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POLISH FINANCIAL SUPERVISION AUTHORITY

Quarterly consolidated report for the third quarter of 2018

(year)

(according to par. 60 s. 2 and par. 62 s. 1 of the Decree of Minister of Finance dated 29 March 2018)
for the issuers in sectors of production, construction, trade or services

for the third quarter of 2018, i.e. from 1 January 2018 to 30 September 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: **24 October 2018**

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(abbreviated name of the issuer)	(classification according to WSE/sector)
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SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	3 quarter cumulative period from 01/01/2018 to 30/09/2018	3 quarter cumulative period from 01/01/2017 to 30/09/2017	3 quarter cumulative period from 01/01/2018 to 30/09/2018	3 quarter cumulative period from 01/01/2017 to 30/09/2017
condensed consolidated financial statements data				
I. Revenue	8,171,000	8,471,000	1,921,006	1,990,086
II. Operating income	281,000	406,000	66,063	95,381
III. Profit before income tax	47,000	161,000	11,050	37,824
IV. Consolidated net income	25,000	138,000	5,878	32,420
V. Net income attributable to owners of Orange Polska S.A.	25,000	138,000	5,878	32,420
VI. Earnings per share (in PLN/EUR)	0.02	0.11	-	0.02
VII. Weighted average number of shares (in millions)	1,312	1,312	1,312	1,312
VIII. Total comprehensive income	26,000	124,000	6,113	29,131
IX. Total comprehensive income attributable to owners of Orange Polska S.A.	26,000	124,000	6,113	29,131
X. Net cash provided by operating activities	1,017,000	1,523,000	239,097	357,797
XI. Net cash used in investing activities	(1,568,000)	(1,294,000)	(368,637)	(303,998)
XII. Net cash provided by financing activities	380,000	13,000	89,338	3,054
XIII. Net change in cash and cash equivalents	(171,000)	242,000	(40,202)	56,853
	balance as at 30/09/2018	balance as at 31/12/2017	balance as at 30/09/2018	balance as at 31/12/2017
XIV. Total current assets	3,819,000	3,273,000	894,086	784,723
XV. Total non-current assets	19,110,000	19,660,000	4,473,943	4,713,611
XVI. Total assets	22,929,000	22,933,000	5,368,029	5,498,334
XVII. Total current liabilities	5,918,000	6,043,000	1,385,494	1,448,848
XVIII. Total non-current liabilities	6,479,000	6,952,000	1,516,833	1,666,787
XIX. Total equity	10,532,000	9,938,000	2,465,702	2,382,699
XX. Equity attributable to owners of Orange Polska S.A.	10,530,000	9,936,000	2,465,234	2,382,220
XXI. Share capital	3,937,000	3,937,000	921,712	943,921
condensed separate financial statements data				
	3 quarter cumulative period from 01/01/2018 to 30/09/2018	3 quarter cumulative period from 01/01/2017 to 30/09/2017	3 quarter cumulative period from 01/01/2018 to 30/09/2018	3 quarter cumulative period from 01/01/2017 to 30/09/2017
I. Revenue	7,848,000	8,207,000	1,845,069	1,928,065
II. Operating income	265,000	387,000	62,302	90,918
III. Profit before income tax	54,000	159,000	12,695	37,354
IV. Net income	36,000	139,000	8,464	32,655
V. Earnings per share (in PLN/EUR)	0.03	0.11	0.01	0.02
VI. Weighted average number of shares (in millions)	1,312	1,312	1,312	1,312
VII. Total comprehensive income	37,000	125,000	8,699	29,366
VIII. Net cash provided by operating activities	1,096,000	1,519,000	257,670	356,858
IX. Net cash used in investing activities	(1,609,000)	(1,311,000)	(378,277)	(307,992)
X. Net cash provided by financing activities	374,000	38,000	87,928	8,927
XI. Net change in cash and cash equivalents	(139,000)	246,000	(32,679)	57,793
	balance as at 30/09/2018	balance as at 31/12/2017	balance as at 30/09/2018	balance as at 31/12/2017
XII. Total current assets	3,642,000	3,041,000	852,648	729,099
XIII. Total non-current assets	19,127,000	19,675,000	4,477,923	4,717,208
XIV. Total assets	22,769,000	22,716,000	5,330,571	5,446,307
XV. Total current liabilities	5,850,000	5,960,000	1,369,575	1,428,948
XVI. Total non-current liabilities	6,430,000	6,899,000	1,505,361	1,654,080
XVII. Total equity	10,489,000	9,857,000	2,455,635	2,363,279
XVIII. Share capital	3,937,000	3,937,000	921,712	943,921

ORANGE POLSKA GROUP

CONDENSED IFRS QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2018



October 24, 2018

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CONSOLIDATED INCOME STATEMENT

(in PLN millions, except for earnings per share)

	3 months ended 30 September 2018 <i>IFRS 15 basis</i>	9 months ended 30 September 2018 <i>IFRS 15 basis</i>	3 months ended 30 September 2017 <i>IAS 18 basis</i> <i>(see Note 3.3)</i>	9 months ended 30 September 2017 <i>IAS 18 basis</i> <i>(see Note 3.3)</i>
Revenue (see Note 5)	2,755	8,171	2,814	8,471
External purchases	(1,582)	(4,660)	(1,555)	(4,650)
Labour expense	(370)	(1,199)	(395)	(1,285)
Other operating expense	(113)	(337)	(115)	(358)
Other operating income	55	195	50	160
Impairment of receivables and contract assets	(46)	(110)	(26)	(70)
Gains on disposal of assets (see Note 7)	93	115	3	68
Depreciation and amortisation	(619)	(1,896)	(643)	(1,924)
(Impairment)/reversal of impairment of fixed assets	2	2	(5)	(6)
Operating income	175	281	128	406
Interest income	9	25	7	19
Interest expense and other financial charges	(63)	(195)	(68)	(213)
Discounting expense	(7)	(64)	(27)	(51)
Finance costs, net	(61)	(234)	(88)	(245)
Income tax	(23)	(22)	(12)	(23)
Consolidated net income	91	25	28	138
Net income attributable to owners of Orange Polska S.A.	91	25	28	138
Net income attributable to non-controlling interests	-	-	-	-
Earnings per share (in PLN)	0.07	0.02	0.02	0.11
Weighted average number of shares (in millions)	1,312	1,312	1,312	1,312

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)

	3 months ended 30 September 2018 <i>IFRS 15 basis</i>	9 months ended 30 September 2018 <i>IFRS 15 basis</i>	3 months ended 30 September 2017 <i>IAS 18 basis</i>	9 months ended 30 September 2017 <i>IAS 18 basis</i>
Consolidated net income	91	25	28	138
Items that will not be reclassified to profit or loss				
Actuarial losses on post-employment benefits	(3)	(3)	(5)	(5)
Income tax relating to items not to be reclassified	1	1	1	1
Items that may be reclassified subsequently to profit or loss				
Gains/(losses) on cash flow hedges	(2)	3	23	(12)
Income tax relating to items that may be reclassified	1	-	(5)	2
Other comprehensive income/(loss), net of tax	(3)	1	14	(14)
Total comprehensive income	88	26	42	124
Total comprehensive income attributable to owners of Orange Polska S.A.	88	26	42	124
Total comprehensive income attributable to non-controlling interests	-	-	-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in PLN millions)

		<i>At 30 September 2018</i>	<i>At 31 December 2017</i>
	<i>Note</i>	<i>IFRS 15 basis</i>	<i>IAS 18 basis</i>
ASSETS			
Goodwill		2,147	2,147
Other intangible assets		4,915	5,256
Property, plant and equipment		10,547	10,666
Trade receivables		516	532
Contract assets	3	18	-
Contract costs	3	56	-
Derivatives	8	39	37
Other assets		71	72
Deferred tax assets		801	950
Total non-current assets		19,110	19,660
Inventories		227	217
Trade receivables		2,359	2,266
Contract assets	3	137	-
Contract costs	3	303	-
Derivatives	8	30	-
Other assets		215	78
Prepaid expenses		73	66
Cash and cash equivalents	8	475	646
Total current assets		3,819	3,273
TOTAL ASSETS		22,929	22,933
EQUITY AND LIABILITIES			
Share capital		3,937	3,937
Share premium		832	832
Other reserves		(43)	(40)
Retained earnings		5,804	5,207
Equity attributable to owners of Orange Polska S.A.		10,530	9,936
Non-controlling interests		2	2
Total equity		10,532	9,938
Trade payables	9	473	550
Loans from related party	8	5,053	5,485
Other financial liabilities at amortised cost	8	108	68
Derivatives	8	12	58
Provisions		485	553
Contract liabilities	3,7	196	-
Employee benefits		133	139
Other liabilities		19	16
Deferred income	3	-	83
Total non-current liabilities		6,479	6,952
Trade payables	9	2,106	2,421
Loans from related party	8	2,336	1,484
Other financial liabilities at amortised cost	8	119	45
Derivatives	8	38	42
Provisions	11	209	854
Contract liabilities	3,7	471	-
Employee benefits		185	221
Income tax liabilities		17	19
Other liabilities	7	437	479
Deferred income	3	-	478
Total current liabilities		5,918	6,043
TOTAL EQUITY AND LIABILITIES		22,929	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
			Cash flow hedge reserve	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 income for the 9 months ended 30 September 2018	-	-	3	(3)	1	25	26	-	26
Transfer to inventories	-	-	(4)	-	-	-	(4)	-	(4)
Balance at 30 September 2018	3,937	832	(3)	(50)	10	5,804	10,530	2	10,532
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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in PLN millions)

		<i>3 months</i> <i>ended 30 September 2018</i>	<i>9 months</i> <i>ended 30 September 2018</i>	<i>3 months</i> <i>ended 30 September 2017</i>	<i>9 months</i> <i>ended 30 September 2017</i>
	<i>Note</i>	<i>IFRS 15 basis</i>		<i>IAS 18 basis</i>	
OPERATING ACTIVITIES					
Consolidated net income		91	25	28	138
<i>Adjustments to reconcile net income to cash from operating activities</i>					
Gains on disposal of assets		(93)	(115)	(3)	(68)
Depreciation and amortisation		619	1,896	643	1,924
Impairment/(reversal of impairment) of fixed assets		(2)	(2)	5	6
Finance costs, net		61	234	88	245
Income tax		23	22	12	23
Change in provisions and allowances	11	(647)	(700)	(7)	(21)
Operational foreign exchange and derivatives (gains)/losses, net		5	-	(3)	3
<i>Change in working capital</i>					
(Increase)/decrease in inventories, gross		16	(12)	(5)	(67)
Increase in trade receivables, gross		(12)	(142)	(191)	(164)
Decrease in contract assets, gross	3	35	142	-	-
Decrease in contract costs	3	1	45	-	-
Increase/(decrease) in trade payables		68	(127)	94	(232)
Increase in contract liabilities	3,7	147	108	-	-
(Increase)/decrease in prepaid expenses and other receivables		(2)	(61)	2	(27)
Increase/(decrease) in deferred income and other payables	3	(20)	(33)	(23)	20
Interest received		9	25	7	19
Interest paid and interest rate effect paid on derivatives, net		(130)	(276)	(128)	(262)
Exchange rate and other effect paid on derivatives, net		-	(5)	-	(7)
Income tax paid		(2)	(7)	(1)	(7)
Net cash provided by operating activities		167	1,017	518	1,523
INVESTING ACTIVITIES					
Purchases of property, plant and equipment and intangible assets		(498)	(1,469)	(438)	(1,260)
Decrease in amounts due to fixed assets suppliers		(65)	(162)	(61)	(367)
Investment grants received		3	3	266	266
Investment grants paid to fixed assets suppliers		(4)	(10)	-	-
Exchange rate effect received/(paid) on derivatives economically hedging capital expenditures, net		3	3	(5)	(5)
Proceeds from sale of property, plant and equipment and intangible assets		30	67	10	97
Cash paid for subsidiaries, net of cash acquired		-	-	(26)	(26)
Receipts from other financial instruments		-	-	-	1
Net cash used in investing activities		(531)	(1,568)	(254)	(1,294)
FINANCING ACTIVITIES					
Repayment of long-term debt		(9)	(25)	(9)	(27)
Increase/(decrease) in revolving credit line and short-term debt	8	299	405	(200)	41
Exchange rate effect received/(paid) on derivatives hedging debt, net		1	-	(2)	(1)
Net cash provided by/(used in) financing activities		291	380	(211)	13
Net change in cash and cash equivalents		(73)	(171)	53	242
Cash and cash equivalents at the beginning of the period		548	646	451	262
Cash and cash equivalents at the end of the period		475	475	504	504

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 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, 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 9 months ended 30 September 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. Adjustments for the 9 months ended 30 September 2018 and 2017 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/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 9 months ended 30 September 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. Adjustments for the 9 months ended 30 September 2018 and 2017 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 8.

Basic financial data of the operating segment is presented below:

(in PLN millions)

	9 months ended	
	30 September 2018	30 September 2017
Revenue (IFRS 15 basis) ⁽¹⁾	8,171	Not applicable
Revenue (IAS 18 comparable basis) ⁽¹⁾	8,332	8,471
EBITDA (IFRS 15 basis) ⁽¹⁾	2,175	Not applicable
Adjusted EBITDA (IAS 18 comparable basis)	2,365	2,344
Net income as per consolidated income statement (IFRS 15 basis)	25	Not applicable
Net income as per consolidated income statement (IAS 18 comparable basis)	179	138
Adjusted organic cash flows	102	(12)
Adjusted capital expenditures	1,437	1,260

⁽¹⁾ There was no adjustment for the 9 months ended 30 September 2018 and 2017.

	At 30 September 2018	At 31 December 2017
Net financial debt (in PLN millions, see Note 8)	7,119	6,497
Net financial debt/adjusted EBITDA ratio (IAS 18 comparable basis)	2.3	2.2

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

(in PLN millions)

	9 months ended	
	30 September 2018	30 September 2017
EBITDA (IAS 18 comparable basis)	2,365	2,336
- adjustment for employment termination expense	-	8
Adjusted EBITDA (IAS 18 comparable basis)	2,365	2,344
Organic cash flows	(551)	254
- adjustment for payment of European Commission fine (see Note 11)	646	-
- adjustment for investment grants received	(3)	(266)
- adjustment for investment grants paid to fixed assets suppliers	10	-
Adjusted organic cash flows	102	(12)
Capital expenditures	1,469	1,260
- adjustment for expenditures on acquisition of telecommunication licences	(32)	-
Adjusted capital expenditures	1,437	1,260

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 24 October 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

<i>(in PLN millions)</i>	<i>At 1 January 2018</i>		
	<i>Before IFRS 15</i>	<i>Impact of IFRS 15 adoption</i>	<i>After IFRS 15</i>
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

<i>(in PLN millions, except for earnings per share)</i>	<i>3 months ended 30 September 2018</i>			<i>9 months ended 30 September 2018</i>		
	<i>IAS 18 comparable basis</i>	<i>Impact of IFRS 15 adoption</i>	<i>IFRS 15 reported</i>	<i>IAS 18 comparable basis</i>	<i>Impact of IFRS 15 adoption</i>	<i>IFRS 15 reported</i>
Revenue	2,800	(45)	2,755	8,332	(161)	8,171
External purchases	(1,582)	-	(1,582)	(4,614)	(46)	(4,660)
Labour expense	(366)	(4)	(370)	(1,193)	(6)	(1,199)
Impairment of receivables and contract assets	(53)	7	(46)	(133)	23	(110)
Operating income	217	(42)	175	471	(190)	281
Income tax	(31)	8	(23)	(58)	36	(22)
Consolidated net income	125	(34)	91	179	(154)	25
Earnings per share (in PLN)	0.10	(0.03)	0.07	0.14	(0.12)	0.02
Total comprehensive income	122	(34)	88	180	(154)	26

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in PLN millions)	At 30 September 2018		
	IAS 18 comparable basis	Impact of IFRS 15 adoption	IFRS 15 reported
ASSETS			
Contract assets	-	18	18
Contract costs	-	56	56
Other assets	74	(3)	71
Deferred tax assets	902	(101)	801
Total non-current assets	19,140	(30)	19,110
Contract assets	-	137	137
Contract costs	-	303	303
Other assets	219	(4)	215
Total current assets	3,383	436	3,819
TOTAL ASSETS	22,523	406	22,929
EQUITY AND LIABILITIES			
Retained earnings	5,375	429	5,804
Total equity	10,103	429	10,532
Contract liabilities	-	196	196
Deferred income	205	(205)	-
Total non-current liabilities	6,488	(9)	6,479
Trade payables	2,127	(21)	2,106
Contract liabilities	-	471	471
Deferred income	464	(464)	-
Total current liabilities	5,932	(14)	5,918
TOTAL EQUITY AND LIABILITIES	22,523	406	22,929

CONSOLIDATED STATEMENT OF CASH FLOWS

(in PLN millions)	3 months ended 30 September 2018			9 months ended 30 September 2018		
	IAS 18 comparable basis	Impact of IFRS 15 adoption	IFRS 15 reported	IAS 18 comparable basis	Impact of IFRS 15 adoption	IFRS 15 reported
OPERATING ACTIVITIES						
Consolidated net income	125	(34)	91	179	(154)	25
<i>Adjustments to reconcile net income to cash from operating activities</i>						
Income tax	31	(8)	23	58	(36)	22
Change in provisions and allowances	(646)	(1)	(647)	(696)	(4)	(700)
<i>Change in working capital</i>						
Decrease in contract assets, gross	-	35	35	-	142	142
Decrease in contract costs	-	1	1	-	45	45
Increase/(decrease) in trade payables	65	3	68	(134)	7	(127)
Increase in contract liabilities	-	147	147	-	108	108
Increase/(decrease) in deferred income and other payables	123	(143)	(20)	75	(108)	(33)
Net cash provided by operating activities	167	-	167	1,017	-	1,017
Net change in cash and cash equivalents	(73)	-	(73)	(171)	-	(171)

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	Hedging derivative instruments	Hedging derivative instruments	35	35
Derivatives	Fair value through profit or loss	Fair value through profit or loss	2	2
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	Hedging derivative instruments	Hedging derivative instruments	69	69
Derivatives	Fair value through profit or loss	Fair value through profit or loss	31	31
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 trade receivables, cash and cash equivalents 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 9 months ended 30 September 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 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 the 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 transport costs or logistic costs. The estimated margin is insignificant. Therefore, it is disregarded from the cost plus margin formula for the sake of 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 price of a service is defined for each different category of customers. Categories of customers 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

Material right is an option to purchase additional goods or services with a discount that is incremental to discounts typically given for those goods or services. 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 revenue	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 and 9 months ended 30 September 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.

Orange Polska Group

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Translation of the financial statements originally issued in Polish

<i>(in PLN millions)</i>	<i>3 months ended</i>			<i>9 months ended</i>		
	<i>30 September</i>		<i>30 September</i>	<i>30 September</i>		<i>30 September</i>
	<i>2018</i>		<i>2017</i>	<i>2018</i>		<i>2017</i>
	<i>IFRS 15</i>	<i>IAS 18</i>	<i>IAS 18</i>	<i>IFRS 15</i>	<i>IAS 18</i>	<i>IAS 18</i>
	<i>reported</i>	<i>comparable</i>	<i>reported</i>	<i>reported</i>	<i>comparable</i>	<i>reported</i>
		<i>basis</i>			<i>basis</i>	
Mobile only services	690	733	825	2,060	2,209	2,579
Fixed only services	610	614	681	1,865	1,884	2,090
Narrowband	265	266	308	827	829	958
Broadband	230	233	258	695	712	787
Network solutions (business market)	115	115	115	343	343	345
Convergent services (consumer market)	336	358	279	943	1,021	768
Equipment sales	336	312	297	994	909	904
IT and integration services	127	127	123	373	373	316
Wholesale	576	576	547	1,726	1,726	1,583
Mobile wholesale	332	332	291	973	973	839
Fixed wholesale	176	176	193	540	540	549
Other	68	68	63	213	213	195
Other revenue	80	80	62	210	210	231
Total revenue	2,755	2,800	2,814	8,171	8,332	8,471

Wholesale and other revenue for the 9 months ended 30 September 2018 include PLN 192 million of lease revenue that is outside the scope of IFRS 15 “Revenue from Contracts with Customers”.

6. Explanatory comments about the seasonality or cyclicity 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

On 23 July 2018, the Company and T-Mobile Polska signed a long term contract on telecommunications access to Orange Polska’s fibre network in the form of Bitstream Access (“BSA”). Orange Polska will provide wholesale access to its network in order to provide BSA service on the Company’s own fibre infrastructure for T-Mobile’s clients in multi-family houses in deregulated areas. The fees under the contract comprise PLN 275 million of upfront fee and a monthly fee for each customer. Cash flows from operating activities for the 9 months ended 30 September 2018 include a receipt of first instalment of upfront fee amounting to PLN 138 million and a refund of costs related to integration of IT systems which is presented as contract liabilities in the consolidated statement of financial position.

Cash flows from operating activities for the 9 months ended 30 September 2018 include a payment of European Commission fine with accrued interest in a total amount of PLN 646 million (see Note 11).

Gains on disposal of assets for the 9 months ended 30 September 2018 included PLN 111 million of gains on disposal of real estate.

The amount of trade payables subject to reverse factoring decreased from PLN 224 million as at 31 December 2017 to PLN 179 million as at 30 September 2018. 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.

Operational Programme “Digital Poland”

In 2017, the Group concluded agreements with the “Digital Poland” Project Centre for co-financing of investment projects under the second contest of the Operational Programme “Digital Poland” (“Programme”). The Programme aims to strengthen digital foundations for the national development including common access to high-speed Internet, effective and user-friendly public e-services and a continuously rising level of digital competences of the society. The Group was granted PLN 0.7 billion from the Programme funds. In 2017 the Group received PLN 297 million of advances for investment grants. Received advances are presented as cash and cash equivalents and other liabilities in the consolidated statement of financial position. Grants are deducted from the cost of related assets when the assets are recognised.

In 2018, OPL S.A. concluded investment agreements with subcontractors related to the development of the broadband telecommunications network under the Programme for a total amount of PLN 1,045 million, of which PLN 508 million will be indirectly executed by its subsidiary. The subsidiary concluded agreements with external subcontractors for PLN 270 million. As at 30 September 2018, the Group’s commitments for the purchase of fixed assets under the Programme, contracted for at the end of the reporting period but not recognised in the consolidated financial statements amounted to PLN 758 million.

Total investment commitments increased from PLN 507 million as at 31 December 2017 to PLN 1,453 million as at 30 September 2018 mainly due to commitments described above.

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:

<i>(in PLN millions)</i>	<i>At 30 September</i>	<i>At 31 December</i>
	<i>2018</i>	<i>2017</i>
Loans from related party	7,389	6,969
Other financial debt	227	113
Derivatives – net (liabilities less assets)	(19)	63
Gross financial debt after derivatives	7,597	7,145
Cash and cash equivalents	(475)	(646)
Effective portion of cash flow hedges	(3)	(2)
Net financial debt	7,119	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 9 months ended 30 September 2018, the net cash flows from issuance and repayments of the Revolving Credit Facilities from Atlas Services Belgium S.A. amounted to PLN 350 million.

As at 30 September 2018, the total outstanding balance of loans from the related party amounted to PLN 7,389 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related party amounted to 1.94% before swaps and 3.45% after swaps as at 30 September 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 30 September 2018 was EUR 670 million and PLN 5,950 million, respectively, with a total fair value amounting to PLN 22 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 30 September 2018 and 31 December 2017 the estimated fair value exceeded the carrying amount by PLN 85 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

In accordance with the recommendation of the Management Board of the Company there was no dividend paid in 2018.

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 31 January 2019.

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.

On 2 July 2018, P4 extended its claim of September 2015 for PLN 316 million by the amount of PLN 314 million (PLN 258 million and PLN 56 million of capitalised interest). The principal amount demanded by the extension of the claim corresponds to the amount demanded by P4's request for settlement filed with the court regarding the period from April 2012 to December 2014.

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 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.A.'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 25 July 2018, the Court of Justice of the European Union dismissed Orange Polska's appeal from the decision of the General Court and maintained the fine in the original amount. On 9 August 2018, Orange Polska paid the fine and the accrued interest in a total amount of PLN 646 million.

c. Other contingent liabilities and provisions

Apart from the above-mentioned, operational activities of the Group are subject to legal, tax, social and administrative regulations and the Group is a party to a number of legal and tax 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 30 September 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.

Orange Polska S.A. operates under the Orange brand pursuant to a licence agreement concluded with Orange S.A. and Orange Brand Services Limited ("OBSL"). The brand licence agreement provides that OBSL receives a fee of up to 1.6% of the Company's operating revenue earned under the Orange brand. OPL S.A. and OBSL renewed the existing contract for the period from 24 July 2018 to 31 December 2019 with no changes to the financial terms and conditions.

Financial receivables, liabilities, 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.

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<i>(in PLN millions)</i>	<i>3 months ended 30 September 2018</i>	<i>9 months ended 30 September 2018</i>	<i>3 months ended 30 September 2017</i>	<i>9 months ended 30 September 2017</i>
Sales of goods and services and other income:	47	157	56	153
Orange S.A. (parent)	20	87	31	92
Orange Group (excluding parent)	27	70	25	61
Purchases of goods (including inventories, tangible and intangible assets) and services:	(64)	(180)	(60)	(181)
Orange S.A. (parent)	(16)	(48)	(17)	(53)
Orange Group (excluding parent)	(48)	(132)	(43)	(128)
- including Orange Brand Services Limited (brand licence agreement)	(28)	(85)	(31)	(91)
Finance costs, net:	(55)	(170)	(57)	(176)
Orange S.A. (parent)	(80)	-	32	(151)
Orange Group (excluding parent)	25	(170)	(89)	(25)
Other comprehensive income/(loss):	4	(8)	2	(4)
Orange S.A. (parent)	4	(8)	2	(4)

<i>(in PLN millions)</i>	<i>At 30 September 2018</i>	<i>At 31 December 2017</i>
Receivables:	100	85
Orange S.A. (parent)	44	50
Orange Group (excluding parent)	56	35
Liabilities:	102	99
Orange S.A. (parent)	45	49
Orange Group (excluding parent)	57	50
Financial receivables:	67	33
Orange S.A. (parent)	67	33
Cash and cash equivalents deposited with:	61	166
Orange S.A. (parent)	61	166
Financial liabilities:	7,434	7,027
Orange S.A. (parent)	45	58
Orange Group (excluding parent)	7,389	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 9 months ended 30 September 2018 and 2017 amounted to PLN 11.1 million and PLN 13.0 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 30 SEPTEMBER 2018**



October 24, 2018

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INCOME STATEMENT*(in PLN millions, except for earnings per share)*

	3 months ended 30 September 2018	9 months ended 30 September 2018 <i>IFRS 15 basis</i>	3 months ended 30 September 2017	9 months ended 30 September 2017 <i>IAS 18 basis</i> <i>(see Note 2.3)</i>
Revenue (see Note 4)	2,646	7,848	2,706	8,207
External purchases	(1,507)	(4,423)	(1,476)	(4,467)
Labour expense	(350)	(1,140)	(379)	(1,231)
Other operating expense	(113)	(336)	(112)	(358)
Other operating income	58	205	53	169
Impairment of receivables and contract assets	(44)	(105)	(26)	(67)
Gains on disposal of assets (see Note 6)	90	112	3	68
Depreciation and amortisation	(620)	(1,898)	(646)	(1,928)
(Impairment)/reversal of impairment of fixed assets	2	2	(5)	(6)
Operating income	162	265	118	387
Dividend income	-	23	-	17
Interest income	10	26	7	19
Interest expense and other financial charges	(64)	(196)	(68)	(213)
Discounting expense	(7)	(64)	(27)	(51)
Finance costs, net	(61)	(211)	(88)	(228)
Income tax	(20)	(18)	(11)	(20)
Net income	81	36	19	139
Earnings per share (in PLN)	0.06	0.03	0.01	0.11
Weighted average number of shares (in millions)	1,312	1,312	1,312	1,312

STATEMENT OF COMPREHENSIVE INCOME*(in PLN millions)*

	3 months ended 30 September 2018	9 months ended 30 September 2018 <i>IFRS 15 basis</i>	3 months ended 30 September 2017	9 months ended 30 September 2017 <i>IAS 18 basis</i>
Net income	81	36	19	139
Items that will not be reclassified to profit or loss				
Actuarial losses on post-employment benefits	(3)	(3)	(5)	(5)
Income tax relating to items not to be reclassified	1	1	1	1
Items that may be reclassified subsequently to profit or loss				
Gains/(losses) on cash flow hedges	(2)	3	23	(12)
Income tax relating to items that may be reclassified	1	-	(5)	2
Other comprehensive income/(loss), net of tax	(3)	1	14	(14)
Total comprehensive income	78	37	33	125

STATEMENT OF FINANCIAL POSITION

(in PLN millions)

		<i>At 30 September 2018</i>	<i>At 31 December 2017</i>
	<i>Note</i>	<i>IFRS 15 basis</i>	<i>IAS 18 basis</i>
ASSETS			
Goodwill		2,014	2,014
Other intangible assets		4,882	5,224
Property, plant and equipment		10,642	10,753
Investments in subsidiaries		176	176
Trade receivables		486	502
Contract assets	2	18	-
Contract costs	2	57	-
Derivatives	7	39	37
Other assets		68	67
Deferred tax asset		745	902
Total non-current assets		19,127	19,675
Inventories		200	183
Trade receivables		2,258	2,161
Contract assets	2	137	-
Contract costs	2	324	-
Derivatives	7	30	-
Other assets		212	67
Prepaid expenses		52	62
Cash and cash equivalents	7	429	568
Total current assets		3,642	3,041
TOTAL ASSETS		22,769	22,716
EQUITY AND LIABILITIES			
Share capital		3,937	3,937
Share premium		832	832
Other reserves		(41)	(38)
Retained earnings		5,761	5,126
Total equity		10,489	9,857
Trade payables	8	473	550
Financial liabilities at amortised cost excluding trade payables	7	5,160	5,551
Derivatives	7	12	58
Provisions		468	535
Contract liabilities	2,6	184	-
Employee benefits		130	137
Other liabilities		3	-
Deferred income	2	-	68
Total non-current liabilities		6,430	6,899
Trade payables	8	2,020	2,306
Financial liabilities at amortised cost excluding trade payables	7	2,519	1,598
Derivatives	7	38	42
Provisions	10	205	851
Contract liabilities	2,6	454	-
Employee benefits		175	210
Income tax liabilities		17	18
Other liabilities	6	422	463
Deferred income	2	-	472
Total current liabilities		5,850	5,960
TOTAL EQUITY AND LIABILITIES		22,769	22,716

STATEMENT OF CHANGES IN EQUITY

(in PLN millions)

	Share capital	Share premium	Other reserves			Retained earnings	Total equity
			Cash flow hedge reserve	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 income for the 9 months ended 30 September 2018	-	-	3	(3)	1	36	37
Transfer to inventories	-	-	(4)	-	-	-	(4)
Balance at 30 September 2018	3,937	832	(3)	(49)	11	5,761	10,489
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

STATEMENT OF CASH FLOWS

(in PLN millions)

	<i>Note</i>	<i>3 months ended 30 September 2018 IFRS 15 basis</i>	<i>9 months ended 30 September 2018 IFRS 15 basis</i>	<i>3 months ended 30 September 2017 IAS 18 basis</i>	<i>9 months ended 30 September 2017 IAS 18 basis</i>
OPERATING ACTIVITIES					
Net income		81	36	19	139
<i>Adjustments to reconcile net income to cash from operating activities</i>					
Gains on disposal of assets		(90)	(112)	(3)	(68)
Depreciation and amortisation		620	1,898	646	1,928
Impairment/(reversal of impairment) of fixed assets		(2)	(2)	5	6
Finance costs, net		61	211	88	228
Income tax		20	18	11	20
Change in provisions and allowances	10	(649)	(704)	(7)	(24)
Operational foreign exchange and derivatives (gains)/losses, net		5	-	(2)	3
<i>Change in working capital</i>					
(Increase)/decrease in inventories, gross		20	(19)	(1)	(64)
Increase in trade receivables, gross		(1)	(144)	(178)	(193)
Decrease in contract assets, gross	2	35	142	-	-
Decrease in contract costs	2	11	56	-	-
Increase/(decrease) in trade payables		71	(99)	80	(226)
Increase in contract liabilities	2,6	149	100	-	-
(Increase)/decrease in prepaid expenses and other receivables		2	(22)	-	(31)
Increase/(decrease) in deferred income and other payables	2	(18)	(29)	(20)	32
Dividends received		1	23	2	15
Interest received		10	26	7	19
Interest paid and interest rate effect paid on derivatives, net		(131)	(277)	(128)	(262)
Exchange rate and other effect paid on derivatives, net		-	(5)	-	(7)
Income tax received/(paid)		-	(1)	-	4
Net cash provided by operating activities		195	1,096	519	1,519
INVESTING ACTIVITIES					
Purchases of property, plant and equipment and intangible assets		(505)	(1,479)	(442)	(1,270)
Decrease in amounts due to fixed assets suppliers		(64)	(161)	(60)	(365)
Investment grants received		3	3	266	266
Investment grants paid to fixed assets suppliers		(4)	(10)	-	-
Exchange rate effect received/(paid) on derivatives economically hedging capital expenditures, net		3	3	(5)	(5)
Proceeds from sale of property, plant and equipment and intangible assets		28	65	10	97
Cash paid for investments in subsidiaries		-	-	(35)	(35)
Receipts from/(payments on) other financial instruments		(30)	(30)	-	1
Net cash used in investing activities		(569)	(1,609)	(266)	(1,311)
FINANCING ACTIVITIES					
Repayment of long-term debt		(9)	(24)	(9)	(26)
Increase/(decrease) in revolving credit line and short-term debt	7	321	398	(194)	65
Exchange rate effect received/(paid) on derivatives hedging debt, net		1	-	(2)	(1)
Net cash provided by/(used in) financing activities		313	374	(205)	38
Net change in cash and cash equivalents		(61)	(139)	48	246
Cash and cash equivalents at the beginning of the period		490	568	421	223
Cash and cash equivalents at the end of the period		429	429	469	469

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 9 months ended 30 September 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 24 October 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 per share)

	3 months ended 30 September 2018			9 months ended 30 September 2018		
	IAS 18 comparable basis	Impact of IFRS 15 adoption	IFRS 15 reported	IAS 18 comparable basis	Impact of IFRS 15 adoption	IFRS 15 reported
Revenue	2,691	(45)	2,646	8,009	(161)	7,848
External purchases	(1,498)	(9)	(1,507)	(4,367)	(56)	(4,423)
Labour expense	(346)	(4)	(350)	(1,134)	(6)	(1,140)
Impairment of receivables and contract assets	(51)	7	(44)	(128)	23	(105)
Operating income	213	(51)	162	465	(200)	265
Income tax	(30)	10	(20)	(56)	38	(18)
Net income	122	(41)	81	198	(162)	36
Earnings per share (in PLN)	0.09	(0.03)	0.06	0.15	(0.12)	0.03
Total comprehensive income	119	(41)	78	199	(162)	37

STATEMENT OF FINANCIAL POSITION

(in PLN millions)

At 30 September 2018

	At 30 September 2018		
	IAS 18 comparable basis	Impact of IFRS 15 adoption	IFRS 15 reported
ASSETS			
Contract assets	-	18	18
Contract costs	-	57	57
Other assets	71	(3)	68
Deferred tax asset	850	(105)	745
Total non-current assets	19,160	(33)	19,127
Contract assets	-	137	137
Contract costs	-	324	324
Other assets	216	(4)	212
Total current assets	3,185	457	3,642
TOTAL ASSETS	22,345	424	22,769
EQUITY AND LIABILITIES			
Retained earnings	5,313	448	5,761
Total equity	10,041	448	10,489
Contract liabilities	-	184	184
Deferred income	193	(193)	-
Total non-current liabilities	6,439	(9)	6,430
Trade payables	2,042	(22)	2,020
Contract liabilities	-	454	454
Deferred income	447	(447)	-
Total current liabilities	5,865	(15)	5,850
TOTAL EQUITY AND LIABILITIES	22,345	424	22,769

STATEMENT OF CASH FLOWS

(in PLN millions)

3 months ended
30 September 20189 months ended
30 September 2018

	3 months ended 30 September 2018			9 months ended 30 September 2018		
	IAS 18 comparable basis	Impact of IFRS 15 adoption	IFRS 15 reported	IAS 18 comparable basis	Impact of IFRS 15 adoption	IFRS 15 reported
OPERATING ACTIVITIES						
Net income	122	(41)	81	198	(162)	36
<i>Adjustments to reconcile net income to cash from operating activities</i>						
Income tax	30	(10)	20	56	(38)	18
Change in provisions and allowances	(648)	(1)	(649)	(700)	(4)	(704)
<i>Change in working capital</i>						
Decrease in contract assets, gross	-	35	35	-	142	142
Decrease in contract costs	-	11	11	-	56	56
Increase/(decrease) in trade payables	69	2	71	(105)	6	(99)
Increase in contract liabilities	-	149	149	-	100	100
Increase/(decrease) in deferred income and other payables	127	(145)	(18)	71	(100)	(29)
Net cash provided by operating activities	195	-	195	1,096	-	1,096
Net change in cash and cash equivalents	(61)	-	(61)	(139)	-	(139)

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	Hedging derivative instruments	Hedging derivative instruments	35	35
Derivatives	Fair value through profit or loss	Fair value through profit or loss	2	2
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	Hedging derivative instruments	Hedging derivative instruments	69	69
Derivatives	Fair value through profit or loss	Fair value through profit or loss	31	31
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 trade receivables, cash and cash equivalents 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 9 months ended 30 September 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 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 it expects to earn while pricing the service offer. Based on the 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 transport costs or logistic costs. The estimated margin is insignificant. Therefore, it is disregarded from the cost plus margin formula for the sake of 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 price of a service is defined for each different category of customers. Categories of customers 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

Material right is an option to purchase additional goods or services with a discount that is incremental to discounts typically given for those goods or services. 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 revenue	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 and 9 months ended 30 September 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			9 months ended		
	30 September 2018		30 September 2017	30 September 2018		30 September 2017
	IAS 18		IAS 18	IAS 18		IAS 18
	IFRS 15 reported	comparable basis	reported	IFRS 15 reported	comparable basis	reported
Mobile only services	688	731	821	2,053	2,202	2,567
Fixed only services	610	614	681	1,865	1,884	2,090
Narrowband	265	266	308	827	829	958
Broadband	230	233	258	695	712	787
Network solutions (business market)	115	115	115	343	343	345
Convergent services (consumer market)	336	358	279	943	1,021	768
Equipment sales	336	312	297	994	909	904
IT and integration services	44	44	39	120	120	109
Wholesale	576	576	547	1,726	1,726	1,583
Mobile wholesale	332	332	291	973	973	839
Fixed wholesale	176	176	193	540	540	549
Other	68	68	63	213	213	195
Other revenue	56	56	42	147	147	186
Total revenue	2,646	2,691	2,706	7,848	8,009	8,207

Wholesale and other revenue for the 9 months ended 30 September 2018 include PLN 194 million of lease revenue that is outside the scope of IFRS 15 “Revenue from Contracts with Customers”.

5. Explanatory comments about the seasonality or cyclicity 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

On 23 July 2018, the Company and T-Mobile Polska signed a long term contract on telecommunications access to Orange Polska’s fibre network in the form of Bitstream Access (“BSA”). Orange Polska will provide wholesale access to its network in order to provide BSA service on the Company’s own fibre infrastructure for T-Mobile’s clients in multi-family houses in deregulated areas. The fees under the contract comprise PLN 275 million of upfront fee and a monthly fee for each customer. Cash flows from operating activities for the 9 months ended 30 September 2018 include a receipt of first instalment of upfront fee amounting to PLN 138 million and a refund of costs related to integration of IT systems which is presented as contract liabilities in the statement of financial position.

Cash flows from operating activities for the 9 months ended 30 September 2018 include a payment of European Commission fine with accrued interest in a total amount of PLN 646 million (see Note 10).

Gains on disposal of assets for the 9 months ended 30 September 2018 included PLN 111 million of gains on disposal of real estate.

The amount of trade payables subject to reverse factoring decreased from PLN 211 million as at 31 December 2017 to PLN 163 million as at 30 September 2018. 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.

Operational Programme “Digital Poland”

In 2017, OPL S.A. concluded agreements with the “Digital Poland” Project Centre for co-financing of investment projects under the second contest of the Operational Programme “Digital Poland” (“Programme”). The Programme aims to strengthen digital foundations for the national development including common access to high-speed Internet, effective and user-friendly public e-services and a continuously rising level of digital competences of the society. The Company was granted PLN 0.7 billion from the Programme funds. In 2017 OPL S.A. received PLN 297 million of advances for investment grants. Received advances are presented as cash and cash equivalents and other liabilities in the statement of financial position. Grants are deducted from the cost of related assets when the assets are recognised.

In 2018, OPL S.A. concluded investment agreements with subcontractors related to the development of the broadband telecommunications network under the Programme for a total amount of PLN 1,045 million, of which PLN 508 million will be indirectly executed by its subsidiary. As at 30 September 2018, commitments for the purchase of fixed assets under the Programme, contracted for at the end of the reporting period but not recognised in the financial statements amounted to PLN 988 million.

Total investment commitments increased from PLN 695 million as at 31 December 2017 to PLN 1,890 million as at 30 September 2018 mainly due to commitments described above.

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 9 months ended 30 September 2018, the net cash flows from issuance and repayments of the Revolving Credit Facilities from Atlas Services Belgium S.A. amounted to PLN 350 million.

As at 30 September 2018, the total outstanding balance of loans from the related party amounted to PLN 7,389 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related party amounted to 1.94% before swaps and 3.45% after swaps as at 30 September 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 30 September 2018 was EUR 670 million and PLN 5,950 million, respectively, with a total fair value amounting to PLN 22 million.

In the 9 months ended 30 September 2018, the Company issued and redeemed short-term bonds under the Orange Polska S.A. Bond Issuance Programme. In the 9 months ended 30 September 2018, the net cash flows on the bonds amounted to PLN (11) million. As at 30 September 2018 and 31 December 2017, the aggregate par value of the outstanding bonds issued under the programme amounted to PLN 65 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 30 September 2018 and 31 December 2017 the estimated fair value exceeded the carrying amount by PLN 85 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

In accordance with the recommendation of the Management Board of the Company there was no dividend paid in 2018.

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 31 January 2019.

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.

On 2 July 2018, P4 extended its claim of September 2015 for PLN 316 million by the amount of PLN 314 million (PLN 258 million and PLN 56 million of capitalised interest). The principal amount demanded by the extension of the claim corresponds to the amount demanded by P4's request for settlement filed with the court regarding the period from April 2012 to December 2014.

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 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.A.'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 25 July 2018, the Court of Justice of the European Union dismissed Orange Polska's appeal from the decision of the General Court and maintained the fine in the original amount. On 9 August 2018, Orange Polska paid the fine and the accrued interest in a total amount of PLN 646 million.

c. Other contingent liabilities and provisions

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

11. Related party transactions

As at 30 September 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.

Orange Polska S.A. operates under the Orange brand pursuant to a licence agreement concluded with Orange S.A. and Orange Brand Services Limited ("OBSL"). The brand licence agreement provides that OBSL receives a fee of up to 1.6% of the Company's operating revenue earned under the Orange brand. OPL S.A. and OBSL renewed the existing contract for the period from 24 July 2018 to 31 December 2019 with no changes to the financial terms and conditions.

OPL S.A.'s financial income earned from its subsidiaries comprises mainly dividends. Financial costs incurred by OPL S.A. in transactions with the subsidiaries comprise mainly interest on bonds issued to the subsidiaries. Financial receivables from the subsidiaries relate to the loan granted to TP TelTech Sp. z o.o. on 18 July 2018, with repayment date in December 2019. Financial liabilities to the subsidiaries comprise mainly bonds issued to the subsidiaries.

Financial receivables, liabilities, financial expense and other comprehensive income/loss concerning transactions with the Orange Group relate to loan agreements concluded with Atlas Services Belgium S.A. and agreement with Orange S.A. concerning derivative transactions to hedge exposure to foreign currency risk and interest rate risk related to the 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.

Orange Polska S.A.

Condensed IFRS Quarterly Separate Financial Statements – 30 September 2018

Translation of the financial statements originally issued in Polish

<i>(in PLN millions)</i>	<i>3 months ended 30 September 2018</i>	<i>9 months ended 30 September 2018</i>	<i>3 months ended 30 September 2017</i>	<i>9 months ended 30 September 2017</i>
Sales of goods and services and other income:	77	267	103	297
Orange Polska Group (subsidiaries)	31	113	49	146
Orange Group	46	154	54	151
- Orange S.A. (parent)	20	87	31	92
- Orange Group (excluding parent)	26	67	23	59
Purchases of goods (including inventories, tangible and intangible assets) and services:	(213)	(616)	(175)	(550)
Orange Polska Group (subsidiaries)	(149)	(436)	(115)	(369)
Orange Group	(64)	(180)	(60)	(181)
- Orange S.A. (parent)	(16)	(48)	(17)	(53)
- Orange Group (excluding parent)	(48)	(132)	(43)	(128)
- including Orange Brand Services Limited (brand licence agreement)	(28)	(85)	(31)	(91)
Financial income:	1	25	1	19
Orange Polska Group (subsidiaries)	-	23	-	17
Orange S.A. (parent)	1	2	1	2
Financial expense, net:	(56)	(173)	(59)	(179)
Orange Polska Group (subsidiaries)	-	(1)	(1)	(1)
Orange Group	(56)	(172)	(58)	(178)
- Orange S.A. (parent)	(81)	(2)	31	(153)
- Orange Group (excluding parent)	25	(170)	(89)	(25)
Other comprehensive income/(loss):	4	(8)	2	(4)
Orange S.A. (parent)	4	(8)	2	(4)

<i>(in PLN millions)</i>	<i>At 30 September 2018</i>	<i>At 31 December 2017</i>
Receivables and contract costs:	185	144
Orange Polska Group (subsidiaries)	85	61
Orange Group	100	83
- Orange S.A. (parent)	44	50
- Orange Group (excluding parent)	56	33
Liabilities:	246	286
Orange Polska Group (subsidiaries)	144	187
Orange Group	102	99
- Orange S.A. (parent)	45	49
- Orange Group (excluding parent)	57	50
Financial receivables:	97	33
Orange Polska Group (subsidiaries)	30	-
Orange S.A. (parent)	67	33
Cash and cash equivalents deposited with:	61	166
Orange S.A. (parent)	61	166
Financial liabilities:	7,499	7,102
Orange Polska Group (subsidiaries)	65	75
Orange Group	7,434	7,027
- Orange S.A. (parent)	45	58
- Orange Group (excluding parent)	7,389	6,969
Guarantees granted:	82	51
Orange Polska Group (subsidiaries)	82	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 9 months ended 30 September 2018 and 2017 amounted to PLN 11.1 million and PLN 13.0 million, respectively.

12. Subsequent events

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

Pursuant to Art. 66 of the Decree of the Minister of Finance of 29 March 2018 on current and periodic information to be disclosed by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state – Journal of Laws of 2018, item 757 (“the Decree of the Minister of Finance of 29 March 2018”), the Management Board of Orange Polska S.A. (“OPL S.A.”, “the Company”) discloses the following information:

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

The ownership structure of the Company’s share capital, based on the information available to the Company as at 24 October 2018, i.e. the date of submission of the quarterly report for the 3 months ended 30 September 2018 was the same as at 24 July 2018, i.e. the date of submission of the interim report for the 6 months ended 30 June 2018:

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

Mr Jean-François Fallacher, the President of the Management Board of OPL S.A., held 25,000 Orange Polska S.A. shares as at 24 October 2018 and 24 July 2018.

Mr Maciej Nowohoński, the Member of the Management Board of OPL S.A., held 25,000 Orange Polska S.A. shares as at 24 October 2018 and 24 July 2018.

Ms Jolanta Dudek, the Member of the Management Board of OPL S.A., held 8,474 Orange Polska S.A. shares as at 24 October 2018 and 24 July 2018.

Mr Maciej Witucki, the Chairman of the Supervisory Board of OPL S.A., held 4,000 Orange Polska S.A. shares as at 24 October 2018 and 24 July 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 is significant

In the 9 months ended 30 September 2018, neither the Company nor its subsidiaries granted guarantees or collateral of loans or borrowings to any entity or its subsidiary, a total value of which would be significant.

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 9 months ended 30 September 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 in the first half of 2018. 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 30 September 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 9 months ended 30 September 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 9-month periods ended 30 September 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:

	30 September 2018	31 December 2017	30 September 2017
Statement of financial position	4.2714 PLN	4.1709 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	4.2535 PLN	Not applicable	4.2566 PLN