

□ - adjusted

POLISH FINANCIAL SUPERVISION AUTHORITY

Quarterly consolidated report for the third quarter of 2020

(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 third quarter of 2020, i.e. from 1 January 2020 to 30 September 2020

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: **28 October 2020**

| | |
|----------------------------------|--|
| ORANGE POLSKA SA | |
| (full name of issuer) | |
| ORANGEPL | Telecommunication (tel) |
| (abbreviated name of the issuer) | (classification according to WSE/sector) |
| 02-326 | Warsaw |
| (post code) | (location) |
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| (NIP) | (REGON) |

| SELECTED FINANCIAL DATA | PLN '000 | | EUR '000 | |
|---|--|--|--|--|
| | 3 quarter cumulative period from 01/01/2019 to 30/09/2020 | 3 quarter cumulative period from 01/01/2018 to 30/09/2019 | 3 quarter cumulative period from 01/01/2019 to 30/09/2020 | 3 quarter cumulative period from 01/01/2018 to 30/09/2019 |
| condensed consolidated financial statements data | | | | |
| I. Revenue | 8 425 000 | 8 407 000 | 1 896 668 | 1 951 214 |
| II. Operating income | 347 000 | 591 000 | 78 118 | 137 168 |
| III. Profit before income tax | 83 000 | 331 000 | 18 685 | 76 823 |
| IV. Net income | 67 000 | 269 000 | 15 083 | 62 433 |
| V. Net income attributable to owners of Orange Polska S.A. | 67 000 | 269 000 | 15 083 | 62 433 |
| VI. Earnings per share (in PLN/EUR) | 0.05 | 0.21 | 0.05 | 0.05 |
| VII. Weighted average number of shares (in millions) | 1 312 | 1 312 | 1 312 | 1 312 |
| VIII. Total comprehensive income | 22 000 | 242 000 | 4 953 | 56 167 |
| IX. Total comprehensive income attributable to owners of Orange Polska S.A. | 22 000 | 242 000 | 4 953 | 56 167 |
| X. Net cash provided by operating activities | 2 256 000 | 1 927 000 | 507 879 | 447 245 |
| XI. Net cash used in investing activities | (1 612 000) | (1 442 000) | (362 900) | (334 679) |
| XII. Net cash provided by/(used in) financing activities | (729 000) | (708 000) | (164 115) | (164 323) |
| XIII. Net change in cash and cash equivalents | (85 000) | (223 000) | (19 136) | (51 757) |
| | balance as at 30/09/2020 | balance as at 31/12/2019 | balance as at 30/09/2020 | balance as at 31/12/2019 |
| XIV. Total current assets | 3 276 000 | 3 493 000 | 723 690 | 820 242 |
| XV. Total non-current assets | 20 913 000 | 21 429 000 | 4 619 820 | 5 032 053 |
| XVI. Total assets | 24 189 000 | 24 922 000 | 5 343 510 | 5 852 295 |
| XVII. Total current liabilities | 7 616 000 | 4 191 000 | 1 682 425 | 984 149 |
| XVIII. Total non-current liabilities | 5 961 000 | 10 174 000 | 1 316 824 | 2 389 104 |
| XIX. Total equity | 10 612 000 | 10 557 000 | 2 344 261 | 2 479 042 |
| XX. Equity attributable to owners of Orange Polska S.A. | 10 610 000 | 10 555 000 | 2 343 819 | 2 478 572 |
| XXI. Share capital | 3 937 000 | 3 937 000 | 869 709 | 924 504 |
| condensed separate financial statements data | | | | |
| | 3 quarter cumulative period from 01/01/2019 to 30/09/2020 | 3 quarter cumulative period from 01/01/2018 to 30/09/2019 | 3 quarter cumulative period from 01/01/2019 to 30/09/2020 | 3 quarter cumulative period from 01/01/2018 to 30/09/2019 |
| I. Revenue | 7 758 000 | 7 905 000 | 1 746 511 | 1 834 703 |
| II. Operating income | 326 000 | 564 000 | 73 390 | 130 901 |
| III. Profit before income tax | 80 000 | 327 000 | 18 010 | 75 895 |
| IV. Net income | 67 000 | 271 000 | 15 083 | 62 897 |
| V. Earnings per share (in PLN/EUR) | 0.05 | 0.21 | 0.05 | 0.05 |
| VI. Weighted average number of shares (in millions) | 1 312 | 1 312 | 1 312 | 1 312 |
| VII. Total comprehensive income | 22 000 | 244 000 | 4 953 | 56 631 |
| VIII. Net cash provided by operating activities | 2 263 000 | 1 997 000 | 509 455 | 463 492 |
| IX. Net cash used in investing activities | (1 648 000) | (1 438 000) | (371 004) | (333 751) |
| X. Net cash provided by/(used in) financing activities | (696 000) | (804 000) | (156 686) | (186 604) |
| XI. Net change in cash and cash equivalents | (81 000) | (245 000) | (18 235) | (56 863) |
| | balance as at 30/09/2020 | balance as at 31/12/2019 | balance as at 30/09/2020 | balance as at 31/12/2019 |
| XII. Total current assets | 2 874 000 | 3 103 000 | 634 886 | 728 660 |
| XIII. Total non-current assets | 21 023 000 | 21 492 000 | 4 644 119 | 5 046 848 |
| XIV. Total assets | 23 897 000 | 24 595 000 | 5 279 005 | 5 775 508 |
| XV. Total current liabilities | 7 475 000 | 4 015 000 | 1 651 277 | 942 820 |
| XVI. Total non-current liabilities | 5 877 000 | 10 090 000 | 1 298 268 | 2 369 379 |
| XVII. Total equity | 10 545 000 | 10 490 000 | 2 329 460 | 2 463 310 |
| XVIII. Share capital | 3 937 000 | 3 937 000 | 869 709 | 924 504 |

ORANGE POLSKA GROUP

CONDENSED IFRS QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2020



October 28, 2020

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CONSOLIDATED INCOME STATEMENT

(in PLN millions, except for earnings per share)

| | | <i>3 months ended 30 September 2020</i> | <i>9 months ended 30 September 2020</i> | <i>3 months ended 30 September 2019</i> | <i>9 months ended 30 September 2019</i> |
|--|-------------|---|---|---|---|
| | <i>Note</i> | | | <i>Restated (see Notes 3 and 4)</i> | |
| Revenue | 5 | 2,793 | 8,425 | 2,870 | 8,407 |
| External purchases | | (1,537) | (4,684) | (1,567) | (4,654) |
| Labour expense | | (324) | (1,018) | (365) | (1,143) |
| Other operating expense | | (89) | (293) | (111) | (322) |
| Other operating income | | 59 | 198 | 66 | 174 |
| Impairment of receivables and contract assets | | (30) | (116) | (39) | (98) |
| Gains on disposal of assets | | 6 | 21 | 218 | 266 |
| Depreciation and impairment of right-of-use assets | | (110) | (324) | (102) | (289) |
| Depreciation, amortisation and impairment of property, plant and equipment and intangible assets | | (618) | (1,862) | (592) | (1,750) |
| Operating income | | 150 | 347 | 378 | 591 |
| Interest income | | 8 | 25 | 10 | 31 |
| Interest expense on lease liabilities | | (15) | (47) | (18) | (51) |
| Other interest expense and financial charges | | (51) | (164) | (59) | (178) |
| Discounting expense | | (11) | (34) | (20) | (45) |
| Foreign exchange losses | | (14) | (44) | (20) | (17) |
| Finance costs, net | | (83) | (264) | (107) | (260) |
| Income tax | | (14) | (16) | (49) | (62) |
| Net income | | 53 | 67 | 222 | 269 |
| Net income attributable to owners of Orange Polska S.A. | | 53 | 67 | 222 | 269 |
| Net income attributable to non-controlling interests | | - | - | - | - |
| Earnings per share (in PLN) | | 0.04 | 0.05 | 0.17 | 0.21 |
| Weighted average number of shares (in millions) | | 1,312 | 1,312 | 1,312 | 1,312 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)

| | | <i>3 months ended 30 September 2020</i> | <i>9 months ended 30 September 2020</i> | <i>3 months ended 30 September 2019</i> | <i>9 months ended 30 September 2019</i> |
|---|--|---|---|---|---|
| | | | | <i>Restated (see Note 3)</i> | |
| Net income | | 53 | 67 | 222 | 269 |
| Items that will not be reclassified to profit or loss | | | | | |
| Actuarial losses on post-employment benefits | | (2) | (6) | (5) | (5) |
| Income tax relating to items not to be reclassified | | - | 1 | 1 | 1 |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Gains/(losses) on cash flow hedges | | 33 | (53) | - | (28) |
| Income tax relating to items that may be reclassified | | (5) | 13 | - | 5 |
| Other comprehensive income/(loss), net of tax | | 26 | (45) | (4) | (27) |
| Total comprehensive income | | 79 | 22 | 218 | 242 |
| Total comprehensive income attributable to owners of Orange Polska S.A. | | 79 | 22 | 218 | 242 |
| Total comprehensive income attributable to non-controlling interests | | - | - | - | - |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in PLN millions)

| | | At 30 September 2020 | At 31 December 2019 |
|--|------|-------------------------|--------------------------|
| | Note | | Restated (see Note 3) |
| ASSETS | | | |
| Goodwill | | 2,263 | 2,263 |
| Other intangible assets | | 4,192 | 4,545 |
| Property, plant and equipment | | 10,241 | 10,402 |
| Right-of-use assets | | 2,813 | 2,681 |
| Trade receivables | 9 | 367 | 455 |
| Contract assets | | 64 | 65 |
| Contract costs | | 93 | 99 |
| Derivatives | 8,9 | 1 | 44 |
| Other assets | | 69 | 65 |
| Deferred tax assets | | 810 | 810 |
| Total non-current assets | | 20,913 | 21,429 |
| Inventories | | 237 | 218 |
| Trade receivables | 9 | 1,855 | 2,132 |
| Contract assets | | 82 | 117 |
| Contract costs | | 351 | 329 |
| Derivatives | 8,9 | 131 | 1 |
| Other assets | | 211 | 227 |
| Prepaid expenses | | 88 | 65 |
| Cash and cash equivalents | 8 | 321 | 404 |
| Total current assets | | 3,276 | 3,493 |
| TOTAL ASSETS | | 24,189 | 24,922 |
| EQUITY AND LIABILITIES | | | |
| Share capital | | 3,937 | 3,937 |
| Share premium | | 832 | 832 |
| Other reserves | | (151) | (89) |
| Retained earnings | | 5,992 | 5,875 |
| Equity attributable to owners of Orange Polska S.A. | | 10,610 | 10,555 |
| Non-controlling interests | | 2 | 2 |
| Total equity | | 10,612 | 10,557 |
| Trade payables | 9 | 244 | 348 |
| Lease liabilities | | 2,222 | 2,125 |
| Loans from related party | 8,9 | 2,248 | 6,431 |
| Other financial liabilities at amortised cost | 8 | 2 | 8 |
| Derivatives | 8,9 | 110 | 55 |
| Provisions | | 671 | 649 |
| Contract liabilities | | 342 | 344 |
| Employee benefits | 7 | 79 | 164 |
| Other liabilities | | 43 | 50 |
| Total non-current liabilities | | 5,961 | 10,174 |
| Trade payables | 7,9 | 1,942 | 2,367 |
| Lease liabilities | | 511 | 447 |
| Loans from related party | 8 | 3,879 | 11 |
| Other financial liabilities at amortised cost | 8 | 7 | 61 |
| Derivatives | 8,9 | 54 | 20 |
| Provisions | 11 | 230 | 242 |
| Contract liabilities | | 469 | 471 |
| Employee benefits | | 156 | 185 |
| Income tax liabilities | | 22 | 28 |
| Other liabilities | | 346 | 359 |
| Total current liabilities | | 7,616 | 4,191 |
| TOTAL EQUITY AND LIABILITIES | | 24,189 | 24,922 |

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 2020 | 3,937 | 832 | (50) | (59) | 20 | 5,884 | 10,564 | 2 | 10,566 |
| Change of accounting policy (see Note 3) | - | - | - | - | - | (9) | (9) | - | (9) |
| Balance at 1 January 2020 after change of accounting policy | 3,937 | 832 | (50) | (59) | 20 | 5,875 | 10,555 | 2 | 10,557 |
| Total comprehensive income for the 9 months ended 30 September 2020 | - | - | (53) | (6) | 14 | 67 | 22 | - | 22 |
| Share-based payments | - | - | - | - | - | 2 | 2 | - | 2 |
| Transfer to inventories | - | - | (17) | - | - | - | (17) | - | (17) |
| Other movements (see Note 7) | - | - | - | - | - | 48 | 48 | - | 48 |
| Balance at 30 September 2020 | 3,937 | 832 | (120) | (65) | 34 | 5,992 | 10,610 | 2 | 10,612 |
| Balance at 1 January 2019 | 3,937 | 832 | (20) | (51) | 13 | 5,790 | 10,501 | 2 | 10,503 |
| Total comprehensive income for the 9 months ended 30 September 2019 | - | - | (28) | (5) | 6 | 277 | 250 | - | 250 |
| Share-based payments | - | - | - | - | - | 2 | 2 | - | 2 |
| Transfer to inventories | - | - | (1) | - | - | - | (1) | - | (1) |
| Balance at 30 September 2019 | 3,937 | 832 | (49) | (56) | 19 | 6,069 | 10,752 | 2 | 10,754 |

CONSOLIDATED STATEMENT OF CASH FLOWS

(in PLN millions)

| | <i>3 months ended 30 September 2020</i> | <i>9 months ended 30 September 2020</i> | <i>3 months ended 30 September 2019</i> | <i>9 months ended 30 September 2019 Restated (see Note 3)</i> |
|---|---|---|---|---|
| OPERATING ACTIVITIES | | | | |
| Net income | 53 | 67 | 222 | 269 |
| <i>Adjustments to reconcile net income to cash from operating activities</i> | | | | |
| Gains on disposal of assets | (6) | (21) | (218) | (266) |
| Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets | 728 | 2,186 | 694 | 2,039 |
| Finance costs, net | 83 | 264 | 107 | 260 |
| Income tax | 14 | 16 | 49 | 62 |
| Change in provisions and allowances | (62) | (137) | 5 | (92) |
| Operational foreign exchange and derivatives gains, net | (4) | (12) | (4) | (7) |
| <i>Change in working capital</i> | | | | |
| (Increase)/decrease in inventories, gross | 53 | (15) | 33 | (5) |
| Decrease in trade receivables, gross | 117 | 353 | 137 | 276 |
| Decrease in contract assets, gross | 12 | 37 | - | 9 |
| Increase in contract costs | (13) | (16) | (21) | (30) |
| Decrease in trade payables | (62) | (123) | (102) | (171) |
| Increase/(decrease) in contract liabilities | (6) | (4) | (6) | 21 |
| (Increase)/decrease in prepaid expenses and other receivables | 31 | (16) | (67) | (118) |
| Increase/(decrease) in other payables | (128) | (20) | 6 | (6) |
| Interest received | 8 | 25 | 10 | 31 |
| Interest paid and interest rate effect paid on derivatives, net | (156) | (308) | (155) | (320) |
| Exchange rate effect received on derivatives, net | 1 | 2 | - | - |
| Income tax paid | (5) | (22) | (3) | (25) |
| Net cash provided by operating activities | 658 | 2,256 | 687 | 1,927 |
| INVESTING ACTIVITIES | | | | |
| Payments for purchases of property, plant and equipment and intangible assets | (500) | (1,566) | (538) | (1,742) |
| Investment grants received | 53 | 82 | 9 | 36 |
| Investment grants paid to property, plant and equipment and intangible assets suppliers | (57) | (160) | (40) | (92) |
| Exchange rate effect received on derivatives economically hedging capital expenditures, net | 2 | 4 | 3 | 3 |
| Proceeds from sale of property, plant and equipment and intangible assets | 2 | 32 | 355 | 488 |
| Cash paid for subsidiaries, net of cash acquired | - | (5) | - | (132) |
| Receipts from/(payments on) other financial instruments, net | (1) | 1 | (3) | (3) |
| Net cash used in investing activities | (501) | (1,612) | (214) | (1,442) |
| FINANCING ACTIVITIES | | | | |
| Repayment of long-term loans from related party | - | - | - | (17) |
| Repayment of lease liabilities | (104) | (308) | (88) | (276) |
| Decrease in revolving credit line and other debt | (124) | (421) | (420) | (473) |
| Exchange rate effect received on derivatives hedging debt, net | (1) | - | - | 58 |
| Net cash used in financing activities | (229) | (729) | (508) | (708) |
| Net change in cash and cash equivalents | (72) | (85) | (35) | (223) |
| Effects of exchange rate changes on cash and cash equivalents | - | 2 | - | - |
| Cash and cash equivalents at the beginning of the period | 393 | 404 | 423 | 611 |
| Cash and cash equivalents at the end of the period | 321 | 321 | 388 | 388 |

Notes to the Condensed IFRS 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 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 2020 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 2019.

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 currently 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. Starting from 2020, in order to better capture economic transformation of asset base, proceeds accrued on disposal of assets offset capital expenditures, while gains on their disposal are excluded from EBITDAaL. As a result, eCapex (economic capital expenditures) replaced Capex (capital expenditures) as the key measure of resources allocation used by the Group. Additionally, the amount of EBITDAaL in comparative period was restated to conform to new definition used in 2020.

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 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 and integration of new businesses, employment termination programs, restructuring costs, significant claims, litigation and other risks as well as other significant non-recurring items. The calculation of EBITDAaL for the 9 months ended 30 September 2020 and 2019 is 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 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 and integration of new businesses not included in purchase price and payments relating to significant claims, litigation and other risks. The calculation of organic cash flows for the 9 months ended 30 September 2020 and 2019 is presented in the table below.

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, offset 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. The calculation of eCapex for the 9 months ended 30 September 2020 and 2019 is presented in the table below.

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)

| | 9 months ended | |
|-------------------------|----------------------|---|
| | 30 September 2020 | 30 September 2019 <i>Restated</i> |
| Revenue | 8,425 | 8,407 |
| EBITDAaL ⁽¹⁾ | 2,143 | 2,036 |
| Net income | 67 | 269 |
| Organic cash flows | 418 | 403 |
| eCapex | 1,206 | 1,006 |

⁽¹⁾ The amount of EBITDAaL in comparative period was restated due to changes in accounting policies (see Note 3) and to conform to new definition used in 2020 (see above).

| | At 30 September 2020 | At 31 December 2019 <i>Restated</i> |
|--|--|---|
| | Net financial debt (in PLN millions, see Note 8) | 5,727 |
| Net financial debt/EBITDAaL ratio ⁽¹⁾ | 2.0 | 2.2 |

⁽¹⁾ The amount of net financial debt/EBITDAaL ratio in comparative period was restated due to changes in accounting policies (see Note 3) and to conform to new definition of EBITDAaL used in 2020 (see above).

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

(in PLN millions)

| | 9 months ended | |
|--|----------------------|--|
| | 30 September 2020 | 30 September 2019 <i>Restated</i> <i>(see Note 3)</i> |
| Operating income | 347 | 591 |
| Less gains on disposal of assets ⁽¹⁾ | (21) | (266) |
| Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets | 1,862 | 1,750 |
| Interest expense on lease liabilities | (47) | (51) |
| Adjustment for the impact of employment termination programs | (9) | 5 |
| Adjustment for the costs related to acquisition and integration of new subsidiaries | 11 | 7 |
| EBITDAaL | 2,143 | 2,036 |

⁽¹⁾ Gains on disposal of assets in 2019 include PLN 1 million of loss on disposed subsidiary that was already excluded from EBITDAaL calculation under the previous definition and presented separately in the table above in 2019 as an adjustment for the impact of deconsolidation of subsidiaries.

| (in PLN millions) | 9 months ended | |
|---|-------------------|---------------------|
| | 30 September 2020 | 30 September 2019 |
| | | <i>Restated</i> |
| | | <i>(see Note 3)</i> |
| Net cash provided by operating activities | 2,256 | 1,927 |
| Payments for purchases of property, plant and equipment and intangible assets | (1,566) | (1,742) |
| Exchange rate effect received on derivatives economically hedging capital expenditures, net | 4 | 3 |
| Proceeds from sale of property, plant and equipment and intangible assets | 32 | 488 |
| Repayment of lease liabilities | (308) | (276) |
| Adjustment for payment for costs related to acquisition and integration of new subsidiaries | - | 3 |
| Organic cash flows | 418 | 403 |

| (in PLN millions) | 9 months ended | |
|---|-------------------|-------------------|
| | 30 September 2020 | 30 September 2019 |
| Acquisitions of property, plant and equipment and intangible assets | 1,241 | 1,440 |
| Proceeds accrued on disposal of assets | (35) | (434) |
| eCapex | 1,206 | 1,006 |

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 2019.

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 28 October 2020.

Going concern assessment

As at 30 September 2020, the Group’s current liabilities exceeded current assets by PLN 4,340 million. The related party loans of PLN 3,560 million (presented in Note 19 to the IFRS Consolidated Financial Statements for the year ended 31 December 2019) are due in May and June 2021. The Management is discussing and negotiating the refinancing of these loans with the parent company, and based on current discussions and past experience, believes that they will be successful. Furthermore, the Management analysed the timing, nature and scale of potential financing needs of the Group and believes that available cash as well as expected operating cash inflows will be sufficient to fund the Group’s anticipated cash requirements for working capital purposes. Consequently, the Condensed Quarterly Consolidated Financial Statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future, for at least the next twelve months.

New standards and interpretations in 2020

There were no new standards or interpretations issued from the date when the IFRS Consolidated Financial Statements for the year ended 31 December 2019 were issued. Changes to standards and interpretations in 2020 did not result in any changes to accounting policies applied by the Group.

IFRS Interpretation Committee's decision on Lease Term and Useful Life of Leasehold Improvements

In December 2019 the Committee published its decision (the "Decision") in respect to the lease term. The Committee discussed the concepts of "penalties" and "enforceable period", which are used in the determination of the lease term and provided guidance on how they should be understood and applied when determining the lease term. The Committee concluded that the contract is enforceable as long as the lessee or the lessor would have to bear more than an insignificant penalty in case of termination of the contract. Therefore, even in the absence of option for the lessee to extend the lease at its discretion, the reasonably certain lease term shall be assessed in order to determine the lease term and, as a result, the amounts of the lease liability and of the right-of-use asset. Furthermore, according to the Committee, the concept of "penalty" should be considered as all economic disincentives and should not be limited only to contractual penalties.

As a result of the Decision and the analysis performed in 2020, the Group changed its accounting policy in respect of the determination of the lease term of cancellable leases. The change was applied retrospectively and impacted the 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 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 statement of financial position as at 1 January 2019 and 31 December 2019, the consolidated income statement, total comprehensive income and consolidated statement of cash flows for the 3 and 9 months ended 30 September 2019 as follows:

CONSOLIDATED INCOME STATEMENT:

| | <i>(in PLN millions)</i> | | | | | |
|--|--------------------------------|--------------------------------|---|--------------------------------|--------------------------------|--------------------------------|
| | <i>3 months</i> | <i>9 months</i> | <i>3 months</i> | <i>9 months</i> | <i>3 months</i> | <i>9 months</i> |
| | <i>ended 30 September 2019</i> | <i>ended 30 September 2019</i> | <i>ended 30 September 2019</i> | <i>ended 30 September 2019</i> | <i>ended 30 September 2019</i> | <i>ended 30 September 2019</i> |
| | <i>Before changes</i> | | <i>Impact of changes ⁽¹⁾</i> | | <i>After changes</i> | |
| Revenue | 2,870 | 8,407 | - | - | 2,870 | 8,407 |
| External purchases | (1,590) | (4,715) | 23 | 61 | (1,567) | (4,654) |
| Other operating expense | (122) | (348) | 11 | 26 | (111) | (322) |
| Other operating income | 59 | 167 | 7 | 7 | 66 | 174 |
| Depreciation and impairment of right-of-use assets | (77) | (215) | (25) | (74) | (102) | (289) |
| Operating income | 362 | 571 | 16 | 20 | 378 | 591 |
| Interest expense on lease liabilities | (13) | (35) | (5) | (16) | (18) | (51) |
| Other interest expense and financial charges | (65) | (181) | 6 | 3 | (59) | (178) |
| Foreign exchange losses | - | - | (20) | (17) | (20) | (17) |
| Finance costs, net | (88) | (230) | (19) | (30) | (107) | (260) |
| Income tax | (50) | (64) | 1 | 2 | (49) | (62) |
| Net income | 224 | 277 | (2) | (8) | 222 | 269 |
| Total comprehensive income | 220 | 250 | (2) | (8) | 218 | 242 |

⁽¹⁾ Includes changes related to presentation of foreign exchange gain/losses described in Note 4.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION:

(in PLN millions)

| | At 1 January 2019 | | |
|--------------------------------------|-------------------|-------------------|---------------|
| | Before changes | Impact of changes | After changes |
| ASSETS | | | |
| Right-of-use assets | 1,842 | 570 | 2,412 |
| Total non-current assets | 20,720 | 570 | 21,290 |
| Total current assets | 3,969 | - | 3,969 |
| TOTAL ASSETS | 24,689 | 570 | 25,259 |
| EQUITY AND LIABILITIES | | | |
| Total equity | 10,503 | - | 10,503 |
| Lease liabilities | 1,261 | 476 | 1,737 |
| Total non-current liabilities | 7,995 | 476 | 8,471 |
| Lease liabilities | 311 | 94 | 405 |
| Total current liabilities | 6,191 | 94 | 6,285 |
| TOTAL EQUITY AND LIABILITIES | 24,689 | 570 | 25,259 |

(in PLN millions)

| | At 31 December 2019 | | |
|--------------------------------------|---------------------|-------------------|---------------|
| | Before changes | Impact of changes | After changes |
| ASSETS | | | |
| Right-of-use assets | 2,101 | 580 | 2,681 |
| Deferred tax assets | 808 | 2 | 810 |
| Total non-current assets | 20,847 | 582 | 21,429 |
| Total current assets | 3,493 | - | 3,493 |
| TOTAL ASSETS | 24,340 | 582 | 24,922 |
| EQUITY AND LIABILITIES | | | |
| Retained earnings | 5,884 | (9) | 5,875 |
| Total equity | 10,566 | (9) | 10,557 |
| Lease liabilities | 1,633 | 492 | 2,125 |
| Total non-current liabilities | 9,682 | 492 | 10,174 |
| Lease liabilities | 348 | 99 | 447 |
| Total current liabilities | 4,092 | 99 | 4,191 |
| TOTAL EQUITY AND LIABILITIES | 24,340 | 582 | 24,922 |

CONSOLIDATED STATEMENT OF CASH FLOWS:*(in PLN millions)*

| | 3 months | 9 months | 3 months | 9 months | 3 months | 6 months |
|---|-----------------------|--------------|---|-------------|----------------------|--------------|
| | ended 30 | ended 30 | ended 30 | ended 30 | ended 30 | ended 30 |
| | September | | September | | September | |
| | 2019 | | 2019 | | 2019 | |
| | <i>Before changes</i> | | <i>Impact of changes ⁽¹⁾</i> | | <i>After changes</i> | |
| OPERATING ACTIVITIES | | | | | | |
| Net income | 224 | 277 | (2) | (8) | 222 | 269 |
| <i>Adjustments to reconcile net income to cash from operating activities</i> | | | | | | |
| Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets | 669 | 1,965 | 25 | 74 | 694 | 2,039 |
| Finance costs, net | 88 | 230 | 19 | 30 | 107 | 260 |
| Income tax | 50 | 64 | (1) | (2) | 49 | 62 |
| Operational foreign exchange and derivatives (gains)/losses, net | 10 | 7 | (14) | (14) | (4) | (7) |
| Interest paid and interest rate effect paid on derivatives, net | (150) | (306) | (5) | (14) | (155) | (320) |
| Net cash provided by operating activities | 665 | 1,861 | 22 | 66 | 687 | 1,927 |
| FINANCING ACTIVITIES | | | | | | |
| Repayment of lease liabilities | (66) | (210) | (22) | (66) | (88) | (276) |
| Net cash provided by/(used in) financing activities | (486) | (642) | (22) | (66) | (508) | (708) |
| Net change in cash and cash equivalents | (35) | (223) | - | - | (35) | (223) |

⁽¹⁾ Includes changes related to presentation of foreign exchange gain/losses described in Note 4.**Amendment to IFRS 16 COVID-19-Related Rent Concessions**

On 28 May 2020, the International Accounting Standards Board has issued an amendment “COVID-19-Related Rent Concessions” to IFRS 16 Leases to make it easier for lessees to account for COVID-19-related rent concessions. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. The amendment has been endorsed by the European Union in October 2020. The adoption of the amendment will not have a significant effect on the Group’s financial statements.

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 32 to the audited IFRS Consolidated Financial Statements for the year ended 31 December 2019.

Starting from 2020, the Group changed its accounting policy relating to presentation of foreign exchange gains/losses arising on revaluation and settlement of lease liabilities and related hedging instruments as follows:

Lease liabilities denominated in foreign currencies and related hedging instruments are re-measured at the end of the reporting period and the resulting translation differences are recorded in the consolidated income statement in finance costs, net (previously in other operating income/expense).

As a result, the comparative amounts for the 3 and 9 months ended 30 September 2019 were adjusted to conform to the new accounting policy and PLN (14) million of foreign exchange losses were reclassified from other operating income/expense to finance costs, net. Additionally, foreign exchange gains/losses for the 3 and 9 months ended

30 September 2019 amounting to PLN (6) million and PLN (3) million, respectively, presented within finance costs, net, were separated from other interest expense and financial charges to new line item.

The Group believes that the new presentation better reflects the economic nature of lease contracts which are long-term financial liabilities used for financing purpose and their impact should be presented in the consolidated income statement in finance costs, net.

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 and dealers, (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. |

(in PLN millions)

| | 3 months ended 30 September 2020 | 9 months ended 30 September 2020 | 3 months ended 30 September 2019 | 9 months ended 30 September 2019 |
|--|--|--|--|--|
| Mobile only services | 645 | 1,913 | 660 | 1,946 |
| Fixed only services | 518 | 1,568 | 540 | 1,661 |
| Narrowband | 194 | 608 | 224 | 701 |
| Broadband | 216 | 641 | 211 | 643 |
| Network solutions (business market) | 108 | 319 | 105 | 317 |
| Convergent services (consumer market) | 438 | 1,285 | 399 | 1,152 |
| Equipment sales | 325 | 939 | 359 | 1,078 |
| IT and integration services | 186 | 657 | 224 | 534 |
| Wholesale | 590 | 1,804 | 585 | 1,713 |
| Mobile wholesale | 345 | 1,060 | 323 | 957 |
| Fixed wholesale | 162 | 498 | 186 | 532 |
| Other | 83 | 246 | 76 | 224 |
| Other revenue | 91 | 259 | 103 | 323 |
| Total revenue | 2,793 | 8,425 | 2,870 | 8,407 |

Wholesale and other revenue for the 9 months ended 30 September 2020 and 2019 include PLN 61 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

In March 2020, COVID-19 was officially declared as a pandemic. The authorities closed the borders, introduced a lockdown on schools, some businesses and facilities and restricted movement of people to leaving home for essential reasons only. The imposed restrictions have been progressively lifted starting from end of April 2020. The pandemic has significantly impacted the Polish economy. Consensus of forecasts indicates that Poland's GDP is likely to fall by 3.6% in 2020, which is confirmed by actual data for the first half of 2020 (GDP decrease by 3.2%). At the same time the consensus indicates that GDP in Poland could return to growth in 2021 although the pace of the recovery is highly uncertain at the moment. The government has introduced 5 sets of legislation (Anti-crisis Shields and Financial Shield) targeted mainly on micro, small and medium companies, aimed at counterbalancing the crisis impact. The situation is dynamic, Poland and other countries experience a second wave of COVID-19, some restrictions have been imposed again and funds from the protective shields have been distributed. The government intends to offer some additional support for companies from sectors which suffer most from current restrictions.

Since mid-March, the Group has implemented a number of actions to adapt to the crisis situation, ensure business continuity and reduce the risks of the pandemic. The pandemic had an impact on the Group's ability to achieve its business goals in the 9 months ended 30 September 2020. The Management has adopted a number of counteractive measures to mitigate the negative impact of the pandemic on Group's business performance. Based on the up to date observations, the Group discloses the following major impacts of COVID-19 pandemic on its operations, financial position and performance in the 9 months ended 30 September 2020:

1. The results achieved in the 9 months ended 30 September 2020 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.
2. The Group observed increased voice and data traffic in its mobile and fixed networks. The networks were working without disruption and were handling the higher volumes well, benefitting from fibre infrastructure in core and access layers.
3. The distribution network was significantly affected as around 45% of points of sale were closed from mid-March until beginning of May 2020. During that time, shops which remained open, experienced much lower customer traffic. All points of sale were reopened on 4 May, however, traffic in shops remained below the usual level, which was especially visible in the first months after reopening. To counteract this, the Group was boosting online and telesales during the lockdown and observed increased customer traffic in these channels. However, this increase did not compensate for a loss of traffic in points of sale. This situation on one hand affected sale of new services, sale of equipment and related accessories and on the other hand the Group observed lower customer churn. There were much lower activations of new pre-paid cards

as a consequence of pandemic-related reduced small business activity and much lower sales to foreign residents. Sale of new services and pre-paid cards has progressively improved since May and churn has stabilized at the usual level. Generally the Group observes now stable situation slightly modified by the pandemic.

4. Restrictions for people's mobility (Polish borders were closed from mid-March and opened on 13 June 2020, only for European Union citizens, since then some new travel restrictions appeared) and likely adverse attitude to travel negatively influenced revenue from international roaming, accompanied by lower roaming interconnection expenses. On the other hand, revenue from wholesale mobile incoming calls considerably increased during the lockdown, reflecting much higher traffic, in line with mobile outgoing costs.
5. The Group assessed if there are any impairment indicators of telecom operator Cash Generating Unit and concluded that there are none as at 30 September 2020. Therefore, no impairment test was performed at this date.
6. The Group performed an analysis of available information about past events, current conditions and forecasts of future economic conditions to evaluate the impact of COVID-19 on the bad debt allowance. Based on an analysis of current conditions and a scenario analysis, with middle scenario assuming a GDP decrease of 3.6% in 2020, and the bad debt experience in 2011-2012 when a significant reduction in GDP growth last occurred, the Group recognised additional PLN 25 million of impairment of trade receivables in the 9 months ended 30 September 2020.
7. Significant weakening of PLN against EUR in the 9 months ended 30 September 2020 resulted in the recognition of foreign exchange losses (mainly on unhedged long-term lease liabilities), which are presented in finance costs, net. Weakening of PLN had a limited negative influence on operating costs and level of capital expenditures, as the Group uses financial instruments to hedge majority of these exposures. Currency loans from related party and bank borrowings are also hedged and the Group's debt is effectively denominated in PLN.
8. As at 30 September 2020, the Group performed an analysis to evaluate the impact of COVID-19 on the realization of contractual commitments. The results of the analysis have been adequately recognised in the Group's financial statements.

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.

Amendments to the Collective Labour Agreement

In June 2020, Orange Polska signed with Trade Unions amendments to the Collective Labour Agreement. Under the current provisions of the Collective Labour Agreement, employees are entitled to jubilee awards upon completion of a certain number of years of service. According to the agreed changes, these current rules regarding jubilee awards will be cancelled from April 2021. At the same time, in the period between April and December 2021, employees with 15-30 years of service will receive a one-off jubilee award at the specified amount depending on a number of years of service. As a result, negative past service cost of PLN 64 million was recognised as a decrease in labour expense in the 9 months ended 30 September 2020 with a corresponding decrease in liabilities relating to employee benefits.

Other events

A correction resulting from immaterial errors in prior periods was recognised by the Group directly in retained earnings and presented as other movements in the consolidated statement of changes in equity. The correction of PLN 48 million relates to capitalization of some indirect employee benefits as property, plant and equipment and other intangible assets.

The amount of trade payables subject to reverse factoring decreased from PLN 147 million as at 31 December 2019 to PLN 135 million as at 30 September 2020. 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:

| <i>(in PLN millions)</i> | <i>At 30 September 2020</i> | <i>At 31 December 2019</i> |
|---|---------------------------------|--------------------------------|
| Loans from related party | 6,127 | 6,442 |
| Other financial liabilities at amortised cost | 9 | 69 |
| Derivatives – net (liabilities less assets) | 32 | 30 |
| Gross financial debt after derivatives | 6,168 | 6,541 |
| Cash and cash equivalents | (321) | (404) |
| Cash flow hedge reserve | (120) | (50) |
| Net financial debt | 5,727 | 6,087 |

In the 9 months ended 30 September 2020, 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 (360) million.

As at 30 September 2020, the total outstanding balance of loans from the related party amounted to PLN 6,127 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related party amounted to 1.38% before swaps and 3.15% after swaps as at 30 September 2020.

As at 30 September 2020, 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, was EUR 190 million and PLN 5,450 million, respectively, with a total negative fair value amounting to PLN 75 million.

In June 2020, the Group and Orange S.A. concluded an agreement extending the access to back-up liquidity funding of PLN 500 million under Cash Management Treasury Agreement to 31 December 2021.

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 30 September 2020 and 31 December 2019, the total negative fair value of derivatives amounted to PLN 32 million and PLN 30 million, respectively, and fair value of selected trade receivables arising from sales of mobile handsets in instalments amounted to PLN 119 million and PLN 218 million, respectively. The fair value of these instruments is determined as described in Notes 13.1 and 22 to the IFRS Consolidated Financial Statements for the year ended 31 December 2019. Significant inputs to the valuation techniques 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 23.1.

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 30 September 2020 the estimated fair value exceeded the carrying amount respectively by PLN 52 million and PLN 48 million (PLN 65 million and PLN 34 million as at 31 December 2019) 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 2020.

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 29 to the IFRS Consolidated Financial Statements for the year ended 31 December 2019 or describes major matters that occurred after 31 December 2019.

a. Proceedings by UOKiK and claims connected with them

Proceedings by UOKiK related to pre-paid offers

UOKiK informed the Company that it had further prolonged the proceedings. The indicated date of prolongation was 30 April 2020. There was no further prolongation but UOKiK has not issued a decision in these proceedings up to the date of publication of these financial statements.

Proceedings related to retail prices of calls to Play

P4 Sp. z o.o.'s statement of claim for PLN 314 million has not yet been served on Orange Polska.

In the appeal proceedings regarding P4's claim for PLN 316 million, the Appeal Court scheduled a hearing for 14 December 2020.

b. 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. Also, there are claims including for damages or contractual penalties raised by counterparties to commercial contracts which may result in cash outflows.

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.

12. Related party transactions

As at 30 September 2020, 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 mainly to loan agreements concluded with Atlas Services Belgium S.A. and agreement with Orange S.A. concerning derivative transactions to hedge exposure to foreign currency risk and interest rate risk related to the above-mentioned loan agreements. Cash and cash equivalents deposited with Orange S.A. relate to the Cash Management Treasury Agreement.

(in PLN millions)

| | 3 months ended 30 September 2020 | 9 months ended 30 September 2020 | 3 months ended 30 September 2019 | 9 months ended 30 September 2019 |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Sales of goods and services and other income: | 55 | 158 | 55 | 159 |
| Orange S.A. (parent) | 34 | 101 | 34 | 103 |
| Orange Group (excluding parent) | 21 | 57 | 21 | 56 |
| Purchases of goods (including inventories, tangible and intangible assets) and services: | (56) | (168) | (68) | (177) |
| Orange S.A. (parent) | (10) | (37) | (18) | (43) |
| Orange Group (excluding parent) | (46) | (131) | (50) | (134) |
| - including Orange Brand Services Limited (brand licence agreement) | (28) | (86) | (29) | (84) |
| Finance costs, net: | (50) | (148) | (53) | (165) |
| Orange S.A. (parent) | (16) | (4) | 14 | (29) |
| Orange Group (excluding parent) | (34) | (144) | (67) | (136) |
| Other comprehensive income/(loss): | 19 | (102) | (12) | (37) |
| Orange S.A. (parent) | 19 | (102) | (12) | (37) |

(in PLN millions)

| | At 30 September 2020 | At 31 December 2019 |
|--|-------------------------|------------------------|
| Receivables: | 73 | 97 |
| Orange S.A. (parent) | 54 | 64 |
| Orange Group (excluding parent) | 19 | 33 |
| Liabilities: | 90 | 100 |
| Orange S.A. (parent) | 30 | 49 |
| Orange Group (excluding parent) | 60 | 51 |
| Financial receivables: | 88 | 38 |
| Orange S.A. (parent) | 88 | 38 |
| Cash and cash equivalents deposited with: | 53 | 29 |
| Orange S.A. (parent) | 53 | 29 |
| Financial liabilities: | 6,290 | 6,497 |
| Orange S.A. (parent) | 163 | 55 |
| Orange Group (excluding parent) | 6,127 | 6,442 |

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 2020 and 2019 amounted to PLN 16.8 million and PLN 14.9 million, respectively. Additionally, in September 2020 one Member of OPL S.A.'s Management Board was employed in another company of the Orange Group. The amount incurred by the Orange

Polska Group for the purchase of key management personnel services from the Orange Group for the 9 months ended 30 September 2020 amounted to PLN 0.3 million.

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 2020**



October 28, 2020

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

| | <i>Note</i> | <i>3 months ended 30 September 2020</i> | <i>9 months ended 30 September 2020</i> | <i>3 months ended 30 September 2019</i> | <i>9 months ended 30 September 2019 Restated (see Notes 2 and 3)</i> |
|--|-------------|---|---|---|--|
| Revenue | 4 | 2,591 | 7,758 | 2,661 | 7,905 |
| External purchases | | (1,373) | (4,141) | (1,394) | (4,247) |
| Labour expense | | (299) | (942) | (342) | (1,082) |
| Other operating expense | | (90) | (295) | (111) | (321) |
| Other operating income | | 65 | 207 | 65 | 175 |
| Impairment of receivables and contract assets | | (29) | (112) | (38) | (95) |
| Gains on disposal of assets | | 6 | 21 | 218 | 256 |
| Depreciation and impairment of right-of-use assets | | (107) | (313) | (98) | (280) |
| Depreciation, amortisation and impairment of property, plant and equipment and intangible assets | | (616) | (1,857) | (589) | (1,747) |
| Operating income | | 148 | 326 | 372 | 564 |
| Dividend income | | 8 | 14 | - | 21 |
| Interest income | | 8 | 27 | 11 | 32 |
| Interest expense on lease liabilities | | (15) | (47) | (17) | (50) |
| Other interest expense and financial charges | | (50) | (163) | (59) | (178) |
| Discounting expense | | (11) | (34) | (20) | (45) |
| Foreign exchange losses | | (13) | (43) | (20) | (17) |
| Finance costs, net | | (73) | (246) | (105) | (237) |
| Income tax | | (13) | (13) | (50) | (56) |
| Net income | | 62 | 67 | 217 | 271 |
| Earnings per share (in PLN) | | 0.05 | 0.05 | 0.17 | 0.21 |
| Weighted average number of shares (in millions) | | 1,312 | 1,312 | 1,312 | 1,312 |

STATEMENT OF COMPREHENSIVE INCOME*(in PLN millions)*

| | <i>3 months ended 30 September 2020</i> | <i>9 months ended 30 September 2020</i> | <i>3 months ended 30 September 2019</i> | <i>9 months ended 30 September 2019 Restated (see Note 2)</i> |
|--|---|---|---|---|
| Net income | 62 | 67 | 217 | 271 |
| Items that will not be reclassified to profit or loss | | | | |
| Actuarial losses on post-employment benefits | (2) | (6) | (5) | (5) |
| Income tax relating to items not to be reclassified | - | 1 | 1 | 1 |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Gains/(losses) on cash flow hedges | 33 | (53) | - | (28) |
| Income tax relating to items that may be reclassified | (5) | 13 | - | 5 |
| Other comprehensive income/(loss), net of tax | 26 | (45) | (4) | (27) |
| Total comprehensive income | 88 | 22 | 213 | 244 |

STATEMENT OF FINANCIAL POSITION

(in PLN millions)

| | | At 30 September 2020 | At 31 December 2019 <i>Restated</i> <i>(see Note 2)</i> |
|---|-------------|-------------------------|--|
| | <i>Note</i> | | |
| ASSETS | | | |
| Goodwill | | 2,014 | 2,014 |
| Other intangible assets | | 4,132 | 4,473 |
| Property, plant and equipment | | 10,345 | 10,506 |
| Right-of-use assets | | 2,782 | 2,649 |
| Investments in subsidiaries | | 334 | 334 |
| Trade receivables | 8 | 336 | 423 |
| Contract assets | | 64 | 65 |
| Contract costs | | 85 | 95 |
| Loans to related parties | | 115 | 70 |
| Derivatives | 7,8 | 1 | 44 |
| Other assets | | 64 | 59 |
| Deferred tax asset | | 751 | 760 |
| Total non-current assets | | 21,023 | 21,492 |
| Inventories | | 176 | 178 |
| Trade receivables | 8 | 1,706 | 1,981 |
| Contract assets | | 82 | 117 |
| Contract costs | | 346 | 327 |
| Loans to related parties | | 2 | 16 |
| Derivatives | 7,8 | 131 | 1 |
| Other assets | | 118 | 111 |
| Prepaid expenses | | 49 | 29 |
| Cash and cash equivalents | | 264 | 343 |
| Total current assets | | 2,874 | 3,103 |
| TOTAL ASSETS | | 23,897 | 24,595 |
| EQUITY AND LIABILITIES | | | |
| Share capital | | 3,937 | 3,937 |
| Share premium | | 832 | 832 |
| Other reserves | | (150) | (88) |
| Retained earnings | | 5,926 | 5,809 |
| Total equity | | 10,545 | 10,490 |
| Trade payables | 8 | 244 | 348 |
| Lease liabilities | | 2,201 | 2,104 |
| Loans from related parties | 7,8 | 2,248 | 6,432 |
| Other financial liabilities at amortised cost | | - | 3 |
| Derivatives | 7,8 | 110 | 55 |
| Provisions | | 653 | 631 |
| Contract liabilities | | 321 | 323 |
| Employee benefits | 6 | 61 | 155 |
| Other liabilities | | 39 | 39 |
| Total non-current liabilities | | 5,877 | 10,090 |
| Trade payables | 6,8 | 1,791 | 2,221 |
| Lease liabilities | | 499 | 434 |
| Loans from related parties | 7 | 3,954 | 66 |
| Other financial liabilities at amortised cost | | 4 | 57 |
| Derivatives | 7,8 | 54 | 20 |
| Provisions | 10 | 222 | 237 |
| Contract liabilities | | 447 | 444 |
| Employee benefits | | 145 | 175 |
| Income tax liabilities | | 22 | 23 |
| Other liabilities | | 337 | 338 |
| Total current liabilities | | 7,475 | 4,015 |
| TOTAL EQUITY AND LIABILITIES | | 23,897 | 24,595 |

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 2020 | 3,937 | 832 | (50) | (59) | 21 | 5,818 | 10,499 |
| Change of accounting policy (see Note 2) | - | - | - | - | - | (9) | (9) |
| Balance at 1 January 2020 after change of accounting policy | 3,937 | 832 | (50) | (59) | 21 | 5,809 | 10,490 |
| Total comprehensive income for the 9 months ended 30 September 2020 | - | - | (53) | (6) | 14 | 67 | 22 |
| Share-based payments | - | - | - | - | - | 2 | 2 |
| Transfer to inventories | - | - | (17) | - | - | - | (17) |
| Other movements (see Note 6) | - | - | - | - | - | 48 | 48 |
| Balance at 30 September 2020 | 3,937 | 832 | (120) | (65) | 35 | 5,926 | 10,545 |
| Balance at 1 January 2019 | 3,937 | 832 | (20) | (51) | 14 | 5,727 | 10,439 |
| Total comprehensive income for the 9 months ended 30 September 2019 | - | - | (28) | (5) | 6 | 279 | 252 |
| Share-based payments | - | - | - | - | - | 2 | 2 |
| Transfer to inventories | - | - | (1) | - | - | - | (1) |
| Balance at 30 September 2019 | 3,937 | 832 | (49) | (56) | 20 | 6,008 | 10,692 |

STATEMENT OF CASH FLOWS

(in PLN millions)

| | <i>3 months ended 30 September 2020</i> | <i>9 months ended 30 September 2020</i> | <i>3 months ended 30 September 2019</i> | <i>9 months ended 30 September 2019 Restated (see Note 2)</i> |
|---|---|---|---|---|
| OPERATING ACTIVITIES | | | | |
| Net income | 62 | 67 | 217 | 271 |
| <i>Adjustments to reconcile net income to cash from operating activities</i> | | | | |
| Gains on disposal of assets | (6) | (21) | (218) | (256) |
| Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets | 723 | 2,170 | 687 | 2,027 |
| Finance costs, net | 73 | 246 | 105 | 237 |
| Income tax | 13 | 13 | 50 | 56 |
| Change in provisions and allowances | (62) | (140) | 4 | (91) |
| Operational foreign exchange and derivatives gains, net | (2) | (11) | (4) | (7) |
| <i>Change in working capital</i> | | | | |
| (Increase)/decrease in inventories, gross | 43 | 7 | 28 | (7) |
| Decrease in trade receivables, gross | 119 | 354 | 133 | 260 |
| Decrease in contract assets, gross | 12 | 37 | - | 9 |
| Increase in contract costs | (10) | (9) | (17) | (14) |
| Decrease in trade payables | (61) | (132) | (122) | (138) |
| Increase/(decrease) in contract liabilities | (5) | 1 | (6) | 3 |
| (Increase)/decrease in prepaid expenses and other receivables | 14 | (34) | (41) | (48) |
| Decrease in other payables | (117) | (10) | (10) | (21) |
| Dividends received | 6 | 6 | 13 | 21 |
| Interest received | 8 | 27 | 11 | 32 |
| Interest paid and interest rate effect paid on derivatives, net | (156) | (308) | (155) | (320) |
| Exchange rate effect received on derivatives, net | 1 | 2 | - | - |
| Income tax received/(paid) | - | (2) | 4 | (17) |
| Net cash provided by operating activities | 655 | 2,263 | 679 | 1,997 |
| INVESTING ACTIVITIES | | | | |
| Payments for purchases of property, plant and equipment and intangible | (504) | (1,571) | (534) | (1,742) |
| Investment grants received | 53 | 82 | 9 | 36 |
| Investment grants paid to property, plant and equipment and intangible assets suppliers | (57) | (160) | (40) | (92) |
| Exchange rate effect received on derivatives economically hedging capital expenditures, net | 2 | 4 | 3 | 3 |
| Proceeds from sale of property, plant and equipment and intangible assets | 2 | 32 | 355 | 473 |
| Proceeds from sale of investments in subsidiaries | - | - | - | 2 |
| Cash paid for investments in subsidiaries | - | (5) | - | (133) |
| Receipts from/(payments on) loans to related parties and other financial instruments, net | (1) | (30) | (3) | 15 |
| Net cash used in investing activities | (505) | (1,648) | (210) | (1,438) |
| FINANCING ACTIVITIES | | | | |
| Repayment of long-term loans from related party | - | - | - | (17) |
| Repayment of lease liabilities | (102) | (298) | (83) | (266) |
| Decrease in revolving credit line and other debt | (132) | (398) | (470) | (579) |
| Exchange rate effect received/(paid) on derivatives hedging debt, net | (1) | - | - | 58 |
| Net cash used in financing activities | (235) | (696) | (553) | (804) |
| Net change in cash and cash equivalents | (85) | (81) | (84) | (245) |
| Effects of exchange rate changes on cash and cash equivalents | - | 2 | - | - |
| Cash and cash equivalents at the beginning of the period | 349 | 343 | 377 | 538 |
| Cash and cash equivalents at the end of the period | 264 | 264 | 293 | 293 |

Notes to the Condensed IFRS 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 at 160 Aleje Jerozolimskie St.

2. Statement of compliance and basis of preparation

Basis of preparation

These unaudited Condensed IFRS Quarterly Separate Financial Statements for the 9 months ended 30 September 2020 (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 2019.

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.

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 9 months ended 30 September 2020. 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 28 October 2020.

Going concern assessment

As at 30 September 2020, the Company’s current liabilities exceeded current assets by PLN 4,601 million. The related party loans of PLN 3,560 million (presented in Note 17 to the IFRS Separate Financial Statements for the year ended 31 December 2019) are due in May and June 2021. The Management is discussing and negotiating the refinancing of these loans with the parent company, and based on current discussions and past experience, believes that they will be successful. Furthermore, the Management analysed the timing, nature and scale of potential financing needs of the Company and believes that available cash as well as expected operating cash inflows will be sufficient to fund the Company’s anticipated cash requirements for working capital purposes. Consequently, the Condensed Quarterly

Separate Financial Statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future, for at least the next twelve months.

New standards and interpretations in 2020

There were no new standards or interpretations, issued from the date when the IFRS Separate Financial Statements for the year ended 31 December 2019 were issued. Changes to standards and interpretations in 2020 did not result in any changes to accounting policies applied by the Company.

IFRS Interpretation Committee's decision on Lease Term and Useful Life of Leasehold Improvements

In December 2019 the Committee published its decision (the "Decision") in respect to the lease term. The Committee discussed the concepts of "penalties" and "enforceable period", which are used in the determination of the lease term and provided guidance on how they should be understood and applied when determining the lease term. The Committee concluded that the contract is enforceable as long as the lessee or the lessor would have to bear more than an insignificant penalty in case of termination of the contract. Therefore, even in the absence of option for the lessee to extend the lease at its discretion, the reasonably certain lease term shall be assessed in order to determine the lease term and, as a result, the amounts of the lease liability and of the right-of-use asset. Furthermore, according to the Committee, the concept of "penalty" should be considered as all economic disincentives and should not be limited only to contractual penalties.

As a result of the Decision and the analysis performed in 2020, the Company changed its accounting policy in respect of the determination of the lease term of cancellable leases. 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 statement of financial position as at 1 January 2019 and 31 December 2019, the income statement, total comprehensive income and statement of cash flows for the 3 and 9 months ended 30 September 2019 as follows:

INCOME STATEMENT:

| <i>(in PLN millions)</i> | <i>3 months ended 30 September 2019</i> | | <i>9 months ended 30 September 2019</i> | | <i>3 months ended 30 September 2019</i> | | <i>9 months ended 30 September 2019</i> | |
|--|---|---|---|---|---|---|---|---|
| | <i>Before changes</i> | | <i>Impact of changes ⁽¹⁾</i> | | <i>Before changes</i> | | <i>Impact of changes ⁽¹⁾</i> | |
| | <i>Before changes</i> | <i>Impact of changes ⁽¹⁾</i> | <i>Before changes</i> | <i>Impact of changes ⁽¹⁾</i> | <i>Before changes</i> | <i>Impact of changes ⁽¹⁾</i> | <i>Before changes</i> | <i>Impact of changes ⁽¹⁾</i> |
| Revenue | 2,661 | 7,905 | - | - | 2,661 | 7,905 | | |
| External purchases | (1,416) | (4,306) | 22 | 59 | (1,394) | (4,247) | | |
| Other operating expense | (122) | (347) | 11 | 26 | (111) | (321) | | |
| Other operating income | 58 | 168 | 7 | 7 | 65 | 175 | | |
| Depreciation and impairment of right-of-use assets | (73) | (207) | (25) | (73) | (98) | (280) | | |
| Operating income | 357 | 545 | 15 | 19 | 372 | 564 | | |
| Interest expense on lease liabilities | (13) | (35) | (4) | (15) | (17) | (50) | | |
| Other interest expense and financial charges | (65) | (181) | 6 | 3 | (59) | (178) | | |
| Foreign exchange losses | - | - | (20) | (17) | (20) | (17) | | |
| Finance costs, net | (87) | (208) | (18) | (29) | (105) | (237) | | |
| Income tax | (51) | (58) | 1 | 2 | (50) | (56) | | |
| Net income | 219 | 279 | (2) | (8) | 217 | 271 | | |
| Total comprehensive income | 215 | 252 | (2) | (8) | 213 | 244 | | |

¹⁾ Includes changes related to presentation of foreign exchange gain/losses described in Note 3.

STATEMENT OF FINANCIAL POSITION:

| <i>(in PLN millions)</i> | <i>At 1 January 2019</i> | | |
|--------------------------------------|--------------------------|--------------------------|----------------------|
| | <i>Before changes</i> | <i>Impact of changes</i> | <i>After changes</i> |
| | <i>Before changes</i> | <i>Impact of changes</i> | <i>After changes</i> |
| ASSETS | | | |
| Right-of-use assets | 1,822 | 559 | 2,381 |
| Total non-current assets | 20,708 | 559 | 21,267 |
| Total current assets | 3,758 | - | 3,758 |
| TOTAL ASSETS | 24,466 | 559 | 25,025 |
| EQUITY AND LIABILITIES | | | |
| Total equity | 10,439 | - | 10,439 |
| Lease liabilities | 1,249 | 468 | 1,717 |
| Total non-current liabilities | 7,934 | 468 | 8,402 |
| Lease liabilities | 303 | 91 | 394 |
| Total current liabilities | 6,093 | 91 | 6,184 |
| TOTAL EQUITY AND LIABILITIES | 24,466 | 559 | 25,025 |

(in PLN millions)

At 31 December 2019

| | At 31 December 2019 | | |
|--------------------------------------|---------------------|-------------------|---------------|
| | Before changes | Impact of changes | After changes |
| ASSETS | | | |
| Right-of-use assets | 2,082 | 567 | 2,649 |
| Deferred tax asset | 758 | 2 | 760 |
| Total non-current assets | 20,923 | 569 | 21,492 |
| Total current assets | 3,103 | - | 3,103 |
| TOTAL ASSETS | 24,026 | 569 | 24,595 |
| EQUITY AND LIABILITIES | | | |
| Retained earnings | 5,818 | (9) | 5,809 |
| Total equity | 10,499 | (9) | 10,490 |
| Lease liabilities | 1,622 | 482 | 2,104 |
| Total non-current liabilities | 9,608 | 482 | 10,090 |
| Lease liabilities | 338 | 96 | 434 |
| Total current liabilities | 3,919 | 96 | 4,015 |
| TOTAL EQUITY AND LIABILITIES | 24,026 | 569 | 24,595 |

STATEMENT OF CASH FLOWS:

(in PLN millions)

| | 3 months | 9 months | 3 months | 9 months | 3 months | 9 months |
|---|-------------------------|--------------|----------------------------------|-------------|-------------------------|--------------|
| | ended 30 September 2019 | | ended 30 September 2019 | | ended 30 September 2019 | |
| | Before changes | | Impact of changes ⁽¹⁾ | | After changes | |
| OPERATING ACTIVITIES | | | | | | |
| Net income | 219 | 279 | (2) | (8) | 217 | 271 |
| <i>Adjustments to reconcile net income to cash from operating activities</i> | | | | | | |
| Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets | 662 | 1,954 | 25 | 73 | 687 | 2,027 |
| Finance costs, net | 87 | 208 | 18 | 29 | 105 | 237 |
| Income tax | 51 | 58 | (1) | (2) | 50 | 56 |
| Operational foreign exchange and derivatives (gains)/losses, net | 10 | 7 | (14) | (14) | (4) | (7) |
| Interest paid and interest rate effect paid on derivatives, net | (150) | (306) | (5) | (14) | (155) | (320) |
| Net cash provided by operating activities | 658 | 1,933 | 21 | 64 | 679 | 1,997 |
| FINANCING ACTIVITIES | | | | | | |
| Repayment of lease liabilities | (62) | (202) | (21) | (64) | (83) | (266) |
| Net cash provided by/(used in) financing activities | (532) | (740) | (21) | (64) | (553) | (804) |
| Net change in cash and cash equivalents | (84) | (245) | - | - | (84) | (245) |

¹⁾ Includes changes related to presentation of foreign exchange gain/losses described in Note 3.Amendment to IFRS 16 COVID-19-Related Rent Concessions

On 28 May 2020, the International Accounting Standards Board has issued an amendment “COVID-19-Related Rent Concessions” to IFRS 16 Leases to make it easier for lessees to account for COVID-19-related rent concessions. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. The amendment has been endorsed

by the European Union in October 2020. The adoption of the amendment will not have a significant effect on the Company's financial statements.

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 2019.

Starting from 2020, the Company changed its accounting policy relating to presentation of foreign exchange gains/losses arising on revaluation and settlement of lease liabilities and related hedging instruments as follows:

Lease liabilities denominated in foreign currencies and related hedging instruments are re-measured at the end of the reporting period and the resulting translation differences are recorded in the income statement in finance costs, net (previously in other operating income/expense).

As a result, the comparative amounts for the 3 and 9 months ended 30 September 2019 were adjusted to conform to the new accounting policy and PLN (14) million of foreign exchange losses were reclassified from other operating income/expense to finance costs, net. Additionally, foreign exchange gains/losses for the 3 and 9 months ended 30 September 2019 amounting to PLN (6) million and PLN (3) million, respectively, presented within finance costs, net, were separated from other interest expense and financial charges to new line item.

The Company believes that the new presentation better reflects the economic nature of lease contracts which are long-term financial liabilities used for financing purpose and their impact should be presented in the income statement in finance costs, net.

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

| <i>(in PLN millions)</i> | <i>3 months ended 30 September 2020</i> | <i>9 months ended 30 September 2020</i> | <i>3 months ended 30 September 2019</i> | <i>9 months ended 30 September 2019</i> |
|--|---|---|---|---|
| Mobile only services | 644 | 1,910 | 658 | 1,942 |
| Fixed only services | 518 | 1,568 | 540 | 1,661 |
| Narrowband | 194 | 608 | 224 | 701 |
| Broadband | 216 | 641 | 211 | 643 |
| Network solutions (business market) | 108 | 319 | 105 | 317 |
| Convergent services (consumer market) | 438 | 1,285 | 399 | 1,152 |
| Equipment sales | 325 | 939 | 359 | 1,078 |
| IT and integration services | 47 | 149 | 50 | 133 |
| Wholesale | 590 | 1,804 | 585 | 1,713 |
| Mobile wholesale | 345 | 1,060 | 323 | 957 |
| Fixed wholesale | 162 | 498 | 186 | 532 |
| Other | 83 | 246 | 76 | 224 |
| Other revenue | 29 | 103 | 70 | 226 |
| Total revenue | 2,591 | 7,758 | 2,661 | 7,905 |

Wholesale and other revenue for the 9 months ended 30 September 2020 and 2019 include, respectively, PLN 70 million and PLN 71 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

In March 2020, COVID-19 was officially declared as a pandemic. The authorities closed the borders, introduced a lockdown on schools, some businesses and facilities and restricted movement of people to leaving home for essential reasons only. The imposed restrictions have been progressively lifted starting from end of April 2020. The pandemic has significantly impacted the Polish economy. Consensus of forecasts indicates that Poland’s GDP is likely to fall by 3.6% in 2020, which is confirmed by actual data for the first half of 2020 (GDP decrease by 3.2%). At the same time the consensus indicates that GDP in Poland could return to growth in 2021 although the pace of the recovery is highly uncertain at the moment. The government has introduced 5 sets of legislation (Anti-crisis Shields and Financial Shield) targeted mainly on micro, small and medium companies, aimed at counterbalancing the crisis impact. The situation is dynamic, Poland and other countries experience a second wave of COVID-19, some restrictions have been imposed again and funds from the protective shields have been distributed. The government intends to offer some additional support for companies from sectors which suffer most from current restrictions.

Since mid-March, the Company has implemented a number of actions to adapt to the crisis situation, ensure business continuity and reduce the risks of the pandemic. The pandemic had an impact on the Company’s ability

to achieve its business goals in the 9 months ended 30 September 2020. The Management has adopted a number of counteractive measures to mitigate the negative impact of the pandemic on Company's business performance. Based on the up to date observations, the Company discloses the following major impacts of COVID-19 pandemic on its operations, financial position and performance in the 9 months ended 30 September 2020:

1. The results achieved in the 9 months ended 30 September 2020 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.
2. The Company observed increased voice and data traffic in its mobile and fixed networks. The networks were working without disruption and were handling the higher volumes well, benefitting from fibre infrastructure in core and access layers.
3. The distribution network was significantly affected as around 45% of points of sale were closed from mid-March until beginning of May 2020. During that time, shops which remained open, experienced much lower customer traffic. All points of sale were reopened on 4 May, however, traffic in shops remained below the usual level, which was especially visible in the first months after reopening. To counteract this, the Company was boosting online and telesales during the lockdown and observed increased customer traffic in these channels. However, this increase did not compensate for a loss of traffic in points of sale. This situation on one hand affected sale of new services, sale of equipment and related accessories and on the other hand the Company observed lower customer churn. There were much lower activations of new pre-paid cards as a consequence of pandemic-related reduced small business activity and much lower sales to foreign residents. Sale of new services and pre-paid cards has progressively improved since May and churn has stabilized at the usual level. Generally the Company observes now stable situation slightly modified by the pandemic.
4. Restrictions for people's mobility (Polish borders were closed from mid-March and opened on 13 June 2020, only for European Union citizens, since then some new travel restrictions appeared) and likely adverse attitude to travel negatively influenced revenue from international roaming, accompanied by lower roaming interconnection expenses. On the other hand revenue from wholesale mobile incoming calls considerably increased during the lockdown, reflecting much higher traffic, in line with mobile outgoing costs.
5. The Company assessed if there are any impairment indicators of telecom operator Cash Generating Unit and concluded that there are none as at 30 September 2020. Therefore, no impairment test was performed at this date.
6. The Company performed an analysis of available information about past events, current conditions and forecasts of future economic conditions to evaluate the impact of COVID-19 on the bad debt allowance. Based on an analysis of current conditions and a scenario analysis, with middle scenario assuming a GDP decrease of 3.6% in 2020, and the bad debt experience in 2011-2012 when a significant reduction in GDP growth last occurred, the Company recognised additional PLN 25 million of impairment of trade receivables in the 9 months ended 30 September 2020.
7. Significant weakening of PLN against EUR in the 9 months ended 30 September 2020 resulted in the recognition of foreign exchange losses (mainly on unhedged long-term lease liabilities), which are presented in finance costs, net. Weakening of PLN had a limited negative influence on operating costs and level of capital expenditures, as the Company uses financial instruments to hedge majority of these exposures. Currency loans from related party and bank borrowings are also hedged and the Company's debt is effectively denominated in PLN.

8. As at 30 September 2020, the Company performed an analysis to evaluate the impact of COVID-19 on the realization of contractual commitments. The results of the analysis have been adequately recognised in the Company's financial statements.

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.

Amendments to the Collective Labour Agreement

In June 2020, Orange Polska signed with Trade Unions amendments to the Collective Labour Agreement. Under the current provisions of the Collective Labour Agreement, employees are entitled to jubilee awards upon completion of a certain number of years of service. According to the agreed changes, these current rules regarding jubilee awards will be cancelled from April 2021. At the same time, in the period between April and December 2021, employees with 15-30 years of service will receive a one-off jubilee award at the specified amount depending on a number of years of service. As a result, negative past service cost of PLN 64 million was recognised as a decrease in labour expense in the 9 months ended 30 September 2020 with a corresponding decrease in liabilities relating to employee benefits.

Other events

A correction resulting from immaterial errors in prior periods was recognised by the Company directly in retained earnings and presented as other movements in the statement of changes in equity. The correction of PLN 48 million relates to capitalization of some indirect employee benefits as property, plant and equipment and other intangible assets.

The amount of trade payables subject to reverse factoring decreased from PLN 137 million as at 31 December 2019 to PLN 125 million as at 30 September 2020. 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

In the 9 months ended 30 September 2020, 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 (360) million.

As at 30 September 2020, the total outstanding balance of loans from the related parties amounted to PLN 6,202 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related parties amounted to 1.37% before swaps and 3.11% after swaps as at 30 September 2020.

As at 30 September 2020, 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, was EUR 190 million and PLN 5,450 million, respectively, with a total negative fair value amounting to PLN 75 million.

In June 2020, the Company and Orange S.A. concluded an agreement extending the access to back-up liquidity funding of PLN 500 million under Cash Management Treasury Agreement to 31 December 2021.

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 30 September 2020 and 31 December 2019, the total negative fair value of derivatives amounted to PLN 32 million and PLN 30 million, respectively, and fair value of selected trade receivables arising from sales of mobile handsets in instalments amounted to PLN 119 million and PLN 218 million, respectively. The fair value of these instruments is determined as described in Notes 12.1 and 21 to the IFRS Separate Financial Statements for the year ended 31 December 2019. Significant inputs to the valuation techniques 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 22.1.

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 30 September 2020 the estimated fair value exceeded the carrying amount respectively by PLN 52 million and PLN 48 million (PLN 65 million and PLN 34 million as at 31 December 2019) 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 2020.

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 2019 or describes major matters that occurred after 31 December 2019.

a. Proceedings by UOKiK and claims connected with them

Proceedings by UOKiK related to pre-paid offers

UOKiK informed the Company that it had further prolonged the proceedings. The indicated date of prolongation was 30 April 2020. There was no further prolongation but UOKiK has not issued a decision in these proceedings up to the date of publication of these financial statements.

Proceedings related to retail prices of calls to Play

P4 Sp. z o.o.'s statement of claim for PLN 314 million has not yet been served on Orange Polska.

In the appeal proceedings regarding P4's claim for PLN 316 million, the Appeal Court scheduled a hearing for 14 December 2020.

b. 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. Also, there are claims including for damages or contractual penalties raised by counterparties to commercial contracts 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 be yet 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.

11. Related party transactions

As at 30 September 2020, 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 dividends and interest on the loans granted to the subsidiaries. Financial costs incurred by OPL S.A. in transactions with the subsidiaries comprised mainly interest on bonds issued to the subsidiaries. Financial receivables from the subsidiaries relate to the loans granted to the subsidiaries and dividend receivables. Financial liabilities to the subsidiaries comprise mainly cash pool deposits from 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. 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 2020

Translation of the financial statements originally issued in Polish

| <i>(in PLN millions)</i> | <i>3 months ended 30 September 2020</i> | <i>9 months ended 30 September 2020</i> | <i>3 months ended 30 September 2019</i> | <i>9 months ended 30 September 2019</i> |
|---|---|---|---|---|
| Sales of goods and services and other income: | 80 | 237 | 77 | 225 |
| Orange Polska Group (subsidiaries) | 25 | 80 | 22 | 67 |
| Orange Group | 55 | 157 | 55 | 158 |
| - Orange S.A. (parent) | 34 | 101 | 34 | 103 |
| - Orange Group (excluding parent) | 21 | 56 | 21 | 55 |
| Purchases of goods (including inventories, tangible and intangible assets) and services: | (123) | (368) | (163) | (478) |
| Orange Polska Group (subsidiaries) | (68) | (201) | (95) | (301) |
| Orange Group | (55) | (167) | (68) | (177) |
| - Orange S.A. (parent) | (10) | (37) | (18) | (43) |
| - Orange Group (excluding parent) | (45) | (130) | (50) | (134) |
| - including Orange Brand Services Limited (brand licence agreement) | (28) | (86) | (29) | (84) |
| Financial income: | 8 | 16 | 1 | 23 |
| Orange Polska Group (subsidiaries) | 8 | 16 | - | 22 |
| Orange S.A. (parent) | - | - | 1 | 1 |
| Financial expense, net: | (50) | (148) | (54) | (167) |
| Orange Polska Group (subsidiaries) | - | - | - | (1) |
| Orange Group | (50) | (148) | 54 | (166) |
| - Orange S.A. (parent) | (16) | (4) | 13 | (30) |
| - Orange Group (excluding parent) | (34) | (144) | (67) | (136) |
| Other comprehensive income/(loss): | 19 | (102) | (12) | (37) |
| Orange S.A. (parent) | 19 | (102) | (12) | (37) |

| <i>(in PLN millions)</i> | <i>At 30 September 2020</i> | <i>At 31 December 2019</i> |
|--|---------------------------------|--------------------------------|
| Receivables and contract costs: | 100 | 136 |
| Orange Polska Group (subsidiaries) | 27 | 39 |
| Orange Group | 73 | 97 |
| - Orange S.A. (parent) | 54 | 64 |
| - Orange Group (excluding parent) | 19 | 33 |
| Liabilities: | 174 | 219 |
| Orange Polska Group (subsidiaries) | 84 | 119 |
| Orange Group | 90 | 100 |
| - Orange S.A. (parent) | 30 | 49 |
| - Orange Group (excluding parent) | 60 | 51 |
| Financial receivables: | 213 | 124 |
| Orange Polska Group (subsidiaries) | 125 | 86 |
| Orange S.A. (parent) | 88 | 38 |
| Cash and cash equivalents deposited with: | 53 | 29 |
| Orange S.A. (parent) | 53 | 29 |
| Financial liabilities: | 6,365 | 6,553 |
| Orange Polska Group (subsidiaries) | 75 | 56 |
| Orange Group | 6,290 | 6,497 |
| - Orange S.A. (parent) | 163 | 55 |
| - Orange Group (excluding parent) | 6,127 | 6,442 |
| Guarantees granted: | 119 | 104 |
| Orange Polska Group (subsidiaries) | 119 | 104 |

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 2020 and 2019 amounted to PLN 16.8 million and PLN 14.9 million, respectively. Additionally, in September 2020 one Member of OPL S.A.'s Management Board was employed in another company of the Orange Group. The amount incurred by the Company for the

purchase of key management personnel services from the Orange Group for the 9 months ended 30 September 2020 amounted to PLN 0.3 million.

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 28 October 2020, i.e. the date of submission of the quarterly report for the 3 months ended 30 September 2020 was the same as at 29 July 2020, i.e. the date of submission of the interim report for the 6 months ended 30 June 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 interim report

Mr Jean-François Fallacher, the President of the Management Board of OPL S.A., held 40,000 Orange Polska S.A. shares as at 29 July 2020. On 31 July 2020, Mr Jean-François Fallacher submitted his resignation as the President and Member of the Management Board of OPL S.A. with effect on 31 August 2020.

Ms Jolanta Dudek, the Member of the Management Board of OPL S.A., held 8,474 Orange Polska S.A. shares as at 28 October 2020 and 29 July 2020.

Mr Piotr Jaworski, the Member of the Management Board of OPL S.A., held 673 Orange Polska S.A. shares as at 28 October 2020 and 29 July 2020.

Mr Maciej Nowohoński, the Member of the Management Board of OPL S.A., held 25,000 Orange Polska S.A. shares as at 28 October 2020 and 29 July 2020.

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 2020, 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 3/2020 of February 12, 2020, the Group forecasts that EBITDAaL in 2020 will be higher than in 2019 (PLN 2.718 billion after restatement). Considering the results of the 9 months ended 30 September 2020 and additional measures implemented to mitigate the impact of the crisis, the Management Board of Orange Polska S.A. is reiterating its forecast for growth of EBITDAaL in 2020. 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 in the first half of 2020 as well as in the current report 21/2020 published on 18 August 2020 related to potential partnership into further fibre rollout through co-controlled vehicle. 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 2020 and 31 December 2019 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 9 months ended 30 September 2020 and 2019, were translated into EUR at an exchange rates 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 2020 and 2019.

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 2020 | 31 December 2019 | 30 September 2019 |
|--|--------------------------|-------------------------|--------------------------|
| Statement of financial position | 4.5268 PLN | 4.2585 PLN | Not applicable |
| Income statement, statement of comprehensive income, statement of cash flows | 4.4420 PLN | Not applicable | 4.3086 PLN |