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POLISH FINANCIAL SUPERVISION AUTHORITY

Quarterly consolidated report for the first quarter of 2021

(year)

(according to par. 60 s. 2 and par. 62 s. 1 of the Decree on current and periodic information)
for the issuers in sectors of production, construction, trade or services
(type of issuer)

for the first quarter of 2021, i.e. from 1 January 2021 to 31 March 2021

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: **21 April 2021**

ORANGE POLSKA SA

(full name of issuer)

ORANGEPL

(abbreviated name of the issuer)

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SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	1 quarter cumulative period from 01/01/2021 to 31/03/2021	1 quarter cumulative period from 01/01/2020 to 31/03/2020	1 quarter cumulative period from 01/01/2021 to 31/03/2021	1 quarter cumulative period from 01/01/2020 to 31/03/2020
condensed consolidated financial statements data				
I. Revenue	2,918,000	2,804,000	638,219	637,809
II. Operating income	116,000	88,000	25,371	20,017
III. Profit/(loss) before income tax	50,000	(44,000)	10,936	(10,008)
IV. Net income/(loss)	39,000	(38,000)	8,530	(8,644)
V. Net income/(loss) attributable to owners of Orange Polska S.A.	39,000	(38,000)	8,530	(8,644)
VI. Earnings/(loss) per share (in PLN/EUR)	0.03	(0.03)	0.01	(0.01)
VII. Weighted average number of shares (in millions)	1,312	1,312	1,312	1,312
VIII. Total comprehensive income/(loss)	91,000	(86,000)	19,903	(19,562)
IX. Total comprehensive income/(loss) attributable to owners of Orange Polska S.A.	91,000	(86,000)	19,903	(19,562)
X. Net cash provided by operating activities	893,000	616,000	195,315	140,118
XI. Net cash used in investing activities	(589,000)	(638,000)	(128,825)	(145,122)
XII. Net cash used in financing activities	(266,000)	(58,000)	(58,179)	(13,193)
XIII. Net change in cash and cash equivalents	38,000	(80,000)	8,311	(18,197)
	balance as at 31/03/2021	balance as at 31/12/2020	balance as at 31/03/2021	balance as at 31/12/2020
XIV. Total current assets and assets held for sale	3,680,000	3,363,000	789,649	728,742
XV. Total non-current assets	20,527,000	20,937,000	4,404,652	4,536,925
XVI. Total assets	24,207,000	24,300,000	5,194,301	5,265,667
XVII. Total current liabilities	4,890,000	7,637,000	1,049,289	1,654,893
XVIII. Total non-current liabilities	8,634,000	6,064,000	1,852,670	1,314,033
XIX. Total equity	10,683,000	10,599,000	2,292,342	2,296,741
XX. Equity attributable to owners of Orange Polska S.A.	10,681,000	10,597,000	2,291,913	2,296,308
XXI. Share capital	3,937,000	3,937,000	844,795	853,125
condensed separate financial statements data				
	1 quarter cumulative period from 01/01/2021 to 31/03/2021	1 quarter cumulative period from 01/01/2020 to 31/03/2020	1 quarter cumulative period from 01/01/2021 to 31/03/2021	1 quarter cumulative period from 01/01/2020 to 31/03/2020
I. Revenue	2,632,000	2,575,000	575,665	585,720
II. Operating income	119,000	79,000	26,027	17,970
III. Profit/(loss) before income tax	55,000	(51,000)	12,029	(11,601)
IV. Net income/(loss)	44,000	(44,000)	9,624	(10,008)
V. Earnings/(loss) per share (in PLN/EUR)	0.03	(0.03)	0.01	(0.01)
VI. Weighted average number of shares (in millions)	1,312	1,312	1,312	1,312
VII. Total comprehensive income/(loss)	96,000	(92,000)	20,997	(20,927)
VIII. Net cash provided by operating activities	861,000	657,000	188,316	149,444
IX. Net cash used in investing activities	(582,000)	(674,000)	(127,294)	(153,311)
X. Net cash used in financing activities	(252,000)	(38,000)	(55,117)	(8,644)
XI. Net change in cash and cash equivalents	27,000	(55,000)	5,905	(12,511)
	balance as at 31/03/2021	balance as at 31/12/2020	balance as at 31/03/2021	balance as at 31/12/2020
XII. Total current assets and assets held for sale	3,356,000	2,991,000	720,125	648,132
XIII. Total non-current assets	20,502,000	20,913,000	4,399,288	4,531,724
XIV. Total assets	23,858,000	23,904,000	5,119,413	5,179,856
XV. Total current liabilities	4,701,000	7,399,000	1,008,733	1,603,320
XVI. Total non-current liabilities	8,535,000	5,972,000	1,831,427	1,294,097
XVII. Total equity	10,622,000	10,533,000	2,279,253	2,282,439
XVIII. Share capital	3,937,000	3,937,000	844,795	853,125

ORANGE POLSKA GROUP

CONDENSED IFRS QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2021



April 21, 2021

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CONSOLIDATED INCOME STATEMENT

(in PLN millions, except for earnings/loss per share)

	Note	3 months ended 31 March 2021	3 months ended 31 March 2020 Restated (see Note 4)
Revenue	5	2,918	2,804
External purchases		(1,630)	(1,550)
Labour expense		(379)	(405)
Other operating expense		(118)	(98)
Other operating income		59	77
Impairment of receivables and contract assets		(23)	(36)
Gains/(losses) on disposal of assets		(20)	10
Depreciation and impairment of right-of-use assets		(115)	(106)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	7	(576)	(608)
Operating income		116	88
Interest income		8	9
Interest expense on lease liabilities		(13)	(16)
Other interest expense and financial charges		(46)	(60)
Discounting expense		(8)	(23)
Foreign exchange losses		(7)	(42)
Finance costs, net		(66)	(132)
Income tax		(11)	6
Net income/(loss)		39	(38)
Net income/(loss) attributable to owners of Orange Polska S.A.		39	(38)
Net income/(loss) attributable to non-controlling interests		-	-
Earnings/(loss) per share (in PLN)		0.03	(0.03)
Weighted average number of shares (in millions)		1,312	1,312

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)	3 months ended 31 March 2021	3 months ended 31 March 2020 Restated (see Note 4)
Net income/(loss)	39	(38)
Items that may be reclassified subsequently to profit or loss		
Gains/(losses) on cash flow hedges	64	(59)
Income tax relating to items that may be reclassified	(12)	11
Other comprehensive income/(loss), net of tax	52	(48)
Total comprehensive income/(loss)	91	(86)
Total comprehensive income/(loss) attributable to owners of Orange Polska S.A.	91	(86)
Total comprehensive income/(loss) attributable to non-controlling interests	-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in PLN millions)	Note	At 31 March 2021	At 31 December 2020
ASSETS			
Goodwill		2,285	2,285
Other intangible assets		4,107	4,184
Property, plant and equipment	7	9,859	10,301
Right-of-use assets		2,902	2,768
Trade receivables	9	364	382
Contract assets		75	70
Contract costs		112	106
Derivatives	8,9	23	-
Other assets		25	41
Deferred tax assets		775	800
Total non-current assets		20,527	20,937
Inventories		248	230
Trade receivables	9	1,789	1,850
Contract assets		81	87
Contract costs		375	368
Derivatives	8,9	146	147
Other assets		156	240
Prepaid expenses		125	83
Cash and cash equivalents		396	358
Total current assets		3,316	3,363
Assets held for sale	7	364	-
TOTAL ASSETS		24,207	24,300
EQUITY AND LIABILITIES			
Share capital		3,937	3,937
Share premium		832	832
Other reserves		(78)	(123)
Retained earnings		5,990	5,951
Equity attributable to owners of Orange Polska S.A.		10,681	10,597
Non-controlling interests		2	2
Total equity		10,683	10,599
Trade payables	9	243	242
Lease liabilities		2,309	2,216
Loans from related party	8,9	4,936	2,406
Other financial liabilities at amortised cost	8	2	2
Derivatives	8,9	61	100
Provisions	10	648	657
Contract liabilities		335	338
Employee benefits		56	53
Other liabilities		44	50
Total non-current liabilities		8,634	6,064
Trade payables	9	2,017	2,236
Lease liabilities		526	488
Loans from related party	8,9	886	3,584
Other financial liabilities at amortised cost	8	34	19
Derivatives	8,9	29	32
Provisions	10	262	254
Contract liabilities		495	476
Employee benefits		217	204
Income tax liabilities		17	18
Other liabilities		407	326
Total current liabilities		4,890	7,637
TOTAL EQUITY AND LIABILITIES		24,207	24,300

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 2021	3,937	832	(89)	(62)	28	5,951	10,597	2	10,599
Total comprehensive income for the 3 months ended 31 March 2021	-	-	64	-	(12)	39	91	-	91
Transfer to inventories	-	-	(9)	-	2	-	(7)	-	(7)
Balance at 31 March 2021	3,937	832	(34)	(62)	18	5,990	10,681	2	10,683
Balance at 1 January 2020	3,937	832	(50)	(59)	20	5,875	10,555	2	10,557
Total comprehensive loss for the 3 months ended 31 March 2020 (restated, see Note 4)	-	-	(59)	-	11	(38)	(86)	-	(86)
Share-based payments	-	-	-	-	-	1	1	-	1
Transfer to inventories	-	-	3	-	-	-	3	-	3
Balance at 31 March 2020 (restated)	3,937	832	(106)	(59)	31	5,838	10,473	2	10,475

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CONSOLIDATED STATEMENT OF CASH FLOWS

(in PLN millions)	3 months ended 31 March 2021	3 months ended 31 March 2020 Restated (see Note 4)
OPERATING ACTIVITIES		
Net income/(loss)	39	(38)
Adjustments to reconcile net income to cash from operating activities		
(Gains)/losses on disposal of assets	20	(10)
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	691	714
Finance costs, net	66	132
Income tax	11	(6)
Change in provisions and allowances	3	10
Operational foreign exchange and derivatives (gains)/losses, net	3	(12)
Change in working capital		
Increase in inventories, gross	(21)	(78)
Decrease in trade receivables, gross	82	65
Decrease in contract assets, gross	1	10
Increase in contract costs	(13)	-
Decrease in trade payables	(12)	(43)
Increase in contract liabilities	16	2
(Increase)/decrease in prepaid expenses and other receivables	19	(44)
Increase/(decrease) in other payables	73	(7)
Interest received	8	9
Interest paid and interest rate effect paid on derivatives, net	(89)	(83)
Exchange rate effect received on derivatives, net	1	-
Income tax paid	(5)	(5)
Net cash provided by operating activities	893	616
INVESTING ACTIVITIES		
Payments for purchases of property, plant and equipment and intangible assets	(601)	(608)
Investment grants received	49	1
Investment grants paid to property, plant and equipment and intangible assets suppliers	(63)	(45)
Exchange rate effect received/(paid) on derivatives economically hedging capital expenditures, net	1	(2)
Proceeds from sale of property, plant and equipment and intangible assets	24	15
Receipts from other financial instruments, net	1	1
Net cash used in investing activities	(589)	(638)
FINANCING ACTIVITIES		
Repayment of lease liabilities	(120)	(99)
Increase/(decrease) in revolving credit line and other debt	(146)	41
Net cash used in financing activities	(266)	(58)
Net change in cash and cash equivalents	38	(80)
Effects of exchange rate changes on cash and cash equivalents	-	3
Cash and cash equivalents at the beginning of the period	358	404
Cash and cash equivalents at the end of the period	396	327

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. The Group is a part of Orange Group based in France. 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 IT and integration services, leased lines and other telecommunications value added services, sells telecommunications equipment, provides data transmission, constructs telecommunications infrastructure and sells electrical energy.

Orange Polska’s registered office is located in Warsaw, Poland, at 160 Aleje Jerozolimskie St.

The list of entities included in the Condensed IFRS Quarterly Consolidated Financial Statements of the Group (the “Condensed Quarterly Consolidated Financial Statements”) as at and for the 3 months ended 31 March 2021 is presented in Note 1.2 to the Orange Polska Group IFRS Consolidated Financial Statements (“IFRS Consolidated Financial Statements”) for the year ended 31 December 2020.

2. Segment information and performance measures

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

Since the calculation of EBITDAaL, organic cash flows, eCapex and net financial debt is not defined by IFRS, these performance measures may not be comparable to similar indicators used by other entities. The methodology adopted by the Group is presented below.

EBITDAaL is the key measure of operating profitability used by the Management Board and corresponds to operating income before gains/losses on disposal of assets, depreciation, amortisation and impairment of property, plant and equipment and intangible assets, decreased by interest expense on lease liabilities and adjusted for the impact of deconsolidation of subsidiaries, costs related to acquisition, disposal and integration of businesses, employment termination programs, restructuring costs, significant claims, litigation and other risks as well as other significant non-recurring items.

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 payments for purchases of property, plant and equipment and intangible assets and repayment of lease liabilities, increased by impact of net exchange rate effect received/paid on derivatives economically hedging capital expenditures and lease liabilities and proceeds from sale of property, plant and equipment and intangible assets and adjusted for the payments for acquisition of telecommunications licences, payments for costs related to acquisition, disposal and integration of businesses not included in purchase price and payments relating to significant claims, litigation and other risks.

eCapex (economic capital expenditures) is the key measure of resources allocation used by the Management Board and represents acquisitions of property, plant and equipment and intangible assets excluding telecommunications licences, decreased by the proceeds accrued on disposal of these assets ('proceeds accrued on disposal of assets'). eCapex does not include acquisitions of right-of-use assets.

Net financial debt and net financial debt to EBITDAaL ratio are the key measures of indebtedness and liquidity used by the Management Board. The calculation of net financial debt is presented in Note 8.

Basic financial data of the operating segment is presented below:

(in PLN millions)	3 months ended 31 March 2021	3 months ended 31 March 2020 Restated (see Note 4)
Revenue	2,918	2,804
EBITDAaL	709	673
Net income/(loss)	39	(38)
Organic cash flows	198	(78)
eCapex	445	343

	At 31 March 2021	At 31 December 2020
Net financial debt (in PLN millions, see Note 8)	5,349	5,549
Net financial debt/EBITDAaL ratio	1.9	2.0

Calculation of performance measures of the operating segment is presented below:

(in PLN millions)	3 months ended 31 March 2021	3 months ended 31 March 2020 Restated (see Note 4)
Operating income	116	88
Less gains/add losses on disposal of assets	20	(10)
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	576	608
Interest expense on lease liabilities	(13)	(16)
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries	10	3
EBITDAaL	709	673

(in PLN millions)	3 months ended 31 March 2021	3 months ended 31 March 2020 Restated (see Note 4)
Net cash provided by operating activities	893	616
Payments for purchases of property, plant and equipment and intangible assets	(601)	(608)
Exchange rate effect received/(paid) on derivatives economically hedging capital expenditures, net	1	(2)
Proceeds from sale of property, plant and equipment and intangible assets	24	15
Repayment of lease liabilities	(120)	(99)
Adjustment for payment for costs related to acquisition, disposal and integration of subsidiaries	1	-
Organic cash flows	198	(78)

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(in PLN millions)	3 months ended 31 March 2021	3 months ended 31 March 2020
Acquisitions of property, plant and equipment and intangible assets	423	358
Less proceeds accrued on disposal of assets ⁽¹⁾	22	(15)
eCapex	445	343

⁽¹⁾ Proceeds accrued on disposal of assets were negative for the 3 months ended 31 March 2021 due to a change in the estimated amount of consideration accrued in previous periods.

3. Statement of compliance and basis of preparation

Basis of preparation

These unaudited Condensed Quarterly Consolidated Financial Statements have been 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 2020.

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.

These Condensed Quarterly Consolidated Financial Statements have been prepared on the going concern basis.

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 21 April 2021.

Adoption of standards and interpretations in 2021

There were no new standards or interpretations issued from the date when the IFRS Consolidated Financial Statements for the year ended 31 December 2020 were published.

4. Statement of accounting policies

The accounting policies and methods of computation used in the preparation of the Condensed Quarterly Consolidated Financial Statements are materially consistent with those described in Notes 2 and 33 to the audited IFRS Consolidated Financial Statements for the year ended 31 December 2020.

In the second quarter of 2020 the Group changed its accounting policy in respect of the determination of the lease term of cancellable leases. The change resulted from the IFRS Interpretation Committee’s decision regarding lease term, issued in December 2019. The change was applied retrospectively and impacted the consolidated statement of financial position as at 1 January 2019. The Group assessed the reasonably certain lease terms of cancellable lease contracts to be equal to 5 years for all lease contracts, except for 18 years for road occupancy leases where fixed network infrastructure is placed. This change in accounting policy resulted in the recognition of additional

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right-of-use assets and additional lease liabilities, mainly in respect of leases of premises and ground for fixed and mobile network infrastructure.

Adoption of changes described above affected the consolidated income statement, total comprehensive income and consolidated statement of cash flows for the 3 months ended 31 March 2020 as follows:

CONSOLIDATED INCOME STATEMENT:

(in PLN millions)	3 months ended 31 March 2020		
	Before changes	Impact of changes	After changes
Revenue	2,804	-	2,804
External purchases	(1,574)	24	(1,550)
Depreciation and impairment of right-of-use assets	(83)	(23)	(106)
Operating income	87	1	88
Interest expense on lease liabilities	(12)	(4)	(16)
Finance costs, net	(128)	(4)	(132)
Income tax	5	1	6
Net loss	(36)	(2)	(38)
Loss per share (in PLN)	(0.03)	-	(0.03)
Total comprehensive loss	(84)	(2)	(86)

CONSOLIDATED STATEMENT OF CASH FLOWS:

(in PLN millions)	3 months ended 31 March 2020		
	Before changes	Impact of changes	After changes
OPERATING ACTIVITIES			
Net loss	(36)	(2)	(38)
Adjustments to reconcile net income to cash from operating activities			
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	691	23	714
Finance costs, net	128	4	132
Income tax	(5)	(1)	(6)
Interest paid and interest rate effect paid on derivatives, net	(80)	(3)	(83)
Net cash provided by operating activities	595	21	616
FINANCING ACTIVITIES			
Repayment of lease liabilities	(78)	(21)	(99)
Net cash used in financing activities	(37)	(21)	(58)
Net change in cash and cash equivalents	(80)	-	(80)

5. Revenue

Revenue is disaggregated as follows:

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, (ii) revenue from sale of electrical energy, (iii) revenue from infrastructure projects, and (iv) other miscellaneous revenue e.g. from property rentals, research and development activity.

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(in PLN millions)	3 months ended 31 March 2021	3 months ended 31 March 2020
Mobile only services	631	638
Fixed only services	504	523
Narrowband	182	208
Broadband	214	211
Network solutions (business market)	108	104
Convergent services (consumer market)	477	419
Equipment sales	343	306
IT and integration services	250	233
Wholesale	598	601
Mobile wholesale	353	349
Fixed wholesale	157	171
Other	88	81
Other revenue	115	84
Total revenue	2,918	2,804

Wholesale and other revenue for the 3 months ended 31 March 2021 and 2020 include PLN 21 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 property, plant and equipment and intangible 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

Impact of COVID-19 pandemic

The situation related to COVID-19 pandemic is dynamic, Poland and other countries experience another wave of COVID-19, some restrictions have been imposed again. The pandemic has significantly impacted the Polish economy. Poland’s GDP decreased by 2.7% in 2020 and it is estimated to have fallen by 2.0% in the first quarter of 2021 (year-on-year). At the same time the consensus indicates that GDP in Poland could return to low single digit growth in 2021 although the pace of the recovery is highly uncertain at the moment.

Since the beginning of COVID-19 pandemic in the first quarter of 2020, the Management has adopted a number of counteractive measures to mitigate the negative impact of the pandemic on Group’s business performance. The results achieved by the Group indicate that the core of the Group’s operations remain relatively immune to the impact of the pandemic. Data and voice connectivity has become more essential than ever to the needs

of consumers and businesses. The majority of revenue and profits are derived from subscription-based services, which allows the Group to rely on relatively stable and predictable revenue streams. Despite many restrictions which are in place, Group's distribution network remains open.

The Group assessed if there are any impairment indicators of telecom operator Cash Generating Unit and concluded that there are none as at 31 March 2021. Therefore, no impairment test was performed at this date.

In 2021, the Group performed a reassessment of the impact of COVID-19 on the bad debt allowance. As a result, the Group recognised no additional impairment of trade receivables in the 3 months ended 31 March 2021.

Impact of COVID-19 pandemic on the Group, its financial position and performance in next periods depends on many factors which are beyond the control of the Group. These factors include, among others: the length and severity of the pandemic, measures taken by the government to limit the pandemic and to protect society from the effects of the crisis and in result its ultimate impact on the Polish economy. The Group will monitor the COVID-19 situation, its impact on the Polish economy, as well as indicators more specific to the Group.

Other events

As at 31 March 2021, Orange Polska reclassified PLN 364 million of property, plant and equipment to assets held for sale. They represent network assets that will be contributed or leased under a finance lease to Światłowód Inwestycje Sp. z o.o., a subsidiary of OPL S.A. On 11 April 2021, Orange Polska signed a preliminary agreement with APG Group (APG's subsidiary called Acari Investments Holding B.V.), based on which Orange Polska will sell 50% stake in Światłowód Inwestycje creating a joint venture which will build fibre infrastructure and offer wholesale access services (see also Note 12). Światłowód Inwestycje will become a jointly controlled entity, 50/50% owned by the Group and APG Group. It will be presented in the consolidated statement of financial position as an investment accounted for using the equity method and will cease to be fully consolidated at the moment of sale of 50% stake in Światłowód Inwestycje.

From 2021, as a result of an annual review of estimated useful lives of fixed assets, the Group extended the estimated useful lives for certain items of software which decreased the amortisation expense by PLN 33 million in the 3 months ended 31 March 2021 in comparison to previous year. Amortisation expense in 2021 relating to these assets is expected to be lower by approximately PLN 117 million in comparison to 2020.

The amount of trade payables subject to reverse factoring increased from PLN 117 million as at 31 December 2020 to PLN 195 million as at 31 March 2021. 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.

8. Net financial debt

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

(in PLN millions)	At 31 March 2021	At 31 December 2020
Loans from related party	5,822	5,990
Other financial liabilities at amortised cost	36	21
Derivatives – net (liabilities less assets)	(79)	(15)
Gross financial debt after derivatives	5,779	5,996
Cash and cash equivalents	(396)	(358)
Cash flow hedge reserve	(34)	(89)
Net financial debt	5,349	5,549

On 29 January 2021, the Group and Atlas Services Belgium S.A., a subsidiary of Orange S.A., concluded a Loan Agreement for PLN 2,700 million with repayment date in June 2026, which will refinance the Loan Agreement for PLN 2,700 million expiring in June 2021.

In the 3 months ended 31 March 2021, the net cash flows from issuance and repayments of the Revolving Credit Facility from Atlas Services Belgium S.A., a subsidiary of Orange S.A., amounted to PLN (160) million.

As at 31 March 2021, the total outstanding balance of loans from the related party amounted to PLN 5,822 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related party amounted to 1.25% before swaps and 3.03% after swaps as at 31 March 2021.

In the 3 months ended 31 March 2021, the Group entered into new derivative transactions under the agreement with Orange S.A. hedging interest rate risk related to the Loan Agreement concluded in January 2021 described above. As at 31 March 2021, the total nominal amount of cross currency interest rate swaps and interest rate swaps, outstanding under the agreement with Orange S.A., was EUR 190 million and PLN 7,550 million, respectively, with a total fair value amounting to PLN 45 million.

9. Fair value of financial instruments

The Group's financial assets and liabilities that are measured subsequent to their initial recognition at fair value comprise derivative instruments and selected trade receivables arising from sales of mobile handsets in instalments. As at 31 March 2021 and 31 December 2020, the total fair value of derivatives amounted to PLN 79 million and PLN 15 million, respectively, and fair value of selected trade receivables arising from sales of mobile handsets in instalments amounted to PLN 212 million and PLN 211 million, respectively. The fair value of these instruments is determined as described in Notes 14.1 and 23 to the IFRS Consolidated Financial Statements for the year ended 31 December 2020. Significant inputs to the valuation technique used by the Group to measure the fair value of derivatives and selected trade receivables are classified to Level 2 of the fair value hierarchy described in Note 24.1.

The carrying amount of the Group's financial instruments excluding lease liabilities approximates their fair value, except for telecommunications licence payables and a loan from related party based on fixed interest rate for which as at 31 March 2021 the estimated fair value exceeded the carrying amount respectively by PLN 38 million and PLN 35 million (PLN 47 million and PLN 45 million as at 31 December 2020) due to significant change between the original effective interest rates at the date of the initial recognition and current market rates.

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 30 to the IFRS Consolidated Financial Statements for the year ended 31 December 2020 or describes major matters that occurred after 31 December 2020.

There were no significant developments in the cases separately disclosed in the Note 30 mentioned above.

Apart from those matters, 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. Also, there are claims including for damages or contractual penalties raised by counterparties to commercial contracts, or claims for other payments resulting from breach of law which may result in cash outflows.

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Furthermore, the Group uses fixed assets of other parties in order to provide telecommunications services. The terms of use of these assets are not always formalised and as such, the Group is subject to claims and might be subject to future claims in this respect, which will probably result in cash outflows in the future. The amount of the potential obligations or future commitments cannot yet be measured with sufficient reliability due to legal complexities involved.

The Group monitors the risks on a regular basis and the Management Board believes that adequate provisions have been recorded for known and quantifiable risks. Information regarding the range of potential outcomes has not been separately disclosed as, in the opinion of the Group's Management, such disclosure could prejudice the outcome of the pending cases.

11. Related party transactions

As at 31 March 2021, Orange S.A. owned 50.67% of shares of the Company. Orange S.A. has majority of the total number of votes at the General Meeting of OPL S.A. which appoints OPL S.A.'s Supervisory Board Members. The Supervisory Board decides about the composition of the Management Board. According to the Company's Articles of Association, at least 4 Members of the Supervisory Board must be independent. The majority of Members of the Audit Committee of the Supervisory Board are independent.

The Group's income earned from the Orange Group comprises mainly wholesale telecommunications services and research and development income. The purchases from the Orange Group comprise mainly brand fees and wholesale telecommunications services.

Financial receivables, liabilities, finance costs, net 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. Cash and cash equivalents deposited with Orange S.A. relate to the Cash Management Treasury Agreement.

(in PLN millions)	3 months ended 31 March 2021	3 months ended 31 March 2020
Sales of goods and services and other income:	55	52
Orange S.A. (parent)	34	34
Orange Group (excluding parent)	21	18
Purchases of goods (including inventories, tangible and intangible assets) and services:	(56)	(55)
Orange S.A. (parent)	(9)	(12)
Orange Group (excluding parent)	(47)	(43)
- including Orange Brand Services Limited (brand licence agreement)	(34)	(27)
Financial costs, net:	(44)	(50)
Orange S.A. (parent)	(14)	45
Orange Group (excluding parent)	(30)	(95)
Other comprehensive income/(loss):	65	(100)
Orange S.A. (parent)	65	(100)

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(in PLN millions)	At 31 March 2021	At 31 December 2020
Receivables:	88	85
Orange S.A. (parent)	53	51
Orange Group (excluding parent)	35	34
Liabilities:	79	84
Orange S.A. (parent)	22	31
Orange Group (excluding parent)	57	53
Financial receivables:	135	106
Orange S.A. (parent)	135	106
Cash and cash equivalents deposited with:	99	55
Orange S.A. (parent)	99	55
Financial liabilities:	5,912	6,122
Orange S.A. (parent)	90	132
Orange Group (excluding parent)	5,822	5,990

Compensation (remuneration, bonuses, post-employment and other long-term benefits, termination indemnities and share-based payment plans - cash and non-monetary benefits) of OPL S.A.'s Management Board and Supervisory Board Members for the 3 months ended 31 March 2021 and 2020 amounted to PLN 3.8 million and PLN 4.1 million, respectively. Additionally, the President of OPL S.A.'s Management Board is employed by Orange Global International Mobility S.A., a subsidiary of Orange S.A., and posted to Orange Polska since September 2020. The amount incurred by the Orange Polska Group for the reimbursement of key management personnel costs from the Orange Group for the 3 months ended 31 March 2021 amounted to PLN 1.3 million.

12. Subsequent events

On 11 April 2021, Orange Polska signed a preliminary agreement with APG Group (APG's subsidiary called Acari Investments Holding B.V.), based on which Orange Polska will sell 50% stake in Światłowód Inwestycje Sp. z o.o., a subsidiary of OPL S.A., creating a joint venture which will build fibre infrastructure and offer wholesale access services. Światłowód Inwestycje will become a jointly controlled entity, 50/50% owned by the Group and APG Group. It will be presented in the consolidated statement of financial position as an investment accounted for using the equity method and will cease to be fully consolidated at the moment of sale of 50% stake in Światłowód Inwestycje. Orange Polska will have an option to buy additional c.1% of Światłowód Inwestycje and gain control in years 2027-2029.

The transaction values Światłowód Inwestycje at PLN 2,748 million (debt-free cash-free basis). Orange Polska will sell 50% stake in Światłowód Inwestycje to APG Group for a total consideration of PLN 1,374 million, of which PLN 887 million will be paid on closing (subject to customary adjustments). Payment of the remaining PLN 487 million will occur in years 2022-2026 and will be conditional on the Group delivering on agreed network rollout schedule. The transaction assumes equity contributions for each party of around PLN 300 million to be made in years 2023-2026.

The transaction is conditional upon its approval by relevant competition authorities and upon contribution of the fibre assets by Orange Polska to Światłowód Inwestycje after confirmation by the relevant authorities of the legal basis of the transaction.

ORANGE POLSKA S.A.

**CONDENSED IFRS QUARTERLY SEPARATE FINANCIAL
STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2021**



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INCOME STATEMENT

(in PLN millions, except for earnings/loss per share)

	Note	3 months ended 31 March 2021	3 months ended 31 March 2020 Restated (see Note 3)
Revenue	4	2,632	2,575
External purchases		(1,395)	(1,361)
Labour expense		(342)	(380)
Other operating expense		(119)	(99)
Other operating income		68	77
Impairment of receivables and contract assets		(22)	(34)
Gains/(losses) on disposal of assets		(20)	10
Depreciation and impairment of right-of-use assets		(111)	(103)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	6	(572)	(606)
Operating income		119	79
Interest income		8	10
Interest expense on lease liabilities		(13)	(16)
Other interest expense and financial charges		(45)	(59)
Discounting expense		(8)	(23)
Foreign exchange losses		(6)	(42)
Finance costs, net		(64)	(130)
Income tax		(11)	7
Net income/(loss)		44	(44)
Earnings/(loss) per share (in PLN)		0.03	(0.03)
Weighted average number of shares (in millions)		1,312	1,312

STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)	3 months ended 31 March 2021	3 months ended 31 March 2020 Restated (see Note 3)
Net income/(loss)	44	(44)
Items that may be reclassified subsequently to profit or loss		
Gains/(losses) on cash flow hedges	64	(59)
Income tax relating to items that may be reclassified	(12)	11
Other comprehensive income/(loss), net of tax	52	(48)
Total comprehensive income/(loss)	96	(92)

STATEMENT OF FINANCIAL POSITION

(in PLN millions)	Note	At 31 March 2021	At 31 December 2020
ASSETS			
Goodwill		2,014	2,014
Other intangible assets		4,009	4,079
Property, plant and equipment	6	9,943	10,397
Right-of-use assets		2,862	2,727
Investments in subsidiaries		334	334
Trade receivables	8	333	351
Contract assets		75	70
Contract costs		101	96
Loans to related parties		60	60
Derivatives	7,8	23	-
Other assets		23	38
Deferred tax asset		725	747
Total non-current assets		20,502	20,913
Inventories		195	184
Trade receivables	8	1,608	1,627
Contract assets		81	87
Contract costs		368	362
Loans to related parties		115	115
Derivatives	7,8	146	147
Other assets		88	139
Prepaid expenses		65	31
Cash and cash equivalents		326	299
Total current assets		2,992	2,991
Assets held for sale	6	364	-
TOTAL ASSETS		23,858	23,904
EQUITY AND LIABILITIES			
Share capital		3,937	3,937
Share premium		832	832
Other reserves		(77)	(122)
Retained earnings		5,930	5,886
Total equity		10,622	10,533
Trade payables	8	243	242
Lease liabilities		2,279	2,188
Loans from related parties	7,8	4,936	2,406
Derivatives	7,8	61	100
Provisions	9	630	639
Contract liabilities		310	315
Employee benefits		50	51
Other liabilities		26	31
Total non-current liabilities		8,535	5,972
Trade payables	8	1,849	2,014
Lease liabilities		514	475
Loans from related parties	7,8	1,011	3,682
Other financial liabilities at amortised cost		1	4
Derivatives	7,8	29	32
Provisions	9	256	248
Contract liabilities		453	449
Employee benefits		176	166
Income tax liabilities		16	16
Other liabilities		396	313
Total current liabilities		4,701	7,399
TOTAL EQUITY AND LIABILITIES		23,858	23,904

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 2021	3,937	832	(89)	(62)	29	5,886	10,533
Total comprehensive income for the 3 months ended 31 March 2021	-	-	64	-	(12)	44	96
Transfer to inventories	-	-	(9)	-	2	-	(7)
Balance at 31 March 2021	3,937	832	(34)	(62)	19	5,930	10,622
Balance at 1 January 2020	3,937	832	(50)	(59)	21	5,809	10,490
Total comprehensive loss for the 3 months ended 31 March 2020 (restated, see Note 3)	-	-	(59)	-	11	(44)	(92)
Share-based payments	-	-	-	-	-	1	1
Transfer to inventories	-	-	3	-	-	-	3
Balance at 31 March 2020 (restated)	3,937	832	(106)	(59)	32	5,766	10,402

STATEMENT OF CASH FLOWS

(in PLN millions)	3 months ended 31 March 2021	3 months ended 31 March 2020 Restated (see Note 3)
OPERATING ACTIVITIES		
Net income/(loss)	44	(44)
Adjustments to reconcile net income to cash from operating activities		
(Gains)/losses on disposal of assets	20	(10)
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	683	709
Finance costs, net	64	130
Income tax	11	(7)
Change in provisions and allowances	2	9
Operational foreign exchange and derivatives (gains)/losses, net	3	(12)
Change in working capital		
Increase in inventories, gross	(14)	(45)
Decrease in trade receivables, gross	41	81
Decrease in contract assets, gross	1	10
(Increase)/decrease in contract costs	(11)	2
Increase/(decrease) in trade payables	43	(49)
Increase/(decrease) in contract liabilities	(1)	1
Increase in prepaid expenses and other receivables	(12)	(43)
Increase/(decrease) in other payables	67	(2)
Interest received	8	10
Interest paid and interest rate effect paid on derivatives, net	(89)	(83)
Exchange rate effect received on derivatives, net	1	-
Net cash provided by operating activities	861	657
INVESTING ACTIVITIES		
Payments for purchases of property, plant and equipment and intangible assets	(594)	(604)
Investment grants received	49	1
Investment grants paid to property, plant and equipment and intangible assets suppliers	(63)	(45)
Exchange rate effect received/(paid) on derivatives economically hedging capital expenditures, net	1	(2)
Proceeds from sale of property, plant and equipment and intangible assets	24	15
Receipts from/(payments on) loans to related parties and other financial instruments, net	1	(39)
Net cash used in investing activities	(582)	(674)
FINANCING ACTIVITIES		
Repayment of lease liabilities	(116)	(96)
Increase/(decrease) in revolving credit line and other debt	(136)	58
Net cash used in financing activities	(252)	(38)
Net change in cash and cash equivalents	27	(55)
Effects of exchange rate changes on cash and cash equivalents	-	3
Cash and cash equivalents at the beginning of the period	299	343
Cash and cash equivalents at the end of the period	326	291

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 IT and integration services, leased lines and other telecommunications value added services, sells telecommunications equipment, provides data transmission and sells electrical energy.

Orange Polska’s registered office is located in Warsaw, Poland, at 160 Aleje Jerozolimskie St.

2. Statement of compliance and basis of preparation

Basis of preparation

These unaudited Condensed IFRS Quarterly Separate Financial Statements for the 3 months ended 31 March 2021 (the “Condensed Quarterly Separate Financial Statements”) have been 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 2020.

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.

These Condensed Quarterly Separate Financial Statements have been prepared on the going concern basis.

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.

Orange Polska S.A. is the parent company of the Orange Polska Group (“the Group”, “OPL Group”) and prepares quarterly consolidated financial statements for the 3 months ended 31 March 2021. The Group is a part of Orange Group, based in France.

These Condensed Quarterly Separate Financial Statements are prepared in millions of Polish zloty (“PLN”) and were authorised for issuance by the Management Board on 21 April 2021.

Adoption of standards and interpretations in 2021

There were no new standards or interpretations issued from the date when the IFRS Separate Financial Statements for the year ended 31 December 2020 were published.

3. Statement of accounting policies

The accounting policies and methods of computation used in the preparation of the Condensed Quarterly Separate Financial Statements are materially consistent with those described in Notes 2 and 32 to the audited IFRS Separate Financial Statements for the year ended 31 December 2020.

In the second quarter of 2020 the Company changed its accounting policy in respect of the determination of the lease term of cancellable leases. The change resulted from the IFRS Interpretation Committee's decision regarding lease term, issued in December 2019. The change was applied retrospectively and impacted the statement of financial position as at 1 January 2019. The Company assessed the reasonably certain lease terms of cancellable lease contracts to be equal to 5 years for all lease contracts, except for 18 years for road occupancy leases where fixed network infrastructure is placed. This change in accounting policy resulted in the recognition of additional right-of-use assets and additional lease liabilities, mainly in respect of leases of premises and ground for fixed and mobile network infrastructure.

Adoption of changes described above affected the income statement, total comprehensive income and statement of cash flows for the 3 months ended 31 March 2020 as follows:

INCOME STATEMENT:

(in PLN millions)	3 months ended 31 March 2020		
	Before changes	Impact of changes	After changes
Revenue	2,575	-	2,575
External purchases	(1,385)	24	(1,361)
Depreciation and impairment of right-of-use assets	(80)	(23)	(103)
Operating income	78	1	79
Interest expense on lease liabilities	(12)	(4)	(16)
Finance costs, net	(126)	(4)	(130)
Income tax	6	1	7
Net loss	(42)	(2)	(44)
Loss per share (in PLN)	(0.03)	-	(0.03)
Total comprehensive loss	(90)	(2)	(92)

STATEMENT OF CASH FLOWS:

(in PLN millions)	3 months ended 31 March 2020		
	Before changes	Impact of changes	After changes
OPERATING ACTIVITIES			
Net loss	(42)	(2)	(44)
Adjustments to reconcile net income to cash from operating activities			
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	686	23	709
Finance costs, net	126	4	130
Income tax	(6)	(1)	(7)
Interest paid and interest rate effect paid on derivatives, net	(80)	(3)	(83)
Net cash provided by operating activities	636	21	657
FINANCING ACTIVITIES			
Repayment of lease liabilities	(75)	(21)	(96)
Net cash used in financing activities	(17)	(21)	(38)
Net change in cash and cash equivalents	(55)	-	(55)

4. Revenue

Revenue is disaggregated as follows:

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, (ii) revenue from sale of electrical energy and (iii) other miscellaneous revenue e.g. from property rentals, research and development activity.

(in PLN millions)	3 months ended 31 March 2021	3 months ended 31 March 2020
Mobile only services	630	637
Fixed only services	504	523
Narrowband	182	208
Broadband	214	211
Network solutions (business market)	108	104
Convergent services (consumer market)	477	419
Equipment sales	343	306
IT and integration services	51	49
Wholesale	598	601
Mobile wholesale	353	349
Fixed wholesale	157	171
Other	88	81
Other revenue	29	40
Total revenue	2,632	2,575

Wholesale and other revenue for the 3 months ended 31 March 2021 and 2020 include PLN 24 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 property, plant and equipment and intangible 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

Impact of COVID-19 pandemic

The situation related to COVID-19 pandemic is dynamic, Poland and other countries experience another wave of COVID-19, some restrictions have been imposed again. The pandemic has significantly impacted the Polish economy. Poland’s GDP decreased by 2.7% in 2020 and it is estimated to have fallen by 2.0% in the first quarter of 2021 (year-on-year). At the same time the consensus indicates that GDP in Poland could return to low single digit growth in 2021 although the pace of the recovery is highly uncertain at the moment.

Since the beginning of COVID-19 pandemic in the first quarter of 2020, the Management has adopted a number of counteractive measures to mitigate the negative impact of the pandemic on Company’s business performance. The results achieved by the Company indicate that the core of the Company’s operations remain relatively immune to the impact of the pandemic. Data and voice connectivity has become more essential than ever to the needs

of consumers and businesses. The majority of revenue and profits are derived from subscription-based services, which allows the Company to rely on relatively stable and predictable revenue streams. Despite many restrictions which are in place Company's distribution network remains open.

The Company assessed if there are any impairment indicators of telecom operator Cash Generating Unit and concluded that there are none as at 31 March 2021. Therefore, no impairment test was performed at this date.

In 2021, the Company performed a reassessment of the impact of COVID-19 on the bad debt allowance. As a result, the Company recognised no additional impairment of trade receivables in the 3 months ended 31 March 2021.

Impact of COVID-19 pandemic on the Company, its financial position and performance in next periods depends on many factors which are beyond the control of the Company. These factors include, among others: the length and severity of the pandemic, measures taken by the government to limit the pandemic and to protect society from the effects of the crisis and in result its ultimate impact on the Polish economy. The Company will monitor the COVID-19 situation, its impact on the Polish economy, as well as indicators more specific to the Company.

Other events

As at 31 March 2021, the Company reclassified PLN 364 million of property, plant and equipment to assets held for sale. They represent network assets that will be contributed or leased under a finance lease to Światłowod Inwestycje Sp. z o.o., a subsidiary of Orange Polska S.A. (see also Note 11).

From 2021, as a result of an annual review of estimated useful lives of fixed assets, the Company extended the estimated useful lives for certain items of software which decreased the amortisation expense by PLN 33 million in the 3 months ended 31 March 2021 in comparison to previous year. Amortisation expense in 2021 relating to these assets is expected to be lower by approximately PLN 117 million in comparison to 2020.

The amount of trade payables subject to reverse factoring increased from PLN 106 million as at 31 December 2020 to PLN 181 million as at 31 March 2021. These payables are presented together with the remaining balance of trade payables, as analysis conducted by the Company indicates they have retained their trade nature.

7. Changes in loans from related parties

On 29 January 2021, the Company and Atlas Services Belgium S.A., a subsidiary of Orange S.A., concluded a Loan Agreement for PLN 2,700 million with repayment date in June 2026, which will refinance the Loan Agreement for PLN 2,700 million expiring in June 2021.

In the 3 months ended 31 March 2021, the net cash flows from issuance and repayments of the Revolving Credit Facility from Atlas Services Belgium S.A. amounted to PLN (160) million.

As at 31 March 2021, the total outstanding balance of loans from the related parties amounted to PLN 5,947 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related parties amounted to 1.22% before swaps and 2.97% after swaps as at 31 March 2021.

In the 3 months ended 31 March 2021, the Company entered into new derivative transactions under the agreement with Orange S.A. hedging interest rate risk related to the Loan Agreement concluded in January 2021 described above. As at 31 March 2021, the total nominal amount of cross currency interest rate swaps and interest rate swaps, outstanding under the agreement with Orange S.A., was EUR 190 million and PLN 7,550 million, respectively, with a total fair value amounting to PLN 45 million.

8. Fair value of financial instruments

The Company's financial assets and liabilities that are measured subsequent to their initial recognition at fair value comprise derivative instruments and selected trade receivables arising from sales of mobile handsets in instalments. As at 31 March 2021 and 31 December 2020, the total fair value of derivatives amounted to PLN 79 million and PLN 15 million, respectively, and fair value of selected trade receivables arising from sales of mobile handsets in instalments amounted to PLN 212 million and PLN 211 million, respectively. The fair value of these instruments is determined as described in Notes 13.1 and 22 to the IFRS Separate Financial Statements for the year ended 31 December 2020. Significant inputs to the valuation technique used by the Company to measure the fair value of derivatives and selected trade receivables are classified to Level 2 of the fair value hierarchy described in Note 23.1.

The carrying amount of the Company's financial instruments excluding lease liabilities approximates their fair value, except for telecommunications licence payables and a loan from related party based on fixed interest rate for which as at 31 March 2021 the estimated fair value exceeded the carrying amount respectively by PLN 38 million and PLN 35 million (PLN 47 million and PLN 45 million as at 31 December 2020) due to significant change between the original effective interest rates at the date of the initial recognition and current market rates.

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

The information hereunder refers to the matters presented in Note 29 to the IFRS Separate Financial Statements for the year ended 31 December 2020 or describes major matters that occurred after 31 December 2020.

There were no significant developments in the cases separately disclosed in the Note 29 mentioned above.

Apart from those matters, 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. Also, there are claims including for damages or contractual penalties raised by counterparties to commercial contracts, or claims for other payments resulting from breach of law which may result in cash outflows.

Furthermore, the Company uses fixed assets of other parties in order to provide telecommunications services. The terms of use of these assets are not always formalised and as such, the Company is subject to claims and might be subject to future claims in this respect, which will probably result in cash outflows in the future. The amount of the potential obligations or future commitments cannot yet be measured with sufficient reliability due to legal complexities involved.

The Company monitors the risks on a regular basis and the Management Board believes that adequate provisions have been recorded for known and quantifiable risks. Information regarding the range of potential outcomes has not been separately disclosed as, in the opinion of the Company's Management, such disclosure could prejudice the outcome of the pending cases.

10. Related party transactions

As at 31 March 2021, Orange S.A. owned 50.67% of shares of the Company. Orange S.A. has majority of the total number of votes at the General Meeting of OPL S.A. which appoints OPL S.A.'s Supervisory Board Members. The Supervisory Board decides about the composition of the Management Board. According to the Company's Articles of Association, at least 4 Members of the Supervisory Board must be independent. The majority of Members of the Audit Committee of the Supervisory Board are independent.

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

Income earned from the Orange Group comprises mainly wholesale telecommunications services and research and development income. The purchases from the Orange Group comprise mainly brand fees and wholesale telecommunications services.

OPL S.A.'s financial income earned from its subsidiaries comprises interest on the loans granted to the subsidiaries. Financial receivables from the subsidiaries relate to the loans granted to the subsidiaries. Financial liabilities to the subsidiaries comprise mainly cash pool deposits from the subsidiaries.

Financial receivables, liabilities, financial expense, net 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. Cash and cash equivalents deposited with Orange S.A. relate to the Cash Management Treasury Agreement.

(in PLN millions)	3 months ended 31 March 2021	3 months ended 31 March 2020
Sales of goods and services and other income:	85	80
Orange Polska Group (subsidiaries)	31	28
Orange Group	54	52
- Orange S.A. (parent)	34	34
- Orange Group (excluding parent)	20	18
Purchases of goods (including inventories, tangible and intangible assets) and services:	(135)	(119)
Orange Polska Group (subsidiaries)	(79)	(64)
Orange Group	(56)	(55)
- Orange S.A. (parent)	(9)	(12)
- Orange Group (excluding parent)	(47)	(43)
- including Orange Brand Services Limited (brand licence agreement)	(34)	(27)
Financial income:	1	1
Orange Polska Group (subsidiaries)	1	1
Financial expense, net:	(44)	(50)
Orange Group	(44)	(50)
- Orange S.A. (parent)	(14)	45
- Orange Group (excluding parent)	(30)	(95)
Other comprehensive income/(loss):	65	(100)
Orange S.A. (parent)	65	(100)

(in PLN millions)	At 31 March 2021	At 31 December 2020
Receivables and contract costs:	129	118
Orange Polska Group (subsidiaries)	41	33
Orange Group	88	85
- Orange S.A. (parent)	53	51
- Orange Group (excluding parent)	35	34
Liabilities:	168	182
Orange Polska Group (subsidiaries)	89	98
Orange Group	79	84
- Orange S.A. (parent)	22	31
- Orange Group (excluding parent)	57	53
Financial receivables:	310	281
Orange Polska Group (subsidiaries)	175	175
Orange S.A. (parent)	135	106
Cash and cash equivalents deposited with:	99	55
Orange S.A. (parent)	99	55
Financial liabilities:	6,037	6,220
Orange Polska Group (subsidiaries)	125	98
Orange Group	5,912	6,122
- Orange S.A. (parent)	90	132
- Orange Group (excluding parent)	5,822	5,990
Guarantees granted:	125	113
Orange Polska Group (subsidiaries)	125	113

Compensation (remuneration, bonuses, post-employment and other long-term benefits, termination indemnities and share-based payment plans - cash and non-monetary benefits) of OPL S.A.'s Management Board and Supervisory Board Members for the 3 months ended 31 March 2021 and 2020 amounted to PLN 3.8 million and PLN 4.1 million, respectively. Additionally, the President of OPL S.A.'s Management Board is employed by Orange Global International Mobility S.A., a subsidiary of Orange S.A., and posted to Orange Polska since September 2020. The amount incurred by the Orange Polska S.A. for the reimbursement of key management personnel costs from the Orange Group for the 3 months ended 31 March 2021 amounted to PLN 1.3 million.

11. Subsequent events

On 11 April 2021, Orange Polska signed a preliminary agreement with APG Group (APG's subsidiary called Acari Investments Holding B.V.), based on which Orange Polska will sell 50% stake in Światłowód Inwestycje Sp. z o.o., a subsidiary of OPL S.A., creating a joint venture which will build fibre infrastructure and offer wholesale access services. Światłowód Inwestycje will become a jointly controlled entity, 50/50% owned by the Company and APG Group. It will be presented in the statement of financial position as an investment accounted for at cost. Orange Polska will have an option to buy additional c.1% of Światłowód Inwestycje and gain control in years 2027-2029.

The transaction values Światłowód Inwestycje at PLN 2,748 million (debt-free cash-free basis). Orange Polska will sell 50% stake in Światłowód Inwestycje to APG Group for a total consideration of PLN 1,374 million, of which PLN 887 million will be paid on closing (subject to customary adjustments). Payment of the remaining PLN 487 million will occur in years 2022-2026 and will be conditional on Orange Polska delivering on agreed network rollout schedule. The transaction assumes equity contributions for each party of around PLN 300 million to be made in years 2023-2026.

The transaction is conditional upon its approval by relevant competition authorities and upon contribution of the fibre assets by Orange Polska to Światłowód Inwestycje after confirmation by the relevant authorities of the legal basis of the transaction.

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 annual report

The ownership structure of the Company’s share capital, based on the information available to the Company as at 21 April 2021, i.e. the date of submission of the quarterly report for the 3 months ended 31 March 2021 was the same as at 17 February 2021, i.e. the date of submission of the annual report for the 12 months ended 31 December 2020:

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

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

Ms Jolanta Dudek, the Member of the Management Board of OPL S.A., held 8,474 Orange Polska S.A. shares as at 21 April 2021 and 17 February 2021.

Mr Piotr Jaworski, the Member of the Management Board of OPL S.A., held 673 Orange Polska S.A. shares as at 21 April 2021 and 17 February 2021.

Mr Maciej Nowochoński, the Member of the Management Board of OPL S.A., held 25,000 Orange Polska S.A. shares as at 21 April 2021 and 17 February 2021.

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 3 months ended 31 March 2021, 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. Management Board’s Position as to the achievement of the previously published financial projections for the given period

As announced in the current report 3/2021 of February 17, 2021, the Group forecasts low single digit EBITDAaL growth in 2021 compared to 2020. Considering the results of the 3 months ended 31 March 2021, the Management Board of Orange Polska S.A. is reiterating its forecast. However, the Management Board will closely monitor the situation and assess the impact of the COVID-19 pandemic on the Group’s performance on a current basis.

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 the Orange Polska Group and Orange Polska S.A. in 2020 as well as in the current report 4/2021 published on 12 April 2021 related to partnership with APG Group to rollout fiber network through a 50/50 joint venture. Additionally, key risk factors that may impact the Group's operational and financial performance are reviewed in detail in the Chapter IV of the above-mentioned Report.

VI. Foreign exchange rates

The statement of financial position data as at 31 March 2021 and 31 December 2020 presented in the table "Selected financial data" was translated into EUR at the average exchange rates of the National Bank of Poland ("NBP") at the end of the reporting period. The income statement data, together with the statement of comprehensive income and statement of cash flows data for the 3 months ended 31 March 2021 and 2020, were translated into EUR at an exchange rates which are the arithmetical average of the average NBP rates published by the NBP on the last day of each month of the 3-month periods ended 31 March 2021 and 2020.

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:

1 EUR	31 March 2021	31 December 2020	31 March 2020
Statement of financial position	4.6603 PLN	4.6148 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	4.5721 PLN	Not applicable	4.3963 PLN