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POLISH FINANCIAL SUPERVISION AUTHORITY

Quarterly consolidated report for the first quarter of 2022

(year)

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

for the first quarter of 2022, i.e. from 1 January 2022 to 31 March 2022

including condensed consolidated financial statements prepared under: **International Financial Reporting Standards**
in currency: **PLN**

and condensed separate financial statements prepared under: **International Financial Reporting Standards**
in currency: **PLN**

date of issuance: **25 April 2022**

ORANGE POLSKA SA

(full name of issuer)

ORANGEPL

(abbreviated name of the issuer)

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SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	1 quarter cumulative period from 01/01/2022 to 31/03/2022	1 quarter cumulative period from 01/01/2021 to 31/03/2021	1 quarter cumulative period from 01/01/2022 to 31/03/2022	1 quarter cumulative period from 01/01/2021 to 31/03/2021
condensed consolidated financial statements data				
I. Revenue	2,931,000	2,918,000	630,702	638,219
II. Operating income	244,000	116,000	52,505	25,371
III. Profit before income tax	156,000	50,000	33,569	10,936
IV. Net income	125,000	39,000	26,898	8,530
V. Net income attributable to owners of Orange Polska S.A.	125,000	39,000	26,898	8,530
VI. Earnings per share (in PLN/EUR) (basic and diluted)	0.10	0.03	0.02	0.01
VII. Weighted average number of shares (in millions)	1,312	1,312	1,312	1,312
VIII. Total comprehensive income	376,000	91,000	80,909	19,903
IX. Total comprehensive income attributable to owners of Orange Polska S.A.	376,000	91,000	80,909	19,903
X. Net cash provided by operating activities	844,000	893,000	181,615	195,315
XI. Net cash used in investing activities	(484,000)	(589,000)	(104,149)	(128,825)
XII. Net cash used in financing activities	(153,000)	(266,000)	(32,923)	(58,179)
XIII. Net change in cash and cash equivalents	207,000	38,000	44,543	8,311
	balance as at 31/03/2022	balance as at 31/12/2021	balance as at 31/03/2022	balance as at 31/12/2021
XIV. Total current assets	4,452,000	4,137,000	956,905	899,465
XV. Total non-current assets	21,786,000	22,020,000	4,682,644	4,787,581
XVI. Total assets	26,238,000	26,157,000	5,639,549	5,687,046
XVII. Total current liabilities	4,919,000	4,353,000	1,057,281	946,428
XVIII. Total non-current liabilities	8,334,000	9,193,000	1,791,295	1,998,739
XIX. Total equity	12,985,000	12,611,000	2,790,973	2,741,879
XX. Equity attributable to owners of Orange Polska S.A.	12,983,000	12,609,000	2,790,543	2,741,445
XXI. Share capital	3,937,000	3,937,000	846,212	855,981
condensed separate financial statements data				
	1 quarter cumulative period from 01/01/2022 to 31/03/2022	1 quarter cumulative period from 01/01/2021 to 31/03/2021	1 quarter cumulative period from 01/01/2022 to 31/03/2022	1 quarter cumulative period from 01/01/2021 to 31/03/2021
I. Revenue	2,547,000	2,632,000	548,072	575,665
II. Operating income	246,000	119,000	52,935	26,027
III. Profit before income tax	159,000	55,000	34,214	12,029
IV. Net income	130,000	44,000	27,974	9,624
V. Earnings per share (in PLN/EUR) (basic and diluted)	0.10	0.03	0.02	0.01
VI. Weighted average number of shares (in millions)	1,312	1,312	1,312	1,312
VII. Total comprehensive income	337,000	96,000	72,517	20,997
VIII. Net cash provided by operating activities	878,000	861,000	188,931	188,316
IX. Net cash used in investing activities	(480,000)	(582,000)	(103,288)	(127,294)
X. Net cash used in financing activities	(207,000)	(252,000)	(44,543)	(55,117)
XI. Net change in cash and cash equivalents	191,000	27,000	41,100	5,905
	balance as at 31/03/2022	balance as at 31/12/2021	balance as at 31/03/2022	balance as at 31/12/2021
XII. Total current assets	3,951,000	3,647,000	849,221	792,930
XIII. Total non-current assets	20,910,000	21,191,000	4,494,358	4,607,340
XIV. Total assets	24,861,000	24,838,000	5,343,579	5,400,270
XV. Total current liabilities	4,551,000	3,992,000	978,184	867,940
XVI. Total non-current liabilities	8,208,000	9,079,000	1,764,213	1,973,953
XVII. Total equity	12,102,000	11,767,000	2,601,182	2,558,377
XVIII. Share capital	3,937,000	3,937,000	846,212	855,981

ORANGE POLSKA GROUP

CONDENSED IFRS QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2022



April 25, 2022

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Orange Polska Group
Condensed IFRS Quarterly Consolidated Financial Statements – 31 March 2022

Translation of the financial statements originally issued in Polish

CONSOLIDATED INCOME STATEMENT

(in PLN millions, except for earnings per share)

	Note	3 months ended 31 March 2022	3 months ended 31 March 2021
Revenue	5	2,931	2,918
External purchases		(1,688)	(1,630)
Labour expense		(371)	(379)
Other operating expense		(138)	(118)
Other operating income		136	59
Impairment of receivables and contract assets		(18)	(23)
Gains/(losses) on disposal of assets		21	(20)
Depreciation and impairment of right-of-use assets		(123)	(115)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	7	(504)	(576)
Share of loss of joint venture		(2)	-
Operating income		244	116
Interest income		13	8
Interest expense on lease liabilities		(17)	(13)
Other interest expense and financial charges		(47)	(46)
Discounting expense		(19)	(8)
Foreign exchange losses		(18)	(7)
Finance costs, net		(88)	(66)
Income tax		(31)	(11)
Net income		125	39
Net income attributable to owners of Orange Polska S.A.		125	39
Net income attributable to non-controlling interests		-	-
Earnings per share (in PLN) (basic and diluted)		0.10	0.03
Weighted average number of shares (in millions)		1,312	1,312

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)

	3 months ended 31 March 2022	3 months ended 31 March 2021
Net income	125	39
Items that may be reclassified subsequently to profit or loss		
Gains on cash flow hedges	255	64
Losses on receivables at fair value through other comprehensive income	(1)	-
Income tax relating to items that may be reclassified	(47)	(12)
Share of other comprehensive income of joint venture, net of tax	44	-
Other comprehensive income, net of tax	251	52
Total comprehensive income	376	91
Total comprehensive income attributable to owners of Orange Polska S.A.	376	91
Total comprehensive income attributable to non-controlling interests	-	-

Orange Polska Group
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Translation of the financial statements originally issued in Polish

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in PLN millions)	Note	At 31 March 2022	At 31 December 2021
ASSETS			
Goodwill	7	2,327	2,285
Other intangible assets		3,872	3,984
Property, plant and equipment	7	9,608	9,728
Right-of-use assets		2,763	2,834
Investment in joint venture		1,365	1,333
Trade receivables	9	322	354
Contract assets		90	89
Contract costs		123	127
Derivatives	8,9	522	273
Other assets		300	432
Deferred tax assets		494	581
Total non-current assets		21,786	22,020
Inventories		361	281
Trade receivables	9	1,779	1,853
Contract assets		98	95
Contract costs		398	397
Derivatives	8,9	9	3
Income tax receivables		42	31
Other assets		493	450
Prepaid expenses		130	94
Cash and cash equivalents		1,142	933
Total current assets		4,452	4,137
TOTAL ASSETS		26,238	26,157
EQUITY AND LIABILITIES			
Share capital		3,937	3,937
Share premium		832	832
Other reserves		440	191
Retained earnings		7,774	7,649
Equity attributable to owners of Orange Polska S.A.		12,983	12,609
Non-controlling interests		2	2
Total equity		12,985	12,611
Trade payables	9	95	99
Lease liabilities		2,230	2,302
Loans from related party	8,9	4,189	4,938
Other financial liabilities at amortised cost	8	27	28
Derivatives	8,9	-	3
Provisions	11	718	739
Contract liabilities		981	993
Employee benefits		72	73
Other liabilities		22	18
Total non-current liabilities		8,334	9,193
Trade payables	9	2,129	2,400
Lease liabilities		517	528
Loans from related party	8,9	763	12
Other financial liabilities at amortised cost	8	32	33
Derivatives	8,9	5	2
Provisions	11	271	258
Contract liabilities		634	607
Employee benefits		161	171
Income tax liabilities		1	2
Other liabilities		406	340
Total current liabilities		4,919	4,353
TOTAL EQUITY AND LIABILITIES		26,238	26,157

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	Losses on receivables at fair value through other comprehensive income	Deferred tax	Share of other reserves of joint venture				
Balance at 1 January 2022	3,937	832	269	(54)	(6)	(40)	22	7,649	12,609	2	12,611
Net income	-	-	-	-	-	-	-	125	125	-	125
Other comprehensive income	-	-	255	-	(1)	(47)	44	-	251	-	251
Total comprehensive income for the 3 months ended 31 March 2022	-	-	255	-	(1)	(47)	44	125	376	-	376
Transfer to inventories	-	-	(2)	-	-	-	-	-	(2)	-	(2)
Balance at 31 March 2022	3,937	832	522	(54)	(7)	(87)	66	7,774	12,983	2	12,985
Balance at 1 January 2021	3,937	832	(89)	(62)	-	28	-	5,951	10,597	2	10,599
Net income	-	-	-	-	-	-	-	39	39	-	39
Other comprehensive income	-	-	64	-	-	(12)	-	-	52	-	52
Total comprehensive income for the 3 months ended 31 March 2021	-	-	64	-	-	(12)	-	39	91	-	91
Transfer to inventories	-	-	(9)	-	-	2	-	-	(7)	-	(7)
Balance at 31 March 2021	3,937	832	(34)	(62)	-	18	-	5,990	10,681	2	10,683

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CONSOLIDATED STATEMENT OF CASH FLOWS

(in PLN millions)	3 months ended 31 March 2022	3 months ended 31 March 2021
OPERATING ACTIVITIES		
Net income	125	39
Adjustments to reconcile net income to cash from operating activities		
(Gains)/losses on disposal of assets	(21)	20
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	627	691
Share of loss of investments accounted for using the equity method	2	-
Finance costs, net	88	66
Income tax	31	11
Change in provisions and allowances	(12)	3
Operating foreign exchange and derivatives losses, net	-	3
Change in working capital		
Increase in inventories, gross	(84)	(21)
Decrease in trade receivables, gross	107	82
(Increase)/decrease in contract assets, gross	(4)	1
(Increase)/decrease in contract costs	3	(13)
Increase/(decrease) in trade payables	1	(12)
Increase in contract liabilities	12	16
(Increase)/decrease in prepaid expenses and other receivables	(38)	19
Increase in other payables	64	73
Interest received	11	8
Interest paid and interest rate effect paid on derivatives, net	(65)	(89)
Exchange rate and other effect received on derivatives, net	1	1
Income tax paid	(4)	(5)
Net cash provided by operating activities	844	893
INVESTING ACTIVITIES		
Payments for purchases of property, plant and equipment and intangible assets	(557)	(601)
Investment grants received	2	49
Investment grants paid to property, plant and equipment and intangible assets suppliers	(28)	(63)
Exchange rate effect received on derivatives economically hedging capital expenditures, net	1	1
Proceeds from sale of property, plant and equipment and intangible assets	94	24
Proceeds from sale of Światłowod Inwestycje, net of cash and transaction costs	41	-
Cash paid for subsidiaries, net of cash acquired	(37)	-
Receipts from other financial instruments, net	-	1
Net cash used in investing activities	(484)	(589)
FINANCING ACTIVITIES		
Repayment of lease liabilities	(151)	(120)
Repayment of revolving credit line and other debt	(2)	(146)
Net cash used in financing activities	(153)	(266)
Net change in cash and cash equivalents	207	38
Effect of exchange rate changes and other impacts on cash and cash equivalents	2	-
Cash and cash equivalents at the beginning of the period	933	358
Cash and cash equivalents at the end of the period	1,142	396

Notes to the Condensed Quarterly Consolidated Financial Statements

1. The Orange Polska Group

Orange Polska S.A. (“Orange Polska” or “the Company” or “OPL S.A.”), a joint stock company, was incorporated and commenced its operations on 4 December 1991. The Orange Polska Group (“the Group”) comprises Orange Polska and its subsidiaries. The Group is a part of Orange Group based in France. Orange Polska shares are listed on the Warsaw Stock Exchange.

The Group is one of the biggest providers of telecommunications services in Poland. The Group provides mobile and fixed telecommunications services, including calls, messaging, content, access to the Internet and TV. In addition, the Group provides IT and integration services, leased lines and other telecommunications value added services, sells telecommunications equipment, provides data transmission, constructs telecommunications infrastructure and sells electrical energy.

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

The list of entities included in the Condensed IFRS Quarterly Consolidated Financial Statements of the Group (the “Condensed Quarterly Consolidated Financial Statements”) as at and for the 3 months ended 31 March 2022 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 2021. Additionally, in March 2022, the Group purchased 100% of the shares in Interkam Sp. z o.o., Interkar Sp. z o.o. and Telewizja Światłowodowa Kaszebe Sp. z o.o. (see Note 7).

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, eCapex (economic capital expenditures), organic cash flows, net financial debt and net financial debt to EBITDAaL ratio based on cumulative EBITDAaL for the last four quarters.

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

EBITDAaL is the key measure of operating profitability used by the Management Board and corresponds to operating income before gains/losses on disposal of assets, depreciation, amortisation and impairment of property, plant and equipment and intangible assets, impairment of the rights of perpetual usufruct of land historically recognised as property, plant and equipment and subsequently reclassified to right-of-use assets and share of profits/losses of associates and joint ventures, decreased by interest expense on lease liabilities and adjusted for the impact of deconsolidation of subsidiaries, costs related to acquisition, disposal and integration of businesses, employment termination programs, restructuring costs, elimination of margin (unrealised profit) earned on asset related transactions with joint ventures and associates accounted for using the equity method, significant claims, litigation and other risks as well as other significant non-recurring items.

eCapex (economic capital expenditures) is the key measure of resources allocation used by the Management Board and represents acquisitions of property, plant and equipment and intangible assets excluding telecommunications licences, decreased by the proceeds accrued on disposal of these assets as well as on disposal of the rights of perpetual usufruct of land historically recognised as property, plant and equipment and subsequently reclassified to right-of-use assets (“proceeds accrued on disposal of assets”). eCapex does not include acquisitions of right-of-use assets.

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/decreased by impact of net exchange rate effect received/paid on derivatives economically hedging capital expenditures and lease liabilities and proceeds from sale of property, plant and equipment and intangible assets and adjusted for the payments for acquisition of telecommunications licences, payments for costs related to acquisition, disposal and integration of businesses not included in purchase price and payments relating to significant claims, litigation and other risks. Cash flows arising from obtaining or losing control of subsidiaries or other businesses, including significant tax cash flows specifically identified with these transactions, are classified as investing activities and by definition are not included in organic cash flows.

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

Basic financial data of the operating segment is presented below:

(in PLN millions)	3 months ended 31 March 2022	3 months ended 31 March 2021
Revenue	2,931	2,918
EBITDAaL	722	709
Net income	125	39
eCapex	245	445
Organic cash flows	231	198

	At 31 March 2022	At 31 December 2021
Net financial debt (in PLN millions, see Note 8)	3,865	4,076
Net financial debt/EBITDAaL ratio	1.3	1.4

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

(in PLN millions)	3 months ended 31 March 2022	3 months ended 31 March 2021
Operating income	244	116
Less gains/add losses on disposal of assets	(21)	20
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	504	576
Add share of loss of joint venture adjusted for elimination of margin earned on asset related transactions with joint venture	8	-
Interest expense on lease liabilities	(17)	(13)
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries	4	10
EBITDAaL	722	709

(in PLN millions)	3 months ended 31 March 2022	3 months ended 31 March 2021
Acquisitions of property, plant and equipment and intangible assets	294	423
Less proceeds accrued on disposal of assets ⁽¹⁾	(49)	22
eCapex	245	445

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

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(in PLN millions)	3 months ended 31 March 2022	3 months ended 31 March 2021
Net cash provided by operating activities	844	893
Payments for purchases of property, plant and equipment and intangible assets	(557)	(601)
Exchange rate effect received on derivatives economically hedging capital expenditures, net	1	1
Proceeds from sale of property, plant and equipment and intangible assets	94	24
Repayment of lease liabilities	(151)	(120)
Adjustment for payment for costs related to acquisition, disposal and integration of subsidiaries	-	1
Organic cash flows	231	198

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 2021.

The Condensed Quarterly Consolidated Financial Statements include the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and selected explanatory notes.

Costs that arise unevenly during the year are anticipated or deferred in the quarterly financial statements only if it would also be appropriate to anticipate or defer such costs at the end of the year.

These Condensed Quarterly Consolidated Financial Statements are prepared in millions of Polish zloty (“PLN”) and were authorised for issuance by the Management Board on 25 April 2022.

Going concern assessment

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

As at 31 March 2022, the Group’s current liabilities exceeded current assets by PLN 467 million. The Management continuously analyses the timing, nature and scale of potential financing needs of the Group and believes that available cash (the Group had over PLN 1 billion of cash on its accounts at 31 March 2022) as well as expected solid operating cash inflows will be sufficient to fund the Group’s anticipated cash requirements for working capital and investment purposes. Also, taking into account potential additional future financing requirements, the Management has started negotiations with the parent company to refinance the PLN 1.5 billion Revolving Credit Facility Agreement (currently unutilised) falling due in July 2022 and based on current discussions and past experience, believes that they will be successful.

Adoption of standards and interpretations in 2022

There were no new standards or interpretations issued from the date when the IFRS Consolidated Financial Statements for the year ended 31 December 2021 were published.

4. Statement of accounting policies

The accounting policies and methods of computation used in the preparation of the Condensed Quarterly Consolidated Financial Statements are materially consistent with those described in Notes 2 and 35 to the audited IFRS Consolidated Financial Statements for the year ended 31 December 2021.

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. Revenue from fixed offers includes also content element (linear TV and OTT - over-the-top).
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 - mobile virtual network operators). Convergent services revenue does not include equipment sales, incoming and visitor roaming revenue. Revenue from convergent offers includes also content element (linear TV and OTT).
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 licences and 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	Includes (i) revenue from sale of electrical energy, (ii) revenue from infrastructure projects, (iii) other miscellaneous revenue e.g. from property rentals, research and development activity and equipment sales to brokers.

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(in PLN millions)	3 months ended 31 March 2022	3 months ended 31 March 2021
Mobile only services	671	631
Fixed only services	477	504
Narrowband	153	182
Broadband	219	214
Network solutions (business market)	105	108
Convergent services (consumer market)	526	477
Equipment sales	331	343
IT and integration services	305	250
Wholesale	456	598
Mobile wholesale	286	353
Fixed wholesale	73	157
Other	97	88
Other revenue	165	115
Total revenue	2,931	2,918

IT and integration services, wholesale and other revenue for the 3 months ended 31 March 2022 and 2021 include, respectively, PLN 22 million and PLN 21 million of lease revenue that is outside the scope of IFRS 15 “Revenue from Contracts with Customers”.

6. Explanatory comments about the seasonality or cyclicity of interim Group operations

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

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

Impact of the war in Ukraine

In February 2022 Russia attacked Ukraine. The direct military actions are in Ukraine, however Poland, the European Union and the rest of the world is also impacted by the war. Sanctions have been implemented on trade with Russia by the European Union and the United States. Many refugees left Ukraine to neighbour countries, including Poland.

The war in Ukraine has brought new uncertainty to the Polish economy. It may contribute to sustainably higher inflation and result in potentially longer than previously assumed period of elevated costs of energy. Consequences of that could be higher interest rates and slower GDP growth. Poland may also experience foreign exchange volatility as it was the case in the first weeks after the start of the war. Additionally, high influx of refugees to Poland may

generate additional costs for the Polish State budget, however the Polish economy could also reflect an upward impact of additional labour force and consumption.

In the first quarter of 2022, the Group has analysed the potential impact of the war in Ukraine on its financial position and performance:

1. The Group maintains high liquidity and sufficient financing of its operations and capital expenditures. The debt is denominated in PLN and based mainly on fixed interest rates after hedging. The Group confirms its ability to continue as a going concern.
2. The Group has performed a high level scenario analysis to assess the range of potential changes in future cash flows due to energy price increase as well as higher usage of mobile and fixed broadband services as a consequence of the war in Ukraine. There were no factors assessed as an indication of impairment of the telecom operator cash generating unit or investment in joint venture. Therefore, no impairment test was performed at 31 March 2022.

Based on the analyses described above, the Management has concluded that the risks related to the war in Ukraine do not materially impact the results, assets and liabilities of the Group presented in these Condensed Quarterly Consolidated Financial Statements. The Management will monitor the situation and the impact of the war on the Group in the next quarters.

Acquisition of new subsidiaries

In March 2022, the Group purchased 100% of shares in Interkam Sp. z o.o., Interkar Sp. z o.o. and Telewizja Światłowodowa Kaszebe Sp. z o.o., local operators offering services on the basis of fibre infrastructure. The transactions are consistent with the Group's strategy of expanding its fibre footprint. The acquisitions provide the Group with additional around 40 thousand fibre households connectable. Out of the total acquisition price amounting to PLN 43 million, PLN 38 million was paid upon signing of the agreements. The remaining part, estimated at PLN 5 million, is a contingent consideration that will be settled until 30 April 2025 and will be based on meeting certain legal conditions.

Due to a short period of time between the acquisition and the date when these Consolidated Financial Statements were authorised for issuance, provisional accounting for a business combination was made. The Group has not completed calculation of fair value of fibre network, customer contracts and related customer relationships.

As a result of the above transactions, the Group recognised the following assets and liabilities:

(in PLN millions)

Assets:	
Goodwill	42
Other assets	3
Total assets	45
Total liabilities	2
Net assets acquired	43

Other events

Effective from 1 January 2022, as a result of an annual review of estimated useful lives of fixed assets, the Group extended the estimated useful lives for certain network assets and items of software which decreased depreciation and amortisation expense by PLN 10 million in the 3 months ended 31 March 2022 in comparison to previous year. Depreciation and amortisation expense in 2022 relating to these assets is expected to be lower by approximately PLN 38 million in comparison to 2021.

Orange Polska Group
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Translation of the financial statements originally issued in Polish

As at 31 March 2022, the Group remeasured the dismantling provision. The cost of dismantling increased in 2022 due to inflation. At the same time, Poland has experienced significant increase of interest rates. As a result, the net impact on these Condensed Quarterly Consolidated Financial Statements was insignificant as the increase of the provision due to higher unitary cost of dismantling was compensated by the decrease of the provision due to higher discount rates.

The amount of trade payables subject to reverse factoring decreased from PLN 162 million as at 31 December 2021 to PLN 119 million as at 31 March 2022. These payables are presented together with the remaining balance of trade payables, as analysis conducted by the Group indicates they have retained their trade nature.

8. Net financial debt

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

(in PLN millions)	At 31 March 2022	At 31 December 2021
Loans from related party	4,952	4,950
Other financial liabilities at amortised cost	59	61
Derivatives – net (liabilities less assets)	(526)	(271)
Gross financial debt after derivatives	4,485	4,740
Cash and cash equivalents	(1,142)	(933)
Cash flow hedge reserve	522	269
Net financial debt	3,865	4,076

As at 31 March 2022, the total outstanding balance of loans from the related party amounted to PLN 4,952 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related party amounted to 5.32% before swaps and 3.10% after swaps as at 31 March 2022.

As at 31 March 2022, the total nominal amount of interest rate swaps outstanding under the agreement with Orange S.A. concerning derivative transactions to hedge exposure to interest rate risk was PLN 3,800 million with a total fair value amounting to PLN 434 million.

9. Fair value of financial instruments

The Group's financial assets and liabilities that are measured subsequent to their initial recognition at fair value comprise derivative instruments, selected trade receivables arising from sales of mobile handsets in instalments and the contingent consideration receivable arising from the sale of 50% stake in Światłowód Inwestycje (presented within other assets in the consolidated statement of financial position).

The fair value of these instruments determined as described in Notes 15.1, 16 and 25 to the IFRS Consolidated Financial Statements for the year ended 31 December 2021 is presented below:

(in PLN millions)	At 31 March 2022	At 31 December 2021	Fair value hierarchy ⁽¹⁾
Derivatives – net (assets less liabilities)	526	271	Level 2
Selected trade receivables arising from sales of mobile handsets in instalments	196	233	Level 2
Contingent consideration receivable arising from the sale of 50% stake in Światłowód Inwestycje ⁽²⁾	370	416	Level 3

⁽¹⁾ Described in Note 26.1 to the IFRS Consolidated Financial Statements for the year ended 31 December 2021.

⁽²⁾ The Group received PLN 41 million in 2022.

The discount rates used in the calculation of the present value of the expected cash flows related to contingent consideration receivable arising from the sale of 50% stake in Światłowód Inwestycje range from 8.5% in 2023 to 6.1% in 2026 as at 31 March 2022 (from 5.4% in 2022 to 5.5% in 2026 as at 31 December 2021) and are based on the market risk-free interest rates increased by the credit risk margin estimated for the APG Group. The Group has performed sensitivity analysis for the impact of changes in unobservable inputs and concluded that reasonably possible change in any unobservable input would not materially change the fair value of the contingent consideration receivable.

The carrying amount of the Group's financial instruments excluding lease liabilities approximates their fair value, except for telecommunications licence payables and a loan from related party based on fixed interest rate for which as at 31 March 2022 the estimated fair value was different from the carrying amount respectively by PLN 6 million and PLN (20) million (PLN 15 million and PLN (7) million as at 31 December 2021) due to a change between the original effective interest rates at the date of the initial recognition and current market rates.

10. Dividend

On 22 April 2022, the General Meeting of Orange Polska S.A. adopted a resolution on the payment of an ordinary dividend of PLN 0.25 per share from the 2021 profit. The total dividend, amounting to PLN 328 million, will be paid on 6 July 2022.

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 32 to the IFRS Consolidated Financial Statements for the year ended 31 December 2021 or describes major matters that occurred after 31 December 2021.

On 14 May and 23 July 2021, UOKiK instituted proceedings regarding practices violating collective interests of consumers in the provision of certain additional services by Orange Polska alleging, among others, insufficient information for consumers in activating the service, lack of information on a durable medium and insufficient replies to customer complaints. On 14 December 2021 and 9 March 2022, UOKiK issued commitment decisions (both without imposing fines) concluding the proceedings instituted on 14 May and 23 July 2021 respectively.

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, contractual penalties or remuneration raised by counterparties to commercial contracts, or claims for other payments resulting from breach of law 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.

Some of the above determined matters may be complex in nature and there are many scenarios for final settlement and potential financial impact for the Group. 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 31 March 2022, 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, financial expense, net and other comprehensive income 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 interest rate risk and foreign currency risk related to the above-mentioned loan agreements. Financial income and cash and cash equivalents deposited with Orange S.A. relate to the Cash Management Treasury Agreement.

The Group's income and receivables from Światłowód Inwestycje, a joint venture, relate mainly to sale of fibre network assets. Liabilities to Światłowód Inwestycje relate mainly to agreements for the lease and services to be rendered in the future, for which joint venture paid upfront.

(in PLN millions)	3 months ended 31 March 2022	3 months ended 31 March 2021
Sales of goods and services and other income:	165	55
Orange S.A. (parent)	44	34
Orange Group (excluding parent)	17	21
Światłowód Inwestycje (joint venture)	104	-
Purchases of goods (including inventories, tangible and intangible assets) and services:	(87)	(56)
Orange S.A. (parent)	(18)	(9)
Orange Group (excluding parent)	(44)	(47)
- including Orange Brand Services Limited (brand licence agreement)	(33)	(34)
Światłowód Inwestycje (joint venture)	(25)	-
Financial income:	6	-
Orange S.A. (parent)	6	-
Financial expense, net:	(37)	(44)
Orange S.A. (parent)	10	(14)
Orange Group (excluding parent)	(47)	(30)
Other comprehensive income:	158	65
Orange S.A. (parent)	158	65

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(in PLN millions)	At 31 March 2022	At 31 December 2021
Receivables and contract costs:	299	362
Orange S.A. (parent)	49	67
Orange Group (excluding parent)	38	35
Światłowód Inwestycje (joint venture)	212	260
Liabilities:	792	802
Orange S.A. (parent)	27	44
Orange Group (excluding parent)	62	63
Światłowód Inwestycje (joint venture)	703	695
Financial receivables:	434	274
Orange S.A. (parent)	434	274
Cash and cash equivalents deposited with:	969	738
Orange S.A. (parent)	969	738
Financial liabilities:	4,952	4,950
Orange Group (excluding parent)	4,952	4,950

Compensation (remuneration, bonuses, post-employment and other long-term benefits, termination indemnities and share-based payment plans - cash and non-monetary benefits) of OPL S.A.'s Management Board and Supervisory Board Members for the 3 months ended 31 March 2022 and 2021 amounted to PLN 4.4 million and PLN 3.8 million, respectively. Additionally, the President of OPL S.A.'s Management Board is employed by Orange Global International Mobility S.A., a subsidiary of Orange S.A., and posted to Orange Polska. The amount incurred by the Orange Polska Group for the reimbursement of key management personnel costs from the Orange Group for the 3 months ended 31 March 2022 and 2021 amounted to PLN 1.6 million and PLN 1.3 million, respectively.

13. Subsequent events

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

ORANGE POLSKA S.A.

**CONDENSED IFRS QUARTERLY SEPARATE FINANCIAL
STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2022**



April 25, 2022

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INCOME STATEMENT

(in PLN millions, except for earnings per share)

	Note	3 months ended 31 March 2022	3 months ended 31 March 2021
Revenue	4	2,547	2,632
External purchases		(1,363)	(1,395)
Labour expense		(334)	(342)
Other operating expense		(133)	(119)
Other operating income		139	68
Impairment of receivables and contract assets		(16)	(22)
Gains/(losses) on disposal of assets		24	(20)
Depreciation and impairment of right-of-use assets		(119)	(111)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	6	(499)	(572)
Operating income		246	119
Interest income		13	8
Interest expense on lease liabilities		(17)	(13)
Other interest expense and financial charges		(47)	(45)
Discounting expense		(19)	(8)
Foreign exchange losses		(17)	(6)
Finance costs, net		(87)	(64)
Income tax		(29)	(11)
Net income		130	44
Earnings per share (in PLN) (basic and diluted)		0.10	0.03
Weighted average number of shares (in millions)		1,312	1,312

STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)

	3 months ended 31 March 2022	3 months ended 31 March 2021
Net income	130	44
Items that may be reclassified subsequently to profit or loss		
Gains on cash flow hedges	255	64
Losses on receivables at fair value through other comprehensive income	(1)	-
Income tax relating to items that may be reclassified	(47)	(12)
Other comprehensive income, net of tax	207	52
Total comprehensive income	337	96

STATEMENT OF FINANCIAL POSITION

(in PLN millions)	Note	At 31 March 2022	At 31 December 2021
ASSETS			
Goodwill		2,014	2,014
Other intangible assets		3,790	3,898
Property, plant and equipment	6	9,667	9,796
Right-of-use assets		2,708	2,790
Investments in subsidiaries	6	445	402
Investment in joint venture		555	555
Trade receivables	8	289	321
Contract assets		85	86
Contract costs		109	113
Derivatives	7,8	522	273
Other assets		261	393
Deferred tax asset		465	550
Total non-current assets		20,910	21,191
Inventories		303	217
Trade receivables	8	1,504	1,564
Contract assets		96	93
Contract costs		391	391
Loans to related parties		27	27
Derivatives	7,8	9	3
Income tax receivables		39	31
Other assets		434	391
Prepaid expenses		70	45
Cash and cash equivalents		1,078	885
Total current assets		3,951	3,647
TOTAL ASSETS		24,861	24,838
EQUITY AND LIABILITIES			
Share capital		3,937	3,937
Share premium		832	832
Other reserves		375	170
Retained earnings		6,958	6,828
Total equity		12,102	11,767
Trade payables	8	95	99
Lease liabilities		2,189	2,270
Loans from related parties	7,8	4,189	4,938
Other financial liabilities at amortised cost		25	26
Derivatives	7,8	-	3
Provisions	10	696	717
Contract liabilities		957	968
Employee benefits		53	57
Other liabilities		4	1
Total non-current liabilities		8,208	9,079
Trade payables	8	1,865	2,062
Lease liabilities		501	515
Loans from related parties	7,8	844	153
Other financial liabilities at amortised cost		1	-
Derivatives	7,8	5	2
Provisions	10	258	244
Contract liabilities		574	566
Employee benefits		144	140
Other liabilities		359	310
Total current liabilities		4,551	3,992
TOTAL EQUITY AND LIABILITIES		24,861	24,838

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	Losses on receivables at fair value through other comprehensive income	Deferred tax		
Balance at 1 January 2022	3,937	832	269	(54)	(6)	(39)	6,828	11,767
Net income	-	-	-	-	-	-	130	130
Other comprehensive income	-	-	255	-	(1)	(47)	-	207
Total comprehensive income for the 3 months ended 31 March 2022	-	-	255	-	(1)	(47)	130	337
Transfer to inventories	-	-	(2)	-	-	-	-	(2)
Balance at 31 March 2022	3,937	832	522	(54)	(7)	(86)	6,958	12,102
Balance at 1 January 2021	3,937	832	(89)	(62)	-	29	5,886	10,533
Net income	-	-	-	-	-	-	44	44
Other comprehensive income	-	-	64	-	-	(12)	-	52
Total comprehensive income for the 3 months ended 31 March 2021	-	-	64	-	-	(12)	44	96
Transfer to inventories	-	-	(9)	-	-	2	-	(7)
Balance at 31 March 2021	3,937	832	(34)	(62)	-	19	5,930	10,622

STATEMENT OF CASH FLOWS

(in PLN millions)	3 months ended 31 March 2022	3 months ended 31 March 2021
OPERATING ACTIVITIES		
Net income	130	44
Adjustments to reconcile net income to cash from operating activities		
(Gains)/losses on disposal of assets	(24)	20
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	618	683
Finance costs, net	87	64
Income tax	29	11
Change in provisions and allowances	(18)	2
Operating foreign exchange and derivatives losses, net	1	3
Change in working capital		
Increase in inventories, gross	(86)	(14)
Decrease in trade receivables, gross	95	41
(Increase)/decrease in contract assets, gross	(3)	1
(Increase)/decrease in contract costs	4	(11)
Increase in trade payables	74	43
Decrease in contract liabilities	(6)	(1)
Increase in prepaid expenses and other receivables	(30)	(12)
Increase in other payables	61	67
Interest received	11	8
Interest paid and interest rate effect paid on derivatives, net	(65)	(89)
Exchange rate and other effect received on derivatives, net	1	1
Income tax paid	(1)	-
Net cash provided by operating activities	878	861
INVESTING ACTIVITIES		
Payments for purchases of property, plant and equipment and intangible assets	(552)	(594)
Investment grants received	2	49
Investment grants paid to property, plant and equipment and intangible assets suppliers	(28)	(63)
Exchange rate effect received on derivatives economically hedging capital expenditures, net	1	1
Proceeds from sale of property, plant and equipment and intangible assets	94	24
Proceeds from sale of investment in Światłowód Inwestycje, net of transaction costs	41	-
Cash paid for investments in subsidiaries	(38)	-
Receipts from loans to related parties and other financial instruments, net	-	1
Net cash used in investing activities	(480)	(582)
FINANCING ACTIVITIES		
Repayment of lease liabilities	(147)	(116)
Decrease in revolving credit line and other debt	(60)	(136)
Net cash used in financing activities	(207)	(252)
Net change in cash and cash equivalents	191	27
Effect of exchange rate changes and other impacts on cash and cash equivalents	2	-
Cash and cash equivalents at the beginning of the period	885	299
Cash and cash equivalents at the end of the period	1,078	326

Notes to the Condensed Quarterly Separate Financial Statements

1. Orange Polska S.A.

Orange Polska S.A. (“Orange Polska” or “the Company” or “OPL S.A.”), a joint stock company, was incorporated and commenced its operations on 4 December 1991. Orange Polska shares are listed on the Warsaw Stock Exchange.

Orange Polska is one of the biggest providers of telecommunications services in Poland. The Company provides mobile and fixed telecommunications services, including calls, messaging, content, access to the Internet and TV. In addition, Orange Polska provides IT and integration services, leased lines and other telecommunications value added services, sells telecommunications equipment, provides data transmission and sells electrical energy.

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

2. Statement of compliance and basis of preparation

Basis of preparation

These unaudited Condensed IFRS Quarterly Separate Financial Statements for the 3 months ended 31 March 2022 (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 2021.

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 3 months ended 31 March 2022. 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 25 April 2022.

Going concern assessment

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

As at 31 March 2022, the Company’s current liabilities exceeded current assets by PLN 600 million. The Management continuously analyses the timing, nature and scale of potential financing needs of the Company and believes that available cash (the Company had over PLN 1 billion of cash on its accounts at 31 March 2022) as well as expected solid operating cash inflows will be sufficient to fund the Company’s anticipated cash requirements for working capital and investment purposes. Also, taking into account potential additional future

financing requirements, the Management has started negotiations with the parent company to refinance the PLN 1.5 billion Revolving Credit Facility Agreement (currently unutilised) falling due in July 2022 and based on current discussions and past experience, believes that they will be successful.

Adoption of standards and interpretations in 2022

There were no new standards or interpretations issued from the date when the IFRS Separate Financial Statements for the year ended 31 December 2021 were published.

3. Statement of accounting policies

The accounting policies and methods of computation used in the preparation of the Condensed Quarterly Separate Financial Statements are materially consistent with those described in Notes 2 and 34 to the audited IFRS Separate Financial Statements for the year ended 31 December 2021.

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. Revenue from fixed offers includes also content element (linear TV and OTT - over-the-top).
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 - mobile virtual network operators). Convergent services revenue does not include equipment sales, incoming and visitor roaming revenue. Revenue from convergent offers includes also content element (linear TV and OTT).
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 licences and 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	Includes (i) revenue from sale of electrical energy, (ii) other miscellaneous revenue e.g. from property rentals, research and development activity and equipment sales to brokers.

(in PLN millions)	3 months ended 31 March 2022	3 months ended 31 March 2021
Mobile only services	670	630
Fixed only services	479	504
Narrowband	153	182
Broadband	219	214
Network solutions (business market)	107	108
Convergent services (consumer market)	526	477
Equipment sales	331	343
IT and integration services	61	51
Wholesale	456	598
Mobile wholesale	286	353
Fixed wholesale	73	157
Other	97	88
Other revenue	24	29
Total revenue	2,547	2,632

IT and integration services, wholesale and other revenue for the 3 months ended 31 March 2022 and 2021 include, respectively, PLN 25 million and PLN 24 million of lease revenue that is outside the scope of IFRS 15 “Revenue from Contracts with Customers”.

5. Explanatory comments about the seasonality or cyclicity of interim Company operations

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

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

Impact of the war in Ukraine

In February 2022 Russia attacked Ukraine. The direct military actions are in Ukraine, however Poland, the European Union and the rest of the world is also impacted by the war. Sanctions have been implemented on trade with Russia by the European Union and the United States. Many refugees left Ukraine to neighbour countries, including Poland.

The war in Ukraine has brought new uncertainty to the Polish economy. It may contribute to sustainably higher inflation and result in potentially longer than previously assumed period of elevated costs of energy. Consequences of that could be higher interest rates and slower GDP growth. Poland may also experience foreign exchange volatility as it was the case in the first weeks after the start of the war. Additionally, high influx of refugees to Poland may

generate additional costs for the Polish State budget, however the Polish economy could also reflect an upward impact of additional labour force and consumption.

In the first quarter of 2022, the Company has analysed the potential impact of the war in Ukraine on its financial position and performance:

1. The Company maintains high liquidity and sufficient financing of its operations and capital expenditures. The debt is denominated in PLN and based mainly on fixed interest rates after hedging. The Company confirms its ability to continue as a going concern.
2. The Company has performed a high level scenario analysis to assess the range of potential changes in future cash flows due to energy price increase as well as higher usage of mobile and fixed broadband services as a consequence of the war in Ukraine. There were no factors assessed as an indication of impairment of the telecom operator cash generating unit or investment in joint venture. Therefore, no impairment test was performed at 31 March 2022.

Based on the analyses described above, the Management has concluded that the risks related to the war in Ukraine do not materially impact the results, assets and liabilities of the Company presented in these Condensed Quarterly Separate Financial Statements. The Management will monitor the situation and the impact of the war on the Company in the next quarters.

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In March 2022, the Company purchased 100% of shares in Interkam Sp. z o.o., Interkar Sp. z o.o. and Telewizja Światłowodowa Kaszebe Sp. z o.o., local operators offering services on the basis of fibre infrastructure. The transactions are consistent with the Group's strategy of expanding its fibre footprint. The acquisitions provide the Group with additional around 40 thousand fibre households connectable. Out of the total acquisition price, amounting to PLN 43 million, PLN 38 million was paid upon signing of the agreements. The remaining part, estimated at PLN 5 million, is a contingent consideration that will be settled until 30 April 2025 and will be based on meeting certain legal conditions.

Other events

Effective from 1 January 2022, as a result of an annual review of estimated useful lives of fixed assets, the Company extended the estimated useful lives for certain network assets and items of software which decreased depreciation and amortisation expense by PLN 10 million in the 3 months ended 31 March 2022 in comparison to previous year. Depreciation and amortisation expense in 2022 relating to these assets is expected to be lower by approximately PLN 38 million in comparison to 2021.

As at 31 March 2022, the Company remeasured the dismantling provision. The cost of dismantling increased in 2022 due to inflation. At the same time, Poland has experienced significant increase of interest rates. As a result, the net impact on these Condensed Quarterly Separate Financial Statements was insignificant as the increase of the provision due to higher unitary cost of dismantling was compensated by the decrease of the provision due to higher discount rates.

The amount of trade payables subject to reverse factoring decreased from PLN 155 million as at 31 December 2021 to PLN 115 million as at 31 March 2022. 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

As at 31 March 2022, the total outstanding balance of loans from the related parties amounted to PLN 5,033 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related parties amounted to 5.29% before swaps and 3.10% after swaps as at 31 March 2022.

As at 31 March 2022, the total nominal amount of interest rate swaps outstanding under the agreement with Orange S.A. concerning derivative transactions to hedge exposure to interest rate risk was PLN 3,800 million with a total fair value amounting to PLN 434 million.

8. Fair value of financial instruments

The Company's financial assets and liabilities that are measured subsequent to their initial recognition at fair value comprise derivative instruments, selected trade receivables arising from sales of mobile handsets in instalments and the deferred consideration receivable arising from the sale of 50% stake in Światłowód Inwestycje presented within other assets in the statement of financial position).

The fair value of these instruments determined as described in Notes 13.1, 14 and 24 to the IFRS Separate Financial Statements for the year ended 31 December 2021 is presented below:

(in PLN millions)	At 31 March 2022	At 31 December 2021	Fair value hierarchy ⁽¹⁾
Derivatives – net (assets less liabilities)	526	271	Level 2
Selected trade receivables arising from sales of mobile handsets in instalments	196	233	Level 2
Contingent consideration receivable arising from the sale of 50% stake in Światłowód Inwestycje ⁽²⁾	370	416	Level 3

⁽¹⁾ Described in Note 25.1 to the IFRS Separate Financial Statements for the year ended 31 December 2021.

⁽²⁾ The Company received PLN 41 million in 2022.

The discount rates used in the calculation of the present value of the expected cash flows related to contingent consideration receivable arising from the sale of 50% stake in Światłowód Inwestycje range from 8.5% in 2023 to 6.1% in 2026 as at 31 March 2022 (from 5.4% in 2022 to 5.5% in 2026 as at 31 December 2021) and are based on the market risk-free interest rates increased by the credit risk margin estimated for the APG Group. The Company has performed sensitivity analysis for the impact of changes in unobservable inputs and concluded that reasonably possible change in any unobservable input would not materially change the fair value of the contingent consideration receivable.

The carrying amount of the Company's financial instruments excluding lease liabilities approximates their fair value, except for telecommunications licence payables and a loan from related party based on fixed interest rate for which as at 31 March 2022 the estimated fair value was different from the carrying amount respectively by PLN 6 million and PLN (20) million (PLN 15 million and PLN (7) million as at 31 December 2021) due to a change between the original effective interest rates at the date of the initial recognition and current market rates.

9. Dividend

On 22 April 2022, the General Meeting of Orange Polska S.A. adopted a resolution on the payment of an ordinary dividend of PLN 0.25 per share from the 2021 profit. The total dividend, amounting to PLN 328 million, will be paid on 6 July 2022.

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 31 to the IFRS Separate Financial Statements for the year ended 31 December 2021 or describes major matters that occurred after 31 December 2021.

On 14 May and 23 July 2021, UOKiK instituted proceedings regarding practices violating collective interests of consumers in the provision of certain additional services by Orange Polska alleging, among others, insufficient information for consumers in activating the service, lack of information on a durable medium and insufficient replies to customer complaints. On 14 December 2021 and 9 March 2022, UOKiK issued commitment decisions (both without imposing fines) concluding the proceedings instituted on 14 May and 23 July 2021 respectively.

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, contractual penalties or remuneration raised by counterparties to commercial contracts, or claims for other payments resulting from breach of law which may result in cash outflows.

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

Some of the above determined matters may be complex in nature and there are many scenarios for final settlement and potential financial impact for the Company. 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 31 March 2022, 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, income from scrapped assets and IT services. The purchases from the subsidiaries comprise mainly network development and maintenance. Costs incurred by the Company in transactions with its subsidiaries also comprise donations to Fundacja Orange.

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

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

Financial receivables, liabilities, financial expense, net and other comprehensive income 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 interest rate risk and foreign currency risk to the above-mentioned loan agreements. Financial income and cash and cash equivalents deposited with Orange S.A. relate to the Cash Management Treasury Agreement.

OPL S.A.'s income and receivables from Światłowód Inwestycje, a joint venture, relate mainly to sale of fibre network assets. Liabilities to Światłowód Inwestycje relate mainly to agreements for the lease and services to be rendered in the future, for which joint venture paid upfront.

(in PLN millions)	3 months ended 31 March 2022	3 months ended 31 March 2021
Sales of goods and services and other income:	188	85
Orange Polska Group (subsidiaries)	27	31
Orange Group	60	54
- Orange S.A. (parent)	44	34
- Orange Group (excluding parent)	16	20
Światłowód Inwestycje (joint venture)	101	-
Purchases of goods (including inventories, tangible and intangible assets) and services:	(160)	(135)
Orange Polska Group (subsidiaries)	(73)	(79)
Orange Group	(62)	(56)
- Orange S.A. (parent)	(18)	(9)
- Orange Group (excluding parent)	(44)	(47)
- including Orange Brand Services Limited (brand licence agreement)	(33)	(34)
Światłowód Inwestycje (joint venture)	(25)	-
Financial income:	6	1
Orange Polska Group (subsidiaries)	-	1
Orange S.A. (parent)	6	-
Financial expense, net:	(37)	(44)
Orange Group	(37)	(44)
- Orange S.A. (parent)	10	(14)
- Orange Group (excluding parent)	(47)	(30)
Other comprehensive income:	158	65
Orange S.A. (parent)	158	65

(in PLN millions)	At 31 March	At 31 December
	2022	2021
Receivables and contract costs:	334	378
Orange Polska Group (subsidiaries)	36	22
Orange Group	86	97
- Orange S.A. (parent)	49	67
- Orange Group (excluding parent)	37	30
Światłowód Inwestycje (joint venture)	212	259
Liabilities:	861	900
Orange Polska Group (subsidiaries)	71	100
Orange Group	87	105
- Orange S.A. (parent)	27	44
- Orange Group (excluding parent)	60	61
Światłowód Inwestycje (joint venture)	703	695
Financial receivables:	461	301
Orange Polska Group (subsidiaries)	27	27
Orange S.A. (parent)	434	274
Cash and cash equivalents deposited with:	969	738
Orange S.A. (parent)	969	738
Financial liabilities:	5,033	5,091
Orange Polska Group (subsidiaries)	81	141
Orange Group	4,952	4,950
- Orange Group (excluding parent)	4,952	4,950
Guarantees granted:	139	138
Orange Polska Group (subsidiaries)	139	138

Compensation (remuneration, bonuses, post-employment and other long-term benefits, termination indemnities and share-based payment plans - cash and non-monetary benefits) of OPL S.A.'s Management Board and Supervisory Board Members for the 3 months ended 31 March 2022 and 2021 amounted to PLN 4.4 million and PLN 3.8 million, respectively. Additionally, the President of OPL S.A.'s Management Board is employed by Orange Global International Mobility S.A., a subsidiary of Orange S.A., and posted to Orange Polska. The amount incurred by the Orange Polska S.A. for the reimbursement of key management personnel costs from the Orange Group for the 3 months ended 31 March 2022 and 2021 amounted to PLN 1.6 million and PLN 1.3 million, respectively.

12. Subsequent events

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

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

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

The ownership structure of the Company’s share capital, based on the information available to the Company as at 25 April 2022, i.e. the date of submission of the quarterly report for the 3 months ended 31 March 2022 is presented below:

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 %
Nationale-Nederlanden Open Pension Fund	72,053,524	72,053,524	5.49 %	216,160,572	5.49 %
Aviva Open Pension Fund Aviva Santander	66,448,705	66,448,705	5.06 %	199,346,115	5.06 %
Other shareholders	508,855,251	508,855,251	38.78 %	1,526,565,753	38.78 %
TOTAL	1,312,357,479	1,312,357,479	100.00 %	3,937,072,437	100.00 %

The ownership structure of the Company’s share capital, based on the information available to the Company as at 16 February 2022, i.e. the date of submission of the annual report for the 12 months ended 31 December 2021 is presented below:

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 %
Nationale-Nederlanden Open Pension Fund	65,781,918	65,781,918	5.01 %	197,345,754	5.01 %
Other shareholders	581,575,562	581,575,562	44.32 %	1,744,726,686	44.32 %
TOTAL	1,312,357,479	1,312,357,479	100.00 %	3,937,072,437	100.00 %

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

Ms Jolanta Dudek, the Vice-President of the Management Board of OPL S.A., held 8,474 Orange Polska S.A. shares as at 25 April 2022 and 16 February 2022.

Mr Piotr Jaworski, the Member of the Management Board of OPL S.A., held 673 Orange Polska S.A. shares as at 25 April 2022 and 16 February 2022.

Mr Maciej Nowochoński, the Member of the Management Board of OPL S.A., held 25,000 Orange Polska S.A. shares as at 25 April 2022 and 16 February 2022.

There was no OPL S.A. share held by other members of the Management Board or the Supervisory Board of the Company.

III. Information on guarantees or collaterals of loans or borrowings granted by the Company or its subsidiaries to other entities or their subsidiaries, where the total amount of guarantees or collaterals is significant

In the 3 months ended 31 March 2022, 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

The Group's guidance for the year 2022 was published in the current report 3/2022 of 16 February 2022. Considering the results of the 3 months ended 31 March 2022, the Management Board of Orange Polska S.A. is reiterating the guidance. The Management Board will closely monitor the macroeconomic and geopolitical developments and assess their impact on the Group's performance on a current basis.

V. Factors which, in the opinion of the Group, may affect its results over at least the next quarter

Factors that, in the Management Board's opinion, have influence on the Group's operations or may have such influence in the near future are presented in Section 4 of the Chapter II of Management Board's Report on the Activity of the Orange Polska Group and Orange Polska S.A. in 2021. 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 and the potential impact of the war in Ukraine was analysed in Note 7 to the Condensed Quarterly Consolidated Financial Statements for the 3 months ended 31 March 2022.

VI. Foreign exchange rates

The statement of financial position data as at 31 March 2022 and 31 December 2021 presented in the table "Selected financial data" was translated into EUR at the average exchange rates of the National Bank of Poland ("NBP") at the end of the reporting period. The income statement data, together with the statement of comprehensive income and statement of cash flows data for the 3 months ended 31 March 2022 and 2021, were translated into EUR at an exchange rates which are the arithmetical average of the average NBP rates published by the NBP on the last day of each month of the 3-month periods ended 31 March 2022 and 2021.

The exchange rates used in the translation of the statement of financial position, income statement, statement of comprehensive income and statement of cash flows data are presented below:

1 EUR	31 March 2022	31 December 2021	31 March 2021
Statement of financial position	4.6525 PLN	4.5994 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	4.6472 PLN	Not applicable	4.5721 PLN