000	2 740 260	2 810 043
XXI. Share capital	3 937 000	3 937 000	913 033	923 853
condensed separate financial statements data				
	3 quarter cumulative period from 01/01/2016 to 30/09/2016	**3 quarter cumulative period from 01/01/2015 to 30/09/2015**	**3 quarter cumulative period from 01/01/2016 to 30/09/2016**	**3 quarter cumulative period from 01/01/2015 to 30/09/2015**
I. Revenue	8 392 000	8 589 000	1 920 894	2 065 408
II. Operating income	441 000	590 000	100 943	141 878
III. Profit before income tax	282 000	442 000	64 549	106 288
IV. Net income	243 000	376 000	55 622	90 417
V. Earnings per share (in PLN/EUR) (basic and diluted)	0,19	0,29	0,04	0,07
VI. Weighted average number of shares (in millions) (basic and diluted)	1 312	1 312	1 312	1 312
VII. Total comprehensive income	260 000	429 000	59 513	103 162
VIII. Net cash provided by operating activities	2 147 000	2 097 000	491 439	504 268
IX. Net cash used in investing activities	(4 735 000)	(1 977 000)	(1 083 822)	(475 412)
X. Net cash provided by /(used in) financing activities	2 619 000	(131 000)	599 478	(31 502)
XI. Total net change in cash and cash equivalents	31 000	(10 000)	7 096	(2 405)
	balance as at 30/09/2016	**balance as at 31/12/2015**	**balance as at 30/09/2016**	**balance as at 31/12/2015**
XII. Total current assets	2 066 000	2 643 000	479 128	620 204
XIII. Total non-current assets	21 891 000	20 521 000	5 076 763	4 815 441
XIV. Total assets	23 957 000	23 164 000	5 555 891	5 435 645
XV. Total current liabilities	4 084 000	5 795 000	947 124	1 359 850
XVI. Total non-current liabilities	8 020 000	5 590 000	1 859 926	1 311 745
XVII. Total equity	11 853 000	11 779 000	2 748 840	2 764 050
XVIII. Share capital	3 937 000	3 937 000	913 033	923 853

ORANGE POLSKA GROUP

CONDENSED IFRS QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2016

October 24, 2016

Contents

CONSOLIDATED INCOME STATEMENT

(in PLN millions, except for earnings per share)	*3 months ended 30 September 2016*	*9 months ended 30 September 2016*	*3 months ended 30 September 2015 (see Note 4)*	*9 months ended 30 September 2015 (see Note 4)*
Revenue	**2,851**	**8,557**	**2,971**	**8,914**
External purchases	(1,535)	(4,591)	(1,524)	(4,562)
Labour expense	(404)	(1,225)	(430)	(1,317)
Other operating expense	(132)	(428)	(147)	(438)
Other operating income	42	154	49	192
Gains on disposal of assets	9	56	10	58
Depreciation and amortisation	(695)	(2,031)	(716)	(2,159)
(Impairment)/reversal of impairment of non-current assets	1	2	(1)	2
Operating income	**137**	**494**	**212**	**690**
Interest income	6	16	4	12
Interest expense and other financial charges	(72)	(218)	(53)	(154)
Discounting expense	(13)	(69)	(27)	(68)
Finance costs, net	**(79)**	**(271)**	**(76)**	**(210)**
Income tax	(21)	(71)	(26)	(73)
Consolidated net income	**37**	**152**	**110**	**407**
Net income attributable to owners of Orange Polska S.A.	37	152	110	407
Net income attributable to non-controlling interests	-	-	-	-
Earnings per share (in PLN) (basic and diluted)	**0.03**	**0.12**	**0.08**	**0.31**
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 September 2016*	*9 months ended 30 September 2016*	*3 months ended 30 September 2015*	*9 months ended 30 September 2015*
Consolidated net income	**37**	**152**	**110**	**407**
Items that will not be reclassified to profit or loss				
Actuarial gains/(losses) on post-employment benefits	(4)	(1)	18	18
Income tax relating to items not to be reclassified	1	-	(3)	(3)
Items that may be reclassified subsequently to profit or loss				
Gains on cash flow hedges	10	22	5	51
Income tax relating to items that may be reclassified	(2)	(4)	(1)	(10)
Other comprehensive income, net of tax	**5**	**17**	**19**	**56**
Total comprehensive income	**42**	**169**	**129**	**463**
Total comprehensive income attributable to owners of Orange Polska S.A.	42	169	129	463
Total comprehensive income attributable to non-controlling interests	-	-	-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in PLN millions)	*At 30 September 2016*	*At 31 December 2015 (see Note 4)*
ASSETS		
Goodwill	3,940	3,940
Other intangible assets	5,818	3,010
Property, plant and equipment	10,530	11,025
Trade receivables	398	215
Derivatives	107	89
Other assets	56	52
Deferred tax assets	907	991
Total non-current assets	**21,756**	**19,322**
Inventories	196	228
Trade receivables	1,502	1,600
Derivatives	3	33
Income tax assets	1	2
Other assets	52	117
Prepaid expenses	89	84
Cash and cash equivalents	341	266
Total current assets	**2,184**	**2,330**
TOTAL ASSETS	**23,940**	**21,652**
EQUITY AND LIABILITIES		
Share capital	3,937	3,937
Share premium	832	832
Other reserves	(86)	(103)
Retained earnings	7,133	7,309
Equity attributable to owners of Orange Polska S.A.	**11,816**	**11,975**
Non-controlling interests	2	2
Total equity	**11,818**	**11,977**
Trade payables	668	767
Loans from related party	6,652	2,849
Other financial liabilities at amortised cost	66	81
Derivatives	131	125
Employee benefits	153	251
Provisions	299	358
Deferred income	68	59
Total non-current liabilities	**8,037**	**4,490**
Trade payables	1,735	2,130
Loans from related party	608	1,273
Other financial liabilities at amortised cost	38	45
Derivatives	13	9
Employee benefits	171	188
Provisions	824	803
Income tax liabilities	31	60
Other liabilities	187	191
Deferred income	478	486
Total current liabilities	**4,085**	**5,185**
TOTAL EQUITY AND LIABILITIES	**23,940**	**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 9 months ended 30 September 2016	-	-	22	(1)	(4)	-	152	169	-	169
Dividend	-	-	-	-	-	-	(328)	(328)	-	(328)
Balance at 30 September 2016	**3,937**	**832**	**(61)**	**(44)**	**19**	**-**	**7,133**	**11,816**	**2**	**11,818**
Balance at 1 January 2015	**3,937**	**832**	**(106)**	**(137)**	**45**	**79**	**7,746**	**12,396**	**2**	**12,398**
Total comprehensive income for the 9 months ended 30 September 2015	-	-	51	18	(13)	-	407	463	-	463
Dividend	-	-	-	-	-	-	(656)	(656)	-	(656)
Balance at 30 September 2015	**3,937**	**832**	**(55)**	**(119)**	**32**	**79**	**7,497**	**12,203**	**2**	**12,205**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in PLN millions)	*3 months ended 30 September 2016*	*9 months ended 30 September 2016*	*3 months ended 30 September 2015 (see Note 4)*	*9 months ended 30 September 2015 (see Note 4)*
OPERATING ACTIVITIES				
Consolidated net income	37	152	110	407
Adjustments to reconcile net income to cash from operating activities				
Gains on disposal of assets	(9)	(56)	(10)	(58)
Depreciation and amortisation	695	2,031	716	2,159
Impairment/(reversal of impairment) of non-current assets	(1)	(2)	1	(2)
Finance costs, net	79	271	76	210
Income tax	21	71	26	73
Change in provisions and allowances	(10)	(134)	(29)	(163)
Operational foreign exchange and derivatives (gains)/losses, net	1	(5)	(1)	-
Change in working capital				
Decrease in inventories, gross	7	28	42	27
Increase in trade receivables, gross	(108)	(94)	(36)	(210)
Increase/(decrease) in trade payables	50	9	(88)	(186)
(Increase)/decrease in prepaid expenses and other receivables	39	42	18	(39)
Increase/(decrease) in deferred income and other payables	(33)	(30)	(12)	89
Interest received	6	16	4	12
Interest paid and interest rate effect paid on derivatives, net	(113)	(252)	(99)	(209)
Exchange rate effect received/(paid) on derivatives, net	(3)	8	11	(1)
Income tax paid	(4)	(23)	(18)	(36)
Net cash provided by operating activities	**654**	**2,032**	**711**	**2,073**
INVESTING ACTIVITIES				
Purchases of property, plant and equipment and intangible assets	(367)	(4,392)	(398)	(1,138)
Decrease in amounts due to fixed assets suppliers	(128)	(439)	(21)	(201)
Deposit paid in the auction for telecommunications licences	-	-	(313)	(741)
Exchange rate effect received/(paid) on derivatives economically hedging capital expenditures, net	(3)	11	(3)	2
Proceeds from sale of property, plant and equipment and intangible assets	13	95	16	104
Proceeds from sale of subsidiaries, net of cash and transaction costs	-	-	8	8
Increase in other financial assets	(1)	(1)	(2)	(2)
Net cash used in investing activities	**(486)**	**(4,726)**	**(713)**	**(1,968)**
FINANCING ACTIVITIES				
Issuance of long-term debt	-	2,701	-	772
Repayment of long-term debt	(10)	(1,217)	(8)	(37)
Increase/(decrease) in short-term debt	79	1,596	436	(206)
Exchange rate effect received on derivatives hedging debt, net	-	17	1	4
Dividend paid	(328)	(328)	(656)	(656)
Net cash provided by/(used in) financing activities	**(259)**	**2,769**	**(227)**	**(123)**
Net change in cash and cash equivalents	**(91)**	**75**	**(229)**	**(18)**
Effect of changes in exchange rates on cash and cash equivalents	-	-	-	1
Cash and cash equivalents at the beginning of the period	432	266	460	248
Cash and cash equivalents at the end of the period	**341**	**341**	**231**	**231**

Notes to the Condensed Quarterly 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 Quarterly Consolidated Financial Statements of the Group (the "Condensed Quarterly Consolidated Financial Statements") as at and for the 9 months ended 30 September 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 30 September 2016, the merger of Orange Polska S.A. and its fully owned subsidiaries – Orange Customer Service Sp. z o.o. and TP Invest Sp. z o.o. – was registered in the Commercial Court. The merger was effected by transferring all assets and liabilities of these subsidiaries to OPL S.A.

2. 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 9 months ended 30 September 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 9 months ended 30 September 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 9 months ended 30 September 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 9 months ended 30 September 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 calculation of net financial debt is presented in Note 7.

Basic financial data of the operating segment is presented below:

(in PLN millions)	*9 months ended 30 September 2016*	*9 months ended 30 September 2015*
Restated revenue	8,557	8,900
Restated EBITDA	2,523	2,844
Net income as per consolidated income statement	152	407
Restated organic cash flows	455	840
Restated capital expenditures	1,224	1,138

	At 30 September 2016	*At 31 December 2015*
Net financial debt / restated EBITDA ratio	2.2	1.1

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

(in PLN millions)	*9 months ended 30 September 2016*	*9 months ended 30 September 2015*
Revenue	8,557	8,914
- restatement for data of Contact Center Sp. z o.o. [(1)]	-	(14)
Restated revenue	8,557	8,900
EBITDA	2,523	2,847
- restatement for data of Contact Center Sp. z o.o. [(1)]	-	(4)
- restatement for employment termination expense	-	1
Restated EBITDA	2,523	2,844
Organic cash flows	(2,693)	99
- restatement for payments for acquisition of telecommunications licences (see Note 6)	3,148	741
Restated organic cash flows	455	840
Capital expenditures	4,392	1,138
- restatement for expenditures on acquisition of telecommunications licences (see Note 6)	(3,168)	-
Restated capital expenditures	1,224	1,138

[(1)] Restated revenue and restated EBITDA for the 9 months ended 30 September 2015 do not include data of Contact Center Sp. z o.o. (a subsidiary disposed of in August 2015). Additionally, restated EBITDA does not include the gain on disposal of this subsidiary amounting to PLN 3 million.

3. Statement of compliance and basis of preparation

Basis of preparation

These unaudited Condensed Quarterly 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 Quarterly Consolidated Financial Statements (see also Note 4).

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

The Condensed Quarterly 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 quarterly financial statements only if it would also be appropriate to anticipate or defer such costs at the end of the year.

These Condensed Quarterly Consolidated Financial Statements are prepared in millions of Polish zloty ("PLN") and were authorised for issuance by the Management Board on 24 October 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.

4. Statement of accounting policies

The accounting policies and methods of computation used in the preparation of the Condensed Quarterly 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 9 months ended 30 September 2015 were decreased by PLN 92 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.

5. 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.

6. 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 124 million in the 9 months ended 30 September 2016. Additionally, the amount of cash flows from investing activities for the 9 months ended 30 September 2015 includes PLN 741 million of the deposit paid in the course of the above-mentioned auction.

From 2016, as a result of annual asset lives review, the Group extended the estimated useful lives for certain network assets which decreased the depreciation expense by PLN 235 million in the 9 months ended 30 September 2016. Depreciation expense in 2016 is expected to be lower by approximately PLN 300 million than in 2015.

The amount of trade payables subject to reverse factoring increased from PLN 15 million as at 31 December 2015 to PLN 50 million as at 30 September 2016. These payables are presented together with the remaining balance of trade payables, as analysis conducted by the Group indicates they have retained their trade nature.

7. Net financial debt and changes in loans from related party

(in PLN millions)

	At 30 September 2016	*At 31 December 2015*
Loans from related party	7,260	4,122
Other financial debt	104	126
Derivatives – net (liabilities less assets)	34	12
Gross financial debt after derivatives	**7,398**	**4,260**
Cash and cash equivalents	(341)	(266)
Effective portion of cash flow hedges	(61)	(83)
Net financial debt	**6,996**	**3,911**

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 on 17 April 2013 with Atlas Services Belgium S.A. Additionally, in the 9 months ended 30 September 2016, the net cash flows from issuance and repayments of the Revolving Credit Facility from Atlas Services Belgium S.A. amounted to PLN 1,600 million.

As at 30 September 2016, the total outstanding balance of loans from the related party amounted to PLN 7,260 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related party amounted to 1.91% before swaps and 3.32% after swaps as at 30 September 2016.

In the 9 months ended 30 September 2016 the Group 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 September 2016 was EUR 670 million and PLN 4,750 million, respectively, with a total negative fair value amounting to PLN 24 million.

8. Fair value of financial instruments

Derivative instruments 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 September 2016 and 31 December 2015 the estimated fair value exceeded the carrying amount by PLN 169 million and PLN 182 million, respectively, due to significant change between the original effective interest rates and current market rates.

9. 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.

10. 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 pre-paid offers
In September 2016, UOKiK commenced proceedings against Orange Polska, T-Mobile Polska S.A., Polkomtel Sp. z o.o. and P4 Sp. z o.o. claiming that rules on the Polish market applied to pre-paid offers, according to which top-ups are annulled in so-called "passive period", may violate consumers rights.
In the opinion of the Management, Orange Polska did not violate the law and offers are in line with rules which are applied also by other sectors having pre-paid offers.

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 31 December 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 was 24 October 2016. The Company has not been notified whether the proceedings were prolonged for the further period.

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.

11. Related party transactions

As at 30 September 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 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*	*9 months*	*3 months*	*9 months*
	ended 30 September 2016		*ended 30 September 2015*	
Sales of goods and services and other income:	**45**	**151**	**42**	**146**
Orange S.A. (parent)	27	87	22	82
Orange Group (excluding parent)	18	64	20	64
Purchases of goods (including inventories, tangible and intangible assets) and services:	**(54)**	**(184)**	**(63)**	**(195)**
Orange S.A. (parent)	(16)	(56)	(20)	(58)
Orange Group (excluding parent)	(38)	(128)	(43)	(137)
- including Orange Brand Services Limited (brand licence agreement)	*(31)*	*(97)*	*(35)*	*(101)*
Finance costs, net:	**(58)**	**(189)**	**(46)**	**(130)**
Orange S.A. (parent)	(99)	(63)	14	(55)
Orange Group (excluding parent)	41	(126)	(60)	(75)
Other comprehensive income:	**24**	**21**	**2**	**49**
Orange S.A. (parent)	24	21	2	49
Dividend paid:	**166**	**166**	**332**	**332**
Orange S.A. (parent)	166	166	332	332

(in PLN millions)	*At 30 September 2016*	*At 31 December 2015*
Receivables:	**47**	**44**
Orange S.A. (parent)	26	29
Orange Group (excluding parent)	21	15
Payables:	**61**	**81**
Orange S.A. (parent)	18	32
Orange Group (excluding parent)	43	49
Financial receivables:	**107**	**110**
Orange S.A. (parent)	107	110
Cash and cash equivalents deposited with:	**150**	**87**
Orange S.A. (parent)	150	87
Financial payables:	**7,391**	**4,250**
Orange S.A. (parent)	131	128
Orange Group (excluding parent)	7,260	4,122

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 9 months ended 30 September 2016 and 2015 amounted to PLN 16.4 million and PLN 10.5 million, including PLN 1.8 million and PLN 1.3 million accrued in previous periods, respectively. The increase of compensation paid during the 9 months ended 30 September 2016 in comparison to the amounts paid for the same period in 2015 results from an increase of a number of the Members of the Management Board of OPL S.A. and payment of post-employment benefits to Mr Bruno Duthoit and Mr Michał Paschalis-Jakubowicz after their resignation as Members of the Management Board of OPL S.A. During the 9 months ended 30 September 2016 and 2015, the amount of accrued cost of compensation for the Company's Management Board amounted to PLN 1.3 million and PLN 0.8 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 and Mr Federico Colom Artola as the Members of the Supervisory Board of OPL S.A.

12. Subsequent events

There was no significant event after the end of the reporting period.

ORANGE POLSKA S.A.

CONDENSED IFRS QUARTERLY SEPARATE FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2016

October 24, 2016

Contents

INCOME STATEMENT

(in PLN millions, except for earnings per share)	*3 months ended 30 September 2016*	*9 months ended 30 September 2016*	*3 months ended 30 September 2015 (see Note 3)*	*9 months ended 30 September 2015 (see Note 3)*
Revenue	**2,786**	**8,392**	**2,855**	**8,589**
External purchases	(1,571)	(4,716)	(1,524)	(4,586)
Labour expense	(331)	(999)	(358)	(1,077)
Other operating expense	(137)	(445)	(151)	(452)
Other operating income	50	181	59	216
Gains on disposal of assets	9	56	7	55
Depreciation and amortisation	(695)	(2,030)	(717)	(2,157)
(Impairment)/reversal of impairment of non-current assets	1	2	(1)	2
Operating income	**112**	**441**	**170**	**590**
Dividend income	-	109	-	58
Interest income	38	119	47	145
Interest expense and other financial charges	(103)	(319)	(94)	(284)
Discounting expense	(12)	(68)	(26)	(67)
Finance costs, net	**(77)**	**(159)**	**(73)**	**(148)**
Income tax	(7)	(39)	(24)	(66)
Net income	**28**	**243**	**73**	**376**
Earnings per share (in PLN) (basic and diluted)	**0.02**	**0.19**	**0.06**	**0.29**
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 ended 30 September 2016*	*9 months ended 30 September 2016*	*3 months ended 30 September 2015*	*9 months ended 30 September 2015*
Net income	**28**	**243**	**73**	**376**
Items that will not be reclassified to profit or loss				
Actuarial gains/(losses) on post-employment benefits	(4)	(1)	15	15
Income tax relating to items not to be reclassified	1	-	(3)	(3)
Items that may be reclassified subsequently to profit or loss				
Gains on cash flow hedges	10	22	5	51
Income tax relating to items that may be reclassified	(2)	(4)	(1)	(10)
Other comprehensive income, net of tax	**5**	**17**	**16**	**53**
Total comprehensive income	**33**	**260**	**89**	**429**

STATEMENT OF FINANCIAL POSITION

(in PLN millions)	*At 30 September 2016*	*At 31 December 2015 (see Note 3)*
ASSETS		
Goodwill	3,909	3,909
Other intangible assets	5,816	3,008
Property, plant and equipment	10,600	11,082
Investments in subsidiaries	197	244
Trade receivables	342	215
Loans and receivables excluding trade receivables	-	1,207
Derivatives	107	89
Other assets	56	51
Deferred tax assets	864	716
Total non-current assets	**21,891**	**20,521**
Inventories	168	209
Trade receivables	1,455	1,514
Loans and receivables excluding trade receivables	-	480
Derivatives	3	33
Other assets	36	114
Prepaid expenses	85	75
Cash and cash equivalents	319	218
Total current assets	**2,066**	**2,643**
TOTAL ASSETS	**23,957**	**23,164**
EQUITY AND LIABILITIES		
Share capital	3,937	3,937
Share premium	832	832
Other reserves	(84)	(103)
Retained earnings	7,168	7,113
Total equity	**11,853**	**11,779**
Trade payables	668	767
Financial liabilities at amortised cost excluding trade payables	6,716	4,087
Derivatives	131	125
Employee benefits	149	214
Provisions	299	347
Deferred income	57	50
Total non-current liabilities	**8,020**	**5,590**
Trade payables	1,708	2,135
Financial liabilities at amortised cost excluding trade payables	727	2,020
Derivatives	13	9
Employee benefits	160	161
Provisions	804	764
Income tax liabilities	31	43
Other liabilities	161	181
Deferred income	480	482
Total current liabilities	**4,084**	**5,795**
TOTAL EQUITY AND LIABILITIES	**23,957**	**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 9 months ended 30 September 2016	-	-	22	(1)	(4)	-	243	260
Dividend	-	-	-	-	-	-	(328)	(328)
The impact of the merger with Orange Customer Service Sp. z o.o. and TP Invest Sp. z o.o. (1)	-	-	-	3	(1)	-	140	142
Balance at 30 September 2016	**3,937**	**832**	**(61)**	**(43)**	**20**	**-**	**7,168**	**11,853**
Balance at 1 January 2015	**3,937**	**832**	**(106)**	**(136)**	**46**	**76**	**7,550**	**12,199**
Total comprehensive income for the 9 months ended 30 September 2015	-	-	51	15	(13)	-	376	429
Dividend	-	-	-	-	-	-	(656)	(656)
Balance at 30 September 2015	**3,937**	**832**	**(55)**	**(121)**	**33**	**76**	**7,270**	**11,972**

(1) See Note 5.

STATEMENT OF CASH FLOWS

(in PLN millions)	*3 months ended 30 September 2016*	*9 months ended 30 September 2016*	*3 months ended 30 September 2015 (see Note 3)*	*9 months ended 30 September 2015 (see Note 3)*
OPERATING ACTIVITIES				
Net income	28	243	73	376
Adjustments to reconcile net income to cash from operating activities				
Gains on disposal of assets	(9)	(56)	(7)	(55)
Depreciation and amortisation	695	2,030	717	2,157
Impairment/(reversal of impairment) of non-current assets	(1)	(2)	1	(2)
Finance costs, net	77	159	73	148
Income tax	7	39	24	66
Change in provisions and allowances	(9)	(109)	(25)	(150)
Operational foreign exchange and derivatives gains, net	-	(5)	(1)	(1)
Change in working capital				
Decrease in inventories, gross	11	36	30	32
Increase in trade receivables, gross	(83)	(72)	(29)	(149)
Increase/(decrease) in trade payables	65	(5)	(94)	(218)
(Increase)/decrease in prepaid expenses and other receivables	37	42	24	(37)
Increase/(decrease) in deferred income and other payables	(23)	(41)	(8)	75
Dividends received	-	109	13	58
Interest received	7	19	6	16
Interest paid and interest rate effect paid on derivatives, net	(114)	(254)	(100)	(211)
Exchange rate effect received/(paid) on derivatives, net	(3)	8	11	(1)
Income tax received/(paid)	(1)	6	(3)	(7)
Net cash provided by operating activities	**684**	**2,147**	**705**	**2,097**
INVESTING ACTIVITIES				
Purchases of property, plant and equipment and intangible assets	(373)	(4,406)	(402)	(1,150)
Decrease in amounts due to fixed assets suppliers	(127)	(441)	(23)	(200)
Deposit paid in the auction for telecommunications licences	-	-	(313)	(741)
Exchange rate effect received/(paid) on derivatives economically hedging capital expenditures, net	(3)	11	(3)	2
Proceeds from sale of property, plant and equipment and intangible assets	13	95	16	101
Proceeds from sale of subsidiaries, net of transaction costs	-	-	6	6
Decrease in loans and other financial assets	1	6	-	5
Net cash used in investing activities	**(489)**	**(4,735)**	**(719)**	**(1,977)**
FINANCING ACTIVITIES				
Issuance of long-term debt	-	2,701	-	772
Repayment of long-term debt	(10)	(1,217)	(8)	(36)
Increase/(decrease) in short-term debt	8	1,446	445	(215)
Exchange rate effect received on derivatives hedging debt, net	-	17	1	4
Dividend paid	(328)	(328)	(656)	(656)
Net cash provided by/(used in) financing activities	**(330)**	**2,619**	**(218)**	**(131)**
Net change in cash and cash equivalents	**(135)**	**31**	**(232)**	**(11)**
Effect of changes in exchange rates on cash and cash equivalents	-	-	-	1
The impact of the merger with Orange Customer Service Sp. z o.o. and TP Invest Sp. z o.o. [1]	70	70	-	-
Cash and cash equivalents at the beginning of the period	384	218	427	205
Cash and cash equivalents at the end of the period	**319**	**319**	**195**	**195**

[1] See Note 5.

Notes to the Condensed Quarterly 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 30 September 2016, the merger of Orange Polska S.A. and its fully owned subsidiaries - Orange Customer Service Sp. z o.o. and TP Invest Sp. z o.o. – was registered in the Commercial Court. The merger was effected by transferring all assets and liabilities of these subsidiaries to OPL S.A. The share capital of OPL S.A. was not increased as a result of the merger (see Note 5).

2. Statement of compliance and basis of preparation

<u>Basis of preparation</u>

These unaudited Condensed IFRS Quarterly Separate Financial Statements for the 9 months ended 30 September 2016 (the "Condensed Quarterly 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 Quarterly Separate Financial Statements (see also Note 3).

These Condensed Quarterly 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 Quarterly 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 quarterly financial statements only if it would also be appropriate to anticipate or defer such costs at the end of the year.

These Condensed Quarterly Separate Financial Statements are prepared in millions of Polish zloty ("PLN") and were authorised for issuance by the Management Board on 24 October 2016.

<u>Changes to standards and interpretations in 2016</u>

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 Quarterly 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 9 months ended 30 September 2015 were decreased by PLN 92 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. Legal merger of Orange Polska S.A., Orange Customer Service Sp. z o.o. and TP Invest Sp. z o.o.

Orange Polska S.A. and its 100% owned subsidiaries – Orange Customer Service Sp. z o.o. ("OCS") and TP Invest Sp. z o.o. ("TPI") – merged as at 30 September 2016 ("merger"). All assets and liabilities of OCS and TPI were transferred to OPL S.A.

OCS provided post-sale services for OPL S.A. customers. TPI carried out corporate governance over non-core subsidiaries of Orange Polska.

OCS and TPI were controlled by OPL S.A., therefore the legal merger is a transaction under common control and, in these Condensed Quarterly Separate Financial Statements, is accounted for using the merged entities values from the consolidated financial statements of the parent entity – OPL S.A. OCS was acquired by OPL S.A. as a shelf company and was controlled by OPL S.A. since then. TPI was controlled from the incorporation by OPL S.A. Therefore, the net book value of assets and liabilities of OCS and TPI recognised after the merger in the statement of financial position of OPL S.A. equals the net book value in subsidiaries' accounts. Additionally, the following adjustments were made to the aggregated value of assets, liabilities and equity of OPL S.A., OCS and TPI as at the merger date:

- intercompany balances and unrealised gains and losses on transactions between merging entities were eliminated,
- the carrying value of OPL S.A. investments in OCS and TPI was eliminated, with a corresponding elimination in equity of OCS and TPI.

The merger is accounted for prospectively starting from 30 September 2016. The statement of financial position as at 31 December 2015 does not include assets, liabilities and equity of OCS and TPI. The income statement, the statement of comprehensive income and the statement of cash flows for the 9 months ended 30 September 2016 and 2015 do not include income, expenses and cash flows of these subsidiaries.

The merger had the following impact on the statement of financial position of Orange Polska S.A. as at 30 September 2016:

(in PLN millions)	*At 30 September 2016*
ASSETS	
Investments in subsidiaries	(47)
Loans and receivables excluding trade receivables	(816)
Deferred tax assets	199
Total non-current assets	**(664)**
Trade receivables	2
Loans and receivables excluding trade receivables	(519)
Other assets	1
Prepaid expenses	2
Cash and cash equivalents	70
Total current assets	**(444)**
TOTAL ASSETS	**(1,108)**
EQUITY AND LIABILITIES	
Other reserves	2
Retained earnings	140
Total equity	**142**
Financial liabilities at amortised cost excluding trade payables	(783)
Employee benefits	23
Provisions	3
Total non-current liabilities	**(757)**
Trade payables	(16)
Financial liabilities at amortised cost excluding trade payables	(501)
Employee benefits	18
Provisions	10
Other liabilities	(4)
Total current liabilities	**(493)**
TOTAL EQUITY AND LIABILITIES	**(1,108)**

6. 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 124 million in the 9 months ended 30 September 2016. Additionally, the amount of cash flows from investing activities for the 9 months ended 30 September 2015 includes PLN 741 million of the deposit paid in the course of the above-mentioned auction.

From 2016, as a result of annual asset lives review, the Company extended the estimated useful lives for certain network assets which decreased the depreciation expense by PLN 235 million in the 9 months ended 30 September 2016. Depreciation expense in 2016 is expected to be lower by approximately PLN 300 million than in 2015.

The amount of trade payables subject to reverse factoring increased from PLN 15 million as at 31 December 2015 to PLN 50 million as at 30 September 2016. These payables are presented together with the remaining balance of trade payables, as analysis conducted by the Company indicates they have retained their trade nature.

7. 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 on 17 April 2013 with Atlas Services Belgium S.A. Additionally, in the 9 months ended 30 September 2016, the net cash flows from issuance and repayments of the Revolving Credit Facility from Atlas Services Belgium S.A. amounted to PLN 1,600 million.

As at 30 September 2016, the total outstanding balance of loans from the related party amounted to PLN 7,260 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related party amounted to 1.91% before swaps and 3.32% after swaps as at 30 September 2016.

In the 9 months ended 30 September 2016 Orange Polska S.A. 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 September 2016 was EUR 670 million and PLN 4,750 million, respectively, with a total negative fair value amounting to PLN 24 million.

In the 9 months ended 30 September 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 9 months ended 30 September 2016, the net cash flows on the bonds amounted to PLN (157) million. As at 30 September 2016 and 31 December 2015, the aggregate par value of the outstanding bonds issued under the programme amounted to PLN 87 million and PLN 242 million, respectively.

8. Fair value of financial instruments

Derivative instruments 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 for which as at 30 September 2016 and 31 December 2015 the estimated fair value exceeded the carrying amount by PLN 169 million and PLN 182 million, respectively, due to significant change between the original effective interest rates and current market rates.

9. 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.

10. 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 pre-paid offers
In September 2016, UOKiK commenced proceedings against Orange Polska, T-Mobile Polska S.A., Polkomtel Sp. z o.o. and P4 Sp. z o.o. claiming that rules on the Polish market applied to pre-paid offers, according to which top-ups are annulled in so-called "passive period", may violate consumers rights.
In the opinion of the Management, Orange Polska did not violate the law and offers are in line with rules which are applied also by other sectors having pre-paid offers.

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 31 December 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 was 24 October 2016. The Company has not been notified whether the proceedings were prolonged for the further period.

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.

11. Related party transactions

As at 30 September 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. As at 31 December 2015 the Company's financial receivables from its subsidiaries comprised bonds issued by the subsidiaries, together with accrued interest. Financial payables to the subsidiaries comprise bonds issued to the subsidiaries and additionally, as at 31 December 2015 loans from the subsidiaries, together with accrued interest.

Financial receivables, payables, financial expense and other comprehensive income 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 ended 30 September 2016*	*9 months ended 30 September 2016*	*3 months ended 30 September 2015*	*9 months ended 30 September 2015*
Sales of goods and services and other income:	**107**	**329**	**89**	**285**
Orange Polska Group (subsidiaries)	62	178	47	139
Orange Group	45	151	42	146
- Orange S.A. (parent)	27	87	22	82
- Orange Group (excluding parent)	18	64	20	64
Purchases of goods (including inventories, tangible and intangible assets) and services:	**(310)**	**(930)**	**(310)**	**(949)**
Orange Polska Group (subsidiaries)	(256)	(746)	(247)	(754)
Orange Group	(54)	(184)	(63)	(195)
- Orange S.A. (parent)	(16)	(56)	(20)	(58)
- Orange Group (excluding parent)	(38)	(128)	(43)	(137)
- including Orange Brand Services Limited (brand licence agreement)	*(31)*	*(97)*	*(35)*	*(101)*
Financial income:	**33**	**214**	**44**	**194**
Orange Polska Group (subsidiaries)	32	212	43	191
Orange S.A. (parent)	1	2	1	3
Financial expense, net:	**(90)**	**(292)**	**(89)**	**(264)**
Orange Polska Group (subsidiaries)	(31)	(101)	(42)	(131)
Orange Group	(59)	(191)	(47)	(133)
- Orange S.A. (parent)	(100)	(65)	13	(58)
- Orange Group (excluding parent)	41	(126)	(60)	(75)
Other comprehensive income:	**24**	**21**	**2**	**49**
Orange S.A. (parent)	24	21	2	49
Dividend paid:	**166**	**166**	**332**	**332**
Orange S.A. (parent)	166	166	332	332

(in PLN millions)	*At 30 September 2016*	*At 31 December 2015*
Receivables:	**92**	**126**
Orange Polska Group (subsidiaries)	45	82
Orange Group	47	44
- Orange S.A. (parent)	26	29
- Orange Group (excluding parent)	21	15
Payables:	**237**	**365**
Orange Polska Group (subsidiaries)	176	284
Orange Group	61	81
- Orange S.A. (parent)	18	32
- Orange Group (excluding parent)	43	49
Financial receivables:	**107**	**1,797**
Orange Polska Group (subsidiaries)	-	1,687
Orange S.A. (parent)	107	110
Cash and cash equivalents deposited with:	**150**	**86**
Orange S.A. (parent)	150	86
Financial payables:	**7,477**	**6,120**
Orange Polska Group (subsidiaries)	86	1,870
Orange Group	7,391	4,250
- Orange S.A. (parent)	131	128
- Orange Group (excluding parent)	7,260	4,122

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 9 months ended 30 September 2016 and 2015 amounted to PLN 16.4 million and PLN 10.5 million, including PLN 1.8 million and PLN 1.3 million accrued in previous periods, respectively. The increase of compensation paid during the 9 months ended 30 September 2016 in comparison to the amounts paid for the same period in 2015 results from an increase of a number of the Members of the Management Board of OPL S.A. and payment of post-employment benefits to Mr Bruno Duthoit and Mr Michał Paschalis-Jakubowicz after their resignation as Members of the Management Board of OPL S.A.

During the 9 months ended 30 September 2016 and 2015, the amount of accrued cost of compensation for the Company's Management Board amounted to PLN 1.3 million and PLN 0.8 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 and Mr Federico Colom Artola as the Members of the Supervisory Board of OPL S.A.

12. Subsequent events

There was no significant event after the end of the reporting period.

Pursuant to Art. 87 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 – unified text Journal of Laws of 2014, item 133, 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 quarterly report and changes in the ownership structure in the period since the submission of the previous interim report

The ownership structure of the Company's share capital, based on the information available to the Company as at 24 October 2016, i.e. the date of submission of the quarterly report for the 3 months ended 30 September 2016 was the same as at 25 July 2016, i.e. the date of submission of the interim report for the 6 months ended 30 June 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 interim 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 quarterly report for the 3 months ended 30 September 2016 and the interim report for the 6 months ended 30 June 2016 is as follows:

	24 October 2016	25 July 2016
Jean-François Fallacher	-	-
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

Mr Maciej Witucki, the Chairman of the Supervisory Board of OPL S.A., held 305,557 bonds with a pre-emption right as at 24 October 2016 and 25 July 2016. Other Members of the Supervisory Board of OPL S.A. do not participate in the Company's incentive program and as at 24 October 2016 and 25 July 2016 held no bond with a pre-emption right.

Mr Jean-François Fallacher, the President of the Management Board of OPL S.A., held 25,000 Orange Polska S.A. shares as at 24 October 2016.
Mr Maciej Witucki, the Chairman of the Supervisory Board of OPL S.A., held 4,000 Orange Polska S.A. shares as at 24 October 2016 and 25 July 2016.
There was no OPL S.A. share held by other members of the Management Board or the Supervisory Board of the Company.

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 9 months ended 30 September 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 9 months ended 30 September 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 as well as in the current report 50/2016 published on 26 July 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 September 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 9 months ended 30 September 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 9 months periods ended 30 September 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 September 2016	31 December 2015	30 September 2015
Statement of financial position	4.3120 PLN	4.2615 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	4.3688 PLN	Not applicable	4.1585 PLN