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POLISH FINANCIAL SUPERVISION AUTHORITY

Quarterly consolidated report for the third quarter of 2017

(year)

(according to par. 82 s. 2 and par. 83 s. 1 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 **2017**, i.e. **from 1 January 2017 to 30 September 2017**

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 October 2017**

ORANGE POLSKA SA
(full name of issuer)

ORANGEPL (abbreviated name of the issuer)
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SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	3 quarter cumulative period from 01/01/2017 to 30/09/2017	3 quarter cumulative period from 01/01/2016 to 30/09/2016	3 quarter cumulative period from 01/01/2017 to 30/09/2017	3 quarter cumulative period from 01/01/2016 to 30/09/2016
condensed consolidated financial statements data				
I. Revenue	8 471 000	8 557 000	1 990 086	1 958 661
II. Operating income	406 000	494 000	95 381	113 075
III. Profit before income tax	161 000	223 000	37 824	51 044
IV. Consolidated net income	138 000	152 000	32 420	34 792
V. Net income attributable to owners of Orange Polska S.A.	138 000	152 000	32 420	34 792
VI. Earnings per share (in PLN/EUR) (basic and diluted)	0.11	0.12	0.02	0.03
VII. Weighted average number of shares (in millions) (basic and diluted)	1 312	1 312	1 312	1 312
VIII. Total comprehensive income	124 000	169 000	29 131	38 683
IX. Total comprehensive income attributable to owners of Orange Polska S.A.	124 000	169 000	29 131	38 683
X. Net cash provided by operating activities	1 523 000	2 032 000	357 797	465 116
XI. Net cash used in investing activities	(1 294 000)	(4 726 000)	(303 998)	(1 081 761)
XII. Net cash provided by financing activities	13 000	2 769 000	3 054	633 812
XIII. Net change in cash and cash equivalents	242 000	75 000	56 853	17 167
	balance as at 30/09/2017	balance as at 31/12/2016	balance as at 30/09/2017	balance as at 31/12/2016
XIV. Total current assets	3 041 000	2 639 000	705 716	596 519
XV. Total non-current assets	19 634 000	20 187 000	4 556 404	4 563 065
XVI. Total assets	22 675 000	22 826 000	5 262 120	5 159 584
XVII. Total current liabilities	5 383 000	4 386 000	1 249 217	991 410
XVIII. Total non-current liabilities	7 159 000	8 431 000	1 661 368	1 905 742
XIX. Total equity	10 133 000	10 009 000	2 351 535	2 262 432
XX. Equity attributable to owners of Orange Polska S.A.	10 131 000	10 007 000	2 351 071	2 261 980
XXI. Share capital	3 937 000	3 937 000	913 648	889 919
condensed separate financial statements data				
	3 quarter cumulative period from 01/01/2017 to 30/09/2017	3 quarter cumulative period from 01/01/2016 to 30/09/2016	3 quarter cumulative period from 01/01/2017 to 30/09/2017	3 quarter cumulative period from 01/01/2016 to 30/09/2016
I. Revenue	8 207 000	8 392 000	1 928 065	1 920 894
II. Operating income	387 000	441 000	90 918	100 943
III. Profit before income tax	159 000	282 000	37 354	64 549
IV. Net income	139 000	243 000	32 655	55 622
V. Earnings per share (in PLN/EUR) (basic and diluted)	0.11	0.19	0.02	0.04
VI. Weighted average number of shares (in millions) (basic and diluted)	1 312	1 312	1 312	1 312
VII. Total comprehensive income	125 000	260 000	29 366	59 513
VIII. Net cash provided by operating activities	1 519 000	2 147 000	356 858	491 439
IX. Net cash used in investing activities	(1 311 000)	(4 735 000)	(307 992)	(1 083 821)
X. Net cash provided by financing activities	38 000	2 619 000	8 927	599 478
XI. Net change in cash and cash equivalents	246 000	31 000	57 793	7 096
	balance as at 30/09/2017	balance as at 31/12/2016	balance as at 30/09/2017	balance as at 31/12/2016
XII. Total current assets	2 863 000	2 448 000	664 408	553 345
XIII. Total non-current assets	19 649 000	20 180 000	4 559 885	4 561 483
XIV. Total assets	22 512 000	22 628 000	5 224 293	5 114 828
XV. Total current liabilities	5 330 000	4 303 000	1 236 917	972 649
XVI. Total non-current liabilities	7 120 000	8 388 000	1 652 317	1 896 022
XVII. Total equity	10 062 000	9 937 000	2 335 059	2 246 157
XVIII. Share capital	3 937 000	3 937 000	913 648	889 919

ORANGE POLSKA GROUP

CONDENSED IFRS QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2017

October 25, 2017

Contents

CONSOLIDATED INCOME STATEMENT

(in PLN millions, except for earnings per share)	*3 months ended 30 September 2017*	*9 months ended 30 September 2017*	*3 months ended 30 September 2016*	*9 months ended 30 September 2016*
Revenue	**2,814**	**8,471**	**2,851**	**8,557**
External purchases	(1,555)	(4,650)	(1,535)	(4,591)
Labour expense	(395)	(1,285)	(404)	(1,225)
Other operating expense	(141)	(428)	(132)	(428)
Other operating income	50	160	42	154
Gains on disposal of assets	3	68	9	56
Depreciation and amortisation (see Note 6)	(643)	(1,924)	(695)	(2,031)
(Impairment)/reversal of impairment of non-current assets	(5)	(6)	1	2
Operating income	**128**	**406**	**137**	**494**
Interest income	7	19	6	16
Interest expense and other financial charges	(68)	(213)	(72)	(218)
Discounting expense	(27)	(51)	(13)	(69)
Finance costs, net	**(88)**	**(245)**	**(79)**	**(271)**
Income tax	(12)	(23)	(21)	(71)
Consolidated net income	**28**	**138**	**37**	**152**
Net income attributable to owners of Orange Polska S.A.	28	138	37	152
Net income attributable to non-controlling interests	-	-	-	-
Earnings per share (in PLN) (basic and diluted)	**0.02**	**0.11**	**0.03**	**0.12**
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 2017*	*9 months ended 30 September 2017*	*3 months ended 30 September 2016*	*9 months ended 30 September 2016*
Consolidated net income	**28**	**138**	**37**	**152**
Items that will not be reclassified to profit or loss				
Actuarial losses on post-employment benefits	(5)	(5)	(4)	(1)
Income tax relating to items not to be reclassified	1	1	1	-
Items that may be reclassified subsequently to profit or loss				
Gains/(losses) on cash flow hedges	23	(12)	10	22
Income tax relating to items that may be reclassified	(5)	2	(2)	(4)
Other comprehensive income/(loss), net of tax	**14**	**(14)**	**5**	**17**
Total comprehensive income	**42**	**124**	**42**	**169**
Total comprehensive income attributable to owners of Orange Polska S.A.	42	124	42	169
Total comprehensive income attributable to non-controlling interests	-	-	-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in PLN millions)	*Note*	*At 30 September 2017*	*At 31 December 2016 (see Note 6)*
ASSETS			
Goodwill		2,147	2,147
Other intangible assets	6	5,354	5,722
Property, plant and equipment	6	10,553	10,678
Trade receivables		501	433
Derivatives	7	96	206
Other assets	6	70	72
Deferred tax assets	6	913	929
Total non-current assets		**19,634**	**20,187**
Inventories		228	163
Trade receivables	6	2,126	2,033
Derivatives	7	12	36
Income tax assets		2	5
Other assets	6	74	60
Prepaid expenses		95	80
Cash and cash equivalents	6,7	504	262
Total current assets		**3,041**	**2,639**
TOTAL ASSETS		**22,675**	**22,826**
EQUITY AND LIABILITIES			
Share capital		3,937	3,937
Share premium		832	832
Other reserves		(43)	(29)
Retained earnings		5,405	5,267
Equity attributable to owners of Orange Polska S.A.		**10,131**	**10,007**
Non-controlling interests		2	2
Total equity		**10,133**	**10,009**
Trade payables	8	560	682
Loans from related party	7	5,577	7,087
Other financial liabilities at amortised cost	7	40	66
Derivatives	7	70	76
Employee benefits		144	144
Provisions	6	457	280
Other liabilities	6	234	15
Deferred income		77	81
Total non-current liabilities		**7,159**	**8,431**
Trade payables	6,8	2,096	2,642
Loans from related party	7	1,487	5
Other financial liabilities at amortised cost	7	37	36
Derivatives	7	8	-
Employee benefits		180	188
Provisions	6,10	808	850
Income tax liabilities		21	24
Other liabilities	6	254	132
Deferred income	6	492	509
Total current liabilities		**5,383**	**4,386**
TOTAL EQUITY AND LIABILITIES		**22,675**	**22,826**

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
			Gains/(losses) on cash flow hedges	Actuarial losses on post-employment benefits	Deferred tax				
Balance at 1 January 2017	**3,937**	**832**	**9**	**(44)**	**6**	**5,267**	**10,007**	**2**	**10,009**
Total comprehensive income for the 9 months ended 30 September 2017	-	-	(12)	(5)	3	138	124	-	124
Balance at 30 September 2017	**3,937**	**832**	**(3)**	**(49)**	**9**	**5,405**	**10,131**	**2**	**10,133**
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**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in PLN millions)	*3 months*	*9 months*	*3 months*	*9 months*
	ended 30 September 2017		*ended 30 September 2016 (see Note 6)*	
OPERATING ACTIVITIES				
Consolidated net income	28	138	37	152
Adjustments to reconcile net income to cash from operating activities				
Gains on disposal of assets	(3)	(68)	(9)	(56)
Depreciation and amortisation	643	1,924	695	2,031
Impairment/(reversal of impairment) of non-current assets	5	6	(1)	(2)
Finance costs, net	88	245	79	271
Income tax	12	23	21	71
Change in provisions and allowances	(7)	(21)	(10)	(134)
Operational foreign exchange and derivatives (gains)/losses, net	(3)	3	1	(5)
Change in working capital				
(Increase)/decrease in inventories, gross	(5)	(67)	7	28
Increase in trade receivables, gross	(191)	(164)	(106)	(149)
Increase/(decrease) in trade payables	94	(232)	49	65
(Increase)/decrease in prepaid expenses and other receivables	2	(27)	43	49
Increase/(decrease) in deferred income and other payables	(23)	20	(38)	(38)
Interest received	7	19	6	16
Interest paid and interest rate effect paid on derivatives, net	(128)	(262)	(113)	(252)
Exchange rate effect received/(paid) on derivatives, net	-	(7)	(3)	8
Income tax paid	(1)	(7)	(4)	(23)
Net cash provided by operating activities	**518**	**1,523**	**654**	**2,032**
INVESTING ACTIVITIES				
Purchases of property, plant and equipment and intangible assets	(438)	(1,260)	(367)	(4,392)
Decrease in amounts due to fixed assets suppliers	(61)	(367)	(128)	(439)
Investment grants received (see Note 6)	266	266	-	-
Exchange rate effect received/(paid) on derivatives economically hedging capital expenditures, net	(5)	(5)	(3)	11
Proceeds from sale of property, plant and equipment and intangible assets	10	97	13	95
Cash paid for subsidiaries, net of cash acquired (see Note 6)	(26)	(26)	-	-
(Increase)/decrease in other financial instruments	-	1	(1)	(1)
Net cash used in investing activities	**(254)**	**(1,294)**	**(486)**	**(4,726)**
FINANCING ACTIVITIES				
Issuance of long-term debt	-	-	-	2,701
Repayment of long-term debt	(9)	(27)	(10)	(1,217)
Increase/(decrease) in revolving credit line and short-term debt (see Note 7)	(200)	41	79	1,596
Exchange rate effect received/(paid) on derivatives hedging debt, net	(2)	(1)	-	17
Dividend paid	-	-	(328)	(328)
Net cash provided by/(used in) financing activities	**(211)**	**13**	**(259)**	**2,769**
Net change in cash and cash equivalents	**53**	**242**	**(91)**	**75**
Cash and cash equivalents at the beginning of the period	451	262	432	266
Cash and cash equivalents at the end of the period	**504**	**504**	**341**	**341**

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 2017 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 2016. Additionally, on 5 September 2017 the Group acquired 100% shareholding in Multimedia Polska Energia Sp. z o.o. (see Note 6).

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, consolidated net financial debt and consolidated net financial debt to EBITDA ratio based on cumulative EBITDA for the last four quarters. To give a better representation of underlying performance, the above measures are adjusted as specified below.

Revenue from the Group's activities is adjusted for the impact of changes in the scope of consolidation. There was no adjustment for the 9 months ended 30 September 2017 and 2016.

Since the calculation of EBITDA, organic cash flows, capital expenditures and net financial debt is not defined by IFRS, the methodology adopted by the Group is presented 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 adjusted for the impact of changes in the scope of consolidation, employment termination programs, restructuring costs, significant claims, litigation and other risks as well as other significant non-recurring items. Adjustments for the 9 months ended 30 September 2017 and 2016 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 investment grants received/used, impact of net exchange rate effect received/paid 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 adjusted for the payments for acquisition of telecommunications licences and payments relating to significant claims, litigation and other risks as well as for investment grants received/used. Adjustments for the 9 months ended 30 September 2017 and 2016 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 adjusted for the impact of acquisition of telecommunications licences. Adjustments for the 9 months ended 30 September 2017 and 2016 are presented in the table below.

Net financial debt and net financial debt to adjusted EBITDA ratio are the key measures of indebtedness and liquidity used by the Management Board. 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 2017*	*9 months ended 30 September 2016*
Revenue [(1)]	8,471	8,557
Adjusted EBITDA	2,344	2,523
Net income as per consolidated income statement	138	152
Adjusted organic cash flows	(12)	455
Adjusted capital expenditures	1,260	1,224

[(1)] There was no adjustment for the 9 months ended 30 September 2017 and 2016.

	At 30 September 2017	*At 31 December 2016*
Net financial debt (in PLN millions, see Note 7)	6,604	6,775
Net financial debt/adjusted EBITDA ratio	2.2	2.1

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

(in PLN millions)	*9 months ended 30 September 2017*	*9 months ended 30 September 2016*
EBITDA	2,336	2,523
- adjustment for employment termination expense	8	-
Adjusted EBITDA	2,344	2,523
Organic cash flows	254	(2,693)
- adjustment for investment grants received	(266)	-
- adjustment for payments for acquisition of telecommunications licences	-	3,148
Adjusted organic cash flows	(12)	455
Capital expenditures	1,260	4,392
- adjustment for expenditures on acquisition of telecommunications licences	-	(3,168)
Adjusted capital expenditures	1,260	1,224

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 2016.

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 25 October 2017.

Changes to standards and interpretations in 2017

- IFRS 17 "Insurance Contracts". This standard was issued on 18 May 2017 and will be effective for annual periods beginning on or after 1 January 2021. This standard has not yet been endorsed by the European Union. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The Group does not act as a principal in case of insurance contracts and this standard will have no impact on financial statements.

- IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments". This interpretation was issued on 7 June 2017 and will be effective for annual periods beginning on or after 1 January 2019. This interpretation has not yet been endorsed by the European Union. IFRIC 23 clarifies how to valuate and recognise both current and deferred tax assets and liabilities, when there is uncertainty as regards tax treatment. This interpretation will have no impact on the Group's financial statements.

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 30 to the audited IFRS Consolidated Financial Statements for the year ended 31 December 2016.

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

The Group's activities are subject to some seasonality. The fourth quarter is typically a peak sales season with lower operating income due to high commercial spending and with increased capital expenditures resulting from investment cycle management applied by the Group. Seasonally high capital expenditures in the fourth quarter are followed by higher payments to fixed assets suppliers in the first quarter of the subsequent year resulting in higher cash used in investing activities.

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

From 2017, the Group extended the estimated useful lives for certain terminals, network assets and items of software which decreased the depreciation and amortisation expense by PLN 118 million in the 9 months ended 30 September 2017. Depreciation and amortisation expense in 2017 relating to these assets is expected to be lower by approximately PLN 150 million in comparison to 2016.

In 2017 the Group revised estimate of dismantling provision due to the change of the agreement with dismantling services provider. Higher unit price of dismantling resulted in an increase of provision and fixed assets by PLN 178 million.

In the 3 months ended 30 September 2017, Orange Polska received PLN 266 million of non-repayable investment grants for the development of the broadband telecommunications network under the Operational Programme "Digital Poland". Received grants are presented separately within investing activities in the consolidated statement of cash flows and as cash and cash equivalents and other liabilities in the consolidated statement of financial position. These grants will be deducted from the cost of related assets that will be recognised in subsequent periods.

The amount of trade payables subject to reverse factoring increased from PLN 132 million as at 31 December 2016 to PLN 169 million as at 30 September 2017. 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.

In the consolidated statement of financial position as at 31 December 2016, certain figures were adjusted to conform with the presentation as at 30 September 2017. Trade receivables and trade payables were increased by PLN 209 million due to reclassification of roaming discounts granted to and received from other operators, historically presented net of trade receivables and payables. Other assets were increased by PLN 32 million as a result of reclassification of balances related to free service periods from deferred income and trade receivables. The comparative amounts in the consolidated statement of cash flows were adjusted accordingly for the 9 months ended 30 September 2016, with no impact on net cash provided by operating activities.

Acquisition of Multimedia Polska Energia Sp. z o.o.

On 5 September 2017, the Group acquired 100% shareholding in Multimedia Polska Energia Sp. z o.o. ("Multimedia Polska Energia"), a company that sells electrical energy. This acquisition is consistent with Group's strategy to develop services to households which are complementary to its core telecommunication services. The acquisition price amounted to PLN 44 million payable in cash, of which PLN 35 million was paid in September 2017, PLN 5 million in October 2017 and PLN 4 million will be paid in December 2018. As a result of the transaction, the Group recognised the following assets and liabilities:

(in PLN millions)

Assets:	
Intangible assets [(1)]	27
Trade receivables	23
Deferred tax assets	(4)
Cash and cash equivalents	9
Other	4
Total assets	**59**
Liabilities:	
Trade payables	13
Other	2
Total liabilities	**15**
Net assets acquired	**44**

[(1)] Includes PLN 25 million of customer contracts and the related customer relationships.

There was no goodwill or gain on bargain purchase recognised on acquisition of Multimedia Polska Energia.

Multimedia Polska Energia was renamed to Orange Energia Sp. z o.o. in September 2017.

7. Net financial debt

Net financial debt is a measure of indebtedness used by the Management Board. Since the calculation of this aggregate is not defined by IFRS, the methodology adopted by the Group is presented below:

(in PLN millions)	*At 30 September 2017*	*At 31 December 2016*
Loans from related party	7,064	7,092
Other financial debt	77	102
Derivatives – net (liabilities less assets)	(30)	(166)
Gross financial debt after derivatives	**7,111**	**7,028**
Cash and cash equivalents	(504)	(262)
Effective portion of cash flow hedges	(3)	9
Net financial debt	**6,604**	**6,775**

In the 9 months ended 30 September 2017, the net cash flows from issuance and repayments of the Revolving Credit Facility from Atlas Services Belgium S.A., a subsidiary of Orange S.A., amounted to PLN 40 million.

As at 30 September 2017, the total outstanding balance of loans from the related party amounted to PLN 7,064 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related party amounted to 1.87% before swaps and 3.40% after swaps as at 30 September 2017.

In the 9 months ended 30 September 2017 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 2017 was EUR 670 million and PLN 5,700 million, respectively, with a total fair value amounting to PLN 26 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 20 to the IFRS Consolidated Financial Statements for the year ended 31 December 2016. 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 21.1.

The carrying amount of the Group's financial instruments approximates their fair value, except for telecommunications licence payables for which as at 30 September 2017 and 31 December 2016 the estimated fair value exceeded the carrying amount by PLN 127 million and PLN 152 million, respectively, due to significant change between the original effective interest rates at the date of the initial recognition and current market rates.

9. Dividend

In accordance with the recommendation of the Management Board of the Company there was no dividend paid in 2017.

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 Consolidated Financial Statements for the year ended 31 December 2016 or describes major matters that occurred after 31 December 2016.

a. Proceedings by UOKiK

Proceedings by UOKiK related to pre-paid offers
UOKiK informed the Company that it had further prolonged the proceedings. The indicated date of prolongation is 31 December 2017.

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 2017.

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 31 October 2017.

Magna Polonia S.A. claim towards Orange Polska, T-Mobile Polska, Polkomtel and P4
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On 27 February 2016, Orange Polska appealed the verdict of the General Court of 17 December 2015 to the Court of Justice. On 3 March 2017, Orange Polska was notified by the Court of Justice about staying the appeal proceedings until the Court of Justice issues its judgement in another case. On 11 September 2017, Orange Polska was notified by the Court of Justice that the proceedings were resumed.

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 2017, 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 brand fees, costs of interconnect and data transmission.

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 above-mentioned 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 2017		*ended 30 September 2016*	
Sales of goods and services and other income:	**56**	**153**	**45**	**151**
Orange S.A. (parent)	31	92	27	87
Orange Group (excluding parent)	25	61	18	64
Purchases of goods (including inventories, tangible and intangible assets) and services:	**(60)**	**(181)**	**(54)**	**(184)**
Orange S.A. (parent)	(17)	(53)	(16)	(56)
Orange Group (excluding parent)	(43)	(128)	(38)	(128)
- including Orange Brand Services Limited (brand licence agreement)	*(31)*	*(91)*	*(31)*	*(97)*
Finance costs, net:	**(57)**	**(176)**	**(58)**	**(189)**
Orange S.A. (parent)	32	(151)	(99)	(63)
Orange Group (excluding parent)	(89)	(25)	41	(126)
Other comprehensive income/(loss):	**2**	**(4)**	**24**	**21**
Orange S.A. (parent)	2	(4)	24	21
Dividend paid:	**-**	**-**	**166**	**166**
Orange S.A. (parent)	-	-	166	166

(in PLN millions)	*At 30 September 2017*	*At 31 December 2016 (see Note 6)*
Receivables:	**81**	**73**
Orange S.A. (parent)	44	46
Orange Group (excluding parent)	37	27
Payables:	**121**	**94**
Orange S.A. (parent)	34	49
Orange Group (excluding parent)	87	45
Financial receivables:	**96**	**206**
Orange S.A. (parent)	96	206
Cash and cash equivalents deposited with:	**50**	**106**
Orange S.A. (parent)	50	106
Financial payables:	**7,134**	**7,168**
Orange S.A. (parent)	70	76
Orange Group (excluding parent)	7,064	7,092

Compensation (remuneration, bonuses, post-employment and other long-term benefits and termination indemnities - cash and non-monetary benefits) of OPL S.A.'s Management Board and Supervisory Board Members for the 9 months ended 30 September 2017 and 2016 amounted to PLN 13.0 million and PLN 15.9 million, respectively.

From the fourth quarter of 2016, bonuses are included in compensation in the period when they are accrued only. Consequently, total compensation in comparative data for the 9 months ended 30 September 2016 was amended to exclude PLN 1.8 million of bonuses accrued in 2015 and paid in 2016.

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 2017

October 25, 2017

Contents

INCOME STATEMENT

(in PLN millions, except for earnings per share)	*3 months ended 30 September 2017*	*9 months ended 30 September 2017*	*3 months ended 30 September 2016*	*9 months ended 30 September 2016*
Revenue	**2,706**	**8,207**	**2,786**	**8,392**
External purchases	(1,476)	(4,467)	(1,571)	(4,716)
Labour expense	(379)	(1,231)	(331)	(999)
Other operating expense	(138)	(425)	(137)	(445)
Other operating income	53	169	50	181
Gains on disposal of assets	3	68	9	56
Depreciation and amortisation (see Note 5)	(646)	(1,928)	(695)	(2,030)
(Impairment)/reversal of impairment of non-current assets	(5)	(6)	1	2
Operating income	**118**	**387**	**112**	**441**
Dividend income	-	17	-	109
Interest income	7	19	38	119
Interest expense and other financial charges	(68)	(213)	(103)	(319)
Discounting expense	(27)	(51)	(12)	(68)
Finance costs, net	**(88)**	**(228)**	**(77)**	**(159)**
Income tax	(11)	(20)	(7)	(39)
Net income	**19**	**139**	**28**	**243**
Earnings per share (in PLN) (basic and diluted)	**0.01**	**0.11**	**0.02**	**0.19**
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 2017*	*9 months ended 30 September 2017*	*3 months ended 30 September 2016*	*9 months ended 30 September 2016*
Net income	**19**	**139**	**28**	**243**
Items that will not be reclassified to profit or loss				
Actuarial losses on post-employment benefits	(5)	(5)	(4)	(1)
Income tax relating to items not to be reclassified	1	1	1	-
Items that may be reclassified subsequently to profit or loss				
Gains/(losses) on cash flow hedges	23	(12)	10	22
Income tax relating to items that may be reclassified	(5)	2	(2)	(4)
Other comprehensive income/(loss), net of tax	**14**	**(14)**	**5**	**17**
Total comprehensive income	**33**	**125**	**33**	**260**

STATEMENT OF FINANCIAL POSITION

(in PLN millions)	*Note*	*At 30 September 2017*	*At 31 December 2016 (see Note 5)*
ASSETS			
Goodwill		2,014	2,014
Other intangible assets	5	5,323	5,720
Property, plant and equipment	5	10,637	10,754
Investments in subsidiaries	5	176	132
Trade receivables		471	403
Derivatives		96	206
Other assets	5	70	72
Deferred tax asset		862	879
Total non-current assets		**19,649**	**20,180**
Inventories		200	139
Trade receivables	5	2,025	1,921
Derivatives		12	36
Income tax assets		-	5
Other assets	5	66	48
Prepaid expenses		91	76
Cash and cash equivalents	5	469	223
Total current assets		**2,863**	**2,448**
TOTAL ASSETS		**22,512**	**22,628**
EQUITY AND LIABILITIES			
Share capital		3,937	3,937
Share premium		832	832
Other reserves		(41)	(27)
Retained earnings		5,334	5,195
Total equity		**10,062**	**9,937**
Trade payables	7	560	682
Financial liabilities at amortised cost excluding trade payables	6	5,615	7,150
Derivatives		70	76
Employee benefits		139	140
Provisions	5	447	270
Other liabilities	5	219	-
Deferred income		70	70
Total non-current liabilities		**7,120**	**8,388**
Trade payables	5,7	2,038	2,591
Financial liabilities at amortised cost excluding trade payables	6	1,564	58
Derivatives		8	-
Employee benefits		170	176
Provisions	5,9	797	838
Income tax liabilities		21	21
Other liabilities	5	238	112
Deferred income	5	494	507
Total current liabilities		**5,330**	**4,303**
TOTAL EQUITY AND LIABILITIES		**22,512**	**22,628**

STATEMENT OF CHANGES IN EQUITY

(in PLN millions)

	Share capital	Share premium	Other reserves			Retained earnings	Total equity
			Gains/(losses) on cash flow hedges	Actuarial losses on post-employment benefits	Deferred tax		
Balance at 1 January 2017	**3,937**	**832**	**9**	**(43)**	**7**	**5,195**	**9,937**
Total comprehensive income for the 9 months ended 30 September 2017	-	-	(12)	(5)	3	139	125
Balance at 30 September 2017	**3,937**	**832**	**(3)**	**(48)**	**10**	**5,334**	**10,062**
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. (see Note 5)	-	-	-	3	(1)	140	142
Balance at 30 September 2016	**3,937**	**832**	**(61)**	**(43)**	**20**	**7,168**	**11,853**

STATEMENT OF CASH FLOWS

(in PLN millions)	*3 months ended 30 September 2017*	*9 months ended 30 September 2017*	*3 months ended 30 September 2016 (see Note 5)*	*9 months ended 30 September 2016 (see Note 5)*
OPERATING ACTIVITIES				
Net income	19	139	28	243
Adjustments to reconcile net income to cash from operating activities				
Gains on disposal of assets	(3)	(68)	(9)	(56)
Depreciation and amortisation	646	1,928	695	2,030
Impairment/(reversal of impairment) of non-current assets	5	6	(1)	(2)
Finance costs, net	88	228	77	159
Income tax	11	20	7	39
Change in provisions and allowances	(7)	(24)	(9)	(109)
Operational foreign exchange and derivatives (gains)/losses, net	(2)	3	-	(5)
Change in working capital				
(Increase)/decrease in inventories, gross	(1)	(64)	11	36
Increase in trade receivables, gross	(178)	(193)	(81)	(127)
Increase/(decrease) in trade payables	80	(226)	64	51
(Increase)/decrease in prepaid expenses and other receivables	-	(31)	41	49
Increase/(decrease) in deferred income and other payables	(20)	32	(28)	(49)
Dividends received	2	15	-	109
Interest received	7	19	7	19
Interest paid and interest rate effect paid on derivatives, net	(128)	(262)	(114)	(254)
Exchange rate effect received/(paid) on derivatives, net	-	(7)	(3)	8
Income tax received/(paid)	-	4	(1)	6
Net cash provided by operating activities	**519**	**1,519**	**684**	**2,147**
INVESTING ACTIVITIES				
Purchases of property, plant and equipment and intangible assets	(442)	(1,270)	(373)	(4,406)
Decrease in amounts due to fixed assets suppliers	(60)	(365)	(127)	(441)
Investment grants received (see Note 5)	266	266	-	-
Exchange rate effect received/(paid) on derivatives economically hedging capital expenditures, net	(5)	(5)	(3)	11
Proceeds from sale of property, plant and equipment and intangible assets	10	97	13	95
Cash paid for investments in subsidiaries (see Note 5)	(35)	(35)	-	-
Decrease in loans and other financial instruments	-	1	1	6
Net cash used in investing activities	**(266)**	**(1,311)**	**(489)**	**(4,735)**
FINANCING ACTIVITIES				
Issuance of long-term debt	-	-	-	2,701
Repayment of long-term debt	(9)	(26)	(10)	(1,217)
Increase/(decrease) in revolving credit line and short-term debt (see Note 6)	(194)	65	8	1,446
Exchange rate effect received/(paid) on derivatives hedging debt, net	(2)	(1)	-	17
Dividend paid	-	-	(328)	(328)
Net cash provided by/(used in) financing activities	**(205)**	**38**	**(330)**	**2,619**
Net change in cash and cash equivalents	**48**	**246**	**(135)**	**31**
The impact of the merger with Orange Customer Service Sp. z o.o. and TP Invest Sp. z o.o. (see Note 5)	-	-	70	70
Cash and cash equivalents at the beginning of the period	421	223	384	218
Cash and cash equivalents at the end of the period	**469**	**469**	**319**	**319**

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.

2. Statement of compliance and basis of preparation

Basis of preparation

These unaudited Condensed IFRS Quarterly Separate Financial Statements for the 9 months ended 30 September 2017 (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 2016.

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 25 October 2017.

Changes to standards and interpretations in 2017

- IFRS 17 "Insurance Contracts". This standard was issued on 18 May 2017 and will be effective for annual periods beginning on or after 1 January 2021. This standard has not yet been endorsed by the European Union. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The Company does not act as a principal in case of insurance contracts and this standard will have no impact on financial statements.

- IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments". This interpretation was issued on 7 June 2017 and will be effective for annual periods beginning on or after 1 January 2019. This interpretation has not yet been endorsed by the European Union. IFRIC 23 clarifies how to valuate and recognise both current and deferred tax assets and liabilities, when there is uncertainty as regards tax treatment. This interpretation will have no impact on the Company's financial statements.

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 31 to the audited IFRS Separate Financial Statements for the year ended 31 December 2016.

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

The Company's activities are subject to some seasonality. The fourth quarter is typically a peak sales season with lower operating income due to high commercial spending and with increased capital expenditures resulting from investment cycle management applied by the Company. Seasonally high capital expenditures in the fourth quarter are followed by higher payments to fixed assets suppliers in the first quarter of the subsequent year resulting in higher cash used in investing activities.

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

From 2017, the Company extended the estimated useful lives for certain terminals, network assets and items of software which decreased the depreciation and amortisation expense by PLN 118 million in the 9 months ended 30 September 2017. Depreciation and amortisation expense in 2017 relating to these assets is expected to be lower by approximately PLN 150 million in comparison to 2016.

In 2017 the Company revised estimate of dismantling provision due to the change of the agreement with dismantling services provider. Higher unit price of dismantling resulted in an increase of provision and fixed assets by PLN 178 million.

In the 3 months ended 30 September 2017, Orange Polska received PLN 266 million of non-repayable investment grants for the development of the broadband telecommunications network under the Operational Programme "Digital Poland". Received grants are presented separately within investing activities in the statement of cash flows and as cash and cash equivalents and other liabilities in the statement of financial position. These grants will be deducted from the cost of related assets that will be recognised in subsequent periods.

The amount of trade payables subject to reverse factoring increased from PLN 132 million as at 31 December 2016 to PLN 169 million as at 30 September 2017. 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.

On 5 September 2017, Orange Polska acquired 100% shareholding in Multimedia Polska Energia Sp. z o.o., a company that sells electrical energy. This acquisition is consistent with Orange Polska Group's strategy to develop services to households which are complementary to its core telecommunication services. The acquisition price amounted to PLN 44 million payable in cash, of which PLN 35 million was paid in September 2017, PLN 5 million in October 2017 and PLN 4 million will be paid in December 2018. Multimedia Polska Energia Sp. z o.o. was renamed to Orange Energia Sp. z o.o. in September 2017.

In the statement of financial position as at 31 December 2016, certain figures were adjusted to conform with the presentation as at 30 September 2017. Trade receivables and trade payables were increased by PLN 209 million due to reclassification of roaming discounts granted to and received from other operators, historically presented net of trade receivables and payables. Other assets were increased by PLN 32 million as a result of reclassification of balances related to free service periods from deferred income and trade receivables. The comparative amounts in the statement of cash flows were adjusted accordingly for the 9 months ended 30 September 2016, with no impact on net cash provided by operating activities.

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

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

In the 9 months ended 30 September 2017, the net cash flows from issuance and repayments of the Revolving Credit Facility from Atlas Services Belgium S.A., a subsidiary of Orange S.A., amounted to PLN 40 million.

As at 30 September 2017, the total outstanding balance of loans from the related party amounted to PLN 7,064 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related party amounted to 1.87% before swaps and 3.40% after swaps as at 30 September 2017.

In the 9 months ended 30 September 2017 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 2017 was EUR 670 million and PLN 5,700 million, respectively, with a total fair value amounting to PLN 26 million.

In the 9 months ended 30 September 2017, the Company issued and redeemed short-term bonds under the Orange Polska S.A. Bond Issuance Programme. In the 9 months ended 30 September 2017, the net cash flows on the bonds amounted to PLN 25 million. As at 30 September 2017 and 31 December 2016, the aggregate par value of the outstanding bonds issued under the programme amounted to PLN 45 million and PLN 20 million, respectively.

7. 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 Separate Financial Statements for the year ended 31 December 2016. 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 22.1.

The carrying amount of the Company's financial instruments approximates their fair value, except for telecommunications licence payables for which as at 30 September 2017 and 31 December 2016 the estimated fair value exceeded the carrying amount by PLN 127 million and PLN 152 million, respectively, due to significant change between the original effective interest rates at the date of the initial recognition and current market rates.

8. Dividend

In accordance with the recommendation of the Management Board of the Company there was no dividend paid in 2017.

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 Separate Financial Statements for the year ended 31 December 2016 or describes major matters that occurred after 31 December 2016.

a. Proceedings by UOKiK

Proceedings by UOKiK related to pre-paid offers
UOKiK informed the Company that it had further prolonged the proceedings. The indicated date of prolongation is 31 December 2017.

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 2017.

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 31 October 2017.

Magna Polonia S.A. claim towards Orange Polska, T-Mobile Polska, Polkomtel and P4
Magna Polonia asserts that its claim towards Orange Polska, T-Mobile Polska S.A., Polkomtel Sp. z o.o. and P4 Sp. z o.o. for payment jointly and severally of PLN 618 million results from lack of the launch of DVB-H television. Magna Polonia claims that the lack of the launch of DVB-H television was caused by an agreement of the four operators which was found to be in breach of the competition law by UOKiK. UOKiK issued a decision to this effect on 23 November 2011. That decision was subsequently repealed by the court of first instance and that verdict was maintained by the Court of Appeal on 15 March 2017. On 13 October 2017, Orange Polska was served with the cassation claim that UOKiK lodged to the Supreme Court.

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. On 3 March 2017, Orange Polska was notified by the Court of Justice about staying the appeal proceedings until the Court of Justice issues its judgement in another case. On 11 September 2017, Orange Polska was notified by the Court of Justice that the proceedings were resumed.

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 September 2017, 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 and IT services. The purchases from the subsidiaries comprise mainly network development and maintenance, selling fees, property maintenance and additionally, in the 9 months ended 30 September 2016, included also customer support and management services. 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 brand fees, costs of interconnect and data transmission.

OPL S.A.'s financial income earned from its subsidiaries comprises dividends and additionally, in the 9 months ended 30 September 2016, included also interest on bonds issued by the subsidiaries. Financial expense incurred by OPL S.A. in transactions with the subsidiaries comprise interest on bonds issued to the subsidiaries and additionally, in the 9 months ended 30 September 2016 included interest on loans from the subsidiaries. Financial receivables from the subsidiaries include dividend receivables. Financial payables to the subsidiaries comprise bonds issued to the subsidiaries.

Financial receivables, payables, financial expense 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 above-mentioned 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*	*9 months*	*3 months*	*9 months*
	ended 30 September 2017		*ended 30 September 2016*	
Sales of goods and services and other income:	**103**	**297**	**107**	**329**
Orange Polska Group (subsidiaries)	49	146	62	178
Orange Group	54	151	45	151
- Orange S.A. (parent)	31	92	27	87
- Orange Group (excluding parent)	23	59	18	64
Purchases of goods (including inventories, tangible and intangible assets) and services:	**(175)**	**(550)**	**(310)**	**(930)**
Orange Polska Group (subsidiaries)	(115)	(369)	(256)	(746)
Orange Group	(60)	(181)	(54)	(184)
- Orange S.A. (parent)	(17)	(53)	(16)	(56)
- Orange Group (excluding parent)	(43)	(128)	(38)	(128)
- including Orange Brand Services Limited (brand licence agreement)	*(31)*	*(91)*	*(31)*	*(97)*
Financial income:	**1**	**19**	**33**	**214**
Orange Polska Group (subsidiaries)	-	17	32	212
Orange S.A. (parent)	1	2	1	2
Financial expense, net:	**(59)**	**(179)**	**(90)**	**(292)**
Orange Polska Group (subsidiaries)	(1)	(1)	(31)	(101)
Orange Group	(58)	(178)	(59)	(191)
- Orange S.A. (parent)	31	(153)	(100)	(65)
- Orange Group (excluding parent)	(89)	(25)	41	(126)
Other comprehensive income/(loss):	**2**	**(4)**	**24**	**21**
Orange S.A. (parent)	2	(4)	24	21
Dividend paid:	**-**	**-**	**166**	**166**
Orange S.A. (parent)	-	-	166	166

(in PLN millions)	*At 30 September 2017*	*At 31 December 2016 (see Note 5)*
Receivables:	**123**	**122**
Orange Polska Group (subsidiaries)	43	49
Orange Group	80	73
- Orange S.A. (parent)	44	46
- Orange Group (excluding parent)	36	27
Payables:	**290**	**306**
Orange Polska Group (subsidiaries)	169	212
Orange Group	121	94
- Orange S.A. (parent)	34	49
- Orange Group (excluding parent)	87	45
Financial receivables:	**98**	**206**
Orange Polska Group (subsidiaries)	2	-
Orange S.A. (parent)	96	206
Cash and cash equivalents deposited with:	**50**	**106**
Orange S.A. (parent)	50	106
Financial payables:	**7,179**	**7,188**
Orange Polska Group (subsidiaries)	45	20
Orange Group	7,134	7,168
- Orange S.A. (parent)	70	76
- Orange Group (excluding parent)	7,064	7,092

Compensation (remuneration, bonuses, post-employment and other long-term benefits and termination indemnities - cash and non-monetary benefits) of OPL S.A.'s Management Board and Supervisory Board Members for the 9 months ended 30 September 2017 and 2016 amounted to PLN 13.0 million and PLN 15.9 million, respectively.

From the fourth quarter of 2016, bonuses are included in compensation in the period when they are accrued only. Consequently, total compensation in comparative data for the 9 months ended 30 September 2016 was amended to exclude PLN 1.8 million of bonuses accrued in 2015 and paid in 2016.

11. 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 25 October 2017, i.e. the date of submission of the quarterly report for the 3 months ended 30 September 2017 was the same as at 26 July 2017, i.e. the date of submission of the interim report for the 6 months ended 30 June 2017:

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.

On 9 October 2017, on the tenth anniversary of the issue date, all A-series bonds with a pre-emption right were redeemed.

The number of bonds with a pre-emption right held by Members of the Management Board of the Company at the date of submission of the interim report for the 6 months ended 30 June 2017 was as follows:

	26 July 2017
Jean-François Fallacher	-
Mariusz Gaca	68,839
Bożena Leśniewska	27,536
Piotr Muszyński	190,896
Jolanta Dudek	13,768
Jacek Kowalski	25,241
Maciej Nowohoński	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 26 July 2017. Other Members of the Supervisory Board of OPL S.A. did not participate in the Company's incentive program and as at 26 July 2017 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 25 October 2017 and 26 July 2017.
Mr Maciej Nowohoński, the Member of the Management Board of OPL S.A., held 25,000 Orange Polska S.A. shares as at 25 October 2017.
Mr Maciej Witucki, the Chairman of the Supervisory Board of OPL S.A., held 4,000 Orange Polska S.A. shares as at 25 October 2017 and 26 July 2017.
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 accounts for at least 10% of the Company's equity

In the 9 months ended 30 September 2017, 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

Based on the analysis of financial results for the 9 months ended 30 September 2017 and the outlook for the fourth quarter of 2017, the Group has increased forecast for the adjusted EBITDA for 2017 to around PLN 3.0 billion. It previously forecasted the adjusted EBITDA for 2017 to be in the range of PLN 2.8 – 3.0 billion.

More favourable adjusted EBITDA outlook is mainly a consequence of changes in the commercial strategy towards more focus on value in customer acquisitions and retentions. This approach results in much lower handset subsidies, a higher share of SIM-only transactions and optimisation of the distribution channel mix. All these factors positively impact level of commercial costs.

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 the Chapter II of Management Board's Report on the Activity of Orange Polska Group in the first half of 2017 as well as in the current report 17/2017 published on 27 July 2017, in the current report 18/2017 published on 4 September 2017 and in the current report 20/2017 published on 5 September 2017. 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 2017 and 31 December 2016 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 2017 and 2016, 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-month periods ended 30 September 2017 and 2016.

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 2017	31 December 2016	30 September 2016
Statement of financial position	4.3091 PLN	4.4240 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	4.2566 PLN	Not applicable	4.3688 PLN