☐ - adjusted

POLISH FINANCIAL SUPERVISION AUTHORITY

Quarterly consolidated report for the first quarter of 2018

(year)

(according to par. 82 s. 2 and par. 83 s. 1 of the Decree on current and periodic information)
for the issuers in sectors of production, construction, trade or services

for the first quarter of **2018**, i.e. **from 1 January 2018 to 31 March 2018**

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 April 2018**

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(full name of issuer)

ORANGEPL (abbreviated name of the issuer)
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SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	1 quarter cumulative period from 01/01/2018 to 31/03/2018	1 quarter cumulative period from 01/01/2017 to 31/03/2017	1 quarter cumulative period from 01/01/2018 to 31/03/2018	1 quarter cumulative period from 01/01/2017 to 31/03/2017
condensed consolidated financial statements data				
I. Revenue	2,710,000	2,818,000	648,574	657,014
II. Operating income	33,000	109,000	7,898	25,413
III. Profit/(loss) before income tax	(53,000)	38,000	(12,684)	8,860
IV. Consolidated net income/(loss)	(50,000)	39,000	(11,966)	9,093
V. Net income/(loss) attributable to owners of Orange Polska S.A.	(50,000)	39,000	(11,966)	9,093
VI. Earnings/(loss) per share (in PLN/EUR) (basic and diluted)	(0.04)	0.03	(0.01)	0.01
VII. Weighted average number of shares (in millions) (basic and diluted)	1,312	1,312	1,312	1,312
VIII. Total comprehensive income/(loss)	(60,000)	8,000	(14,360)	1,865
IX. Total comprehensive income/(loss) attributable to owners of Orange Polska S.A.	(60,000)	8,000	(14,360)	1,865
X. Net cash provided by operating activities	382,000	442,000	91,423	103,052
XI. Net cash used in investing activities	(538,000)	(696,000)	(128,758)	(162,272)
XII. Net cash provided by financing activities	56,000	190,000	13,402	44,298
XIII. Net change in cash and cash equivalents	(100,000)	(64,000)	(23,933)	(14,922)
	balance as at 31/03/2018	balance as at 31/12/2017	balance as at 31/03/2018	balance as at 31/12/2017
XIV. Total current assets	3,770,000	3,273,000	895,806	784,723
XV. Total non-current assets	19,333,000	19,660,000	4,593,798	4,713,611
XVI. Total assets	23,103,000	22,933,000	5,489,604	5,498,334
XVII. Total current liabilities	4,170,000	6,043,000	990,852	1,448,848
XVIII. Total non-current liabilities	8,483,000	6,952,000	2,015,682	1,666,787
XIX. Total equity	10,450,000	9,938,000	2,483,070	2,382,699
XX. Equity attributable to owners of Orange Polska S.A.	10,448,000	9,936,000	2,482,595	2,382,220
XXI. Share capital	3,937,000	3,937,000	935,488	943,921
condensed separate financial statements data				
	1 quarter cumulative period from 01/01/2018 to 31/03/2018	1 quarter cumulative period from 01/01/2017 to 31/03/2017	1 quarter cumulative period from 01/01/2018 to 31/03/2018	1 quarter cumulative period from 01/01/2017 to 31/03/2017
I. Revenue	2,616,000	2,745,000	626,077	639,994
II. Operating income	35,000	104,000	8,376	24,248
III. Profit/(loss) before income tax	(51,000)	42,000	(12,206)	9,792
IV. Net income/(loss)	(49,000)	43,000	(11,727)	10,025
V. Earnings/(loss) per share (in PLN/EUR) (basic and diluted)	(0.04)	0.03	(0.01)	0.01
VI. Weighted average number of shares (in millions) (basic and diluted)	1,312	1,312	1,312	1,312
VII. Total comprehensive income/(loss)	(59,000)	12,000	(14,120)	2,798
VIII. Net cash provided by operating activities	409,000	425,000	97,884	99,088
IX. Net cash used in investing activities	(537,000)	(696,000)	(128,518)	(162,272)
X. Net cash provided by financing activities	57,000	224,000	13,642	52,226
XI. Net change in cash and cash equivalents	(71,000)	(47,000)	(16,992)	(10,958)
	balance as at 31/03/2018	balance as at 31/12/2017	balance as at 31/03/2018	balance as at 31/12/2017
XII. Total current assets	3,628,000	3,041,000	862,065	729,099
XIII. Total non-current assets	19,344,000	19,675,000	4,596,412	4,717,208
XIV. Total assets	22,972,000	22,716,000	5,458,477	5,446,307
XV. Total current liabilities	4,146,000	5,960,000	985,149	1,428,948
XVI. Total non-current liabilities	8,429,000	6,899,000	2,002,851	1,654,080
XVII. Total equity	10,397,000	9,857,000	2,470,477	2,363,279
XVIII. Share capital	3,937,000	3,937,000	935,488	943,921

ORANGE POLSKA GROUP

CONDENSED IFRS QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2018

April 25, 2018

Contents

CONSOLIDATED INCOME STATEMENT

(in PLN millions, except for earnings/(loss) per share)	*3 months ended*	
	31 March 2018	*31 March 2017*
	IFRS 15 basis	*IAS 18 basis*
		(see Note 3.3)
Revenue (see Note 5)	**2,710**	**2,818**
External purchases	(1,549)	(1,554)
Labour expense	(432)	(452)
Other operating expense	(115)	(95)
Other operating income	64	41
Impairment of receivables and contract assets	(23)	(18)
Gains on disposal of assets	19	8
Depreciation and amortisation	(641)	(639)
Operating income	**33**	**109**
Interest income	8	6
Interest expense and other financial charges	(70)	(73)
Discounting expense	(24)	(4)
Finance costs, net	**(86)**	**(71)**
Income tax	3	1
Consolidated net income/(loss)	**(50)**	**39**
Net income/(loss) attributable to owners of Orange Polska S.A.	(50)	39
Net income/(loss) attributable to non-controlling interests	-	-
Earnings/(loss) per share (in PLN) (basic and diluted)	**(0.04)**	**0.03**
Weighted average number of shares (in millions) (basic and diluted)	1,312	1,312

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)	*3 months ended*	
	31 March 2018	*31 March 2017*
	IFRS 15 basis	*IAS 18 basis*
Consolidated net income/(loss)	**(50)**	**39**
Items that may be reclassified subsequently to profit or loss		
Losses on cash flow hedges	(12)	(38)
Income tax relating to items that may be reclassified	2	7
Other comprehensive loss, net of tax	**(10)**	**(31)**
Total comprehensive income/(loss)	**(60)**	**8**
Total comprehensive income/(loss) attributable to owners of Orange Polska S.A.	(60)	8
Total comprehensive income/(loss) attributable to non-controlling interests	-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in PLN millions)	*Note*	*At 31 March 2018 IFRS 15 basis*	*At 31 December 2017 IAS 18 basis*
ASSETS			
Goodwill		2,147	2,147
Other intangible assets		5,126	5,256
Property, plant and equipment		10,514	10,666
Trade receivables		531	532
Contract assets	3	41	-
Contract costs	3	51	-
Derivatives	8	31	37
Other assets		68	72
Deferred tax assets		824	950
Total non-current assets		**19,333**	**19,660**
Inventories		224	217
Trade receivables		2,273	2,266
Contract assets	3	201	-
Contract costs	3	330	-
Derivatives	8	6	-
Other assets		84	78
Prepaid expenses		106	66
Cash and cash equivalents	8	546	646
Total current assets		**3,770**	**3,273**
TOTAL ASSETS		**23,103**	**22,933**
EQUITY AND LIABILITIES			
Share capital		3,937	3,937
Share premium		832	832
Other reserves		(50)	(40)
Retained earnings		5,729	5,207
Equity attributable to owners of Orange Polska S.A.		**10,448**	**9,936**
Non-controlling interests		2	2
Total equity		**10,450**	**9,938**
Trade payables	9	556	550
Loans from related party	8	7,056	5,485
Other financial liabilities at amortised cost	8	79	68
Derivatives	8	67	58
Provisions		519	553
Contract liabilities	3	57	-
Employee benefits		133	139
Other liabilities		16	16
Deferred income	3	-	83
Total non-current liabilities		**8,483**	**6,952**
Trade payables	9	1,997	2,421
Loans from related party	8	8	1,484
Other financial liabilities at amortised cost	8	56	45
Derivatives	8	15	42
Provisions	11	875	854
Contract liabilities	3	485	-
Employee benefits		222	221
Income tax liabilities		21	19
Other liabilities		491	479
Deferred income	3	-	478
Total current liabilities		**4,170**	**6,043**
TOTAL EQUITY AND LIABILITIES		**23,103**	**22,933**

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 2018	3,937	832	(2)	(47)	9	5,207	9,936	2	9,938
The effect of adoption of IFRS 15 (see Note 3.2)	-	-	-	-	-	583	583	-	583
The effect of adoption of IFRS 9 (see Note 3.3)	-	-	-	-	-	(11)	(11)	-	(11)
Balance at 1 January 2018 after adoption of IFRS 15 and IFRS 9	3,937	832	(2)	(47)	9	5,779	10,508	2	10,510
Total comprehensive loss for the 3 months ended 31 March 2018	-	-	(12)	-	2	(50)	(60)	-	(60)
Balance at 31 March 2018	3,937	832	(14)	(47)	11	5,729	10,448	2	10,450
Balance at 1 January 2017	3,937	832	9	(44)	6	5,267	10,007	2	10,009
Total comprehensive income for the 3 months ended 31 March 2017	-	-	(38)	-	7	39	8	-	8
Balance at 31 March 2017	3,937	832	(29)	(44)	13	5,306	10,015	2	10,017

CONSOLIDATED STATEMENT OF CASH FLOWS

(in PLN millions)		*3 months ended*	
		31 March 2018	*31 March 2017*
		IFRS 15 basis	*IAS 18 basis*
	Note		*(see Note 7)*
OPERATING ACTIVITIES			
Consolidated net income/(loss)		(50)	39
Adjustments to reconcile net income/loss to cash from operating activities			
Gains on disposal of assets		(19)	(8)
Depreciation and amortisation		641	639
Finance costs, net		86	71
Income tax		(3)	(1)
Change in provisions and allowances		(10)	(32)
Operational foreign exchange and derivatives (gains)/losses, net		(2)	6
Change in working capital			
Increase in inventories, gross		(8)	(83)
(Increase)/decrease in trade receivables, gross		(29)	114
Decrease in contract assets, gross	3	53	-
Decrease in contract costs	3	23	-
Decrease in trade payables		(188)	(269)
Decrease in contract liabilities	3	(17)	-
Increase in prepaid expenses and other receivables		(47)	(46)
Increase in deferred income and other payables	3	9	54
Interest received		8	6
Interest paid and interest rate effect paid on derivatives, net		(47)	(44)
Exchange rate and other effect received/(paid) on derivatives, net		(17)	7
Income tax paid		(1)	(11)
Net cash provided by operating activities		**382**	**442**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangible assets		(388)	(385)
Decrease in amounts due to fixed assets suppliers		(177)	(322)
Investment grants paid to fixed assets suppliers		(3)	-
Exchange rate effect received/(paid) on derivatives economically hedging capital expenditures, net		(1)	1
Proceeds from sale of property, plant and equipment and intangible assets		32	10
Payments on other financial instruments		(1)	-
Net cash used in investing activities		**(538)**	**(696)**
FINANCING ACTIVITIES			
Repayment of long-term debt		(10)	(11)
Increase in revolving credit line and short-term debt	8	67	200
Exchange rate effect received/(paid) on derivatives hedging debt, net		(1)	1
Net cash provided by financing activities		**56**	**190**
Net change in cash and cash equivalents		**(100)**	**(64)**
Cash and cash equivalents at the beginning of the period		646	262
Cash and cash equivalents at the end of the period		**546**	**198**

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 3 months ended 31 March 2018 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 2017.

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/loss, 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.

To facilitate comparability between periods following the modified retrospective approach to adoption of IFRS 15, certain performance measures are presented also on an "IAS 18 comparable basis", i.e. calculated under IAS 18 and other standards and interpretations concerning revenue recognition applicable in 2017. More information on IFRS 15 and its application by the Group in 2018 is presented in Note 3.2.

Revenue from the Group's activities is adjusted for the impact of changes in the scope of consolidation. There was no adjustment for the 3 months ended 31 March 2018 and 2017.

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 fixed 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. There was no adjustment for the 3 months ended 31 March 2018 and 2017.

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/paid to fixed assets suppliers, 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/paid to fixed assets suppliers. Adjustments for the 3 months ended 31 March 2018 and 2017 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. There was no adjustment for the 3 months ended 31 March 2018 and 2017.

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 8.

Basic financial data of the operating segment is presented below:

(in PLN millions)	*3 months ended*	
	31 March 2018	*31 March 2017*
Revenue (IFRS 15 basis) (1)	2,710	Not applicable
Revenue (IAS 18 comparable basis) (1)	2,766	2,818
EBITDA (IFRS 15 basis) (1)	674	Not applicable
EBITDA (IAS 18 comparable basis) (1)	746	748
Net loss as per consolidated income statement (IFRS 15 basis)	(50)	Not applicable
Net income as per consolidated income statement (IAS 18 comparable basis)	8	39
Adjusted organic cash flows	(152)	(254)
Capital expenditures (1)	388	385

(1) There was no adjustment for the 3 months ended 31 March 2018 and 2017.

	At 31 March 2018	*At 31 December 2017*
Net financial debt (in PLN millions, see Note 8)	6,684	6,497
Net financial debt/adjusted EBITDA ratio (IFRS 15 basis)	2.3	Not applicable
Net financial debt/adjusted EBITDA ratio (IAS 18 comparable basis)	2.2	2.2

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

(in PLN millions)	*3 months ended*	
	31 March 2018	*31 March 2017*
Organic cash flows	(155)	(254)
- adjustment for investment grants paid to fixed assets suppliers	3	-
Adjusted organic cash flows	(152)	(254)

3. Statement of compliance and basis of preparation

3.1. 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 2017.

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 April 2018.

Adoption of standards in 2018

The following standards endorsed by the European Union were adopted by the Group as at 1 January 2018:

- IFRS 15 "Revenue from Contracts with Customers". This standard has been endorsed by the European Union on 22 November 2016 and it is applicable for financial years beginning on or after 1 January 2018.
- IFRS 9 "Financial Instruments". This standard has been endorsed by the European Union on 22 November 2016 and it is applicable for financial years beginning on or after 1 January 2018.

3.2. Adoption of IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for reporting the information about the nature, amount, timing and uncertainty of revenue arising from an entity's contracts with customers.

The effects on the Group's accounts primarily relate to the mobile phone market and notably to:

a) the accounting for arrangements which bundle the sale of a handset with a discounted price and with customer subscription to a communication service for a defined period of time: the cumulative revenue does not change but the allocation between the handset sold and the communication service changes (higher equipment revenue up front, with an equivalent decrease in service revenue spread over time due to the subsidy mechanism embedded in the offers);
b) the accelerated recognition of revenue when the equipment is sold, offset by the supply of the service during the enforceable period, leads to the recognition of a contract asset in the statement of financial position which is settled against a receivable as the communication service is provided;
c) recognition of some incremental subscriber acquisition and retention costs (i.e. payments to retailers directly attributable to the contract with customer) over the duration of the contractual relationship;
d) recognition of a contract liability representing the Group's obligation to provide services or equipment to a customer for which consideration has been received or is due (mainly unused balances in pre-paid system and post-paid subscription previously recognised as deferred income).

The new accounting policy relating to revenue and contract costs applied by the Group from 1 January 2018 is presented in Note 4.

IFRS 15 is applied by the Group using the "modified retrospective approach" in which the cumulative effect of initially applying the standard is recognised as an adjustment to retained earnings at the date of initial application.

Adoption of IFRS 15 affected the consolidated statement of financial position as at 1 January 2018 as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in PLN millions)	*At 1 January 2018*		
	Before IFRS 15	*Impact of IFRS 15 adoption*	*After IFRS 15*
ASSETS			
Contract assets	-	58	58
Contract costs	-	53	53
Other assets	72	(2)	70
Deferred tax assets	950	(137)	813
Total non-current assets	**19,660**	**(28)**	**19,632**
Contract assets	-	235	235
Contract costs	-	351	351
Other assets	78	(5)	73
Total current assets	**3,273**	**581**	**3,854**
TOTAL ASSETS	**22,933**	**553**	**23,486**
EQUITY AND LIABILITIES			
Retained earnings	5,207	583	5,790
Total equity	**9,938**	**583**	**10,521**
Contract liabilities	-	71	71
Deferred income	83	(83)	-
Total non-current liabilities	**6,952**	**(12)**	**6,940**
Trade payables	2,421	(28)	2,393
Contract liabilities	-	488	488
Deferred income	478	(478)	-
Total current liabilities	**6,043**	**(18)**	**6,025**
TOTAL EQUITY AND LIABILITIES	**22,933**	**553**	**23,486**

To facilitate comparability between periods, the tables below present how the adoption of IFRS 15 affected the consolidated financial statements in the current period:

CONSOLIDATED INCOME STATEMENT

(in PLN millions, except for earnings/(loss) per share)	*3 months ended 31 March 2018*		
	IAS 18 comparable basis	*Impact of IFRS 15 adoption*	*IFRS 15 reported*
Revenue	**2,766**	**(56)**	**2,710**
External purchases	(1,524)	(25)	(1,549)
Labour expense	(433)	1	(432)
Impairment of receivables and contract assets	(31)	8	(23)
Operating income	**105**	**(72)**	**33**
Income tax	(11)	14	3
Consolidated net income/(loss)	**8**	**(58)**	**(50)**
Earnings/(loss) per share (in PLN)	**-**	**(0.04)**	**(0.04)**
Total comprehensive income/(loss)	**(2)**	**(58)**	**(60)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in PLN millions)	*At 31 March 2018*		
	IAS 18 comparable basis	*Impact of IFRS 15 adoption*	*IFRS 15 reported*
ASSETS			
Contract assets	-	41	41
Contract costs	-	51	51
Other assets	69	(1)	68
Deferred tax assets	947	(123)	824
Total non-current assets	**19,365**	**(32)**	**19,333**
Contract assets	-	201	201
Contract costs	-	330	330
Other assets	89	(5)	84
Total current assets	**3,244**	**526**	**3,770**
TOTAL ASSETS	22,609	494	23,103
EQUITY AND LIABILITIES			
Retained earnings	5,204	525	5,729
Total equity	**9,925**	**525**	**10,450**
Contract liabilities	-	57	57
Deferred income	61	(61)	-
Total non-current liabilities	**8,487**	**(4)**	**8,483**
Trade payables	2,024	(27)	1,997
Contract liabilities	-	485	485
Deferred income	485	(485)	-
Total current liabilities	**4,197**	**(27)**	**4,170**
TOTAL EQUITY AND LIABILITIES	22,609	494	23,103

CONSOLIDATED STATEMENT OF CASH FLOWS

(in PLN millions)	*3 months ended 31 March 2018*		
	IAS 18 comparable basis	*Impact of IFRS 15 adoption*	*IFRS 15 reported*
OPERATING ACTIVITIES			
Consolidated net income/(loss)	8	(58)	(50)
Adjustments to reconcile net income/loss to cash from operating activities			
Income tax	11	(14)	(3)
Change in provisions and allowances	(8)	(2)	(10)
Change in working capital			
Decrease in contract assets, gross	-	53	53
Decrease in contract costs	-	23	23
Decrease in trade payables	(189)	1	(188)
Decrease in contract liabilities	-	(17)	(17)
Increase in prepaid expenses and other receivables	(46)	(1)	(47)
Increase/(decrease) in deferred income and other payables	(6)	15	9
Net cash provided by operating activities	**382**	**-**	**382**
Net change in cash and cash equivalents	**(100)**	**-**	**(100)**

3.3. Adoption of IFRS 9 "Financial Instruments"

IFRS 9 defines three categories of financial assets – depending on the business model in which assets are managed and their cash flow characteristics:

- assets subsequently measured at amortised cost - if the financial assets are held within a business model whose objective is to collect contractual cash flows, and the contractual terms of these financial assets give rise to cash flows that are solely payments of principal and interest;
- assets subsequently measured at fair value through other comprehensive income - if the financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of these financial assets give rise to cash flows that are solely payments of principal and interest;
- assets at fair value through profit or loss - all other financial assets.

IFRS 9 does not change the classification of the Group's financial liabilities.

On the date of initial application, 1 January 2018, classification and carrying value of the Group's financial instruments were as follows:

(in PLN millions)	*At 1 January 2018*			
	Classification		*Carrying value*	
	IAS 39	*IFRS 9*	*IAS 39*	*IFRS 9*
Trade receivables	Loans and receivables	Amortised cost	2,798	2,784
Derivatives	Fair value through profit or loss	Fair value through profit or loss	37	37
Cash and cash equivalents	Loans and receivables	Amortised cost	646	646
Total financial assets			**3,481**	**3,467**
Trade payables	Amortised cost	Amortised cost	2,971	2,971
Loans from related party	Amortised cost	Amortised cost	6,969	6,969
Other financial liabilities at amortised cost	Amortised cost	Amortised cost	113	113
Derivatives	Fair value through profit or loss	Fair value through profit or loss	100	100
Total financial liabilities			**10,153**	**10,153**

IFRS 9 changes the credit risk recognition model from the incurred losses to the expected losses approach. The Group measures the loss allowance at an amount equal to lifetime expected credit losses for all trade receivables and contract assets. Implementation of IFRS 9 resulted in impairment of non-matured trade receivables. The difference between the previous carrying amount of trade receivables measured according to IAS 39 and the new carrying amount under IFRS 9 as at 1 January 2018 amounted to PLN 14 million. Net effect of PLN 11 million (including deferred tax impact) was recognised as a decrease in the retained earnings as at 1 January 2018.

IFRS 9 made the consequential amendment to IAS 1 "Presentation of financial statements" which requires the Group to present impairment of receivables and contract assets as a separate line item in the consolidated income statement. The comparative amounts in the consolidated income statement for the 3 months ended 31 March 2017 were adjusted accordingly, with no impact on operating income. Previously, the Group presented these costs in other operating expense.

4. Statement of accounting policies

Except for the changes described in Note 3 and presented below, 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 2017.

The new accounting policy relating to revenue and contract costs applied by the Group from 1 January 2018 is presented below:

4.1. Revenue

Revenue from the Group's activities is recognised and presented in accordance with IFRS 15 "Revenue from Contracts with Customers".

Separable components of bundled offers

For the sale of multiple products or services (e.g. in the mobile business for sales of bundled offers including a handset and a telecommunications service contract), the Group evaluates all promises in the arrangement to determine whether they represent distinct performance obligations i.e. obligations not dependent on each other. Sale of mobile handsets and sale of services in bundled offers are distinct performance obligations.

The consideration for the bundled package (i.e. transaction price) is allocated to the distinct performance obligations (e.g. sale of a handset and sale of a service) and recognised as revenue when the performance obligation is satisfied (i.e. when the control over good or service is transferred to a customer).

The transaction price is the amount of consideration (usually the cash) to which the Group expects to be entitled during the enforceable period. The enforceable period is the period that is made enforceable through contractual terms or business practices i.e. the enforceable period length is impacted by practices e.g. when the Group creates or accepts a valid expectation to free the customer from certain commitments before the end of the contract by allowing commencement of a new contract. The transaction price does not include the effect of time value of money because the effect of financing component, in comparison to the transaction price, is not significant at a contract level.

The allocation of the transaction price between various performance obligations is made to estimate the amount to which the Group is expected to be entitled in exchange for transferring a promised good or service to the customer.
The Group is a service company and achieves the vast majority of its margin by selling telecommunication services. The sale of subsidised handsets (i.e. when an invoice amount for a handset is lower than the cost of a handset) is a tool to promote the Group's services and to attract customers. Therefore, in case of services sold with subsidised handsets, the Group allocates the subsidy to the service revenues. The Group estimates the amount of revenue that it expects to earn while pricing the service offer. Based on rationale described above, the stand-alone selling price (i.e. the price at which the Group would sell a promised good or service separately to the customer) of subsidised handsets is estimated by their cost plus margin to cover additional costs connected with the sale of handsets, such as e.g. transport costs or logistic costs. The estimated margin is insignificant. Therefore, it is disregarded from the cost plus margin formula for the sake of the practicality.

If the Group is able to sell a handset with a profit (i.e. when an invoice amount for a handset is higher than the cost of a handset in bundled offer), it allocates the handset profit to the handset revenue.

While defining the stand-alone selling price of any performance obligation, firstly, the Group's observable price should be identified i.e. the price of good or service when the Group sells that good or service separately in similar circumstances and to similar customers. In case of the lack of an entity observable price, other methods of valuation of an obligation should be used. The stand-alone selling prices of a service are defined per different categories of customers, they are dependent on the service content, commitment period and consumption profile. Therefore, the SIMO price (the price of a service sold stand-alone i.e. not in a bundle with a handset) cannot be treated as a good proxy of the stand-alone selling price of a specific service sold in a bundled offer. Consequently, the stand-alone selling price of the telecommunication service sold in a bundled offer is determined by using an adjusted-market assessment approach and corresponds to the service price in the bundle adjusted by the handset subsidy recovered over the enforceable period.

Equipment sales

Revenue from an equipment sales is recognised when the control over the equipment is transferred to the buyer (see also paragraph *Separable components of bundled offers*). When an equipment is sold by a third-party retailer who purchases it from the Group, the related revenue is recognised when the equipment is sold to the end-customer because the Group acts as a principal in this process.

Equipment leases

Equipment lease revenue is recognised on a straight-line basis over the life of the lease agreement, except for finance leases, in case of which revenue from sale of fixed assets, equal to the net investment in lease, is recognised at the commencement of the lease and finance income is recognised over the lease term.

Revenues from the sale or supply of content

Depending on the substance of a transaction and the Group's role in the transaction, the Group can act as a principal and recognise revenue at the gross amount, separately from costs, or as an agent and recognise revenue in the amount net of costs. The assessment of the role of the Group is based on the notion of the control and the indicators of the control. The Group is treated as a principal if it controls a good or a service before the good or service is transferred to a customer.
The Group is considered as an agent if the Group's performance obligation is to arrange for the provision of a good or a service to the client by another party, i.e. when it does not control the specified good or service provided by another party before that good or service is transferred to the customer.

Service revenue

Telephone service and Internet access subscription fees are recognised in revenue on a straight-line basis over the service period.
Charges for incoming and outgoing telephone calls are recognised in revenue when the service is rendered.
Revenue from the sale of phone cards in mobile telephony systems is recognised when they are used or expire.

Promotional offers

For certain commercial offers where customers do not pay for services over a certain period in exchange for signing up for a fixed period (time-based incentives), the total revenue generated under the contract is spread over the enforceable period.

Material rights

The Group has not identified any material rights in the contracts with customers which would need to be treated as separate performance obligations.

4.2. Subscriber acquisition costs, advertising and related costs

Incremental acquisition and retention costs (e.g. commissions paid to retailers for acquisition or retention of contracts) are expensed as costs over the enforceable period of contracts. Advertising, promotion, sponsoring, communication and brand marketing costs are expensed as incurred.

5. Revenue

New disaggregation of revenue that better reflects current commercial policy of the Group was introduced in 2018 as presented below:

Mobile only services	Revenue from mobile offers (excluding consumer market convergent offers) and Machine to Machine connectivity. Mobile only services revenue does not include equipment sales, incoming and visitor roaming revenue.
Fixed only services	Revenue from fixed offers (excluding consumer market convergent offers) including mainly (i) fixed broadband (including wireless for fixed), (ii) fixed narrowband, and (iii) data infrastructure and networks for business customers.
Convergent services (consumer market)	Revenue from consumer market convergent offers. A convergent offer is defined as an offer combining at least a broadband access and a mobile voice contract with a financial benefit (excluding MVNOs). Convergent services revenue does not include equipment sales, incoming and visitor roaming revenue.
Equipment sales	Revenue from all retail mobile and fixed equipment sales, excluding equipment sales associated with the supply of IT and integration services.
IT and integration services	Revenue from ICT (Information and Communications Technology) services and Internet of Things services, including equipment sales associated with the supply of these services.
Wholesale	Revenue from telecom operators for (i) mobile: incoming, visitor roaming, domestic mobile interconnection (i.e. domestic roaming agreement and network sharing) and MVNO, (ii) fixed carriers services, and (iii) other (mainly data infrastructure and networks).
Other	Include (i) equipment sales to brokers and dealers, (ii) revenue from infrastructure projects, and (iii) other miscellaneous revenue e.g. from property rentals, research and development activity.

To facilitate comparability between periods following the modified retrospective approach to adoption of IFRS 15, revenue for the 3 months ended 31 March 2018 is presented also on an "IAS 18 comparable basis", i.e. calculated under IAS 18 and other standards and interpretations concerning revenue recognition applicable in 2017. More information on IFRS 15 and its application by the Group in 2018 is presented in Notes 3.2 and 4.

(in PLN millions)	*3 months ended*		
	31 March 2018		*31 March 2017*
	IFRS 15 reported	*IAS 18 comparable basis*	*IAS 18 reported*
Mobile only services	**688**	**747**	**875**
Fixed only services	**627**	**636**	**721**
Narrowband	287	287	333
Broadband	232	241	272
Network solutions (business market)	108	108	116
Convergent services (consumer market)	**291**	**321**	**233**
Equipment sales	**351**	**309**	**303**
IT and integration services	**112**	**112**	**92**
Wholesale	**579**	**579**	**512**
Mobile wholesale	312	312	268
Fixed wholesale	188	188	176
Other	79	79	68
Other	**62**	**62**	**82**
Total revenue	**2,710**	**2,766**	**2,818**

Wholesale and other revenue for the 3 months ended 31 March 2018 include PLN 73 million of lease revenue that is outside the scope of IFRS 15 "Revenue from Contracts with Customers".

6. 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 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.

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

In the second quarter of 2017, the Group reclassified roaming discounts granted to and received from other operators, historically presented net of trade receivables and payables in the consolidated statement of financial position. As a result, the comparative amounts for increase/decrease in trade receivables and payables in the consolidated statement of cash flows for the 3 months ended 31 March 2017 were adjusted by PLN 25 million to conform with the new presentation.

8. 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 31 March 2018*	*At 31 December 2017*
Loans from related party	7,064	6,969
Other financial debt	135	113
Derivatives – net (liabilities less assets)	45	63
Gross financial debt after derivatives	**7,244**	**7,145**
Cash and cash equivalents	(546)	(646)
Effective portion of cash flow hedges	(14)	(2)
Net financial debt	**6,684**	**6,497**

On 14 February 2018, the Group and Atlas Services Belgium S.A., a subsidiary of Orange S.A., concluded a Loan Agreement for PLN 750 million with repayment date in March 2023 and Revolving Credit Facility Agreement for PLN 1,500 million with repayment date in March 2022. The purpose of these new financing agreements was non-cash refinancing of the Revolving Credit Facility (granted by Atlas Services Belgium S.A.), which expired on 30 March 2018.

In the 3 months ended 31 March 2018, the net cash flows from issuance and repayments of the Revolving Credit Facility from Atlas Services Belgium S.A. amounted to PLN 70 million.

As at 31 March 2018, 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 1.93% before swaps and 3.49% after swaps as at 31 March 2018.

The total nominal amount of cross currency interest rate swaps and interest rate swaps, outstanding under the agreement with Orange S.A. concerning derivative transactions to hedge exposure to foreign currency risk and interest rate risk, as at 31 March 2018 was EUR 670 million and PLN 5,950 million, respectively, with a total negative fair value amounting to PLN 41 million.

9. 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 2017. 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 31 March 2018 and 31 December 2017 the estimated fair value exceeded the carrying amount by PLN 105 million and PLN 113 million, respectively, due to significant change between the original effective interest rates at the date of the initial recognition and current market rates.

10. Dividend

The General Meeting of Orange Polska S.A. held on 20 April 2018 did not adopt a resolution on a dividend payment in 2018, in accordance with the recommendation of the Management Board of the Company.

11. 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 2017 or describes major matters that occurred after 31 December 2017.

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 28 April 2018.

Proceedings by UOKiK related to retail prices of calls to Play
On 2 January 2018, UOKiK discontinued the competition proceedings. UOKiK stated that there was no basis to determine that Orange Polska, Polkomtel Sp. z o.o. and T-Mobile Polska S.A. acted in breach of the competition law.
There was no development in relation to claims raised by P4 jointly and severally towards Orange Polska, Polkomtel Sp. z o.o. and T-Mobile Polska S.A.

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 30 April 2018.

Magna Polonia S.A. claim towards Orange Polska, T-Mobile Polska, Polkomtel and P4
On 9 February 2018, the court, which examines Magna Polonia's claim, decided to stay the proceedings until the Supreme Court issues its verdict in the competition proceedings.

b. Proceedings by the European Commission related to broadband access

On 22 November 2017, the hearing of the Court of Justice was held. On 21 February 2018, the Advocate General of the Court of Justice delivered his opinion to the Court.

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.

12. Related party transactions

As at 31 March 2018, 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, liabilities, finance costs, net and other comprehensive 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 ended*	
	31 March 2018	*31 March 2017*
Sales of goods and services and other income:	**47**	**46**
Orange S.A. (parent)	28	29
Orange Group (excluding parent)	19	17
Purchases of goods (including inventories, tangible and intangible assets) and services:	**(58)**	**(63)**
Orange S.A. (parent)	(17)	(21)
Orange Group (excluding parent)	(41)	(42)
- including Orange Brand Services Limited (brand licence agreement)	*(28)*	*(30)*
Finance costs, net:	**(60)**	**(59)**
Orange S.A. (parent)	(2)	(163)
Orange Group (excluding parent)	(58)	104
Other comprehensive loss:	**(17)**	**(2)**
Orange S.A. (parent)	(17)	(2)

(in PLN millions)	*At 31 March 2018*	*At 31 December 2017*
Receivables:	**85**	**85**
Orange S.A. (parent)	48	50
Orange Group (excluding parent)	37	35
Liabilities:	**87**	**99**
Orange S.A. (parent)	35	49
Orange Group (excluding parent)	52	50
Financial receivables:	**26**	**33**
Orange S.A. (parent)	26	33
Cash and cash equivalents deposited with:	**118**	**166**
Orange S.A. (parent)	118	166
Financial liabilities:	**7,131**	**7,027**
Orange S.A. (parent)	67	58
Orange Group (excluding parent)	7,064	6,969

Compensation (remuneration, bonuses, post-employment and other long-term benefits, termination indemnities and share-based payment plans - cash and non-monetary benefits) of OPL S.A.'s Management Board and Supervisory Board Members for the 3 months ended 31 March 2018 and 2017 amounted to PLN 4.0 million and PLN 4.1 million, respectively.

13. 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 31 MARCH 2018

April 25, 2018

Contents

INCOME STATEMENT

(in PLN millions, except for earnings/(loss) per share)	*3 months ended 31 March 2018 IFRS 15 basis*	*3 months ended 31 March 2017 IAS 18 basis (see Note 2.3)*
Revenue (see Note 4)	**2,616**	**2,745**
External purchases	(1,478)	(1,508)
Labour expense	(411)	(432)
Other operating expense	(114)	(97)
Other operating income	66	44
Impairment of receivables and contract assets	(21)	(16)
Gains on disposal of assets	19	8
Depreciation and amortisation	(642)	(640)
Operating income	**35**	**104**
Dividend income	1	9
Interest income	7	6
Interest expense and other financial charges	(70)	(73)
Discounting expense	(24)	(4)
Finance costs, net	**(86)**	**(62)**
Income tax	2	1
Net income/(loss)	**(49)**	**43**
Earnings/(loss) per share (in PLN) (basic and diluted)	**(0.04)**	**0.03**
Weighted average number of shares (in millions) (basic and diluted)	1,312	1,312

STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)	*3 months ended 31 March 2018 IFRS 15 basis*	*3 months ended 31 March 2017 IAS 18 basis*
Net income/(loss)	**(49)**	**43**
Items that may be reclassified subsequently to profit or loss		
Losses on cash flow hedges	(12)	(38)
Income tax relating to items that may be reclassified	2	7
Other comprehensive loss, net of tax	**(10)**	**(31)**
Total comprehensive income/(loss)	**(59)**	**12**

STATEMENT OF FINANCIAL POSITION

(in PLN millions)	*Note*	*At 31 March 2018 IFRS 15 basis*	*At 31 December 2017 IAS 18 basis*
ASSETS			
Goodwill		2,014	2,014
Other intangible assets		5,094	5,224
Property, plant and equipment		10,601	10,753
Investments in subsidiaries		176	176
Trade receivables		501	502
Contract assets	2	41	-
Contract costs	2	55	-
Derivatives	7	31	37
Other assets		65	67
Deferred tax asset		766	902
Total non-current assets		**19,344**	**19,675**
Inventories		201	183
Trade receivables		2,195	2,161
Contract assets	2	201	-
Contract costs	2	358	-
Derivatives	7	6	-
Other assets		75	67
Prepaid expenses		95	62
Cash and cash equivalents		497	568
Total current assets		**3,628**	**3,041**
TOTAL ASSETS		**22,972**	**22,716**
EQUITY AND LIABILITIES			
Share capital		3,937	3,937
Share premium		832	832
Other reserves		(48)	(38)
Retained earnings		5,676	5,126
Total equity		**10,397**	**9,857**
Trade payables	8	556	550
Financial liabilities at amortised cost excluding trade payables	7	7,134	5,551
Derivatives	7	67	58
Provisions		502	535
Contract liabilities	2	40	-
Employee benefits		130	137
Deferred income	2	-	68
Total non-current liabilities		**8,429**	**6,899**
Trade payables	8	1,948	2,306
Financial liabilities at amortised cost excluding trade payables	7	135	1,598
Derivatives	7	15	42
Provisions	10	871	851
Contract liabilities	2	478	-
Employee benefits		209	210
Income tax liabilities		17	18
Other liabilities		473	463
Deferred income	2	-	472
Total current liabilities		**4,146**	**5,960**
TOTAL EQUITY AND LIABILITIES		**22,972**	**22,716**

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 2018	**3,937**	**832**	**(2)**	**(46)**	**10**	**5,126**	**9,857**
The effect of adoption of IFRS 15 (see Note 2.2)	-	-	-	-	-	610	610
The effect of adoption of IFRS 9 (see Note 2.3)	-	-	-	-	-	(11)	(11)
Balance at 1 January 2018 after adoption of IFRS 15 and IFRS 9	**3,937**	**832**	**(2)**	**(46)**	**10**	**5,725**	**10,456**
Total comprehensive loss for the 3 months ended 31 March 2018	-	-	(12)	-	2	(49)	(59)
Balance at 31 March 2018	**3,937**	**832**	**(14)**	**(46)**	**12**	**5,676**	**10,397**
Balance at 1 January 2017	**3,937**	**832**	**9**	**(43)**	**7**	**5,195**	**9,937**
Total comprehensive income for the 3 months ended 31 March 2017	-	-	(38)	-	7	43	12
Balance at 31 March 2017	**3,937**	**832**	**(29)**	**(43)**	**14**	**5,238**	**9,949**

STATEMENT OF CASH FLOWS

(in PLN millions)		*3 months ended*	
		31 March 2018	*31 March 2017*
		IFRS 15 basis	*IAS 18 basis*
	Note		*(see Note 6)*
OPERATING ACTIVITIES			
Net income/(loss)		(49)	43
Adjustments to reconcile net income/loss to cash from operating activities			
Gains on disposal of assets		(19)	(8)
Depreciation and amortisation		642	640
Finance costs, net		86	62
Income tax		(2)	(1)
Change in provisions and allowances		(11)	(33)
Operational foreign exchange and derivatives (gains)/losses, net		(2)	5
Change in working capital			
Increase in inventories, gross		(19)	(82)
(Increase)/decrease in trade receivables, gross		(54)	71
Decrease in contract assets, gross	2	53	-
Decrease in contract costs	2	24	-
Decrease in trade payables		(126)	(246)
Decrease in contract liabilities	2	(20)	-
Increase in prepaid expenses and other receivables		(44)	(48)
Increase in deferred income and other payables	2	7	54
Interest received		8	6
Interest paid and interest rate effect paid on derivatives, net		(47)	(44)
Exchange rate and other effect received/(paid) on derivatives, net		(17)	7
Income tax paid		(1)	(1)
Net cash provided by operating activities		**409**	**425**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangible assets		(389)	(386)
Decrease in amounts due to fixed assets suppliers		(175)	(321)
Investment grants paid to fixed assets suppliers		(3)	-
Exchange rate effect received/(paid) on derivatives economically hedging capital expenditures, net		(1)	1
Proceeds from sale of property, plant and equipment and intangible assets		32	10
Payments on other financial instruments		(1)	-
Net cash used in investing activities		**(537)**	**(696)**
FINANCING ACTIVITIES			
Repayment of long-term debt		(10)	(11)
Increase in revolving credit line and short-term debt	7	68	234
Exchange rate effect received/(paid) on derivatives hedging debt, net		(1)	1
Net cash provided by financing activities		**57**	**224**
Net change in cash and cash equivalents		**(71)**	**(47)**
Cash and cash equivalents at the beginning of the period		568	223
Cash and cash equivalents at the end of the period		**497**	**176**

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

2.1. Basis of preparation

These unaudited Condensed IFRS Quarterly Separate Financial Statements for the 3 months ended 31 March 2018 (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 2017.

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 April 2018.

Adoption of standards in 2018

The following standards endorsed by the European Union were adopted by the Company as at 1 January 2018:
- IFRS 15 "Revenue from Contracts with Customers". This standard has been endorsed by the European Union on 22 November 2016 and it is applicable for financial years beginning on or after 1 January 2018.
- IFRS 9 "Financial Instruments". This standard has been endorsed by the European Union on 22 November 2016 and it is applicable for financial years beginning on or after 1 January 2018.

2.2. Adoption of IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for reporting the information about the nature, amount, timing and uncertainty of revenue arising from an entity's contracts with customers.

The effects on the Company's accounts primarily relate to the mobile phone market and notably to:

a) the accounting for arrangements which bundle the sale of a handset with a discounted price and with customer subscription to a communication service for a defined period of time: the cumulative revenue does not change but the allocation between the handset sold and the communication service changes (higher equipment revenue up front, with an equivalent decrease in service revenue spread over time due to the subsidy mechanism embedded in the offers);
b) the accelerated recognition of revenue when the equipment is sold, offset by the supply of the service during the enforceable period, leads to the recognition of a contract asset in the statement of financial position which is settled against a receivable as the communication service is provided;
c) recognition of some incremental subscriber acquisition and retention costs (i.e. payments to retailers directly attributable to the contract with customer) over the duration of the contractual relationship;
d) recognition of a contract liability representing the Company's obligation to provide services or equipment to a customer for which consideration has been received or is due (mainly unused balances in pre-paid system and post-paid subscription previously recognised as deferred income).

The new accounting policy relating to revenue and contract costs applied by the Company from 1 January 2018 is presented in Note 3.

IFRS 15 is applied by the Company using the "modified retrospective approach" in which the cumulative effect of initially applying the standard is recognised as an adjustment to retained earnings at the date of initial application.

Adoption of IFRS 15 affected the statement of financial position as at 1 January 2018 as follows:

STATEMENT OF FINANCIAL POSITION

(in PLN millions)	*At 1 January 2018*		
	Before IFRS 15	*Impact of IFRS 15 adoption*	*After IFRS 15*
ASSETS			
Contract assets	-	58	58
Contract costs	-	58	58
Other assets	67	(2)	65
Deferred tax asset	902	(143)	759
Total non-current assets	**19,675**	**(29)**	**19,646**
Contract assets	-	235	235
Contract costs	-	379	379
Other assets	67	(5)	62
Total current assets	**3,041**	**609**	**3,650**
TOTAL ASSETS	**22,716**	**580**	**23,296**
EQUITY AND LIABILITIES			
Retained earnings	5,126	610	5,736
Total equity	**9,857**	**610**	**10,467**
Contract liabilities	-	56	56
Deferred income	68	(68)	-
Total non-current liabilities	**6,899**	**(12)**	**6,887**
Trade payables	2,306	(28)	2,278
Contract liabilities	-	482	482
Deferred income	472	(472)	-
Total current liabilities	**5,960**	**(18)**	**5,942**
TOTAL EQUITY AND LIABILITIES	**22,716**	**580**	**23,296**

To facilitate comparability between periods, the tables below present how the adoption of IFRS 15 affected the financial statements in the current period:

INCOME STATEMENT

(in PLN millions, except for earnings/(loss) per share)	*3 months ended 31 March 2018*		
	IAS 18 comparable basis	*Impact of IFRS 15 adoption*	*IFRS 15 reported*
Revenue	**2,672**	**(56)**	**2,616**
External purchases	(1,452)	(26)	(1,478)
Labour expense	(412)	1	(411)
Impairment of receivables and contract assets	(29)	8	(21)
Operating income	**108**	**(73)**	**35**
Income tax	(12)	14	2
Net income/(loss)	**10**	**(59)**	**(49)**
Earnings/(loss) per share (in PLN)	**-**	**(0.04)**	**(0.04)**
Total comprehensive income/(loss)	**-**	**(59)**	**(59)**

STATEMENT OF FINANCIAL POSITION

(in PLN millions)	*At 31 March 2018*		
	IAS 18 comparable basis	*Impact of IFRS 15 adoption*	*IFRS 15 reported*
ASSETS			
Contract assets	-	41	41
Contract costs	-	55	55
Other assets	66	(1)	65
Deferred tax assets	895	(129)	766
Total non-current assets	**19,378**	**(34)**	**19,344**
Contract assets	-	201	201
Contract costs	-	358	358
Other assets	80	(5)	75
Total current assets	**3,074**	**554**	**3,628**
TOTAL ASSETS	**22,452**	**520**	**22,972**
EQUITY AND LIABILITIES			
Retained earnings	5,125	551	5,676
Total equity	**9,846**	**551**	**10,397**
Contract liabilities	-	40	40
Deferred income	44	(44)	-
Total non-current liabilities	**8,433**	**(4)**	**8,429**
Trade payables	1,975	(27)	1,948
Contract liabilities	-	478	478
Deferred income	478	(478)	-
Total current liabilities	**4,173**	**(27)**	**4,146**
TOTAL EQUITY AND LIABILITIES	**22,452**	**520**	**22,972**

STATEMENT OF CASH FLOWS

(in PLN millions)	*3 months ended 31 March 2018*		
	IAS 18 comparable basis	*Impact of IFRS 15 adoption*	*IFRS 15 reported*
OPERATING ACTIVITIES			
Net income/(loss)	10	(59)	(49)
Adjustments to reconcile net income/loss to cash from operating activities			
Income tax	12	(14)	(2)
Change in provisions and allowances	(9)	(2)	(11)
Change in working capital			
Decrease in contract assets, gross	-	53	53
Decrease in contract costs	-	24	24
Decrease in trade payables	(127)	1	(126)
Decrease in contract liabilities	-	(20)	(20)
Increase in prepaid expenses and other receivables	(43)	(1)	(44)
Increase/(decrease) in deferred income and other payables	(11)	18	7
Net cash provided by operating activities	**409**	**-**	**409**
Net change in cash and cash equivalents	**(71)**	**-**	**(71)**

2.3. Adoption of IFRS 9 "Financial Instruments"

IFRS 9 defines three categories of financial assets – depending on the business model in which assets are managed and their cash flow characteristics:

- assets subsequently measured at amortised cost - if the financial assets are held within a business model whose objective is to collect contractual cash flows, and the contractual terms of these financial assets give rise to cash flows that are solely payments of principal and interest;
- assets subsequently measured at fair value through other comprehensive income - if the financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of these financial assets give rise to cash flows that are solely payments of principal and interest;
- assets at fair value through profit or loss - all other financial assets.

IFRS 9 does not change the classification of the Company's financial liabilities.

On the date of initial application, 1 January 2018, classification and carrying value of the Company's financial instruments were as follows:

(in PLN millions)	*At 1 January 2018*			
	Classification		*Carrying value*	
	IAS 39	*IFRS 9*	*IAS 39*	*IFRS 9*
Trade receivables	Loans and receivables	Amortised cost	2,663	2,649
Derivatives	Fair value through profit or loss	Fair value through profit or loss	37	37
Cash and cash equivalents	Loans and receivables	Amortised cost	568	568
Total financial assets			**3,268**	**3,254**
Trade payables	Amortised cost	Amortised cost	2,856	2,856
Financial liabilities at amortised cost excluding trade payables	Amortised cost	Amortised cost	7,149	7,149
Derivatives	Fair value through profit or loss	Fair value through profit or loss	100	100
Total financial liabilities			**10,105**	**10,105**

IFRS 9 changes the credit risk recognition model from the incurred losses to the expected losses approach. The Company measures the loss allowance at an amount equal to lifetime expected credit losses for all trade receivables and contract assets. Implementation of IFRS 9 resulted in impairment of non-matured trade receivables. The difference between the previous carrying amount of trade receivables measured according to IAS 39 and the new carrying amount under IFRS 9 as at 1 January 2018 amounted to PLN 14 million. Net effect of PLN 11 million (including deferred tax impact) was recognised as a decrease in the retained earnings as at 1 January 2018.

IFRS 9 made the consequential amendment to IAS 1 "Presentation of financial statements" which requires the Company to present impairment of receivables and contract assets as a separate line item in the income statement. The comparative amounts in the income statement for the 3 months ended 31 March 2017 were adjusted accordingly, with no impact on operating income. Previously, the Company presented these costs in other operating expense.

3. Statement of accounting policies

Except for the changes described in Note 2 and presented below, 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 2017.

The new accounting policy relating to revenue and contract costs applied by the Company from 1 January 2018 is presented below:

3.1. Revenue

Revenue from the Company's activities is recognised and presented in accordance with IFRS 15 "Revenue from Contracts with Customers".

Separable components of bundled offers

For the sale of multiple products or services (e.g. in the mobile business for sales of bundled offers including a handset and a telecommunications service contract), the Company evaluates all promises in the arrangement to determine whether they represent distinct performance obligations i.e. obligations not dependent on each other. Sale of mobile handsets and sale of services in bundled offers are distinct performance obligations.

The consideration for the bundled package (i.e. transaction price) is allocated to the distinct performance obligations (e.g. sale of a handset and sale of a service) and recognised as revenue when the performance obligation is satisfied (i.e. when the control over good or service is transferred to a customer).

The transaction price is the amount of consideration (usually the cash) to which the Company expects to be entitled during the enforceable period. The enforceable period is the period that is made enforceable through contractual terms or business practices i.e. the enforceable period length is impacted by practices e.g. when the Company creates or accepts a valid expectation to free the customer from certain commitments before the end of the contract by allowing commencement of a new contract. The transaction price does not include the effect of time value of money because the effect of financing component, in comparison to the transaction price, is not significant at a contract level.

The allocation of the transaction price between various performance obligations is made to estimate the amount to which the Company is expected to be entitled in exchange for transferring a promised good or service to the customer.
The Company is a service company and achieves the vast majority of its margin by selling telecommunication services. The sale of subsidised handsets (i.e. when an invoice amount for a handset is lower than the cost of a handset) is a tool to promote the Company's services and to attract customers. Therefore, in case of services sold with subsidised handsets, the Company allocates the subsidy to the service revenues. The Company estimates the amount of revenue that the it expects to earn while pricing the service offer. Based on rationale described above, the stand-alone selling price (i.e. the price at which the Company would sell a promised good or service separately to the customer) of subsidised handsets is estimated by their cost plus margin to cover additional costs connected with the sale of handsets, such as e.g. transport costs or logistic costs. The estimated margin is insignificant. Therefore, it is disregarded from the cost plus margin formula for the sake of the practicality.

If the Company is able to sell a handset with a profit (i.e. when an invoice amount for a handset is higher than the cost of a handset in bundled offer), it allocates the handset profit to the handset revenue.

While defining the stand-alone selling price of any performance obligation, firstly, the Company's observable price should be identified i.e. the price of good or service when the Company sells that good or service separately in similar circumstances and to similar customers. In case of the lack of an entity observable price, other methods of valuation of an obligation should be used. The stand-alone selling prices of a service are defined per different categories of customers, they are dependent on the service content, commitment period and consumption profile. Therefore, the SIMO price (the price of a service sold stand-alone i.e. not in a bundle with a handset) cannot be treated as a good proxy of the stand-alone selling price of a specific service sold in a bundled offer. Consequently, the stand-alone selling price of the telecommunication service sold in a bundled offer is determined by using an adjusted-market assessment approach and corresponds to the service price in the bundle adjusted by the handset subsidy recovered over the enforceable period.

Equipment sales

Revenue from an equipment sales is recognised when the control over the equipment is transferred to the buyer (see also paragraph *Separable components of bundled offers*). When an equipment is sold by a third-party retailer who purchases it from the Company, the related revenue is recognised when the equipment is sold to the end-customer.

Equipment leases

Equipment lease revenue is recognised on a straight-line basis over the life of the lease agreement, except for finance leases, in case of which revenue from sale of fixed assets, equal to the net investment in lease, is recognised at the commencement of the lease and finance income is recognised over the lease term.

Revenues from the sale or supply of content

Depending on the substance of a transaction and the Company's role in the transaction, the Company can act as a principal and recognise revenue at the gross amount, separately from costs, or as an agent and recognise revenue in the amount net of costs. The assessment of the role of the Company is based on the notion of the control and the indicators of the control. The Company is treated as a principal if it controls a good or a service before the good or service is transferred to a customer.
The Company is considered as an agent if the Company's performance obligation is to arrange for the provision of a good or a service to the client by another party, i.e. when it does not control the specified good or service provided by another party before that good or service is transferred to the customer.

Service revenue

Telephone service and Internet access subscription fees are recognised in revenue on a straight-line basis over the service period.
Charges for incoming and outgoing telephone calls are recognised in revenue when the service is rendered.
Revenue from the sale of phone cards in mobile telephony systems is recognised when they are used or expire.

Promotional offers

For certain commercial offers where customers do not pay for services over a certain period in exchange for signing up for a fixed period (time-based incentives), the total revenue generated under the contract is spread over the enforceable period.

Material rights

The Company has not identified any material rights in the contracts with customers which would need to be treated as separate performance obligations.

3.2. Subscriber acquisition costs, advertising and related costs

Incremental acquisition and retention costs (e.g. commissions paid to retailers for acquisition or retention of contracts) are expensed as costs over the enforceable period. Advertising, promotion, sponsoring, communication and brand marketing costs are expensed as incurred.

4. Revenue

New disaggregation of revenue that better reflects current commercial policy of the Company was introduced in 2018 as presented below:

Mobile only services	Revenue from mobile offers (excluding consumer market convergent offers) and Machine to Machine connectivity. Mobile only services revenue does not include equipment sales, incoming and visitor roaming revenue.
Fixed only services	Revenue from fixed offers (excluding consumer market convergent offers) including mainly (i) fixed broadband (including wireless for fixed), (ii) fixed narrowband, and (iii) data infrastructure and networks for business customers.
Convergent services (consumer market)	Revenue from consumer market convergent offers. A convergent offer is defined as an offer combining at least a broadband access and a mobile voice contract with a financial benefit (excluding MVNOs). Convergent services revenue does not include equipment sales, incoming and visitor roaming revenue.
Equipment sales	Revenue from all retail mobile and fixed equipment sales, excluding equipment sales associated with the supply of IT and integration services.
IT and integration services	Revenue from ICT (Information and Communications Technology) services and Internet of Things services, including equipment sales associated with the supply of these services.
Wholesale	Revenue from telecom operators for (i) mobile: incoming, visitor roaming, domestic mobile interconnection (i.e. domestic roaming agreement and network sharing) and MVNO, (ii) fixed carriers services, and (iii) other (mainly data infrastructure and networks).
Other	Include (i) equipment sales to brokers and dealers and (ii) other miscellaneous revenue e.g. from property rentals, research and development activity.

To facilitate comparability between periods following the modified retrospective approach to adoption of IFRS 15, revenue for the 3 months ended 31 March 2018 is presented also on an "IAS 18 comparable basis", i.e. calculated under IAS 18 and other standards and interpretations concerning revenue recognition applicable in 2017. More information on IFRS 15 and its application by the Company in 2018 is presented in Notes 2.2 and 3.

(in PLN millions)	*3 months ended*		
	31 March 2018		*31 March 2017*
	IFRS 15 reported	*IAS 18 comparable basis*	*IAS 18 reported*
Mobile only services	**684**	**743**	**871**
Fixed only services	**627**	**636**	**721**
Narrowband	287	287	333
Broadband	232	241	272
Network solutions (business market)	108	108	116
Convergent services (consumer market)	**291**	**321**	**233**
Equipment sales	**351**	**309**	**303**
IT and integration services	**42**	**42**	**33**
Wholesale	**579**	**579**	**512**
Mobile wholesale	312	312	268
Fixed wholesale	188	188	176
Other	79	79	68
Other	**42**	**42**	**72**
Total revenue	**2,616**	**2,672**	**2,745**

Wholesale and other revenue for the 3 months ended 31 March 2018 include PLN 73 million of lease revenue that is outside the scope of IFRS 15 "Revenue from Contracts with Customers".

5. 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 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.

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

In the second quarter of 2017, the Company reclassified roaming discounts granted to and received from other operators, historically presented net of trade receivables and payables in the statement of financial position. As a result, the comparative amounts for increase/decrease in trade receivables and payables in the statement of cash flows for the 3 months ended 31 March 2017 were adjusted by PLN 25 million to conform with the new presentation.

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

On 14 February 2018, the Company and Atlas Services Belgium S.A., a subsidiary of Orange S.A., concluded a Loan Agreement for PLN 750 million with repayment date in March 2023 and Revolving Credit Facility Agreement for PLN 1,500 million with repayment date in March 2022. The purpose of these new financing agreements was non-cash refinancing of the Revolving Credit Facility (granted by Atlas Services Belgium S.A.), which expired on 30 March 2018.

In the 3 months ended 31 March 2018, the net cash flows from issuance and repayments of the Revolving Credit Facility from Atlas Services Belgium S.A. amounted to PLN 70 million.

As at 31 March 2018, 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 1.93% before swaps and 3.49% after swaps as at 31 March 2018.

The total nominal amount of cross currency interest rate swaps and interest rate swaps, outstanding under the agreement with Orange S.A. concerning derivative transactions to hedge exposure to foreign currency risk and interest rate risk, as at 31 March 2018 was EUR 670 million and PLN 5,950 million, respectively, with a total negative fair value amounting to PLN 41 million.

In the 3 months ended 31 March 2018, the Company issued and redeemed short-term bonds under the Orange Polska S.A. Bond Issuance Programme. In the 3 months ended 31 March 2018, the net cash flows on the bonds amounted to PLN (2) million. As at 31 March 2018 and 31 December 2017, the aggregate par value of the outstanding bonds issued under the programme amounted to PLN 73 million and PLN 75 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 21 to the IFRS Separate Financial Statements for the year ended 31 December 2017. 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 31 March 2018 and 31 December 2017 the estimated fair value exceeded the carrying amount by PLN 105 million and PLN 113 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

The General Meeting of Orange Polska S.A. held on 20 April 2018 did not adopt a resolution on a dividend payment in 2018, in accordance with the recommendation of the Management Board of the Company.

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 Separate Financial Statements for the year ended 31 December 2017 or describes major matters that occurred after 31 December 2017.

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 28 April 2018.

Proceedings by UOKiK related to retail prices of calls to Play
On 2 January 2018, UOKiK discontinued the competition proceedings. UOKiK stated that there was no basis to determine that Orange Polska, Polkomtel Sp. z o.o. and T-Mobile Polska S.A. acted in breach of the competition law.
There was no development in relation to claims raised by P4 jointly and severally towards Orange Polska, Polkomtel Sp. z o.o. and T-Mobile Polska S.A.

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 30 April 2018.

Magna Polonia S.A. claim towards Orange Polska, T-Mobile Polska, Polkomtel and P4
On 9 February 2018, the court, which examines Magna Polonia's claim, decided to stay the proceedings until the Supreme Court issues its verdict in the competition proceedings.

b. Proceedings by the European Commission related to broadband access

On 22 November 2017, the hearing of the Court of Justice was held. On 21 February 2018, the Advocate General of the Court of Justice delivered his opinion to the Court.

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 31 March 2018, 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 selling fees, network development and maintenance, 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 brand fees, costs of interconnect and data transmission.

OPL S.A.'s financial income earned from its subsidiaries comprises dividends. Financial liabilities to the subsidiaries comprise mainly bonds issued to the subsidiaries.

Financial receivables, liabilities, financial expense and other comprehensive loss concerning transactions with the Orange Group relate to loan agreements concluded with Atlas Services Belgium S.A. and agreement with Orange S.A. concerning derivative transactions to hedge exposure to foreign currency risk and interest rate risk related to the 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 ended*	
	31 March 2018	*31 March 2017*
Sales of goods and services and other income:	**100**	**92**
Orange Polska Group (subsidiaries)	53	46
Orange Group	47	46
- Orange S.A. (parent)	28	29
- Orange Group (excluding parent)	19	17
Purchases of goods (including inventories, tangible and intangible assets) and services:	**(185)**	**(175)**
Orange Polska Group (subsidiaries)	(127)	(112)
Orange Group	(58)	(63)
- Orange S.A. (parent)	(17)	(21)
- Orange Group (excluding parent)	(41)	(42)
- including Orange Brand Services Limited (brand licence agreement)	*(28)*	*(30)*
Financial income:	**2**	**9**
Orange Polska Group (subsidiaries)	1	9
Orange S.A. (parent)	1	-
Financial expense, net:	**(61)**	**(59)**
Orange Group	(61)	(59)
- Orange S.A. (parent)	(3)	(163)
- Orange Group (excluding parent)	(58)	104
Other comprehensive loss:	**(17)**	**(2)**
Orange S.A. (parent)	(17)	(2)

(in PLN millions)	*At 31 March 2018*	*At 31 December 2017*
Receivables and contract costs:	**200**	**144**
Orange Polska Group (subsidiaries)	116	61
Orange Group	84	83
- Orange S.A. (parent)	48	50
- Orange Group (excluding parent)	36	33
Liabilities:	**251**	**286**
Orange Polska Group (subsidiaries)	164	187
Orange Group	87	99
- Orange S.A. (parent)	35	49
- Orange Group (excluding parent)	52	50
Financial receivables:	**26**	**33**
Orange S.A. (parent)	26	33
Cash and cash equivalents deposited with:	**118**	**166**
Orange S.A. (parent)	118	166
Financial liabilities:	**7,205**	**7,102**
Orange Polska Group (subsidiaries)	74	75
Orange Group	7,131	7,027
- Orange S.A. (parent)	67	58
- Orange Group (excluding parent)	7,064	6,969
Guarantees granted:	**51**	**51**
Orange Polska Group (subsidiaries)	51	51

Compensation (remuneration, bonuses, post-employment and other long-term benefits, termination indemnities and share-based payment plans - cash and non-monetary benefits) of OPL S.A.'s Management Board and Supervisory Board Members for the 3 months ended 31 March 2018 and 2017 amounted to PLN 4.0 million and PLN 4.1 million, respectively.

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 annual report

The ownership structure of the Company's share capital, based on the information available to the Company as at 25 April 2018, i.e. the date of submission of the quarterly report for the 3 months ended 31 March 2018 was the same as at 20 February 2018, i.e. the date of submission of the annual report for the 12 months ended 31 December 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 annual report

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 April 2018 and 20 February 2018.
Mr Maciej Nowohoński, the Member of the Management Board of OPL S.A., held 25,000 Orange Polska S.A. shares as at 25 April 2018 and 20 February 2018.
Ms Jolanta Dudek, the Member of the Management Board of OPL S.A., held 8,474 Orange Polska S.A. shares as at 25 April 2018 and held no OPL S.A. share as at 20 February 2018.
Mr Maciej Witucki, the Chairman of the Supervisory Board of OPL S.A., held 4,000 Orange Polska S.A. shares as at 25 April 2018 and 20 February 2018.
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 3 months ended 31 March 2018, 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 20 February 2018 in the current report 4/2018, the Group forecasts the adjusted EBITDA for 2018 to be at around PLN 3.0 billion under the old accounting standard IAS 18 and around PLN 2.75 billion under the new accounting standard IFRS 15. The Management Board of Orange Polska S.A. confirms the above-mentioned forecast based on analysis of financial results for the 3 months ended 31 March 2018.

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 and Orange Polska S.A. in 2017. Additionally, key risk factors 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 31 March 2018 and 31 December 2017 presented in the table "Selected financial data" was translated into EUR 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 3 months ended 31 March 2018 and 2017, was translated into EUR 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 3-month periods ended 31 March 2018 and 2017.

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:

	31 March 2018	**31 December 2017**	**31 March 2017**
Statement of financial position	4.2085 PLN	4.1709 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	4.1784 PLN	Not applicable	4.2891 PLN