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POLISH FINANCIAL SUPERVISION AUTHORITY

## Consolidated half-year report PSr 2022

(year)

(according to par. 60 s. 2 and par. 62 s. 3 of the Decree of Minister of Finance dated 29 March 2018)  
for the issuers in sectors of production, construction, trade or services  
(type of issuer)

for the half-year of **2022**, i.e. from **1 January 2022** to **30 June 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: **27 July 2022**

### ORANGE POLSKA SA

(full name of issuer)

**ORANGEPL**

(abbreviated name of the issuer)

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(post code)

**Al. Jerozolimskie**

(street)

**22 527 23 23**

(telephone)

**investors@orange.com**

(e-mail)

**526-02-50-995**

(NIP)

**Telecommunication (tel)**

(classification according to WSE/sector)

**Warsaw**

(location)

**160**

(number)

**22 527 23 41**

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(REGON)

KPMG Audyt Sp. z o.o. Sp. komandytowa  
(auditor)

SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	half-year 2022	half-year 2021	half-year 2022	half-year 2021
<b>condensed consolidated financial statements data</b>				
I. Revenue	5,986,000	5,872,000	1,289,336	1,291,344
II. Operating income	581,000	340,000	125,143	74,771
III. Profit before income tax	425,000	229,000	91,542	50,361
IV. Net income	368,000	155,000	79,264	34,087
V. Net income attributable to owners of Orange Polska S.A.	368,000	155,000	79,264	34,087
VI. Earnings per share (in PLN/EUR) (basic and diluted)	0.28	0.12	0.06	0.03
VII. Weighted average number of shares (in millions)	1,312	1,312	1,312	1,312
VIII. Total comprehensive income	968,000	222,000	208,499	48,821
IX. Total comprehensive income attributable to owners of Orange Polska S.A.	968,000	222,000	208,499	48,821
X. Net cash provided by operating activities	1,696,000	1,606,000	365,305	353,184
XI. Net cash used in investing activities	(865,000)	(1,019,000)	(186,314)	(224,094)
XII. Net cash used in financing activities	(244,000)	(635,000)	(52,556)	(139,646)
XIII. Net change in cash and cash equivalents	587,000	(48,000)	126,435	(10,556)
	<b>balance as at 30/06/2022</b>	<b>balance as at 31/12/2021</b>	<b>balance as at 30/06/2022</b>	<b>balance as at 31/12/2021</b>
XIV. Total current assets	4,777,000	4,137,000	1,020,596	899,465
XV. Total non-current assets	21,777,000	22,020,000	4,652,608	4,787,581
XVI. Total assets	26,554,000	26,157,000	5,673,204	5,687,046
XVII. Total current liabilities	5,188,000	4,353,000	1,108,405	946,428
XVIII. Total non-current liabilities	8,119,000	9,193,000	1,734,606	1,998,739
XIX. Total equity	13,247,000	12,611,000	2,830,193	2,741,879
XX. Equity attributable to owners of Orange Polska S.A.	13,245,000	12,609,000	2,829,765	2,741,445
XXI. Share capital	3,937,000	3,937,000	841,131	855,981
<b>condensed separate financial statements data</b>				
	<b>half-year 2022</b>	<b>half-year 2021</b>	<b>half-year 2022</b>	<b>half-year 2021</b>
I. Revenue	5,165,000	5,287,000	1,112,499	1,162,694
II. Operating income	602,000	308,000	129,666	67,734
III. Profit before income tax	479,000	212,000	103,173	46,622
IV. Net income	396,000	165,000	85,295	36,286
V. Earnings per share (in PLN/EUR) (basic and diluted)	0.30	0.13	0.06	0.03
VI. Weighted average number of shares (in millions)	1,312	1,312	1,312	1,312
VII. Total comprehensive income	898,000	232,000	193,422	51,020
VIII. Net cash provided by operating activities	1,715,000	1,602,000	369,397	352,305
IX. Net cash used in investing activities	(852,000)	(989,000)	(183,514)	(217,497)
X. Net cash used in financing activities	(283,000)	(666,000)	(60,956)	(146,464)
XI. Net change in cash and cash equivalents	580,000	(53,000)	124,927	(11,656)
	<b>balance as at 30/06/2022</b>	<b>balance as at 31/12/2021</b>	<b>balance as at 30/06/2022</b>	<b>balance as at 31/12/2021</b>
XII. Total current assets	4,272,000	3,647,000	912,703	792,930
XIII. Total non-current assets	20,865,000	21,191,000	4,457,762	4,607,340
XIV. Total assets	25,137,000	24,838,000	5,370,465	5,400,270
XV. Total current liabilities	4,809,000	3,992,000	1,027,432	867,940
XVI. Total non-current liabilities	7,995,000	9,079,000	1,708,114	1,973,953
XVII. Total equity	12,333,000	11,767,000	2,634,919	2,558,377
XVIII. Share capital	3,937,000	3,937,000	841,131	855,981



*This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.*

# Independent Auditor's Report on Review of Condensed Interim Consolidated Financial Statements

## To the Shareholders and Supervisory Board of Orange Polska S.A.

### Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Orange Polska S.A. Group (the "Group"), whose parent entity is Orange Polska S.A. (the "Parent Entity"), which comprise:

- the consolidated statement of financial position as at 30 June 2022,

and, for the three-month and six-month periods ended 30 June 2022:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of cash flows;

and, for the six-month period ended 30 June 2022:

- the consolidated statement of changes in equity;

and

- notes to the condensed interim consolidated financial statements comprising a summary of significant accounting policies and other explanatory information

(the "condensed interim consolidated financial statements").

The Management Board of the Parent Entity is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.



### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as adopted by the resolution of the National Council of Statutory Auditors as the National Standard on Review 2410. A review of the interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical

and other review procedures. A review is substantially less in scope than an audit conducted in accordance with National Standards on Auditing or International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all

material respects, in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the European Union.

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On behalf of audit firm

**KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.**

Registration No. 3546

*Signed on the Polish original*

Marek Gajdziński

Key Statutory Auditor

Registration No. 90061

*Member of the Management Board of KPMG Audyt Sp. z o.o., entity which is the General Partner of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.*

Warsaw, 27 July 2022

## **ORANGE POLSKA GROUP**

# **CONDENSED IFRS INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 30 JUNE 2022**

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July 27, 2022

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**Orange Polska Group**  
**Condensed IFRS Interim Consolidated Financial Statements – 30 June 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 30 June 2022	6 months ended 30 June 2022	3 months ended 30 June 2021	6 months ended 30 June 2021
<b>Revenue</b>	<b>5</b>	<b>3,055</b>	<b>5,986</b>	<b>2,954</b>	<b>5,872</b>
External purchases		(1,784)	(3,472)	(1,665)	(3,295)
Labour expense		(353)	(724)	(343)	(722)
Other operating expense		(160)	(298)	(113)	(231)
Other operating income		184	320	67	126
Impairment of receivables and contract assets		(23)	(41)	(23)	(46)
Gains/(losses) on disposal of assets		49	70	7	(13)
Depreciation and impairment of right-of-use assets		(123)	(246)	(118)	(233)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	7	(506)	(1,010)	(542)	(1,118)
Share of loss of joint venture		(2)	(4)	-	-
<b>Operating income</b>		<b>337</b>	<b>581</b>	<b>224</b>	<b>340</b>
Interest income		23	36	7	15
Interest expense on lease liabilities		(21)	(38)	(14)	(27)
Other interest expense and financial charges		(50)	(97)	(51)	(97)
Discounting expense		(21)	(40)	(12)	(20)
Foreign exchange gains/(losses)		1	(17)	25	18
<b>Finance costs, net</b>		<b>(68)</b>	<b>(156)</b>	<b>(45)</b>	<b>(111)</b>
Income tax		(26)	(57)	(63)	(74)
<b>Net income</b>		<b>243</b>	<b>368</b>	<b>116</b>	<b>155</b>
Net income attributable to owners of Orange Polska S.A.		243	368	116	155
Net income attributable to non-controlling interests		-	-	-	-
<b>Earnings per share (in PLN) (basic and diluted)</b>		<b>0.19</b>	<b>0.28</b>	<b>0.09</b>	<b>0.12</b>
Weighted average number of shares (in millions)		1,312	1,312	1,312	1,312

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)

	Note	3 months ended 30 June 2022	6 months ended 30 June 2022	3 months ended 30 June 2021	6 months ended 30 June 2021
<b>Net income</b>		<b>243</b>	<b>368</b>	<b>116</b>	<b>155</b>
<b>Items that may be reclassified subsequently to profit or loss</b>					
Gains on cash flow hedges	7	365	620	19	83
Gains on receivables at fair value through other comprehensive income		1	-	-	-
Income tax relating to items that may be reclassified		(71)	(118)	(4)	(16)
Share of other comprehensive income of joint venture, net of tax		54	98	-	-
<b>Other comprehensive income, net of tax</b>		<b>349</b>	<b>600</b>	<b>15</b>	<b>67</b>
<b>Total comprehensive income</b>		<b>592</b>	<b>968</b>	<b>131</b>	<b>222</b>
Total comprehensive income attributable to owners of Orange Polska S.A.		592	968	131	222
Total comprehensive income attributable to non-controlling interests		-	-	-	-

**Orange Polska Group**  
**Condensed IFRS Interim Consolidated Financial Statements – 30 June 2022**

Translation of the financial statements originally issued in Polish

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(in PLN millions)	Note	At 30 June 2022	At 31 December 2021
<b>ASSETS</b>			
Goodwill	7	2,296	2,285
Other intangible assets		3,816	3,984
Property, plant and equipment	7	9,454	9,728
Right-of-use assets		2,689	2,834
Investment in joint venture		1,376	1,333
Trade receivables	9	326	354
Contract assets		90	89
Contract costs		129	127
Derivatives	7,8,9	886	273
Other assets		296	432
Deferred tax assets		419	581
<b>Total non-current assets</b>		<b>21,777</b>	<b>22,020</b>
Inventories		288	281
Trade receivables	9	1,821	1,853
Contract assets		98	95
Contract costs		409	397
Derivatives	7,8,9	5	3
Income tax receivables		40	31
Other assets		461	450
Prepaid expenses		129	94
Cash and cash equivalents		1,526	933
<b>Total current assets</b>		<b>4,777</b>	<b>4,137</b>
<b>TOTAL ASSETS</b>		<b>26,554</b>	<b>26,157</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		3,937	3,937
Share premium		832	832
Other reserves		786	191
Retained earnings		7,690	7,649
<b>Equity attributable to owners of Orange Polska S.A.</b>		<b>13,245</b>	<b>12,609</b>
Non-controlling interests		2	2
<b>Total equity</b>		<b>13,247</b>	<b>12,611</b>
Trade payables	9	91	99
Lease liabilities		2,170	2,302
Loans from related party	8,9	4,190	4,938
Other financial liabilities at amortised cost	8	39	28
Derivatives	7,8,9	-	3
Provisions	7,11	566	739
Contract liabilities		967	993
Employee benefits		75	73
Other liabilities		21	18
<b>Total non-current liabilities</b>		<b>8,119</b>	<b>9,193</b>
Trade payables	9	2,079	2,400
Lease liabilities		536	528
Loans from related party	8,9	775	12
Other financial liabilities at amortised cost	8	38	33
Derivatives	7,8,9	3	2
Provisions	7,11	265	258
Contract liabilities		627	607
Employee benefits		173	171
Income tax liabilities		20	2
Other liabilities		672	340
<b>Total current liabilities</b>		<b>5,188</b>	<b>4,353</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>26,554</b>	<b>26,157</b>



## 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				
<b>Balance at 1 January 2022</b>	<b>3,937</b>	<b>832</b>	<b>269</b>	<b>(54)</b>	<b>(6)</b>	<b>(40)</b>	<b>22</b>	<b>7,649</b>	<b>12,609</b>	<b>2</b>	<b>12,611</b>
Net income	-	-	-	-	-	-	-	368	368	-	368
Other comprehensive income	-	-	620	-	-	(118)	98	-	600	-	600
<b>Total comprehensive income for the 6 months ended 30 June 2022</b>	<b>-</b>	<b>-</b>	<b>620</b>	<b>-</b>	<b>-</b>	<b>(118)</b>	<b>98</b>	<b>368</b>	<b>968</b>	<b>-</b>	<b>968</b>
Share-based payments (transactions with the owner)	-	-	-	-	-	-	-	1	1	-	1
Transfer to inventories	-	-	(6)	-	-	1	-	-	(5)	-	(5)
Dividend	-	-	-	-	-	-	-	(328)	(328)	-	(328)
<b>Balance at 30 June 2022</b>	<b>3,937</b>	<b>832</b>	<b>883</b>	<b>(54)</b>	<b>(6)</b>	<b>(157)</b>	<b>120</b>	<b>7,690</b>	<b>13,245</b>	<b>2</b>	<b>13,247</b>
<b>Balance at 1 January 2021</b>	<b>3,937</b>	<b>832</b>	<b>(89)</b>	<b>(62)</b>	<b>-</b>	<b>28</b>	<b>-</b>	<b>5,951</b>	<b>10,597</b>	<b>2</b>	<b>10,599</b>
Net income	-	-	-	-	-	-	-	155	155	-	155
Other comprehensive income	-	-	83	-	-	(16)	-	-	67	-	67
<b>Total comprehensive income for the 6 months ended 30 June 2021</b>	<b>-</b>	<b>-</b>	<b>83</b>	<b>-</b>	<b>-</b>	<b>(16)</b>	<b>-</b>	<b>155</b>	<b>222</b>	<b>-</b>	<b>222</b>
Share-based payments (transactions with the owner)	-	-	-	-	-	-	-	1	1	-	1
Transfer to inventories	-	-	(14)	-	-	3	-	-	(11)	-	(11)
<b>Balance at 30 June 2021</b>	<b>3,937</b>	<b>832</b>	<b>(20)</b>	<b>(62)</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>6,107</b>	<b>10,809</b>	<b>2</b>	<b>10,811</b>

**Orange Polska Group**  
**Condensed IFRS Interim Consolidated Financial Statements – 30 June 2022**

Translation of the financial statements originally issued in Polish

**CONSOLIDATED STATEMENT OF CASH FLOWS**

(in PLN millions)	3 months ended 30 June 2022	6 months ended 30 June 2022	3 months ended 30 June 2021	6 months ended 30 June 2021
<b>OPERATING ACTIVITIES</b>				
Net income	243	368	116	155
Adjustments to reconcile net income to cash from operating activities				
(Gains)/losses on disposal of assets	(49)	(70)	(7)	13
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	629	1,256	660	1,351
Share of loss of investments accounted for using the equity method	2	4	-	-
Finance costs, net	68	156	45	111
Income tax	26	57	63	74
Change in provisions and allowances	(29)	(41)	(59)	(56)
Operating foreign exchange and derivatives (gains)/losses, net	(2)	(2)	1	4
Change in working capital				
(Increase)/decrease in inventories, gross	90	6	10	(11)
(Increase)/decrease in trade receivables, gross	(44)	63	15	97
(Increase)/decrease in contract assets, gross	(1)	(5)	6	7
Increase in contract costs	(17)	(14)	-	(13)
Decrease in trade payables	(68)	(67)	(2)	(14)
Increase/(decrease) in contract liabilities	(20)	(8)	1	17
(Increase)/decrease in prepaid expenses and other receivables	29	(9)	(67)	(48)
Increase/(decrease) in other payables	35	99	(13)	60
Interest received	19	30	7	15
Interest paid and interest rate effect paid on derivatives, net	(54)	(119)	(63)	(152)
Exchange rate and other effect received on derivatives, net	1	2	3	4
Income tax paid	(6)	(10)	(3)	(8)
<b>Net cash provided by operating activities</b>	<b>852</b>	<b>1,696</b>	<b>713</b>	<b>1,606</b>
<b>INVESTING ACTIVITIES</b>				
Payments for purchases of property, plant and equipment and intangible assets	(432)	(989)	(459)	(1,060)
Investment grants received/(returned)	(2)	-	42	91
Investment grants paid to property, plant and equipment and intangible assets suppliers	(33)	(61)	(35)	(98)
Exchange rate effect received on derivatives economically hedging capital expenditures, net	2	3	1	2
Proceeds from sale of property, plant and equipment and intangible assets	100	194	24	48
Proceeds from sale of Światłowód Inwestycje, net of cash and transaction costs	(5)	36	-	-
Cash paid for subsidiaries, net of cash acquired	(11)	(48)	(5)	(5)
Receipts from other financial instruments, net	-	-	2	3
<b>Net cash used in investing activities</b>	<b>(381)</b>	<b>(865)</b>	<b>(430)</b>	<b>(1,019)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from long-term debt	14	14	-	-
Repayment of long-term loans from related party	-	-	(101)	(101)
Repayment of lease liabilities	(108)	(259)	(129)	(249)
Increase/(decrease) in revolving credit line and other debt	3	1	(230)	(376)
Exchange rate effect received on derivatives hedging debt, net	-	-	91	91
<b>Net cash used in financing activities</b>	<b>(91)</b>	<b>(244)</b>	<b>(369)</b>	<b>(635)</b>
<b>Net change in cash and cash equivalents</b>	<b>380</b>	<b>587</b>	<b>(86)</b>	<b>(48)</b>
Effect of exchange rate changes and other impacts on cash and cash equivalents	4	6	-	-
Cash and cash equivalents at the beginning of the period	1,142	933	396	358
<b>Cash and cash equivalents at the end of the period</b>	<b>1,526</b>	<b>1,526</b>	<b>310</b>	<b>310</b>

## Notes to the Condensed IFRS Interim 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 Interim Consolidated Financial Statements of the Group (the “Condensed Interim Consolidated Financial Statements”) as at and for the 6 months ended 30 June 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)	6 months ended	6 months ended
	30 June 2022	30 June 2021
Revenue	5,986	5,872
EBITDAaL	1,520	1,465
Net income	368	155
eCapex	573	887
Organic cash flows	648	357

	At 30 June	At 31 December
	2022	2021
Net financial debt (in PLN millions, see Note 8)	3,511	4,076
Net financial debt/EBITDAaL ratio	1.2	1.4

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

(in PLN millions)	6 months ended	6 months ended
	30 June 2022	30 June 2021
Operating income	581	340
Less gains/add losses on disposal of assets	(70)	13
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	1,010	1,118
Add share of loss of joint venture adjusted for elimination of margin earned on asset related transactions with joint venture	34	-
Interest expense on lease liabilities	(38)	(27)
Adjustment for the impact of employment termination programs	(6)	-
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries	9	21
<b>EBITDAaL</b>	<b>1,520</b>	<b>1,465</b>

(in PLN millions)	6 months ended	6 months ended
	30 June 2022	30 June 2021
Acquisitions of property, plant and equipment and intangible assets	724	886
Less proceeds accrued on disposal of assets <sup>(1)</sup>	(151)	1
<b>eCapex</b>	<b>573</b>	<b>887</b>

<sup>(1)</sup> Proceeds accrued on disposal of assets were negative for the 6 months ended 30 June 2021 due to a change in the estimated amount of consideration accrued in previous periods.

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(in PLN millions)	6 months ended 30 June 2022	6 months ended 30 June 2021
Net cash provided by operating activities	1,696	1,606
Payments for purchases of property, plant and equipment and intangible assets	(989)	(1,060)
Exchange rate effect received on derivatives economically hedging capital expenditures, net	3	2
Proceeds from sale of property, plant and equipment and intangible assets	194	48
Repayment of lease liabilities	(259)	(249)
Adjustment for payment for costs related to acquisition, disposal and integration of subsidiaries	3	10
<b>Organic cash flows</b>	<b>648</b>	<b>357</b>

### 3. Statement of compliance and basis of preparation

#### Basis of preparation

These unaudited Condensed Interim 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 Interim Consolidated Financial Statements (see also Note 4).

These Condensed Interim Consolidated Financial Statements should be read in conjunction with the audited IFRS Consolidated Financial Statements for the year ended 31 December 2021.

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

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

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

These Condensed Interim Consolidated Financial Statements are prepared in millions of Polish zloty (“PLN”) and were authorised for issuance by the Management Board on 27 July 2022.

#### 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 Interim 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.

(in PLN millions)

	3 months ended 30 June 2022	6 months ended 30 June 2022	3 months ended 30 June 2021	6 months ended 30 June 2021
<b>Mobile only services</b>	<b>699</b>	<b>1,370</b>	<b>652</b>	<b>1,283</b>
<b>Fixed only services</b>	<b>475</b>	<b>952</b>	<b>494</b>	<b>998</b>
Narrowband	147	300	174	356
Broadband	223	442	214	428
Network solutions (business market)	105	210	106	214
<b>Convergent services (consumer market)</b>	<b>530</b>	<b>1,056</b>	<b>492</b>	<b>969</b>
<b>Equipment sales</b>	<b>363</b>	<b>694</b>	<b>330</b>	<b>673</b>
<b>IT and integration services</b>	<b>348</b>	<b>653</b>	<b>269</b>	<b>519</b>
<b>Wholesale</b>	<b>467</b>	<b>923</b>	<b>598</b>	<b>1,196</b>
Mobile wholesale	295	581	378	731
Fixed wholesale	72	145	132	289
Other	100	197	88	176
<b>Other revenue</b>	<b>173</b>	<b>338</b>	<b>119</b>	<b>234</b>
<b>Total revenue</b>	<b>3,055</b>	<b>5,986</b>	<b>2,954</b>	<b>5,872</b>

IT and integration services, wholesale and other revenue for the 6 months ended 30 June 2022 and 2021 include, respectively, PLN 43 million and PLN 41 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 contributes to higher inflation, may result in potentially longer than previously assumed period of elevated costs of energy and trigger a risk of potential energy shortages. Consequences of that are higher interest rates and slower GDP growth. Poland continues to experience foreign exchange volatility. Additionally, high influx of refugees to Poland generates additional costs for the Polish State budget, however the Polish economy could also reflect an upward impact of additional labour force and consumption.

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 outstanding as at 30 June 2022 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 and higher usage of mobile and fixed broadband services as a consequence of the war in Ukraine), jointly with the impact of the growing discount rate based on the weighted average cost of capital. 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 30 June 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 Interim 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 39 million was paid until 30 June 2022. The remaining part, estimated at PLN 4 million, is a contingent consideration that will be settled until 30 April 2025 and will be based on meeting certain legal conditions.

As at 30 June 2022, the Group has finalised the accounting for the acquisitions. The calculation of fair value of fibre networks (recognised as property, plant and equipment and inventories), customer contracts and related customer relationships of acquired companies (recognised as other intangible assets) was completed and the Group accounted for the following assets and liabilities:

(in PLN millions)

<b>Assets:</b>	
Goodwill	11
Other intangible assets	21
Property, plant and equipment	6
Deferred tax assets	(7)
Inventories	12
Other assets	2
<b>Total assets</b>	<b>45</b>
<b>Total liabilities</b>	<b>2</b>
<b>Net assets acquired</b>	<b>43</b>

#### 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 19 million in the 6 months ended 30 June 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 30 June 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. The dismantling provision was reduced by PLN 134 million as the decrease of the provision due to higher discount rates was partially compensated by the increase of the provision due to higher unitary cost of dismantling.

As at 30 June 2022, the fair value of derivatives amounted to PLN 888 million and was higher by PLN 617 million compared to the valuation as at 31 December 2021. The change resulted mainly from increases of interest rates and energy prices. Additionally, in the 6 months ended 30 June 2022, the Group entered into new commodity swap to further hedge its exposure to energy price risk.

The amount of trade payables subject to reverse factoring decreased from PLN 162 million as at 31 December 2021 to PLN 96 million as at 30 June 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 30 June 2022	At 31 December 2021
Loans from related party	4,965	4,950
Other financial liabilities at amortised cost	77	61
Derivatives – net (liabilities less assets)	(888)	(271)
<b>Gross financial debt after derivatives</b>	<b>4,154</b>	<b>4,740</b>
Cash and cash equivalents	(1,526)	(933)
Cash flow hedge reserve	883	269
<b>Net financial debt</b>	<b>3,511</b>	<b>4,076</b>

As at 30 June 2022, the total outstanding balance of loans from the related party amounted to PLN 4,965 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related party amounted to 7.41% before swaps and 3.30% after swaps as at 30 June 2022.

As at 30 June 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 596 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 30 June 2022	At 31 December 2021	Fair value hierarchy <sup>(1)</sup>
Selected trade receivables arising from sales of mobile handsets in instalments	137	233	Level 2
Contingent consideration receivable arising from the sale of 50% stake in Światłowód Inwestycje <sup>(2)</sup>	366	416	Level 3
Derivatives hedging energy prices – net (assets less liabilities) <sup>(3)</sup>	291	(3)	Level 3
Other derivatives – net (assets less liabilities)	597	274	Level 2

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

<sup>(2)</sup> The Group received PLN 41 million in 2022.

<sup>(3)</sup> Change in the fair value in 2022 results from positive valuation of these derivatives due to an increase of energy prices (PLN 139 million related to derivatives held by the Group at 31 December 2021 and PLN 155 million related to a new contract signed in 2022 - see Note 7). Total impact is recognised as gains on cash flow hedges in other comprehensive income.

The Group applies the expected present value technique to measure the fair value of the contingent consideration receivable from the sale of 50% stake in Światłowód Inwestycje. The discount rates used in the calculation of the present value of the expected cash flows related to contingent consideration range from 10.8% in 2023 to 8.2% in 2026 as at 30 June 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 fair value of derivatives hedging energy price risk represents the valuation of future benefits from a difference between the fixed price agreed with the supplier of energy and expected future energy prices. Estimated future energy prices are based on observable market energy prices for years 2022 – 2025 and on forecasted prices calculated by an external advisor for years 2026 – 2035. The average of these forecasted energy prices for years 2026 – 2035 used for the valuation of derivatives as at 30 June 2022 amounted to PLN 332 per 1MWh. The sensitivity analysis prepared by the Group indicated that every 10% increase/decrease in the forecasted energy prices for years 2026 – 2035 would change the fair value of derivatives and affect other reserves respectively by PLN 24/(24) million as at 30 June 2022.

The carrying amount of the Group's financial instruments excluding lease liabilities approximates their fair value, except for telecommunications licence payables and loan payables based on fixed interest rates for which as at 30 June 2022 the estimated fair value was different from the carrying amount respectively by PLN (2) million and PLN (32) 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, paid on 6 July 2022, amounted to PLN 328 million.

## 11. Changes in major litigation, claims and contingent liabilities 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 8 March 2022, UOKiK issued commitment decisions (both without imposing fines) concluding the proceedings instituted on 14 May and 23 July 2021 respectively.

On 7 June 2022, UOKiK initiated proceedings concerning practices violating the collective interests of consumers, alleging that Orange Polska unjustifiably charges fees for calls to the hotline numbers made by consumers using offers with unlimited calls and for the "technical assistance" in the course of the complaint procedure.

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 30 June 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. The purchases from Światłowód Inwestycje comprise mainly network access connectivity fees. 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.

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(in PLN millions)	3 months ended 30 June 2022	6 months ended 30 June 2022	3 months ended 30 June 2021	6 months ended 30 June 2021
<b>Sales of goods and services and other income:</b>	<b>231</b>	<b>396</b>	<b>51</b>	<b>106</b>
Orange S.A. (parent)	47	91	33	67
Orange Group (excluding parent)	19	36	18	39
Światłowód Inwestycje (joint venture)	165	269	-	-
<b>Purchases of goods (including inventories, tangible and intangible assets) and services:</b>	<b>(98)</b>	<b>(185)</b>	<b>(58)</b>	<b>(114)</b>
Orange S.A. (parent)	(24)	(42)	(11)	(20)
Orange Group (excluding parent)	(47)	(91)	(47)	(94)
- including Orange Brand Services Limited (brand licence agreement)	(35)	(68)	(34)	(68)
Światłowód Inwestycje (joint venture)	(27)	(52)	-	-
<b>Financial income:</b>	<b>16</b>	<b>22</b>	<b>-</b>	<b>-</b>
Orange S.A. (parent)	16	22	-	-
<b>Financial expense, net:</b>	<b>(40)</b>	<b>(77)</b>	<b>(39)</b>	<b>(83)</b>
Orange S.A. (parent)	30	40	(40)	(54)
Orange Group (excluding parent)	(70)	(117)	1	(29)
<b>Other comprehensive income:</b>	<b>160</b>	<b>318</b>	<b>31</b>	<b>96</b>
Orange S.A. (parent)	160	318	31	96
<b>Dividend declared:</b>	<b>166</b>	<b>166</b>	<b>-</b>	<b>-</b>
Orange S.A. (parent)	166	166	-	-

(in PLN millions)	At 30 June 2022	At 31 December 2021
<b>Receivables and contract costs:</b>	<b>267</b>	<b>362</b>
Orange S.A. (parent)	54	67
Orange Group (excluding parent)	23	35
Światłowód Inwestycje (joint venture)	190	260
<b>Liabilities:</b>	<b>785</b>	<b>802</b>
Orange S.A. (parent)	32	44
Orange Group (excluding parent)	64	63
Światłowód Inwestycje (joint venture)	689	695
<b>Financial receivables:</b>	<b>596</b>	<b>274</b>
Orange S.A. (parent)	596	274
<b>Cash and cash equivalents deposited with:</b>	<b>1,384</b>	<b>738</b>
Orange S.A. (parent)	1,384	738
<b>Financial liabilities:</b>	<b>4,965</b>	<b>4,950</b>
Orange Group (excluding parent)	4,965	4,950
<b>Dividend payable to:</b>	<b>166</b>	<b>-</b>
Orange S.A. (parent)	166	-

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 6 months ended 30 June 2022 and 2021 amounted to PLN 8.1 million and PLN 7.4 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 6 months ended 30 June 2022 and 2021 amounted to PLN 2.8 million and PLN 2.4 million, respectively.

### 13. Subsequent events

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

Pursuant to Art. 69 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 interim report and changes in the ownership structure in the period since the submission of the previous quarterly report**

The ownership structure of the Company’s share capital, based on the information available to the Company as at 27 July 2022, i.e. the date of submission of the interim report for the 6 months ended 30 June 2022 was the same as at 25 April 2022, i.e. the date of submission of the quarterly report for the first quarter of 2022:

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 %
<b>TOTAL</b>	<b>1,312,357,479</b>	<b>1,312,357,479</b>	<b>100.00 %</b>	<b>3,937,072,437</b>	<b>100.00 %</b>

**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 quarterly 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 27 July 2022 and 25 April 2022.

Mr Piotr Jaworski, the Member of the Management Board of OPL S.A., held 673 Orange Polska S.A. shares as at 27 July 2022 and 25 April 2022.

Mr Maciej Nowochoński, the Member of the Management Board of OPL S.A., held 25,000 Orange Polska S.A. shares as at 27 July 2022 and 25 April 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 6 months ended 30 June 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 achieved during the 6 months ended 30 June 2022, the Management Board of Orange Polska S.A. has increased revenue guidance. It now expects revenue to grow by a low single digit percentage versus a small decline previously. More favourable revenue outlook stems from better than expected performance in first half of 2022, mainly in IT and integration services as well as energy resale areas. At the same time, the Management Board has maintained the guidance for EBITDAaL (flat/low single digit growth) and economic capital expenditures (range of PLN 1.7-1.9 billion). The Management Board will closely monitor the macroeconomic and geopolitical situation and assess its impact on the Group's results 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 the Management Board's Report on the Activity of the Orange Polska Group in the first six months ended 30 June 2022. 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 Interim Consolidated Financial Statements for the 6 months ended 30 June 2022.

#### VI. Foreign exchange rates

The statement of financial position data as at 30 June 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 6 months ended 30 June 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 6-month periods ended 30 June 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	30 June 2022	31 December 2021	30 June 2021
Statement of financial position	4.6806 PLN	4.5994 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	4.6427 PLN	Not applicable	4.5472 PLN



This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

# Independent Auditor's Report on Review of Condensed Interim Separate Financial Statements

## To the Shareholders and Supervisory Board of Orange Polska S.A.

### Introduction

We have reviewed the accompanying condensed interim separate financial statements of Orange Polska S.A. (the "Entity"), which comprise:

- the statement of financial position as at 30 June 2022,

and, for the three-month and six-month periods ended 30 June 2022:

- the income statement;
- the statement of comprehensive income;
- the statement of cash flows;

and, for the six-month period ended 30 June 2022:

- the statement of changes in equity;

and

- notes to the condensed interim separate financial statements comprising a summary of significant accounting policies and other explanatory information

(the "condensed interim separate financial statements").

The Management Board of the Entity is responsible for the preparation and presentation of these condensed interim separate financial statements in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the European Union. Our responsibility is to express a conclusion on these condensed interim separate financial statements based on our review.

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

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Company registered at the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Business Register.

KRS 0000339379  
NIP: 527-261-53-62  
REGON: 142078130





### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as adopted by the resolution of the National Council of Statutory Auditors as the National Standard on Review 2410. A review of the interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical

and other review procedures. A review is substantially less in scope than an audit conducted in accordance with National Standards on Auditing or International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim separate financial statements are not prepared, in all

material respects, in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the European Union.

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On behalf of audit firm

**KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.**

Registration No. 3546

*Signed on the Polish original*

Marek Gajdziński

Key Statutory Auditor

Registration No. 90061

*Member of the Management Board of KPMG Audyt Sp. z o.o., entity which is the General Partner of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.*

Warsaw, 27 July 2022

**ORANGE POLSKA S.A.**

**CONDENSED IFRS INTERIM SEPARATE FINANCIAL  
STATEMENTS FOR THE 6 MONTHS ENDED 30 JUNE 2022**

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July 27, 2022

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**INCOME STATEMENT**

(in PLN millions, except for earnings per share)

	Note	3 months ended 30 June 2022	6 months ended 30 June 2022	3 months ended 30 June 2021	6 months ended 30 June 2021
<b>Revenue</b>	<b>4</b>	<b>2,618</b>	<b>5,165</b>	<b>2,655</b>	<b>5,287</b>
External purchases		(1,416)	(2,779)	(1,412)	(2,807)
Labour expense		(311)	(645)	(310)	(652)
Other operating expense		(142)	(275)	(108)	(227)
Other operating income		184	323	70	138
Impairment of receivables, contract assets and loans		(22)	(38)	(59)	(81)
Gains/(losses) on disposal of assets		65	89	6	(14)
Depreciation and impairment of right-of-use assets		(118)	(237)	(114)	(225)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	6	(502)	(1,001)	(539)	(1,111)
<b>Operating income</b>		<b>356</b>	<b>602</b>	<b>189</b>	<b>308</b>
Dividend income		31	31	3	3
Interest income		24	37	8	16
Interest expense on lease liabilities		(21)	(38)	(13)	(26)
Other interest expense and financial charges		(50)	(97)	(42)	(87)
Discounting expense		(21)	(40)	(12)	(20)
Foreign exchange gains/(losses)		1	(16)	24	18
<b>Finance costs, net</b>		<b>(36)</b>	<b>(123)</b>	<b>(32)</b>	<b>(96)</b>
Income tax		(54)	(83)	(36)	(47)
<b>Net income</b>		<b>266</b>	<b>396</b>	<b>121</b>	<b>165</b>
<b>Earnings per share (in PLN) (basic and diluted)</b>		<b>0.20</b>	<b>0.30</b>	<b>0.09</b>	<b>0.13</b>
Weighted average number of shares (in millions)		1,312	1,312	1,312	1,312

**STATEMENT OF COMPREHENSIVE INCOME**

(in PLN millions)

	Note	3 months ended 30 June 2022	6 months ended 30 June 2022	3 months ended 30 June 2021	6 months ended 30 June 2021
<b>Net income</b>		<b>266</b>	<b>396</b>	<b>121</b>	<b>165</b>
<b>Items that may be reclassified subsequently to profit or loss</b>					
Gains on cash flow hedges	6	365	620	19	83
Gains on receivables at fair value through other comprehensive income		1	-	-	-
Income tax relating to items that may be reclassified		(71)	(118)	(4)	(16)
<b>Other comprehensive income, net of tax</b>		<b>295</b>	<b>502</b>	<b>15</b>	<b>67</b>
<b>Total comprehensive income</b>		<b>561</b>	<b>898</b>	<b>136</b>	<b>232</b>

**STATEMENT OF FINANCIAL POSITION**

(in PLN millions)

	Note	At 30 June 2022	At 31 December 2021
<b>ASSETS</b>			
Goodwill		2,014	2,014
Other intangible assets		3,719	3,898
Property, plant and equipment	6	9,507	9,796
Right-of-use assets		2,636	2,790
Investments in subsidiaries		446	402
Investment in joint venture		555	555
Trade receivables	8	293	321
Contract assets		85	86
Contract costs		115	113
Derivatives	6,7,8	886	273
Other assets		254	393
Deferred tax asset		355	550
<b>Total non-current assets</b>		<b>20,865</b>	<b>21,191</b>
Inventories		209	217
Trade receivables	8	1,504	1,564
Contract assets		96	93
Contract costs		398	391
Loans to related parties		27	27
Derivatives	6,7,8	5	3
Income tax receivables		39	31
Other assets		448	391
Prepaid expenses		75	45
Cash and cash equivalents		1,471	885
<b>Total current assets</b>		<b>4,272</b>	<b>3,647</b>
<b>TOTAL ASSETS</b>		<b>25,137</b>	<b>24,838</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		3,937	3,937
Share premium		832	832
Other reserves		667	170
Retained earnings		6,897	6,828
<b>Total equity</b>		<b>12,333</b>	<b>11,767</b>
Trade payables	8	91	99
Lease liabilities		2,132	2,270
Loans from related parties	7,8	4,190	4,938
Other financial liabilities at amortised cost		37	26
Derivatives	6,7,8	-	3
Provisions	6,10	545	717
Contract liabilities		944	968
Employee benefits		52	57
Other liabilities		4	1
<b>Total non-current liabilities</b>		<b>7,995</b>	<b>9,079</b>
Trade payables	8	1,788	2,062
Lease liabilities		520	515
Loans from related parties	7,8	870	153
Other financial liabilities at amortised cost		3	-
Derivatives	6,7,8	3	2
Provisions	6,10	252	244
Contract liabilities		579	566
Employee benefits		154	140
Income tax liabilities		13	-
Other liabilities		627	310
<b>Total current liabilities</b>		<b>4,809</b>	<b>3,992</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>25,137</b>	<b>24,838</b>

## 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		
<b>Balance at 1 January 2022</b>	<b>3,937</b>	<b>832</b>	<b>269</b>	<b>(54)</b>	<b>(6)</b>	<b>(39)</b>	<b>6,828</b>	<b>11,767</b>
Net income	-	-	-	-	-	-	396	396
Other comprehensive income	-	-	620	-	-	(118)	-	502
<b>Total comprehensive income for the 6 months ended 30 June 2022</b>	<b>-</b>	<b>-</b>	<b>620</b>	<b>-</b>	<b>-</b>	<b>(118)</b>	<b>396</b>	<b>898</b>
Share-based payments (transactions with the owner)	-	-	-	-	-	-	1	1
Transfer to inventories	-	-	(6)	-	-	1	-	(5)
Dividend	-	-	-	-	-	-	(328)	(328)
<b>Balance at 30 June 2022</b>	<b>3,937</b>	<b>832</b>	<b>883</b>	<b>(54)</b>	<b>(6)</b>	<b>(156)</b>	<b>6,897</b>	<b>12,333</b>
<b>Balance at 1 January 2021</b>	<b>3,937</b>	<b>832</b>	<b>(89)</b>	<b>(62)</b>	<b>-</b>	<b>29</b>	<b>5,886</b>	<b>10,533</b>
Net income	-	-	-	-	-	-	165	165
Other comprehensive income	-	-	83	-	-	(16)	-	67
<b>Total comprehensive income for the 6 months ended 30 June 2021</b>	<b>-</b>	<b>-</b>	<b>83</b>	<b>-</b>	<b>-</b>	<b>(16)</b>	<b>165</b>	<b>232</b>
Share-based payments (transactions with the owner)	-	-	-	-	-	-	1	1
Transfer to inventories	-	-	(14)	-	-	3	-	(11)
<b>Balance at 30 June 2021</b>	<b>3,937</b>	<b>832</b>	<b>(20)</b>	<b>(62)</b>	<b>-</b>	<b>16</b>	<b>6,052</b>	<b>10,755</b>

## STATEMENT OF CASH FLOWS

(in PLN millions)	3 months ended 30 June 2022	6 months ended 30 June 2022	3 months ended 30 June 2021	6 months ended 30 June 2021
<b>OPERATING ACTIVITIES</b>				
Net income	266	396	121	165
Adjustments to reconcile net income to cash from operating activities				
(Gains)/losses on disposal of assets	(65)	(89)	(6)	14
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	620	1,238	653	1,336
Finance costs, net	36	123	32	96
Income tax	54	83	36	47
Change in provisions and allowances	(27)	(45)	(32)	(30)
Operating foreign exchange and derivatives (gains)/losses, net	(1)	-	-	3
Change in working capital				
Decrease in inventories, gross	95	9	17	3
(Increase)/decrease in trade receivables, gross	(1)	94	32	73
(Increase)/decrease in contract assets, gross	1	(2)	7	8
(Increase)/decrease in contract costs	(13)	(9)	1	(10)
Increase/(decrease) in trade payables	(96)	(22)	(42)	1
Increase/(decrease) in contract liabilities	(7)	(13)	4	3
(Increase)/decrease in prepaid expenses and other receivables	10	(20)	(4)	(16)
Increase/(decrease) in other payables	(1)	60	(28)	39
Dividends received	-	-	3	3
Interest received	20	31	8	16
Interest paid and interest rate effect paid on derivatives, net	(54)	(119)	(63)	(152)
Exchange rate and other effect received on derivatives, net	-	1	3	4
Income tax paid	-	(1)	(1)	(1)
<b>Net cash provided by operating activities</b>	<b>837</b>	<b>1,715</b>	<b>741</b>	<b>1,602</b>
<b>INVESTING ACTIVITIES</b>				
Payments for purchases of property, plant and equipment and intangible assets	(424)	(976)	(446)	(1,040)
Investment grants received/(returned)	(2)	-	42	91
Investment grants paid to property, plant and equipment and intangible assets suppliers	(33)	(61)	(35)	(98)
Exchange rate effect received on derivatives economically hedging capital expenditures, net	2	3	1	2
Proceeds from sale of property, plant and equipment and intangible assets	100	194	20	44
Proceeds from sale of investment in Światłowód Inwestycje, net of transaction costs	(5)	36	-	-
Cash paid for investments in subsidiaries	(11)	(49)	(5)	(5)
Receipts from loans to related parties and other financial instruments, net	1	1	16	17
<b>Net cash used in investing activities</b>	<b>(372)</b>	<b>(852)</b>	<b>(407)</b>	<b>(989)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from long-term debt	14	14	-	-
Repayment of long-term loans from related party	-	-	(101)	(101)
Repayment of lease liabilities	(104)	(251)	(125)	(241)
Increase/(decrease) in revolving credit line and other debt	14	(46)	(279)	(415)
Exchange rate effect received on derivatives hedging debt, net	-	-	91	91
<b>Net cash used in financing activities</b>	<b>(76)</b>	<b>(283)</b>	<b>(414)</b>	<b>(666)</b>
<b>Net change in cash and cash equivalents</b>	<b>389</b>	<b>580</b>	<b>(80)</b>	<b>(53)</b>
Effect of exchange rate changes and other impacts on cash and cash equivalents	4	6	-	-
Cash and cash equivalents at the beginning of the period	1,078	885	326	299
<b>Cash and cash equivalents at the end of the period</b>	<b>1,471</b>	<b>1,471</b>	<b>246</b>	<b>246</b>

## **Notes to the Condensed IFRS Interim 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 Interim Separate Financial Statements for the 6 months ended 30 June 2022 (the “Condensed Interim 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 Interim Separate Financial Statements (see also Note 3).

These Condensed Interim 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 Interim Separate Financial Statements include the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and selected explanatory notes.

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

Costs that arise unevenly during the year are anticipated or deferred in the interim 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 interim consolidated financial statements for the 6 months ended 30 June 2022. The Group is a part of Orange Group, based in France.

These Condensed Interim Separate Financial Statements are prepared in millions of Polish zloty (“PLN”) and were authorised for issuance by the Management Board on 27 July 2022.

#### 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 Interim 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 30 June 2022	6 months ended 30 June 2022	3 months ended 30 June 2021	6 months ended 30 June 2021
<b>Mobile only services</b>	<b>697</b>	<b>1,367</b>	<b>651</b>	<b>1,281</b>
<b>Fixed only services</b>	<b>472</b>	<b>951</b>	<b>494</b>	<b>998</b>
Narrowband	147	300	174	356
Broadband	219	438	214	428
Network solutions (business market)	106	213	106	214
<b>Convergent services (consumer market)</b>	<b>530</b>	<b>1,056</b>	<b>492</b>	<b>969</b>
<b>Equipment sales</b>	<b>363</b>	<b>694</b>	<b>330</b>	<b>673</b>
<b>IT and integration services</b>	<b>62</b>	<b>123</b>	<b>60</b>	<b>111</b>
<b>Wholesale</b>	<b>467</b>	<b>923</b>	<b>598</b>	<b>1,196</b>
Mobile wholesale	295	581	378	731
Fixed wholesale	72	145	132	289
Other	100	197	88	176
<b>Other revenue</b>	<b>27</b>	<b>51</b>	<b>30</b>	<b>59</b>
<b>Total revenue</b>	<b>2,618</b>	<b>5,165</b>	<b>2,655</b>	<b>5,287</b>

IT and integration services, wholesale and other revenue for the 6 months ended 30 June 2022 and 2021 include, respectively, PLN 48 million and PLN 47 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 contributes to higher inflation, may result in potentially longer than previously assumed period of elevated costs of energy and trigger a risk of potential energy shortages. Consequences of that are higher interest rates and slower GDP growth. Poland continues to experience

foreign exchange volatility. Additionally, high influx of refugees to Poland generates additional costs for the Polish State budget, however the Polish economy could also reflect an upward impact of additional labour force and consumption.

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 outstanding as at 30 June 2022 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 and higher usage of mobile and fixed broadband services as a consequence of the war in Ukraine), jointly with the impact of the growing discount rate based on the weighted average cost of capital. 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 30 June 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 Interim Separate Financial Statements. The Management will monitor the situation and the impact of the war on the Company in the next quarters.

#### Acquisition of new subsidiaries

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 39 million was paid until 30 June 2022. The remaining part, estimated at PLN 4 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 19 million in the 6 months ended 30 June 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 30 June 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. The dismantling provision was reduced by PLN 134 million as the decrease of the provision due to higher discount rates was partially compensated by the increase of the provision due to higher unitary cost of dismantling.

As at 30 June 2022, the fair value of derivatives amounted to PLN 888 million and was higher by PLN 617 million compared to the valuation as at 31 December 2021. The change resulted mainly from increases of interest rates and energy prices. Additionally, in the 6 months ended 30 June 2022, the Company entered into new commodity swap to further hedge its exposure to energy price risk.

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The amount of trade payables subject to reverse factoring decreased from PLN 155 million as at 31 December 2021 to PLN 90 million as at 30 June 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 30 June 2022, the total outstanding balance of loans from the related parties amounted to PLN 5,060 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related parties amounted to 7.38% before swaps and 3.34% after swaps as at 30 June 2022.

As at 30 June 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 596 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 contingent 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 30 June 2022	At 31 December 2021	Fair value hierarchy <sup>(1)</sup>
Selected trade receivables arising from sales of mobile handsets in instalments	137	233	Level 2
Contingent consideration receivable arising from the sale of 50% stake in Światłowód Inwestycje <sup>(2)</sup>	366	416	Level 3
Derivatives hedging energy prices – net (assets less liabilities) <sup>(3)</sup>	291	(3)	Level 3
Other derivatives – net (assets less liabilities)	597	274	Level 2

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

<sup>(2)</sup> The Company received PLN 41 million in 2022.

<sup>(3)</sup> Change in the fair value in 2022 results from positive valuation of these derivatives due to an increase of energy prices (PLN 139 million related to derivatives held by the Company at 31 December 2021 and PLN 155 million related to a new contract signed in 2022 - see Note 6). Total impact is recognised as gains on cash flow hedges in other comprehensive income.

The Company applies the expected present value technique to measure the fair value of the contingent consideration receivable from the sale of 50% stake in Światłowód Inwestycje. The discount rates used in the calculation of the present value of the expected cash flows related to contingent consideration range from 10.8% in 2023 to 8.2% in 2026 as at 30 June 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 fair value of derivatives hedging energy price risk represents the valuation of future benefits from a difference between the fixed price agreed with the supplier of energy and expected future energy prices. Estimated future energy prices are based on observable market energy prices for years 2022 – 2025 and on forecasted prices calculated

by an external advisor for years 2026 – 2035. The average of these forecasted energy prices for years 2026 – 2035 used for the valuation of derivatives as at 30 June 2022 amounted to PLN 332 per 1MWh. The sensitivity analysis prepared by the Company indicated that every 10% increase/decrease in the forecasted energy prices for years 2026 – 2035 would change the fair value of derivatives and affect other reserves respectively by PLN 24/(24) million as at 30 June 2022.

The carrying amount of the Company's financial instruments excluding lease liabilities approximates their fair value, except for telecommunications licence payables and loan payables based on fixed interest rates for which as at 30 June 2022 the estimated fair value was different from the carrying amount respectively by PLN (2) million and PLN (32) 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, paid on 6 July 2022, amounted to PLN 328 million.

## 10. Changes in major litigation, claims and contingent liabilities 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 customer complaints. On 14 December 2021 and 8 March 2022, UOKiK issued commitment decisions (both without imposing fines) concluding the proceedings instituted on 14 May and 23 July 2021 respectively.

On 7 June 2022, UOKiK initiated proceedings concerning practices violating the collective interests of consumers, alleging that Orange Polska unjustifiably charges fees for calls to the hotline numbers made by consumers using offers with unlimited calls and for the "technical assistance" in the course of the complaint procedure.

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 30 June 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 and for the 6 months ended 30 June 2021 comprised additionally impairment of loan.

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 and financial receivables from its subsidiaries relate to dividends and the loans granted to the subsidiaries. Financial costs and financial liabilities concerning transactions with the subsidiaries relate to 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. The purchases from Światłowód Inwestycje comprise mainly network access connectivity fees. 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.

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(in PLN millions)	3 months ended 30 June 2022	6 months ended 30 June 2022	3 months ended 30 June 2021	6 months ended 30 June 2021
<b>Sales of goods and services and other income:</b>	<b>251</b>	<b>439</b>	<b>90</b>	<b>175</b>
Orange Polska Group (subsidiaries)	24	51	39	70
Orange Group	64	124	51	105
- Orange S.A. (parent)	47	91	33	67
- Orange Group (excluding parent)	17	33	18	38
Światłowód Inwestycje (joint venture)	163	264	-	-
<b>Purchases of goods (including inventories, tangible and intangible assets) and services:</b>	<b>(202)</b>	<b>(362)</b>	<b>(168)</b>	<b>(303)</b>
Orange Polska Group (subsidiaries)	(105)	(178)	(110)	(189)
Orange Group	(70)	(132)	(58)	(114)
- Orange S.A. (parent)	(24)	(42)	(11)	(20)
- Orange Group (excluding parent)	(46)	(90)	(47)	(94)
- including Orange Brand Services Limited (brand licence agreement)	(35)	(68)	(34)	(68)
Światłowód Inwestycje (joint venture)	(27)	(52)	-	-
<b>Financial income:</b>	<b>48</b>	<b>54</b>	<b>4</b>	<b>5</b>
Orange Polska Group (subsidiaries)	32	32	4	5
Orange S.A. (parent)	16	22	-	-
<b>Financial expense, net:</b>	<b>(41)</b>	<b>(78)</b>	<b>(39)</b>	<b>(83)</b>
Orange Polska Group (subsidiaries)	(1)	(1)	-	-
Orange Group	(40)	(77)	(39)	(83)
- Orange S.A. (parent)	30	40	(40)	(54)
- Orange Group (excluding parent)	(70)	(117)	1	(29)
<b>Other comprehensive income:</b>	<b>160</b>	<b>318</b>	<b>31</b>	<b>96</b>
Orange S.A. (parent)	160	318	31	96
<b>Dividend declared:</b>	<b>166</b>	<b>166</b>	<b>-</b>	<b>-</b>
Orange S.A. (parent)	166	166	-	-

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(in PLN millions)	At 30 June 2022	At 31 December 2021
<b>Receivables and contract costs:</b>	<b>295</b>	<b>378</b>
Orange Polska Group (subsidiaries)	36	22
Orange Group	75	97
- Orange S.A. (parent)	54	67
- Orange Group (excluding parent)	21	30
Światłowód Inwestycje (joint venture)	184	259
<b>Liabilities:</b>	<b>851</b>	<b>900</b>
Orange Polska Group (subsidiaries)	68	100
Orange Group	94	105
- Orange S.A. (parent)	32	44
- Orange Group (excluding parent)	62	61
Światłowód Inwestycje (joint venture)	689	695
<b>Financial receivables:</b>	<b>654</b>	<b>301</b>
Orange Polska Group (subsidiaries)	58	27
Orange S.A. (parent)	596	274
<b>Cash and cash equivalents deposited with:</b>	<b>1,384</b>	<b>738</b>
Orange S.A. (parent)	1,384	738
<b>Financial liabilities:</b>	<b>5,060</b>	<b>5,091</b>
Orange Polska Group (subsidiaries)	95	141
Orange Group	4,965	4,950
- Orange Group (excluding parent)	4,965	4,950
<b>Dividend payable to:</b>	<b>166</b>	<b>-</b>
Orange S.A. (parent)	166	-
<b>Guarantees granted:</b>	<b>140</b>	<b>138</b>
Orange Polska Group (subsidiaries)	140	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 6 months ended 30 June 2022 and 2021 amounted to PLN 8.1 million and PLN 7.4 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 6 months ended 30 June 2022 and 2021 amounted to PLN 2.8 million and PLN 2.4 million, respectively.

## 12. Subsequent events

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



# ORANGE POLSKA GROUP



## MANAGEMENT BOARD'S REPORT ON THE ACTIVITY IN THE FIRST SIX MONTHS ENDED 30 JUNE 2022

*This report on the activity of the Orange Polska Group ("the Group" or "Orange Polska") in the first half of 2022 has been drawn up in compliance with Article 69 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information 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). For additional information please refer to the full year 2021 report.*

*Disclosures on performance measures have been presented in the Note 2 to the Condensed IFRS Interim Consolidated Financial Statements of the Orange Polska Group for the 6 months ended 30 June 2022.*

**July 27, 2022**

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**CHAPTER I**  
**HIGHLIGHTS OF THE CONSOLIDATED FINANCIAL STATEMENTS**

as of June 30, 2022 and for the six-month period ended thereon

## 1 SUMMARISED FINANCIAL STATEMENTS

### SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

	For 6 months ended 30 June				
	2022 in PLN mn	2022 in EUR <sup>1</sup> mn	2021 in PLN mn	2021 in EUR <sup>2</sup> mn	Change (%)
<b>Consolidated Income Statement</b>					
Revenue	5,986	1,289	5,872	1,291	1.9 %
EBITDAaL*	1,520	327	1,465	322	3.8 %
EBITDAaL margin	25.4 %		24.9%		0.5 pp
Operating income	581	125	340	75	70.9%
Operating margin	9.7 %		5.8%		3.9 pp
Net income	368	79	155	34	137.4%
Net income attributable to owners of Orange Polska S.A.	368	79	155	34	137.4%
Weighted average number of shares (in millions)**	1,312	1,312	1,312	1,312	
Earnings per share (in PLN/EUR) (basic and diluted)	0.28	0.06	0.12	0.03	133%
<b>Consolidated Statement of Cash Flows</b>					
Net cash provided by operating activities	1,696	365	1,606	353	5.6 %
Net cash used in investing activities	(865)	(186)	(1,019)	(224)	(15.1) %
Net cash used in financing activities	(244)	(53)	(635)	(140)	(61.6) %
Net change in cash and cash equivalents	587	126	(48)	(11)	n/a
eCapex*	573	123	887	195	(35.4) %
Organic cash flows*	648	140	357	79	81.5%
<b>As of</b>					
	30 June 2022 in PLN mn	30 June 2022 in EUR <sup>3</sup> mn	31 Dec 2021 in PLN mn	31 Dec 2021 in EUR <sup>4</sup> mn	Change (%)
<b>Consolidated Statement of Financial Position</b>					
Cash and cash equivalents	1,526	326	933	203	63.6%
Other intangible assets	3,816	815	3,984	866	(4.2)%
Property, plant and equipment	9,454	2,020	9,728	2,115	(2.8)%
Total assets	26,554	5,673	26,157	5,687	1.5%
Financial liabilities at amortised cost, of which:	7,748	1,655	7,841	1,705	(1.2)%
Current	1,349	288	573	125	135.4 %
Non-current	6,399	1,367	7,268	1,580	(12.0)%
Other liabilities, current and non-current	5,559	1,188	5,705	1,240	(2.6)%
Total equity	13,247	2,830	12,611	2,742	5.0 %
Notes on data conversion: 1 – PLN/EUR fx rate of 4.6427 applied      3 – PLN/EUR fx rate of 4.6806 applied 2 – PLN/EUR fx rate of 4.5472 applied      4 – PLN/EUR fx rate of 4.5994 applied * For definitions please see the Note 2 to the Condensed IFRS Interim Consolidated Financial Statements of the Orange Polska Group for the six months ended June 30, 2022. ** Weighted average number of shares in 6 months ended June 30, 2022 and June 30, 2021, respectively.					

### 1.1 Comments on the Consolidated Income Statement

Consolidated revenue amounted to PLN 5,986 million in the first six months of 2022 and was higher by PLN 114 million or 1.9% compared to the first half of 2021. Firstly, combined revenues of convergence, mobile-only and fixed broadband-only (which we consider our core telecom services) were up 7.0% year-on-year. This dynamic growth was fuelled by a combination of two factors: growth of customer volumes and growing average revenue that they generate (ARPO) for each of the aforementioned services. Improving ARPO is a consequence of our value pricing strategy, growing share of fibre and recovery of roaming revenues after the pandemic. Secondly, despite disturbances in global supply chains, IT and integration services maintained their strong performance with revenues growing as much as 26% year-on-year. This growth was entirely organic and driven by both strong performance of our software subsidiaries and a broad portfolio of competencies, enabling us to flexibly adapt to the changing demand. Thirdly, wholesale revenues were down 23% year-on-year due to regulatory cuts in mobile and fixed termination rates. Fourthly, other revenues were up 44% year-on-year owing to higher average realised price in our energy resale business. Finally, top line continued to be affected by structural decline in legacy fixed-voice revenues, which were down 16% year-on-year.

EBITDAaL (EBITDA after Leases) amounted to PLN 1,520 million and was higher by PLN 55 million or 3.8% year-on-year. EBITDAaL benefitted mainly from strong performance of core telecom services, which was reflected in an increase of almost 2% in direct margin. Indirect costs remained flat. A huge increase in energy costs by almost 70% was offset by cost savings and profits gained from a number of initiatives including the network rollout for Światłowod-Inwestycje.

Operating income (EBIT) stood at PLN 581 million, an increase of 70% year-to-year. It was supported by a decrease of 10% in depreciation and PLN 83 million higher gain on sale of assets (a recovery after pandemic driven slowdown a year earlier).

Net finance costs amounted to PLN 156 million in the first half of 2022 and were up PLN 45 million year-on-year, which mainly reflected unfavourable movements in foreign exchange rates (related to non-current lease liabilities).

As a result, consolidated net income amounted to PLN 368 million versus PLN 155 million a year earlier.

For more information on the operational and financial performance please see section 2 below.

### 1.2 Comments on the Consolidated Statement of Cash Flows

Net cash from operating activities amounted to PLN 1,696 million in the first half of 2022 and was PLN 90 million higher year-on-year.

Net cash used in investing activities amounted to PLN 865 million in the first half of 2022 compared to PLN 1,019 million in the first half of 2021. This resulted mainly from higher proceeds from sale of assets and lower payments for purchases of property, plant and equipment and intangible assets compared to the first half of 2021.

Net cash outflows from financing activities amounted to PLN 244 million compared to PLN 635 million in the first half of 2021. This change is mainly attributable to higher cash flows from a related party loan and bank overdrafts in the first half of 2021, which were partially offset by cash flows from derivative instruments.

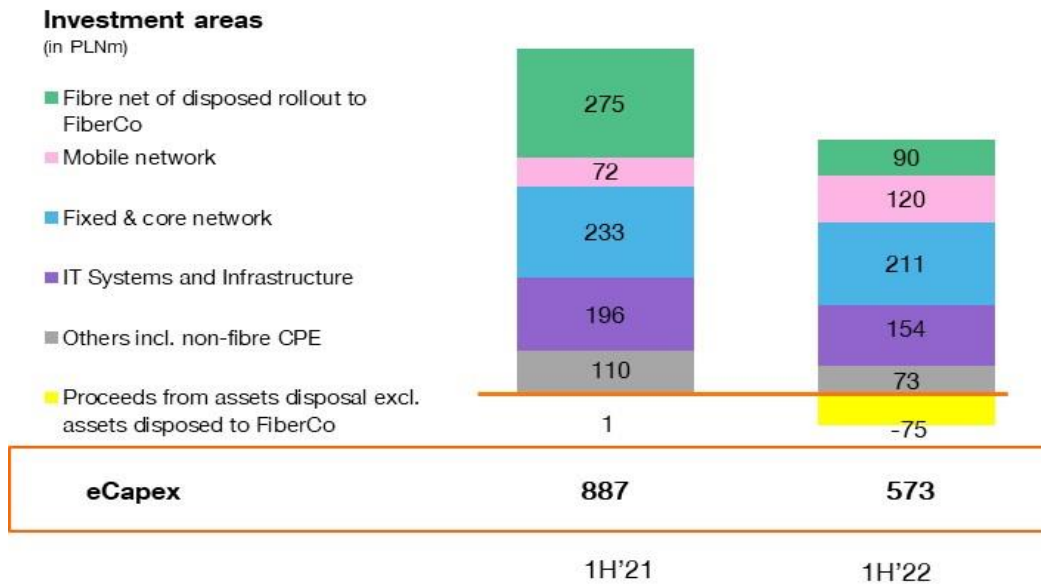
### 1.3 Economic Capital Expenditures (eCAPEX)

Group's economic capital expenditures (starting from 2020, this measure includes accrued proceeds from asset disposals) in the first six months of 2022 amounted to PLN 573 million and were lower by PLN 314 million year-on-year.

These included mainly the following:

- Investments in the fibre network which after establishing Światłowod-Inwestycje joint-venture are now much lower than before and mainly include capex related to further commercialisation of the constructed network (including customer premises equipment and service delivery), and fibre rollout to dedicated business customers;
- Increased investments in the mobile network including enhancement of the range of LTE services and the mobile network connectivity, expansion of the capacity (commenced access network modernization project) and range of GSM/UMTS services, and adaptation of the mobile access network to the 4G technology requirements, particularly in the areas not covered by the mobile access network consolidation project (i.e. strategic or underinvested regions);
- Expansion of the mobile transport and core network in order to handle the growing volume of data transmission and ensure the service quality expected by customers;
- Implementation of transformation programmes;
- Investment projects related to the portfolio development, sales and customer service processes as well as the modernisation and enhancement of the IT technical infrastructure; and
- Rebounding proceeds from sale of real estate after pandemic driven slowdown a year ago.

### Split of economic CAPEX



#### 1.4 Comments on the Consolidated Statement of Financial Position

Total assets were higher by PLN 397 million than at December 31, 2021. This change resulted mainly from an increase in derivatives and cash and cash equivalents, which was partially offset by a decrease in the balance-sheet value of property, plant and equipment and intangible assets, as depreciation and amortisation expense exceeded capital expenditures by PLN 286 million, and a decrease in deferred tax and right of use assets.

Total liabilities were lower by PLN 239 million than at December 31, 2021. This change resulted mainly from a decrease in trade payables, provisions and lease liabilities, which was partially offset by an increase in other liabilities on the account of dividend.

#### 1.5 Related Parties Transactions

Please see Note 12 to the Condensed IFRS Interim Consolidated Financial Statements about Group's transactions with related entities.

#### 1.6 Description of Significant Agreements

The Group concluded no significant agreements in the first half of 2022.

#### 1.7 Subsequent Events

Please see Note 13 to the Condensed IFRS Interim Consolidated Financial Statements for information on subsequent events.

#### 1.8 Scope of Consolidation within the Group

Please see Note 1.2 to the Consolidated Full-Year Financial Statements for 2021 for information about the scope of consolidation within the Group.

#### 1.9 Information about the Loan or Borrowing Collaterals or Guarantees Provided by the Issuer or Its Subsidiaries

In the six months ended June 30, 2022, neither Orange Polska S.A. ("the Company", "parent company") nor its subsidiaries granted guarantees or collateral of loans or borrowings to any entity or its subsidiary with a total value representing the equivalent of at least 10% of Orange Polska S.A.'s shareholders equity. Please refer to section 1.10.5 below for additional information.

## 1.10 Management of Financial Resources and Liquidity of the Group

In the reported period, the Group financed its activities by cash from operating activities, loans provided by the Orange S.A. Group (at market terms), a broadband loan provided by Alior Bank S.A. under an investment financing agreement, current account overdraft facilities, and sale of receivables in a securitisation programme.

In the first six months of 2022, the Group did not effect any repayments of long-term loans or a revolving loan provided by the Orange S.A. Group.

In the reported period, the Group used PLN 14 million out of the broadband loan provided by Alior Bank S.A. and did not use the revolving loan provided by the Orange S.A. Group.

As of June 30, 2022, Group's interest-bearing liabilities (before derivatives) totalled PLN 5,042 million, which is an increase of PLN 31 million compared to December 31, 2021. Debt to the Orange S.A. Group accounted for 98.5% of this amount.

In the first half of 2022, the Group continued to sell receivables related to handsets instalment sales under a programme set up in 2019 and amended in 2020 between the Group, BNP Paribas S.A. as the buyer and Eurotitrisation as the settlement agent. The Group raised PLN 33 million from the sale of receivables under the programme in the first six months of 2022.

In the reported period, under a cash-pooling agreement concluded by the parent company with selected subsidiaries from the Group and Bank Handlowy w Warszawie S.A., acting as the pool leader, the process of the Group's liquidity management was continued with subsidiaries investing their surplus cash in the parent company's account.

Group's liquidity remained solid, owing to strong cash position, amounting to PLN 1,526 million at June 30, 2022, and available credit facilities totalling the equivalent of PLN 641 million.

Based on available cash, back-up and revolving credit facilities, as well as external sources of financing, the Group has sufficient funds to carry out its investment projects, including capital investments, scheduled for implementation in 2022.

At June 30, 2022, Group's liquidity ratios slightly decreased as compared to the end of 2021. It resulted from an increase of PLN 808 million in current liabilities (less provisions and contract liabilities) due to creation of a liability related to dividend payment (which was effected in July) and transformation of a portion of debt from long-term to short-term.

The liquidity ratios for the Group at June 30, 2022 and December 31, 2021, respectively, are presented in the table below.

	June 30, 2022	December 31, 2021
Current ratio		
Current assets / current liabilities*	1.11	1.19
Quick ratio		
Current assets – inventories / current liabilities*	1.04	1.11
Super-quick ratio		
Current assets – inventories – receivables / current liabilities*	0.62	0.57

\*Current liabilities less provisions and contract liabilities were used to determine the ratio.

Group's net financial debt (after valuation of derivatives) decreased to PLN 3,511 million at June 30, 2022 (from PLN 4,076 million at the end of 2021).

### 1.10.1 Bonds

As part of the Group's liquidity management, in the first half of 2022 the parent company did not issue or redeem short-term bonds acquired by its subsidiaries.

The Group did not issue or redeem any external long-term debt notes in the reported period.

### 1.10.2 Loan and Borrowings Agreements

In the reported period, the Group and the Polish Branch of Société Générale S.A. concluded an annex to a current account overdraft agreement for PLN 95 million, extending its maturity to May 31, 2023.

### 1.10.3 Unused Credit Facilities

As of June 30, 2022, the Group had outstanding general-purpose credit facilities amounting to an equivalent of PLN 141 million.

In addition, the Group had an unused limit of back-up liquidity financing of PLN 500 million, provided by Orange S.A.



#### 1.10.4 Loan Covenants

Agreements to which the Group is a party do not impose any obligations on the Group to meet any financial ratios. For informational purposes, the ratio of net debt to EBITDAaL was 1.2 on June 30, 2022.

#### 1.10.5 Guarantees and Collaterals

In the first half of 2022, Orange Polska S.A. requested banks to issue bank guarantees with respect to liabilities of its subsidiary TP Teltech sp. z o.o. towards its business partners, while warranting to indemnify the banks against any claims thereunder. As of June 30, 2022, these guarantees totalled PLN 7.9 million.

As of the reporting date, collaterals granted by Orange Polska S.A. to Bank Handlowy w Warszawie S.A. to secure proper performance bonds issued by the latter in favour of its subsidiary TP Teltech sp. z o.o. with respect to its obligations towards Nokia Solutions And Networks sp. z o.o., related to the implementation of the Operational Programme Digital Poland 2, was still valid and totalled PLN 28.1 million.

As of June 30, 2022, a collateral of up to PLN 20 million granted by Orange Polska S.A. to Santander Factoring sp. z o.o. to secure a facility provided by the latter to its subsidiary TP Teltech sp. z o.o. under a confirming agreement for payment management was still valid.

In the first half of 2022, Orange Polska S.A. requested banks to issue bank guarantees with respect to liabilities of its subsidiary Orange Retail S.A. on the account of lease of premises for Orange sales outlets, while warranting to indemnify the banks against any claims thereunder. As of June 30, 2022, these guarantees totalled PLN 1.2 million.

In the reported period, Orange Polska S.A. requested banks to issue bank guarantees with respect to liabilities of its subsidiary Orange Energia sp. z o.o. towards its business partners, while promising to cover any claims related to payments under the guarantees. As of June 30, 2022, these guarantees totalled PLN 20.5 million.

Furthermore, as of June 30, 2022, a collateral of PLN 38 million granted by Orange Polska S.A. to Bank Handlowy w Warszawie S.A. to secure liabilities of its subsidiary Orange Energia sp. z o.o. on the account of a current account overdraft facility provided by the bank was still valid.

As of June 30, 2022, a bank guarantee of PLN 3.8 million issued by BNP Paribas Bank Polska S.A. upon request of Orange Polska S.A. with respect to liabilities of its subsidiary Fundacja Orange [Orange Foundation] on the account of an agreement concluded by the latter with the Digital Poland Project Centre was still valid.

As of June 30, 2022, a collateral of PLN 5 million granted by Orange Polska S.A. to PKO Bank Polski S.A. to secure liabilities of its subsidiary Essembli sp. z o.o. with respect to a multi-purpose credit facility dedicated to bank guarantees was still valid.

Finally, as of June 30, 2022, collaterals granted by Orange Polska S.A. to BNP Paribas Bank Polska S.A. and PKO Bank Polski S.A. to secure liabilities of its subsidiary BlueSoft sp. z o.o. on the account of current account overdraft facilities and a multi-purpose credit facility dedicated to bank guarantees totalled PLN 15 million.

#### 1.10.6 Hedging Transactions

In the first half of 2022, the Group continued to minimise its exposure to foreign exchange and interest rate volatility by concluding and maintaining cross currency swaps, interest rate swaps, currency options, cross currency interest rate swaps and non-deliverable forward contracts.

Furthermore, the Group hedged a portion of the exposure to foreign exchange risk generated by operating expenditures (e.g. handset purchases) and capital expenditures.

As of June 30, 2022, the Group's proportion between fixed/floating rate debt (after hedging) was 91/9% and did not change versus that on December 31, 2021. Owing to such a high level of hedging, changes in interest rates in the market will have significantly limited impact on the Group's debt cost until 2025.

**CHAPTER II**  
**MANAGEMENT BOARD'S REPORT**  
**ON OPERATING AND FINANCIAL PERFORMANCE OF THE GROUP**  
in the first half of 2022

## 2 OPERATING AND FINANCIAL PERFORMANCE OF THE GROUP

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.

Financial data of the operating segment and calculation as well as definitions of performance measures of the operating segment are presented in the Note 2 to the Condensed IFRS Interim Consolidated Financial Statements of the Orange Polska Group for the six months ended June 30, 2022.

Key figures (PLN million)	1H 2022	1H 2021	Change
Revenue	5,986	5,872	1.9%
EBITDAaL	1,520	1,465	3.8%
EBITDAaL margin	25.4%	24.9%	0.5pp
Operating income	581	340	70.9%
Net income	368	155	137.4%
eCapex	573	887	(35.4)%
Organic cash flow	648	357	81.5%

Our revenue reporting reflects our commercial strategy, which is focused on convergent offer sales. Consequently, we report convergent revenues separately from revenues from mobile-only and fixed-only services (i.e. sales to non-convergent customers).

Revenues totalled PLN 5,986 million in the first half of 2022, up PLN 114 million or 1.9% year-on-year. The growth was slower than in 2021, when it was 3.6%, yet still above our expectations. The main reason for the slowdown was the negative regulatory impact of subsequent MTR/FTR cuts. Excluding this impact, revenues were up 5.8% year-on-year.

Our core telecom services, that is convergence and mobile-only and fixed broadband-only services, remain the key growth engine. Combined revenues of these three categories were up 7% year-on-year (versus a 6.7% increase in 2021). Growth is fuelled by steadily growing customer bases for all types of services and ARPO improvement, resulting from our value strategy and a growing share of fibre customers, who generate the highest revenue. Mobile-only revenues achieved particularly high growth and were up 6.8% year-on-year (versus 3.1% in 2021). This resulted mainly from a growing post-paid customer base and an increase in ARPO. The customer base is expanding, despite partial migration from mobile-only to convergent services, owing to B2B customers as well as Nju and Flex brands. Post-paid ARPO increased by more than 1%, following its earlier decline, under the positive influence of our value strategy and partial recovery of roaming revenues following a slump amid the COVID-19 pandemic. Another important growth factor was pre-paid mainly due to high increase in the number of customers.

Revenues from IT and integration services maintained their robust growth (up 26% year-on-year), which was entirely organic. This was driven mainly by strong performance of our software subsidiaries (i.e. BlueSoft and Craftware, which achieved aggregate revenue growth of 26% in the first half of the year) and a broad and well-diversified service portfolio, which enables us to flexibly adapt to the changing demand and be less dependent on supply chain fluctuations.

Revenue evolution was negatively impacted by regulatory cuts in both fixed and mobile termination rates (FTR and MTR). It led to revenue erosion of approximately PLN 220 million, which contributed to a 23% decrease in wholesale revenue.

Revenue evolution in the first six months of 2022 was also influenced by the following factors:

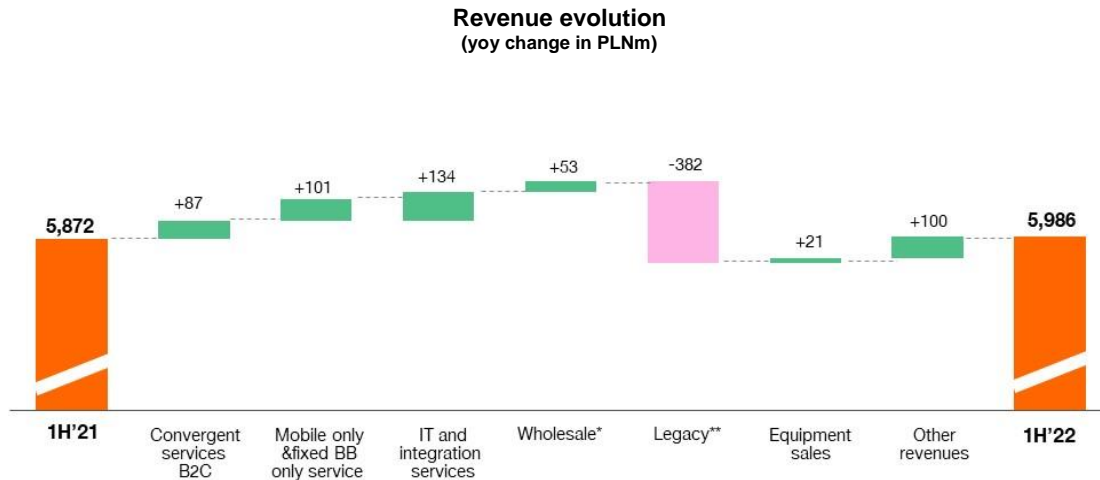
- A 44% increase in other revenues, mainly owing to higher average realised price in our energy resale business;
- A further structural decline in fixed voice telephony legacy revenues (by 16% year-on-year);
- A 3% increase in equipment sales.

EBITDAaL for the first six months of 2022 was PLN 1,520 million and increased PLN 55 million or 3.8% year-on-year. Operating margin (ratio of EBITDAaL to revenues) increased to 25.4% (from 24.8% all-year in 2021). Virtually the entire EBITDAaL growth was generated by improving direct margin, that is revenue growth fuelled mainly by the successful implementation of our value strategy in core telecommunication services and the ICT sector. Indirect costs remained flat. An almost 70% increase in energy costs (due to price increases in the market, mainly with respect to electricity) was offset by our transformation initiatives (savings in labour expenses and other categories of indirect costs) and profits gained from a number of initiatives including the network rollout for Światłowód-Inwestycje.

Cost evolution can be attributed mainly to the following factors:

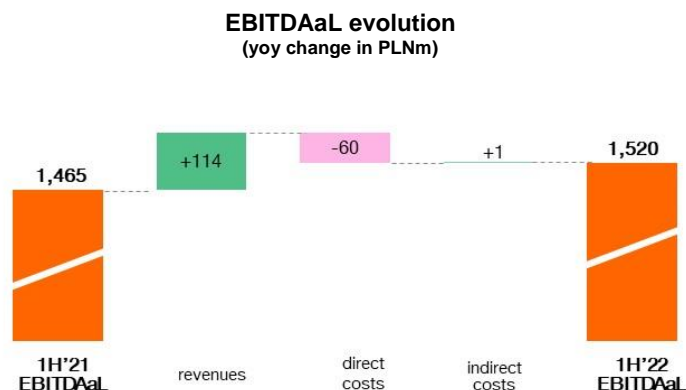
- A decrease of 23% in interconnect expenses, resulting mainly from cuts in both fixed and mobile termination rates and reflecting a decrease in wholesale revenue;

- An increase of 10% in commercial expenses, driven by growth in smartphone and ICT equipment sales;
- An increase of 31% in network and IT expenses, resulting from much higher network energy costs due to a surge in electricity prices in the market;
- An increase of 22% in other external purchases, mainly due to higher costs of energy for resale (related to higher revenues in this segment) and higher costs of ICT services (related to revenues).



\*wholesale excluding non-fibre fixed wholesale and interconnect,

\*\*legacy: narrowband only, non-fibre fixed wholesale and interconnect revenues



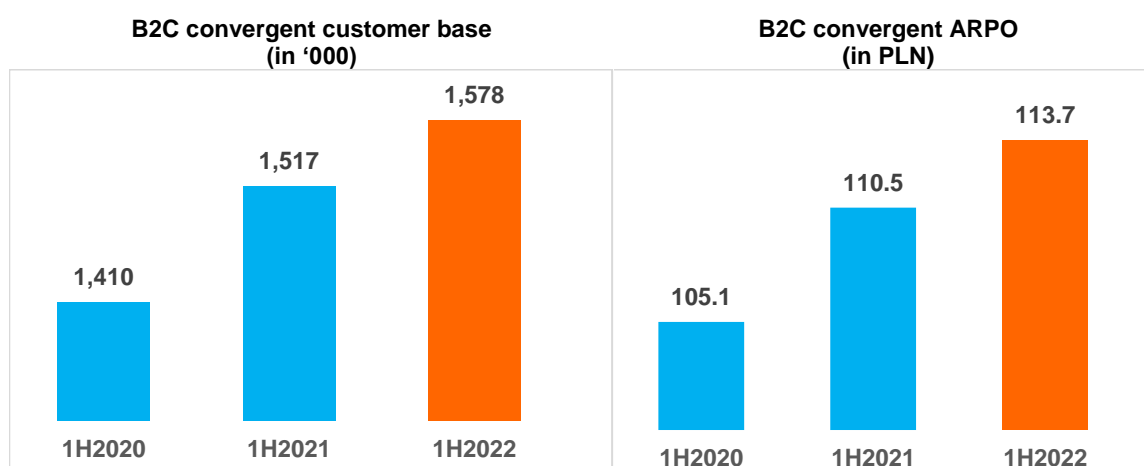
## 2.1 Convergent Services

One of the key strategic objectives of Orange Polska is to be the leader in telecommunication services sales to households. Convergence, or sales of mobile and fixed-line service bundles, addresses household telecommunication needs in a comprehensive manner, increasing customer satisfaction and reducing churn (as churn rate is significantly lower than among single service users). It also contributes to revenue growth and increased efficiency of IT and marketing spending. Through our convergent offer we are able to enter new households with our services as well as upsell additional services to households where we are already present, displacing competitors that cannot provide such a comprehensive offer.

In the first six months of 2022, there were no significant changes in our flagship convergent offer, Orange Love. Our B2C convergent customer base increased by 26 thousand (or almost 2%), reaching 1.58 million. Net customer additions were lower than in the first half of 2021 due to low customer activity early in the year, which may be attributed to sudden changes in the macroeconomic environment. It needs to be noted that saturation of our broadband customer base with convergent services has already reached a significant level (67%). The majority of new mobile and fixed broadband acquisitions are still effected in the convergent bundle formula. The total number of services provided in the convergence scheme among B2C customers reached 6.3 million, which means that, on average, each convergent residential customer uses more than four Orange services.

	For 6 months ended		Change
	30 June 2022	30 June 2021	
Convergence revenues (PLN mn)	1,056	969	9.0%
Convergent customer base (000)	1,578	1,517	4.0%
Convergence ARPO (PLN)	113.7	110.5	2.9%

In the first half of 2022, revenues from convergent services totalled PLN 1,056 million and were up 9% year-on-year. The growth was driven by both customer base expansion and an increase in ARPO. Convergent ARPO grew by almost 3% year-on-year as a result of the effective implementation of our value strategy and a growing share of fibre customers, who generate the highest revenue.



## 2.2 Mobile-only Services

Revenues (PLN million)	For 6 months ended		Change
	30 June 2022	30 June 2021	
Mobile-only services	1,370	1,283	6.8%

Key performance indicators (number of services) ('000)	30 June 2022	31 Dec 2021	30 June 2021	Change 30.06.2022/31.12.2021	Change 31.12.2021/30.06.2021
Post-paid mobile services	12,238	11,847	11,192	3.3%	5.9%
Mobile Handset	8,609	8,424	8,266	2.2%	1.9%
Mobile Broadband	646	674	705	(4.2)%	(4.4)%
M2M	2,983	2,749	2,221	8.5%	23.8%
Pre-paid mobile services	5,591	4,953	4,855	12.9%	2.0%
Total mobile services	17,829	16,800	16,047	6.1%	4.7%

Key performance indicators (PLN)	1H 2022	1H 2021	1H 2020	Change 2022/2021	Change 2021/2020
Monthly blended retail ARPO from mobile-only services	20.2	19.9	19.4	1.5%	2.6%
post-paid (excluding M2M)	26.6	25.8	25.9	3.1%	(0.4)%
pre-paid	12.4	12.3	11.8	0.8%	4.2%

As at the end of June 2022, Orange Polska had a mobile services base of over 17.8 million, which is an increase of about 6% versus the end of December 2021. The number of pre-paid SIM cards increased by as much as over 600,000, which is attributed mainly to the distribution of our free starters to war refugees from Ukraine.

In the post-paid segment, there were no significant changes in SIM card trends:

- Volume growth in handset offers (which are of crucial business importance) was over 4% (i.e. the same as in 2021), as a result of the consistent implementation of a value-based commercial strategy, concentration on the Orange Love convergent offer in customer acquisition, growing take-up of the Orange Flex offer and good additions in the business market;
- The number of mobile broadband services continued to fall due to increased popularity of mobile broadband for fixed use offers as well as growing data packages for smartphones in mobile voice tariff plans;
- Further strong growth in the number of SIM cards related to M2M services (up 34% year-on-year), mainly owing to the execution of contracts for the delivery of SIM cards for electricity and gas meters as well as solutions for the e-Toll system for road toll collection.

In order to better reflect our commercial strategy, since the beginning of 2018 we have been presenting separately convergent mobile customers and those who use mobile services only. Notably, volume growth was achieved in both groups. The growth in the former category is driven by convergent customer base expansion and upsales of additional SIM cards to Orange Love customers, whereas the rebound in the number of non-convergent services (excluding M2M) was driven mainly by growing business customer base and take-up of the Orange Flex and Nju brands.

Blended ARPO (from mobile-only services) amounted to PLN 20.2 in the first six months of 2022 and was up 1.5% year-on-year. The growth was generated by both post-paid and pre-paid services.

The post-paid ARPO grew 3.1%, continuing the upward trend observed in 2021. The improvement resulted from the following factors:

- Focus on value and related price increases (in line with our 'more for more' strategy) in both the consumer market and the business market (for SOHO customers);
- Lower penetration of mobile broadband in the mobile customer base; as a result, post-paid ARPO is less affected by substantial declines in mobile broadband ARPO (reflecting much lower take-up of this service);
- Further recovery of roaming revenues following a slump due to pandemic-related restrictions regarding people's mobility.

Notably, the reported mobile-only services ARPO has been diluted by systematic migration of customers from the main Orange brand to convergence and a growing share of Nju and Flex brands, which generate significantly lower revenues per customer.

### 2.2.1 Market and Competition<sup>1</sup>

The estimated number of SIM cards (61.2 million) increased by 8% compared to the end of June 2021, driving the mobile penetration rate (among population) to 161% at the end of the second quarter of 2022. Despite high saturation, mobile voice still maintained a positive growth rate, also in the pre-paid segment owing to the distribution and registration of SIM cards with dedicated offers for war refugees from Ukraine, which was attacked by Russia. In the post-paid segment, sales of M2M cards also rapidly increased year-on-year, whereas sales of mobile broadband SIM cards decreased (largely due to migration to fixed broadband services and usage of data pools embedded in voice tariffs).

In the first half of 2022, Poland's mobile market was no longer significantly impacted by the COVID-19 pandemic. Lifting trade and mobility restrictions had a positive impact on the market dynamics year-on-year. However, disturbances in global supply chains continue to affect sales of electronic equipment and ICT devices.

Mobile market in Poland is characterised by very low prices compared to other EU countries. This fact combined with growing pressure on costs has made operators adopt the 'more-for-more' approach in their pricing strategies for a few years now. This approach leads to offers with value-added services and larger data packages (GB) embedded in subscription, to address current customer expectations resulting from increased data consumption within mobile plans, in return for a higher price. Due to high inflationary pressure, this strategy is likely to be continued by mobile operators in the future. A powerful driver for data consumption growth was the outbreak of the COVID-19 pandemic and the resulting need for remote working and learning, higher consumption of digital services (e.g. content streaming and gaming) and a shift in daily activities from offline to online. Increased data consumption is thus inextricably linked to digital acceleration. We also expect the trend of enlarging data packages within mobile plans to continue, as mobile service bundles will be expanded to include value-added services and 5G tariffs will gain a growing share of the sales mix. Our strategy of selling convergent packages (bundling mobile and fixed services), followed by Orange Polska for years, has been imitated by market followers. All MNOs have decided to expand their product portfolio to include fixed line services, increasing the reach of fixed networks through acquisitions (e.g. of UPC by Play), wholesale agreements or partnerships. An important development in 1H 2022 was launch of the convergent offer by Play with newly acquired UPC.

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<sup>1</sup> Analysis of the mobile market, excluding wireless for fixed offers.

The pre-paid segment has seen continued migration of some customers to post-paid services. The segment is highly competitive also in the MVNO market. However, due to differences among operators in reporting pre-paid SIM cards, their comparative analysis remains difficult.

According to Orange Polska's own estimates, the four leading operators' aggregated market share remained at 98% as of the end of June 2022, with Orange Polska's estimated market share of 29.2%.

### 2.2.2 Mobile Voice and Data Services

We continue to focus on our convergent offer in customer acquisitions, as it enables upsales of additional services and contributes to higher loyalty of customers. Despite significant saturation of our customer base with convergent services, the majority of new mobile voice acquisitions are still effected in the convergent bundle formula. Our strategy is still focused on value, which involves maintaining a proper balance between customer base expansion and efforts to increase ARPO. ARPO improvement results from monetisation of the price increases introduced in the 'more for more' formula as well as incentives for customers to choose more expensive tariff plans.

In the first six months of 2022, there were no significant changes to our tariff plans and we focused on the monetisation of the earlier price increases introduced in the 'more for more' formula. When handling the retention process (upon expiration of a loyalty contract), we strove to make customers shift to a new contract with a higher tariff plan.

In the pre-paid market, a number of our initiatives aimed to support refugees from Ukraine. We developed special offers based on free pre-paid starters, which involved a very significant reduction in prices for calls from Poland to Ukraine, a bundle of free calls to be used in Poland or Ukraine, a large data bundle and a roaming package. These starters were distributed at specially established support points at border crossings and railway stations as well as through Polish Post outlets. Over 500,000 of such starters had been activated by the end of June. Some of them are regularly topped up after the end of the promotional period.

In the mobile market, the main tariff plans of the biggest operators were not significantly changed. T-Mobile reduced the prices of its two low-end tariff plans, while reducing the embedded data packages. Some operators were active with promotions, especially regarding multi-SIM offers or online sales. Orange and Play continue to offer 5G technology in high-end tariff plans only.

### 2.3 Fixed-only Services

Revenues (PLN million)	For 6 months ended		Change
	30 June 2022	30 June 2021	
Fixed-only services	952	998	(4.6)%
narrowband	300	356	(15.7)%
broadband	442	428	3.3%
enterprise solutions and networks	210	214	(1.9)%

Key performance indicators (number of services) ('000)	30 June 2022	31 Dec 2021	30 June 2021	Change 30.06.2022/31.12.2021	Change 31.12.2021/30.06.2021
Fixed voice services (retail: PSTN and VoIP)	2,633	2,702	2,782	(2.6)%	(2.9)%
convergent	911	887	860	2.7%	3.1%
fixed voice-only	1,722	1,815	1,922	(5.1)%	(5.6)%
Fixed broadband accesses (retail)	2,786	2,746	2,719	1.5%	1.0%
convergent	1,578	1,552	1,517	1.7%	2.3%
fixed broadband-only	1,208	1,194	1,202	1.2%	(0.7)%

Key performance indicators (PLN)	1H 2022	1H 2021	1H 2020	Change 2022/2021	Change 2021/2020
ARPO from fixed narrowband-only (PSTN) services	36.4	37.1	37.0	(1.9)%	0.3%
ARPO from fixed broadband-only services	61.2	59.0	57.4	3.7%	2.8%

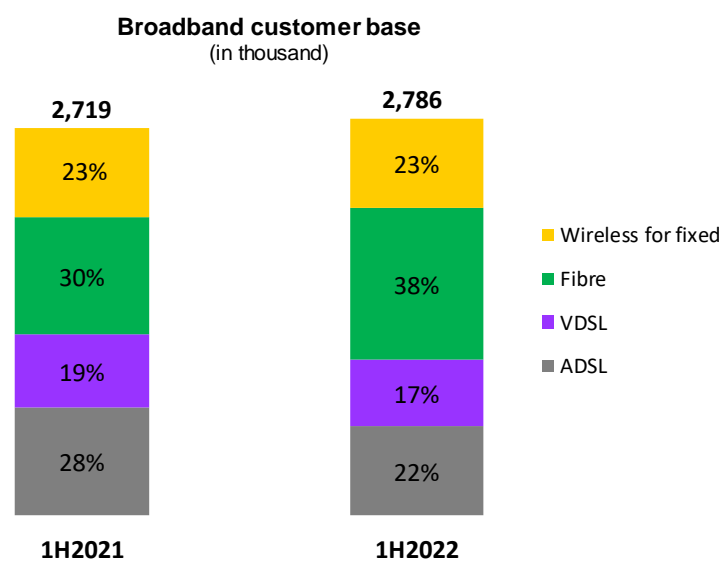
Total fixed broadband customer base increased by 40 thousand (or slightly over 1%) in the first half of 2022. About half of this growth resulted from acquisitions of three small local fibre operators. Fixed broadband growth was driven exclusively by fibre, and our fibre customer base increased by over 120 thousand, that is more than in the first half of 2021, even excluding the effect of acquisitions.

The strong growth in fibre is driving the technological transformation of our broadband customer base. The share of fibre in the total broadband customer base increased to 38% at the end of June 2022 from 30% a year earlier. The share of mostly non-competitive ADSL technology fell from 28% to 22%.

In line with the revenue reporting layout introduced in 2018, we separate convergent broadband customers (their number equals to that of convergent customers) from non-convergent broadband customers. Our non-convergent broadband customer base slightly increased (after earlier decline) as a result of acquisitions and strong sales of fibre services outside convergent offers.

Fixed broadband-only services ARPO continued to improve. Its increase of almost 4% can be attributed mainly to the following two factors:

- Price increases introduced in previous years; and
- Growing share of fibre customers, who generate much higher average revenue per user owing to higher penetration of a TV service, growing share of customers from single-family houses (where the service price is higher), and growing share of customers using high-speed options (600 Mbps and 1 Gbps), which are more expensive.



Erosion of the fixed voice customer base (excluding VoIP) totalled 97 thousand in the first six months of 2022 and was slightly lower to that in the first half of 2021. The decline in these services can be attributed mainly to structural demographic factors and the popularity of mobile services with unlimited calls to all networks. It is also a result of our convergence strategy, which stimulates partial migration of customers to VoIP. Average revenue per user slightly decreased to PLN 36.4.

### 2.3.1 Market and Competition

#### *Fixed Voice Market*

The Group estimates that the fixed line service penetration rate was at 14.8% of Poland's population at the end of June 2022, as compared to 15.5% at the end of June 2021. The decline is still attributable mainly to growing popularity of mobile technologies. In countries like Poland, where the fixed line penetration was low at the time of introduction of mobile technology, mobile telephony is largely a substitute to fixed line telephony. The aforementioned downward trend has been also affecting regulated fixed wholesale products based on traditional infrastructure (WLR and LLU).

#### *Fixed Broadband Market*

According to Group's estimates, the total number of fixed broadband accesses, including wireless for fixed technology, increased in the first six months of 2022 by 0.3 million versus the end of June 2021. This can be attributed mainly to intensive roll-out of fibre infrastructure. After the breakdown of the COVID-19 pandemic, access to high-speed broadband became even more necessary for both businesses, owing to the need to quickly shift a significant portion of operations from offline to online, and households, as for many people their homes became a working or learning place (as a result of remote work or education).

Orange Polska has contributed greatly to the growth of the high-speed fixed broadband market. Its activity has stimulated the already highly competitive market environment and forced CATV operators to upgrade and enhance their offer even more quickly. As a result of such efforts, the position of CATV operators remains strong. According to



our estimates, CATV operators' aggregate share in Poland's fixed broadband market (excluding UPC Polska) stood at 18% by volume or 12% by value at the end of June 2022.

Another factor increasing the competitiveness of cable fixed broadband is the expansion of service portfolio by mobile operators (Play, T-Mobile and Plus) pursuant to wholesale agreements with infrastructure-based operators. This commercial co-operation extends to both networks developed with EU funding and the own networks of fixed-line operators, such as Inea, Vectra, Nexera (offering wholesale services only) as well as the FTTH infrastructure of non-telecom companies, such as Tauron. A new player in the wholesale infrastructure-based broadband market is Światłowód Inwestycje, a joint venture of Orange Polska and APG, which aims to provide fibre to 2.4 million households by 2025. In the first half of 2022, the shift towards infrastructure investments was also confirmed by P4 with the conclusion of an investment agreement with InfraVia Capital Partners for the modernisation of the HFC network (assets brought by UPC Polska) and the expansion of the FTTH network.

According to internal estimates, Orange Polska had the following share in the fixed broadband market:

#### Fixed broadband market – key performance indicators

	30 June 2022 (estimate)	30 June 2021
Market penetration rate – broadband lines (in total population)	26.2%	25.3%
Total number of broadband lines in Poland ('000)	9,963	9,652
Orange Polska's market share by volume	28.0%	28.2%

#### Orange Polska's fixed voice market share

	30 June 2022 (estimate)	30 June 2021
Retail local access*	46.9%	47.2%

\*Without Wholesale Line Rental but with Orange WLR and VoIP services, which are the equivalents of subscriber lines.

### 2.3.2 Fixed Line Data Services

For several years we have heavily invested in the rollout of access network in the fibre technology. It is the key element to rebuild our position in the fixed broadband market and the main driver for our convergence strategy of bundling mobile and fixed services.

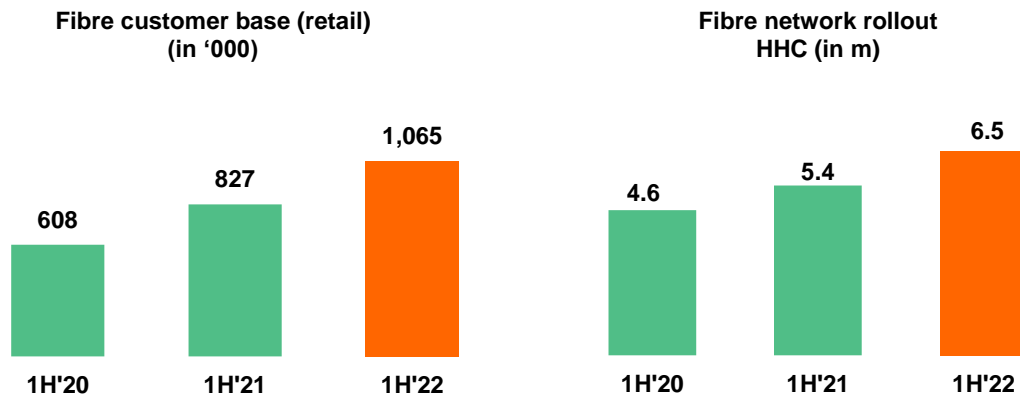
As at the end of June 2022, almost 6.5 million households were within the reach of our fibre services, which is an increase of over 500,000 compared to the end of 2021. Our fibre services are available in more than 200 cities in Poland. Since 2020, we have focused more on developing our network in smaller towns, where some districts are dominated by single-family houses. On one hand, it involves much higher investments, but on the other hand, we expect much higher demand for our services in single-family residential districts, despite the fact that fibre broadband is more expensive for such customers. There is also lower competition from other fixed-line operators than in big cities. The increase in the network reach in the first six months of 2022 resulted almost exclusively from wholesale partnerships, which is in line with our .Grow strategy. Following the sale of a 50% stake in Światłowód Inwestycje, the latter became our biggest wholesale partner with access to over one million of households. At the end of June 2022, networks of other operators, including Światłowód Inwestycje, Inea, Nexera, Tauron and a number of others, accounted for 2.7 million of our fibre footprint.

Our retail fibre customer base reached 1,065 thousand at the end of June 2022, growing by 120 thousand in the first six months of the year. Demand for fibre remained high. The service adoption rate (including both our own retail customers and those of other operators selling their services on our fibre network) continued to grow, reaching 17.5% (vs. 16.1% at the end of June 2021). Notably, approximately 70% of fibre activations are new broadband customers for Orange, which means that our market share is increasing. It is specific to the Polish market that customers sign two-year loyalty agreements, which is a factor slowing down customer migration from cable networks to our fibre network. The basic speed of our fibre service is 300 Mbps. Our portfolio includes also higher speeds of 600 Mbps or 1 Gbps for an extra fee. Their share in new acquisitions has been steadily growing, which contributes to an increase in average revenue per user.

A major factor in competing for fixed broadband customers is the quality of the TV offer. Notably, the Polish market is characterised by very little exclusive content. Even expensive TV content (such as rights to broadcast sports events), which in Poland is acquired mainly by satellite platforms, is broadly distributed to cable televisions. Orange Polska continues to follow its strategy as a content distributor, co-operating with all major content providers. In February 2017, the launch of the Orange Love offer was accompanied by the introduction of a new set-top box with expanded functionalities, which has been regularly upgraded since then in order to meet customer needs.

In rural areas, mobile technologies are the primary broadband access solution and constitute the basis for our wireless for fixed offers. Our fixed broadband customer base has been subject to thorough transformation. The non-competitive

ADSL technology has been increasingly replaced by growth technologies, mainly fibre and wireless broadband for fixed, which is possible owing to our investments in network connectivity.



### 3 OUTLOOK FOR THE DEVELOPMENT OF ORANGE POLSKA

#### 3.1 Market Outlook

The telecommunications market declined in 2020 due to the impact of the COVID-19 pandemic. In 2021 the market rebounded, and Orange Polska anticipates further growth thereof in the coming years. However, despite the already visible limitation of the negative impact of pandemic-related restrictions, the first half of 2022 was marked by both external and internal shocks related to the outbreak of war in Ukraine and highly unstable macroeconomic environment.

In a short-term perspective, the telecommunication market in Poland will be driven especially by the following two factors: (i) rapid expansion of very high-speed broadband access, owing to fibre infrastructure investments (including those in the Operational Programme Digital Poland) and inflow of EU funds, and (ii) growing post-paid customer base with ARPU supported by the 'more for more' approach in the mobile market. This is also seen on the demand side as the increased need for connectivity, which the pandemic has highlighted. As data and voice connectivity has become more essential than ever to the needs of consumers and businesses, we expect demand for our services to remain strong despite the anticipated economic slowdown. A particular challenge for the entire industry is growing inflation. Due to nature of usually 2-year loyalty contracts telecom operators are not well positioned to pass cost inflation to their customers in the short term. Prolonged period of higher inflation may require them to adjust their business models.

In the long run, the market growth will be stimulated by the development of 5G services owing to higher speed and low latency, which are required by autonomous services and the Internet of Things (IoT). We expect also growing penetration of fixed broadband in the coming years, driven by the ongoing digitisation of the society and economy, including development of remote working and learning, e-commerce, IoT, e-administration, e-health, etc. Growing demand will be satisfied by increased supply of fixed broadband owing to investment projects carried out by Orange Polska or co-financed by the EU, fixed line investments by other telecom operators, and constant improvements in mobile connectivity. The activity of operators as well as agreements between them, such as the one between Orange Polska and T-Mobile on using the constructed infrastructure to provide access to households in multi-family houses in deregulated areas, or new investments, like Światłowód Inwestycje (a joint venture of Orange Polska and APG), whose infrastructure will be used to provide fixed broadband access by T-Mobile and the Polsat Plus Group in addition to Orange Polska, will bring Poland closer to meeting the European Digital Agenda objectives.

Use of funds from the Poland's National Recovery Plan (NRP), which has recently been approved by the European Commission, will be another potentially strong driver for the market growth in the long term. NRP provides that €1.2 billion in grants will be dedicated to the development of high-speed Internet, and €1.4 billion in returnable funds (e.g. partially redeemable loans) or non-returnable subsidies will support broadband investments, 5G network deployment and construction of a stationary electromagnetic field (EMF) monitoring system. The Digital Poland Project Centre has announced that the initial competitions for NRP funds allocated to network development are expected to be launched in the last quarter of 2022.

As for the mobile services market, we predict positive effects of the changes introduced by the key players, which involved offering larger data packages in return for a slightly higher price, as well as a further shift in the competitive struggle towards quality-based competition. Market growth will still be driven by bundled and convergent offers, combining mobile services with fixed broadband access, as shown by an increasing trend of mobile operators concluding wholesale agreements for access to fixed broadband infrastructure or investing in fixed network development themselves. Portfolio transformation towards fixed-mobile convergence and investments in fixed infrastructure has been also confirmed by Iliad, a new owner of P4, with the acquisition of the cable operator UPC and an investment agreement with InfraVia Capital Partners.

On the B2B market we expect volume growth to continue as a result of an increase in the number of companies and their employees, as well as the development of the knowledge-based economy. We expect growing popularity of telco offers combined with ICT and machine-to-machine (M2M) services. Telecom operators are expanding their operations into the area of ICT through acquisitions, as illustrated by the acquisition of BlueSoft and Craftware by Orange Polska.

#### 3.2 .Grow Strategic Plan 2021-2024: a Bold Next Step on the Value Creation Journey

In 2020, we successfully concluded our Orange.one strategy. Its ambitious targets were met and multi-year negative trends in sales and profitability were reversed. We are now better prepared for the future, with products that are demanded by customers, assets that support these products and a more efficient cost structure. Orange Polska is today a new company, a strong leader in all key market segments. We are ready to exploit all the opportunities and face all the challenges that the future brings. The Company is now ready to start the next phase of its value creation journey: .Grow strategy, which we announced on June 28, 2021.

With this new four-year plan to be completed in 2024, we have shifted our emphasis to growth and monetising our investments. The .Grow strategy is an evolutionary step to stimulate and accelerate sales and profit growth, while laying the foundation for growth beyond 2024.

Evolution means that the main pillars of our strategy will not change. Convergence will remain a key growth lever, helping us gain and maintain customer trust and loyalty. Now, with .Grow, we want to push even further and reap the full rewards of our fibre network investments.

The imminent arrival of 5G will provide a brand-new growth lever, adding an exciting dimension of connectivity for consumers and businesses. In this respect, we see ICT as key growth driver in our B2B business.

As we manage the decline of legacy business, we will add new sources of profitable growth, including wholesale customers for our fibre and mobile networks. We will place selective bets on new and emerging trends and technology, knowing that not all will pay off, because we want to grow beyond 2024.

As part of .Grow, we want to release our internal potential resulting from digital transformation. We will be heading in the direction expected by our customers, while improving our internal efficiency by leveraging more on big data and artificial intelligence. We want to increase the share of digital sales to at least 25% and we intend to use digital care in over 75% of customer interactions.

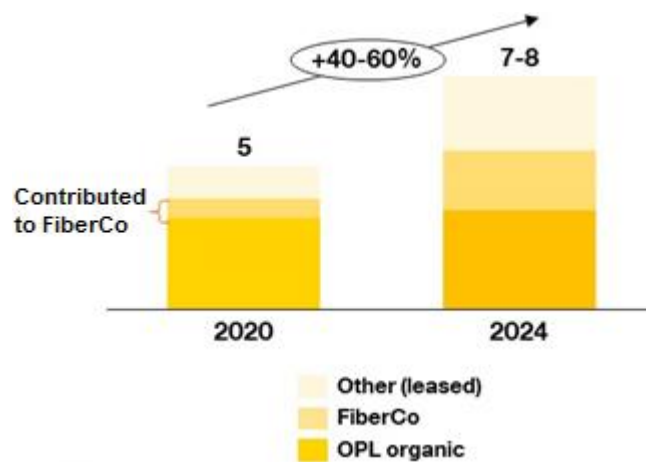
Last and certainly not least, we want to grow in social responsibility. Orange Polska has set ambitious ESG goals for itself and is ideally placed with its services both to help others reduce their own environment footprint and to ensure that no one is left behind.

**Consumer Market: Convergence to Remain a Key Growth Lever**

In the mass market, convergence, or sales of mobile and fixed-line service bundles, will remain the key to value creation, as it addresses household telecommunication needs in a comprehensive manner, increasing customer satisfaction and reducing churn. We still see a significant potential here for both upselling additional services to households where we are already present and entering new households with our services. Our ambition is to expand our convergent customer base by at least 20%, while achieving a further significant increase in ARPO.

The main success factor will be further expansion of our fibre reach. We intend to increase it by 2–3 million households by 2024, that is by 40–60% compared to the end of 2020. Over the last few years we have heavily invested in fibre network rollout, establishing fibre as a synonym of fast and reliable Internet in Poland, which has been reflected in Orange Polska's perception as the Internet provider of choice. In the coming years, we will rely more on wholesale access to the networks of other operators. These will be mainly the network constructed by Światłowód Inwestycje (FiberCo) and the networks built within the Digital Poland Operational Programme (POPC). Fibre generates much higher average revenue per user compared to copper technologies. This can be attributed mainly to broader opportunities to sell content and to higher speeds, which are much better perceived by customers and are an increasingly popular choice.

**We will further significantly expand fibre reach (in mn households)**



At the same time, we are aware that also alternative operators increasingly pursue convergence strategy based on fixed broadband, which will result in increased competition. This will require us to differentiate with a comprehensive service offer and quality customer care. We will leverage on the great power of our brand and our excellent image among customers (NPS #1). We will also attempt to address the needs of more price-sensitive customers.

**Business Market: ICT-centred Strategy**

Orange Polska is the leader in all business segments of the telecommunications market and a leading player in the ICT market. Upon the implementation of .Grow we will become the leader in consultation and integration of comprehensive transformation services for business, enabling companies and institutions to operate effectively in the new digital world.

We want to maintain dynamic growth of ICT revenues, at around 10% annually by 2024. We will achieve it by leveraging on our key resources, that is mobile and fibre networks, enhanced by a broad portfolio of services comprising the entire value chain of digital transformation. The key role in this process will be played by further stable growth of our subsidiary Integrated Solutions, the third largest integrator in the Polish market. And we will achieve acceleration in ICT by

monetising our investments in new areas and competences, that is in BlueSoft and Craftware. The highest growth is to be achieved in the areas of cybersecurity and software & applications, based on both the expertise of our subsidiaries and the competence developed for internal needs.

We will intensify migration to cloud. In terms of adoption of cloud solutions, Polish companies are still below European average. Cloud data processing and network virtualisation are the first step in digital transformation of business. Subsequent stages include the automatic analysis of data, the volume of which will expand in the wake of 5G implementation, and the use of artificial intelligence for the development of future-oriented solutions.

5G technology will be a new catalyst for the ICT market, particularly in the Internet of Things domain. The new network will be faster and more efficient. It will be able to support millions of connected devices at the same time. Companies will be the first to take advantage of its capabilities. We want to be the market leader in mobile private networks. Together with our customers we want to create over 40 campus networks by 2025.

### **Responsibility: Clear Environmental and Social Targets**

Along with other pillars of our business we want to grow in social responsibility, which has always been very high on our agenda. Orange Polska has set ambitious ESG goals for itself and is ideally placed with its services both to help others reduce their own environmental footprint and to ensure that no one is left behind. We believe that telecom sector has essential role to play in the transition to carbon neutrality.

Our primary goal is to be climate-neutral and achieve Net Zero Carbon by 2040, ten years ahead of the EU climate goals. Net Zero covers the entire emissions of Orange Polska: Scopes 1 and 2 (own direct and indirect emissions) and Scope 3 (emission in entire value chain – suppliers, employees, customers). In the first period of action, by 2025, we will reduce our CO<sub>2</sub> emissions in Scopes 1 and 2 by as much as 65% compared to 2015. We want to achieve it primarily through increasing the share of renewable energy in the energy mix to at least 60% by 2025 from 0% in 2020. This means that we have to proactively search and support new projects in this area. We will also continue to optimise energy consumption: we have been reducing consumed energy volumes each of the past few years despite constant increase of data volumes on our networks. Deployment of new much more efficient technologies, such as fibre and 5G, will also contribute here. Average electricity consumption per customer of fibre is around 80% lower compared to copper.

To reach our 2040 goal, we will also accelerate efforts to reduce emissions in the entire supply chain, including suppliers and customers. This will include implementation of the principles of circular economy. For example we will buy back older smartphones and accept for recycling used or broken ones in every Orange store.

Digital inclusion has a particularly important social dimension today. This means dissemination of high-speed Internet access on the one hand, and education and development of digital competences on the other. We are active in both of these fields. We invest in optical fibre, also by using public funds, so as to reach also the areas more distant from major cities. These areas often lack infrastructure and access to modern services. In addition, we have been supporting the digital education of Poles for over fifteen years through our Orange Foundation. The Orange Foundation is committed to this and implements digital education programmes in schools. Over 5,000 children take part in such programmes each year. Along with our social partners, we also train teachers as part of the project called Lesson:Enter, which is co-financed by the European Union. This is the largest initiative of this type in Poland. In total, 75,000 teachers will benefit from this programme.

### **Financial Ambition: Growth of Results and Return to Dividend Payments**

Our previous strategy reversed multi-year negative trends, delivering a financial turnaround, and improved the structure of our balance sheet. With .Grow we are entering a path of faster and more sustainable growth, based on solid foundations.

While expanding revenues we will benefit from high operating leverage that will accelerate EBITDAaL and cash flow growth. In the process, we will monetise our fibre and mobile investments, and generate sustainable returns. This is the key to .Grow and what makes it stand out from past plans and performance. In our previous strategy, the turnaround was generated by huge savings on indirect costs, while direct margin continued to fall. In the coming years, the key driver for EBITDAaL growth will be revenue expansion fuelled by commercial activity. It will make this growth fundamentally healthier.

We will maximise our core business, currently at 75% of revenues, and we have identified three main growth engines: convergence, ICT and wholesale. We plan to grow convergence and ICT revenues at a minimum CAGR of 8% and around 10%, respectively.

Our cost transformation will be continued. Indeed, the same digitisation trends that are enabling our growth leverage will also help us drive costs down further still. At the same time, using AI and process automation, we will improve our customer service: a win-win. We expect inflationary pressure to offset some of this margin expansion, but enough will find its way to operating profit to be able to grow our EBITDAaL margin.

Our smart investment strategy will focus on growth, especially fibre and 5G, and on efficiency. Despite these significant investments, we aim to keep eCapex at a steady annual level of PLN 1.7–1.9 billion on average over the period. This is how our business growth will translate into increasing cash flow generation.

As part of our .Grow strategy, we intend to resume regular dividend payments. In June 2021, we committed to pay PLN 0.25 per share dividend in 2022 from 2021 profits, provided that Company's net debt/EBITDAaL ratio will not exceed 2.1x, including the result of the 5G spectrum auction. We consider this dividend level as sustainable floor for the future. In the future, we will conduct further changes to dividends on yearly basis, taking into account projections of underlying financial results and long-term financial leverage forecast versus 1.7x to 2.2x leverage corridor.

### Medium-term financial guidance

	2021-2024 <sup>1</sup>
Revenue growth	Low single-digit CAGR <sup>2</sup>
EBITDAaL growth	Low-to-mid single-digit CAGR <sup>2</sup>
eCapex (PLN bn)	1.7 to 1.9 annual average
ROCE <sup>3</sup>	Increase 3–4x (from 1.6% in 2020)
Dividends <sup>4</sup>	Return to dividends from 2021 results (payable in 2022) PLN 0.25 per share as sustainable floor
Net debt / EBITDAaL	Range of 1.7–2.2x in the long term

<sup>1</sup> Subject to final provisions of cybersecurity law and excludes major non-organic changes to Orange Polska's structure; CAGR vs. 2020.

<sup>2</sup> Compound annual growth rate

<sup>3</sup> Return on capital employed

<sup>4</sup> Please refer to section 4.3 below for the description of dividend approach.

### 3.3 Listing of Orange Polska S.A. Shares on the Warsaw Stock Exchange

Since November 1998, shares of Orange Polska S.A. (formerly Telekomunikacja Polska S.A.) have been listed on the primary market of the Warsaw Stock Exchange (WSE) within the continuous listing system.

The Company's shares are included in the following indices:

- WIG20 and WIG30 large-cap indices;
- WIG broad-market index; and
- WIG ESG Index of socially responsible companies.

In the first half of 2022, Orange Polska S.A. was once again included in a prestigious group of listed, socially responsible companies. The portfolio of the WIG ESG Index announced by the Warsaw Stock Exchange comprises 60 companies. Orange Polska S.A. has been present in the index portfolio since its first edition. The WIG ESG Index has been increasingly popular among companies and investors, who have noticed a link between consideration for social and environmental impact and financial performance.

In addition, Orange Polska S.A. has been included in the global FTSE Russell's ESG Ratings, a global index that measures company's performance across environmental, social and governance (ESG) areas.

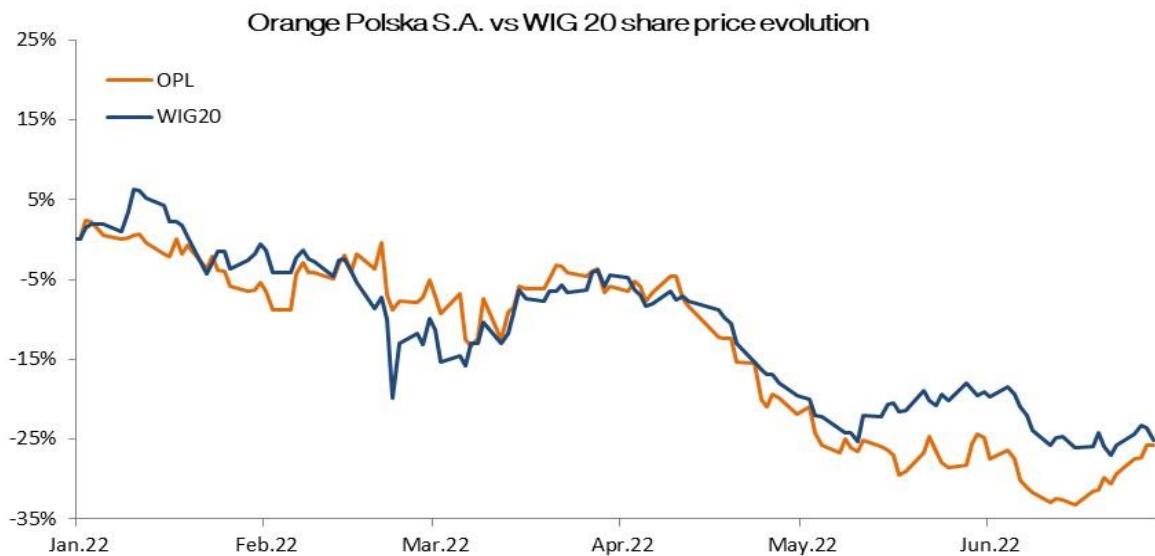
The first six months of 2022 brought losses in the indices on the Warsaw Stock Exchange (WSE). Orange Polska shares were down 26%, while the large-cap index, WIG20, lost 25% in the period.

Recommendations and reports for Orange Polska S.A. shares are issued by the following financial institutions (according to the Company's knowledge as of the date of this report)\*:

Name of the Institution
Citigroup
Dom Maklerski Banku Ochrony Środowiska
Dom Maklerski mBanku
Dom Maklerski PKO Bank Polski
Dom Maklerski Santander
Erste Bank Investment
Haitong Bank
Ipopema Securities
Trigon Dom Maklerski S.A.
Wood & Company

\* For an updated list of brokers with the related institution data please visit the Company's website at [www.orange-ir.pl](http://www.orange-ir.pl)

ORANGE POLSKA S.A. SHARE PRICE in the period from January 1, 2022 to June 30, 2022



## 4 MATERIAL EVENTS THAT HAD OR MAY HAVE INFLUENCE ON ORANGE POLSKA'S OPERATIONS

Presented below are the key events that, in the Management Board's opinion, have influence on Orange Polska's operations now or may have such influence in the near future. Apart from this section, the threats and risks that may impact the Group's operational and financial performance are also reviewed in the Chapter IV below.

### 4.1 Implementation of the .Grow Strategy

In June 2021, we announced a new strategy for the years 2021–2024: .Grow. It is an evolutionary step from the previous strategy, which will stimulate and accelerate sales and profit growth, while laying the foundation for growth beyond 2024.

Evolution means that the main pillars of our strategy will not change. Convergence will remain a key growth lever, helping us gain and maintain customer trust and loyalty. Further customer base growth will be fuelled mainly by continued fibre expansion, which also contributes to ARPU growth. In the business market, we see ICT as the key growth driver. The highest growth is to be achieved in the areas of cybersecurity and software & applications, based on both the expertise of the recently acquired subsidiaries and the competence developed for internal needs. We will intensify migration to cloud and begin to use the 5G technology, which will be a catalyst for new business, particularly in the Internet of Things domain.

As part of .Grow, we want to release our internal potential resulting from digital transformation. We will be heading in the direction expected by our customers, while improving our internal efficiency by leveraging more on big data and artificial intelligence.

Another major component will be social responsibility. Orange Polska has set ambitious environmental, social and governance (ESG) goals for itself, and is ideally placed with its services both to help others reduce their own environment footprint and to ensure that no one is left behind.

In financial terms, with .Grow we are entering a path of faster and more sustainable growth, based on solid foundations. In the coming years, EBITDAaL growth is to accelerate and its key driver is to be revenue expansion fuelled by commercial activity. It will be a fundamental change from our previous strategy, when the turnaround, after years of decline, was generated by huge savings on indirect costs, while direct margin continued to fall. Our Capex strategy will focus on growth, especially fibre and 5G, and on efficiency. Despite these significant investments, we aim to keep eCapex at a steady annual level of PLN 1.7–1.9 billion on average over the period. This is how our business growth will translate into increasing cash flow generation.

In the last six months the macroeconomic environment has become much less favourable. This involves mainly growing inflation rate and interest rates as well as forecasts of a major economic slowdown. Despite these adverse developments, in the first half of 2022, our revenues were up 1.9% year-on-year (or 5.8% excluding the negative regulatory impact), EBITDAaL was up 3.8% yoy, and organic cash flow increased by more than 80% yoy. Our business foundations are strong and demand from customers remains solid, as the main connectivity services we offer are mostly essential for them. On the cost side, we continue our transformation by simplifying and digitising business processes and actively seeking contracts for less expensive energy from renewable sources.

### 4.2 Inflationary Environment Putting Pressure on Operating Expenses, Mainly Energy Costs

The consumer price index (CPI) in Poland exceeded 15% in June 2022. According to the current market consensus the whole-year inflation will reach 13%. Electricity price inflation has greatly outpaced CPI. According to the Polish Power Exchange data, the weighted average price of a yearly contract with base load delivery in 2022 was PLN 384/MWh in 2021, which was an approximately 65% increase (versus the price of a yearly contract for 2021 in 2020). The average price of such a contract in December 2021 alone was as high as PLN 722/MWh. Furthermore, prices of yearly contracts with base load delivery in 2023 exceeded PLN 1000/MWh in June 2022 versus about PLN 600/MWh in January 2022. The earlier surge, driven mainly by an increase in the price of CO<sub>2</sub> emission allowances and a post-pandemic rebound in demand, has been reinforced by the impact of a war in Ukraine and resulting sanctions imposed on Russia.

The inflationary environment will significantly affect our operating expenses in 2022 and the following years. The impact of inflation is principally seen in electricity prices, as well as prices of lease. We expect that our energy costs may increase very significantly in 2022 (from about PLN 250 million in 2021). The average realised price of energy was PLN 640/MWh in the first half of 2022 versus about PLN 300/MWh in the entire 2021. Our energy-related costs (i.e. electricity, heating and fuels) increased in the reported period by about 70% or PLN 100 million. The average energy price we pay is positively affected by much cheaper energy from renewable sources, which we expect to provide over 10% of our energy mix this year. Early in 2022, we signed another contract to receive energy from renewable sources, which, if it comes into force, will secure an additional 40% or so of our energy consumption in the fourth quarter of 2022 and full-year 2023 at significantly lower prices than the currently observed on the forward market. We are actively seeking further contracts like this. The majority of our contracts of lease of telecommunication infrastructure, sales outlets and office space are indexed to the previous year's inflation rate, which will contribute to higher costs mainly in 2023. Similarly, the costs of outsourced consulting, technical assistance and customer care services will be subject to inflationary pressure.



For years, we have focused on value generation in our commercial strategy, changing the tariffs for our core services in the 'more for more' formula. However, as the great majority of our contracts with customers are signed for two years, our ability to pass higher costs onto customers requires additional actions and a modification of our standard business model. In addition, inflation and Polish zloty depreciation lead to higher handset prices. In this case, however, we are able to respond quickly by adjusting our prices in order to pass higher costs onto customers.

Growing inflation rate has led to a sudden surge in interest rates in Poland. About 90% of our debt is effectively based on a fixed interest rate until mid-2024, so the interest rate increases are expected to have no major impact on our interest expense until then. However longer period of elevated interest rates may have an impact on the calculation of our cost of capital (WACC) which among other is used as a discount rate to perform impairment tests of our assets and value of investment projects.

### 4.3 Return to Dividend Payments

Considering the success of the concluded Orange.one strategy as well as the new strategic plan, .Grow, which assumes stable growth of Company's financial results, Orange Polska has decided to resume sustainable shareholder remuneration. In February 2022, the Management Board recommended dividend payment of PLN 0.25 per share in 2022 from the Company's 2021 profits. The proposal was approved by the General Meeting of Shareholders on April 22 and the dividend was paid on July 6.

While presenting the .Grow strategy in June 2021, the Management Board considered PLN 0.25 per share dividend as sustainable floor for the future. According to the announced dividend policy, further changes to dividends will be conducted on yearly basis taking into account projections of underlying financial results and long-term financial leverage (net debt/EBITDAaL) forecast versus 1.7x to 2.2x leverage corridor.

### 4.4 Active Support for Refugees from Ukraine

A war in Ukraine resulted in a massive influx of refugees to Poland. Their number exceeded 2 million people at the peak of the refugee wave. Immediately after the outbreak of hostilities we started to actively support refugees in various ways.

We developed special offers based on free pre-paid starters, which involved a very significant reduction in prices for calls from Poland to Ukraine, a bundle of free calls to be used in Poland or Ukraine, a large data bundle and a roaming package. These starters were distributed at specially established support points at border crossings and railway stations as well as through Polish Post outlets. Over 600,000 of such starters had been activated by the end of June.

The influx of refugees led to huge growth in traffic on our network. For example, in the beginning of March, data transmission between Poland and Ukraine increased over 200-fold. This resulted in network congestion and the necessity to boost network capacity by launching special mobile base stations and strengthening the existing infrastructure.

However, our primary efforts have been, and still are, aimed to help people. We provided and adapted to host refugees some of our properties, in which about 700 people, mainly mothers with children, have found shelter. These efforts are co-ordinated with local authorities. We also support aid organisations, such as the Polish Humanitarian Action, by providing free infolines and service bundles for local support centres. The Orange Foundation has supported free online lessons for Ukrainian children organised by dedicated educational organisations. Our support has also included numerous grassroots initiatives spontaneously initiated by our employees, which involved collecting material gifts and sending them to hospitals and aid centres in Ukraine. More than 1,000 volunteers from Orange Polska have been engaged in over 100 support projects. These initiatives have been co-ordinated by the Foundation. Finally, with our unique experience in cybersecurity in the Polish market, we have carried out educational communications to help our customers cope with disinformation.

### 4.5 Światłowód Inwestycje:50/50 Joint Venture with APG to Rollout Fibre Network to 1.7m Households

In April 2021, we signed an agreement to sell a 50% stake in a joint venture partnership operating under the name Światłowód Inwestycje which will build fibre infrastructure and offer wholesale access services.

Ultimately, with the 2.4 million households footprint, Światłowód Inwestycje will be Poland's leading independent open access FTTH wholesale operator. Out of this number, Orange Polska has contributed ca 0.7 million households of its current fibre footprint. Access to the remaining ca 1.7 million households will be built by Światłowód Inwestycje by 2025. Its network will be located mainly in low or mid competition areas to make maximum use of the broadband market potential. The joint venture will operate in the open access model, providing wholesale access to its fibre network to Orange Polska and other interested operators. Hitherto, Światłowód Inwestycje has informed about signing wholesale agreements with T-Mobile Polska and Netia (a company of the Polsat Plus Group) in addition to Orange Polska. It will finance its investments (rollout Capex estimated at PLN 3 billion) mainly from its own debt facility with no recourse to Orange Polska.

The transaction valued Światłowód Inwestycje at PLN 2,748 million (on a debt-free, cash-free basis). Orange Polska sold a 50% stake in the joint venture to APG for a total consideration of PLN 1,374 million. Out of that amount PLN 897 million was paid in August 2021, while the remaining PLN 487 million will be payable in 2022–2026 and will be

conditional on Orange Polska delivering on agreed network rollout schedule. The transaction assumes equity contributions by each party of around PLN 300 million to be made in 2023–2026.

In line with our strategic ambition to sustain strong commercial momentum through further focus on fibre and convergence, this landmark partnership gives us the flexibility to reinforce our fibre rollout, notably in currently undersupplied areas, while also enabling immediate deleveraging and significant strengthening of our balance sheet.

In our opinion, further fibre rollout in mid and low competition areas in open access model will provide best conditions for fast customer take-up and will allow Orange Polska to monetise its fibre investments both in retail and wholesale operations.

#### **4.6 New Opportunities in the Wholesale Market**

As part of the .Grow strategy, we intend to open wider for business opportunities in wholesale. On the one hand, it is a natural consequence of our investments in the mobile and fixed infrastructure and our ambition to achieve their better monetisation. On the other hand, we see wholesale potential resulting from the development of the fast Internet access market, entry of other market players into the convergence market and gradual deployment of 5G mobile networks.

We will strive to acquire a higher number of customers for our fibre network, both deployed in previous years and built within the Digital Poland Operational Programme (POPC). It is our ambition to increase the number of fibre customers serviced by other operators at least six times versus the end of 2020, when their base stood at 26 thousand. The latter increased to 53 thousand at the end of 2021. In addition, we intend to provide greater access to our transport infrastructure. This will include rendering services to Światłowód Inwestycje. We also see potential here for other mobile infrastructure operators interested in connecting their base stations to our fibre network.

As part of development of wholesale, in June we extended a national roaming contract with P4 (operator of the Play network). The co-operation is continued in the take-or-pay scheme, which guarantees Orange Polska additional minimum revenue of PLN 300 million in total for 2021–2025. The agreement concerns relatively limited volume of traffic compared to that generated by Orange Polska's own customers, and has built-in controls in order to secure the adequate quality of services.

Furthermore, we would like to enter the MVNO wholesale market, offering our network to fixed operators willing to enter the market for mobile services.

#### **4.7 5G Launch by Orange Polska**

##### *Auction Procedure for Frequencies in the 3480–3800 MHz Band*

Although the initiated auction procedure in the 3480–3800 MHz range was cancelled over two years ago, a new one has not been announced yet. According to the information provided by the President of the Office of Electronic Communications (UKE), it is related to prolonged legislative work on the cybersecurity act. The cancelled auction procedure, which had been launched in the beginning of 2020, provided for allocating four frequency licences of 80 MHz each, valid for 15 years. Only one entity from each group of companies was eligible to participate in the auction. Each participant (or its group) had to demonstrate a record of investments of at least PLN 1 billion in telecommunications infrastructure between 2016 and 2018, and to hold a frequency licence in the 800, 900, 1800, 2100 or 2600 MHz band (it is of paramount importance, as the 5G network will be initially deployed in a Non-Standalone (NSA) architecture). The starting price for each block was set at PLN 450 million.

Orange Polska has been actively involved in discussions about future bandwidth distribution plans, coming up with initiatives aimed to ensure quick and effective 5G spectrum allocation.

##### *Commercial 5G Services in the 2100 MHz Band*

Orange Polska maintains its position that only quick allocation of frequencies in the 3400–3800 MHz spectrum band will enable the launch of full-fledged 5G services of adequate parameters for customers in Poland. However, due to the auction annulment, the Company implemented and expanded Dynamic Spectrum Sharing (DSS) in the 2100 MHz band, which allows dynamic allocation of spectrum resources to 4G or 5G as required. At present, we offer commercial 5G services via a network of over 1,800 base stations.

##### *Further Preparations for the 5G Network Implementation in Poland*

It is Orange Polska's ambition to actively participate in the deployment of the 5G network in Poland in order to provide our customers with access to this network and modern services based on it. The on-going rollout of our fibre network is a precondition for the efficient operation of the future 5G mobile network. We believe that it is of paramount importance to collect unique experience in the implementation of 5G systems right now, so we undertake to implement numerous pioneering projects.

In May 2022, we opened the new 5G Lab at our Warsaw headquarters. The laboratory is a place where we develop and test solutions using 5G technology, also in co-operation with startups, and present innovative solutions to businesses, using the same frequencies on which the ultimate 5G network in Poland will operate. As a result of these preparations, we will be ready to launch new 5G services to businesses as soon as possible after the frequencies necessary to build 5G in Poland are made available.

#### 4.8 Acquisitions of BlueSoft and Craftware to Strengthen Operations to Business Customers

One of the key elements of our strategy for the business market is to become the long-term strategic partner for our customers in digital transformation. It means that on top of connectivity, telecommunication services and IT infrastructure, we also need to provide them with comprehensive solutions, particularly in the area of software engineering, cloud and cybersecurity. In our strategy we declared our intention to expand the ICT business, which offers high growth potential and considerable synergies with our core operations owing to ongoing digitalisation processes in enterprises. For several years we have successfully developed ICT technologies in Orange Polska through our subsidiary Integrated Solutions, which is among the top three IT integrators in Poland. We focus mainly on organic development, which is supplemented by acquisitions. We carefully select acquisition targets to add specific competencies. The acquisitions of BlueSoft and Craftware perfectly complement our competencies and significantly increase our competitive edge against both alternative telecom operators and pure ICT companies. So far, both companies have met the expectations formulated with the acquisition decisions.

BlueSoft, which was acquired by Orange Polska in 2019, provides multiple IT services in areas with high-growth potential: application development and integration, system customisation, analytics and cloud services. A great majority of BlueSoft's revenues comes from development and integration of customised applications, which include customer-facing portals (particularly for e-commerce) and back office platforms and systems. BlueSoft sells its products to a diversified portfolio of blue-chip customers from multiple industries, including banking & insurance, utilities, pharma, telecommunications and logistics.

Craftware, which was acquired by the Group in December 2020, offers the analysis, design and implementation of customer relationship management (CRM) systems. It has extensive experience in the implementation and integration of connected CRM systems, specialising in Salesforce, which is world's #1 CRM platform used by more than 150,000 companies worldwide. Craftware's customer base includes blue-chip companies from the pharmaceutical, FMCG, retail and finance industries. With the acquisition of Craftware, we have gained exposure to this fast growing market segment and further opportunities to use our existing competencies, particularly in the areas of cybersecurity, IT infrastructure hybridization, application integration and migration to cloud.

#### 4.9 Infrastructure Development

##### *Fixed Line Network*

Since 2015, in line with the previous strategy, we have focused on massive development of FTTH lines. By the end of 2020, we had delivered on our strategic ambition to deploy fibre to 5 million households, that is almost one third of all households in Poland. At the end of June 2022, about 6.5 million households.

In our .Grow strategy framework, we further significantly increase the reach of our fibre, which is one of the key drivers of value creation and expansion of convergent services. However, contrary to previous years, we are more reliant on partnerships, while our own network rollout is limited to projects implemented within the Digital Poland Operational Programme. One of our key partnerships is that with Światłowód Inwestycje, which will build fibre network mainly in low or mid competition areas for ca 1.7 million households in the next few years. At the end of June 2022, we used the infrastructure of over 50 operators for 2.6 million households.

Orange Polska is Poland's largest wholesale service provider. The demand for transmission bandwidth is growing, especially for  $n \times 1$  and  $n \times 10$  Gbps lines. To meet these needs, Orange Polska has continued to expand nationwide OTN (Optical Transport Network) trunk lines. We increased the number of OTN transport nodes, thus expanding the aggregate network capacity from 10 Tbps at the end of December 2021 to 12 Tbps at the end of June 2022.

Orange Polska is Poland's sole operator of a network to which all the Emergency Communication Centres (ECCs), answering calls to the emergency numbers 112, 997, 998 and eCall, are connected. About 90% of all emergency numbers in Poland (over 500 locations) are connected to Orange Polska's network. This provides the Company with revenue from alternative operators for emergency call termination on the Orange network, as well as subscription revenue.

The Call Setup Success Rate on the fixed network stood at 98.84% at the end of December 2021, which confirms very high quality of Orange Polska's fixed-line services.

##### *Mobile Network*

In response to rapid growth in data traffic volume, we have steadily increased the number of our base stations and enhanced their capacity. In the first six months of 2022, our customers got access to a further 68 base stations. 4G coverage for all bands was 99.9% of the population on 98.5% of Poland's territory at the end of June 2022. Orange Polska provided 4G services via 11,933 base stations. This included 10,353 base stations enabling spectrum aggregation (compared to 10,220 at the end of December 2021).

In February 2022, Orange Polska launched a network modernisation project with Nokia as an equipment vendor. The project involves replacement of active equipment on base stations with devices that meet the predefined technological standards and are highly energy-efficient. In particular, the modernised base stations will enable the provision of 5G services in the Dynamic Spectrum Sharing (DSS) mode on the 2100 MHz band and support 4x4 MIMO technology on the 1800 MHz/2100 MHz bands, and will be ready for the 4G activation on the 900 MHz band. The range of the 5G

DSS service has been gradually extended, and the number of base stations supporting it stood at 2,021 at the end of June 2022.

We are gradually implementing the LTE-M technology for the Internet of Things. LTE-M is available nationwide on all base stations operating on the 800 MHz band. In the areas where the use of this band is excluded (i.e. in the border areas that require international co-ordination) or as coverage extension, we use 1800 MHz frequencies.

In May 2022, we announced a plan to switch off 3G technology on Orange Polska's network and allocate the freed frequencies to 4G. It will enable us to increase the network capacity and enhance the quality of data services, particularly in non-urban areas. The process will be carried out in stages in 2024 and 2025.

#### 4.10 Competition in the Telecommunications Market

Poland's telecommunications market is becoming increasingly convergent with the biggest operators offering bundles of mobile and fixed line services based on both mobile and fixed-line network infrastructure.

This integrated approach to provision of telecommunications services was pioneered by Orange Polska. It was followed by the Polsat Plus Group, which introduced convergent services upon acquisition of Netia. In June 2019, T-Mobile launched its convergent offer, providing fixed broadband services pursuant to wholesale agreements with Orange Polska, Nexera, Fiberhost and, since the fourth quarter of 2021, Światłowód Inwestycje.

In 2020, Play also expanded its mobile portfolio to include fixed broadband service pursuant to wholesale co-operation with Vectra, a cable TV operator. In line with the convergence strategy announced by Iliad in Poland, Play has effected the acquisition of UPC Polska from Liberty Global Group. The transaction further confirms that fixed-mobile convergence is accelerating in the Polish market.

The market is preparing for new technical solutions enabled by 5G technology, which will be fully possible upon completion of the auction for C-band frequencies (3.5–3.8 GHz). A major issue to be decided will be 5G offer positioning in the market in terms of available handsets, mobile tariff plans and related value-added services.

The market of internet providers in Poland is still very fragmented, so further market consolidation as well as geographical expansion of major operators in smaller towns should be expected. In Poland, there are hundreds of small local fibre network operators, which may become subject of acquisitions by bigger players.

In 2022, investments in the fibre infrastructure based on EU funds continued to play a major role in the market. Owing to EU co-financing, such projects are possible in non-urban areas, where investments in fibre had not been economically viable before. Such investments are carried out by Orange Polska and other market players, including Fiberhost and Nexera.

In the .Grow strategy, Orange Polska intends to further increase the reach of its fibre services, though mainly through wholesale partnerships, particularly with Światłowód Inwestycje or operators of fibre networks built within the Digital Poland Operational Programme (POPC). On the other hand, Orange Polska has declared that its own network will become more open to other operators. Consequently, we will compete for retail customers in an environment populated by more operators than hitherto.

2021 saw a change of landscape in the telecommunication infrastructure market in Poland. Both Play and Polsat Plus Group sold their infrastructure to Cellnex, a Spain-based infrastructure investor. In case of Play, the transaction involved its passive infrastructure, while Polsat Plus Group not only sold its passive infrastructure, but decided to sell its active infrastructure as well. As a result, a new player with a significant share in the mobile infrastructure market emerged in Poland.

#### 4.11 Evolution of the Group's Distribution Network

The first half of 2022 confirmed the return to normal in various aspects of life, including telecommunication service purchases. Customers largely returned to physical points of sale (POSs), which are still the biggest sales channel.

As at the end of June 2022, Orange Polska had a chain of 628 POSs all over Poland. Our sales network is subject to continuous modernisation and optimisation. This involves on the one hand a reduction in the number of outlets (there were 653 of them at the end of 2021), but on the other hand transformation to better suit customers' needs. Our 'Best Retail Network' project is underway. Solutions that were previously only implemented in large Smart Stores, such as intuitive and functional interiors, are also being implemented in smaller outlets. By the end of June 2022, 392 of our outlets had been modernised in a new visualisation (compared to 369 at the end of December 2021). The changes introduced are appreciated by our customers, as confirmed by a Kantar poll which indicates that another year in a row we are the #1 network in terms of transactional NPS for our outlets (i.e. customers visiting Orange outlets declare that they would recommend a visit there to others more frequently than customers of alternative operators do that with respect to their outlets).

From Orange Polska's perspective, the first half of 2022 saw the continuation the strategy of expansion in sales and customer service with My Orange app, which provides access to the key information about the customer's account, presents our offers and supports customer service and sales processes. High effectiveness of our online sales was supported by marketing campaigns based on current events and behavioural customer profiles as well as constant efforts to optimise the relevant processes. With marketing automation and artificial intelligence tools, we are able to

recommend offers to customers that might interest them most. For almost a year we have provided benefits to customers for making online purchases, such as the first month free, and continued to promote the My Orange application in traditional offline channels. In addition, we have intensively educated customers in the use of self-service channels. As a result of these efforts, sales via digital channels further increased to over 17%, which is in line with our strategic goal to reach 25% by 2024.

In the Telesales channel, in the first half of 2022 we introduced changes related to the way of carrying out our campaigns in order to achieve the highest effectiveness, while maintaining the profitability of our agency network. In all call centres we have implemented a tool that uses prediction models to minimise the risk of loss of customers who use our services but are not bound by a loyalty agreement through data base selection and development of dedicated offers. This is of great importance in the context of the evolution of our market environment. We have also intensified efforts to become a more eco-friendly operator: in 2Q 2022 we increased the use of e-contracts in the mobile segment to 65% (+6pp. vs. 4Q 2021) and reached a 23% share of parcel lockers (+15pp. vs. 4Q 2021) in contract delivery.

In addition to Telesales, there is also a service infoline, which combines customer care with account management. Customers can settle any matters with Orange at a single phone number, starting from complex technical problems, queries, contract extension and new Orange service purchases to purchase of smartphones and accessories. Such a combination is very well received by customers (with a satisfaction ratio of over 90%).

In addition, we are actively developing an innovative artificial intelligence solution for handling incoming calls: Max, a bot helping customers to settle matters related to Orange services. In particular, Max can engage in a dialogue with customers regarding the status of their contracts with Orange or their willingness to extend them in both incoming and outgoing calls. Artificial intelligence is also used to enhance the operating effectiveness of this channel.

Customers can also benefit from direct contact with representatives of our Active Sales channel. Orange Polska uses advanced geomarketing tools for efficient planning of sales territories. Typically, our sales representatives operate in urban areas of our fibre investments.

In the pre-paid distribution network, the first half of 2022 was marked by the assistance provided to Ukrainian refugees coming to Poland. From the very first day of the war we launched a number of support initiatives. Above all, we provided free pre-paid SIM cards, while registering them at the same time. Since the outbreak of the war, in several dozen dedicated support points we have distributed almost 0.5 million pre-paid cards with a free special bundle of three services: free calls to networks in Poland, free calls to Ukraine and a free data package within Poland. As for the distribution of pre-paid top-ups, we maintain a fixed base of about 80,000 retail POSs (grocery stores, kiosks and petrol stations). The first six months saw further stable growth in top-up online sales through both the online banking channel and our own online sales channels (orange.pl website and My Orange mobile app).

Orange Polska offers a range of sales channels, meeting the expectations of various groups of customers regardless of their preferences and needs – also in case of random conditions like the state of pandemic.

#### **4.12 Regulatory Environment**

The telecommunications market in Poland is subject to sector-specific regulations, which are established on the European Union level and transposed to national legislation (to the extent they require implementation into national law). The market is supervised by a local regulatory agency, Office of Electronic Communications (UKE). According to a general rule, the telecom market is divided into individual retail and wholesale service markets referred to as 'relevant markets'. UKE reviews the competitiveness of each of these markets and, based on the results of this review, decides on the necessary level of regulation. Orange Polska S.A. has been designated an operator with significant market power (SMP) and has been imposed regulatory obligations in certain telecom market segments. This regulatory regime has a significant impact on some of the services we provide. In the mobile market, Orange Polska S.A. and other major operators are subject to the same regulations.

As we provide services to millions of customers, our business activities are monitored by the Office for Competition and Consumer Protection (UOKiK), mainly for proper protection of consumer rights.

Furthermore, as a company we have to comply with administrative decisions and general regulations.

##### ***Regulatory Obligations***

Pursuant to the President of UKE's decisions, Orange Polska S.A. is deemed to have a significant market power (SMP) on the following relevant wholesale markets:

- market for call termination on Orange Polska S.A.'s fixed line network (FTR);
- market for provision of wholesale (physical) access to network infrastructure, including shared or fully unbundled access, in a fixed location (LLU), excluding 51 municipalities where the market was recognised as competitive in October 2019;
- market for wholesale broadband access (BSA) services, excluding 151 municipalities where the market was recognised as competitive in October 2019; and
- market for call termination on Orange Polska S.A.'s mobile network (MTR).

Each SMP decision of the President of UKE determines Orange Polska's specific obligations with respect to the given relevant market, particularly an obligation to prepare regulatory accounting statements and costing description (for LLU and BSA services), which are to be verified by independent auditors.

On June 27, 2022, Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. and Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością Consulting sp.k. commenced an audit of Orange Polska S.A.'s annual regulatory accounting statements for 2021 and the results of service cost calculation for 2023 on the market for provision of wholesale (physical) access to network infrastructure, including shared or fully unbundled access, in a fixed location (LLU) and the market for wholesale broadband access (BSA) services. The audit is expected to be completed on August 26, 2022.

#### *Access to Outdoor and Indoor Cable Ducts and In-house Wiring in Multi-family Houses*

The President of UKE has issued decisions determining the terms of access to outdoor and indoor cable ducts and in-house wiring in multi-family houses with respect to both Orange Polska and six other major infrastructure-based operators in Poland, namely UPC, Vectra, Inea, Netia, Toya, and Multimedia Polska. However, the operators have appealed against UKE's decisions and the relevant court proceedings are pending, though the decisions remain immediately enforceable. The decision for UPC regarding cable ducts and in-house wiring has been repealed by a court of appeals.

#### *Access to Orange Polska's Fixed Network*

On December 24, 2019, the President of UKE issued a decision obliging Orange Polska S.A. to prepare an amendment to its reference offer to include points of interconnection of telecommunications networks in the IP/SIP technology. Orange Polska S.A. appealed against this decision to the Regional Administrative Court. On October 23, 2020, the Regional Administrative Court rejected the Company's appeal. The decision is final and binding. Due to the immediate enforceability of the decision, on March 30, 2020 the Company submitted a draft amendment to its reference offer for the President of UKE's approval. The relevant administrative procedure is pending.

In May 2021, UKE initiated a procedure to oblige Orange Polska to prepare a reference offer that will implement the new FTRs and changes resulting from the introduction of new BSA and LLU reference offers and remove the deregulated services (WLR, call initiation). The procedure is pending.

#### *Deregulation of the Wholesale Market for High Quality Access Service in a Fixed Location*

In his decision of February 15, 2021, the President of UKE concluded that there was no telecommunications operator with significant market position or telecommunications operators with collective significant market position on the domestic wholesale market for high quality access service in a fixed location of up to 2 Mbps inclusively. Orange Polska had been a regulated operator on that market hitherto.

Regarding the domestic wholesale market for high quality access service in a fixed location of over 2 Mbps, the President of UKE concluded in the same decision that there was no telecommunications operator with significant market position. There had been no regulated operators on that market before the decision.

#### *Call Termination on Fixed and Mobile Networks*

The Delegated Regulation supplementing Directive (EU) 2018/1972 of the European Parliament and of the Council came into force on July 1, 2021. In line with the Delegated Regulation, the termination rates have been set as follows:

- The single EU-wide maximum rate for mobile voice termination will be 0.2 eurocent per minute (ec/min) from January 1, 2024. The glide path to reach this level is as follows:
  - 3.17 gr/min – from July 1, 2021;
  - 2.52 gr/min – from January 1, 2022 to December 31, 2022;
  - 0.4 ec/min – from January 1, 2023 to December 31, 2023.
- The single EU-wide maximum rate for fixed voice termination is 0.32 gr/min from January 1, 2022. From July 1, 2021, a transitional rate of 0.5 gr/min applied.

#### *Access to POPC Networks*

On March 12, 2021, upon request of UPC Polska sp. z o.o., the President of UKE initiated an administrative procedure to issue a decision determining the terms of access to the infrastructure and networks built in the Digital Poland Operational Programme (pursuant to Article 27(6) of the Act of May 7, 2010 on supporting the development of telecommunication services and networks). The procedure is pending.

#### *Implementation of EU regulations*

Orange Polska implements regulatory obligations resulting from EU regulations related to roaming and the rules resulting from the recommendations for the implementation of the regulation on access to the open Internet.

### **Potential Regulatory Changes**

Regulations affecting Orange Polska S.A. are subject to periodical reviews in order to adjust them to the current market situation. Currently, UKE is carrying out proceedings to maintain regulation on the market for call termination on Orange Polska S.A.'s mobile network; according to the draft decision, the scope of regulation will not change with the exception of the rate (MTR), which results from the Delegated Regulation.

#### *New Regulated Offers for Access to Orange Polska's Network*

On June 26, 2022, the President of UKE issued two decisions regarding approval of reference offers for Bitstream Access and LLU services in fibre and copper technologies. Most of the OPL proposals were accepted in the offers. As regards other cases, OPL will submit requests for reconsideration of the case.

#### *Amendment to the Telecommunication Law*

By December 21, 2020, all EU member states were to transpose into national legislation the European Electronic Communications Code (established by the Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018). The implementation of legislation changes relevant to the telecommunications sector is supervised by the Chancellery of the Prime Minister, which is currently carrying out the legislative process for a new bill regulating the functioning of the telecommunication market: the Electronic Communication Law.

### **Compensation for Universal Service Costs**

From 2006 to 2011, Orange Polska S.A. was the operator designated to provide the universal service, which included access to a fixed network, domestic and international calls (including dial-up and fax services), payphone service and directory inquiry service. Owing to unprofitability of the universal service, Orange Polska S.A. applied to UKE for compensation.

Between 2007 and 2012, the President of UKE granted compensation of PLN 137 million, which was lower than requested by Orange Polska S.A. Therefore, the Company exercised its right to appeal.

As a consequence of court rulings, UKE has issued decisions granting Orange Polska S.A. additional compensation of PLN 194 million for the universal service net cost deficit in 2006–2010. This amount includes contribution payable by Orange Polska S.A. itself. The decisions have been challenged in court.

Administrative procedures regarding the additional round of compensation, i.e. PLN 194 million, are pending. These procedures are to determine the list of operators and their shares in the compensation for each year. After they are completed, individual procedures are initiated.

In April 2022, individual decisions for additional compensation for 2009 and additional compensation for 2010 were issued. Similar procedures regarding additional compensation for 2007–2008 are still pending. Out of the initial compensation granted for 2006–2011, Orange Polska S.A. received PLN 4 thousand in the first half of 2022, while PLN 1.04 million is still due. Out of the additional compensation granted for 2006, 2009 and 2010, Orange Polska S.A. received PLN 6.5 million in the first half of 2022, while PLN 2.3 million is still due.

### **Major Changes in Legislation**

In 2022, there was a number of changes in legal environment with respect to both general law and provisions specific to the telecom sector. Such modification of legal environment entails constant and diligent monitoring and may require allocation of resources to implement new regulations.

#### National Law – adopted

- On February 1, 2022, the so-called Anti-inflation Shield 2.0 came into force. In particular, it provided for a temporary reduction in VAT rates for fuels, LPG, heat and electricity, as well as a 0% VAT rate for food, natural gas and fertilisers in the period from February 1 to July 31, 2022. Simultaneously, it extended the first Anti-inflation Shield, which had reduced excise tax rates for electricity and selected engine fuels (i.e. diesel fuel, bio-components constituting self-contained fuel, engine gasoline and LPG); exempted electricity consumed by households from excise tax; and exempted the aforementioned fuels from retail sales tax;
- On March 11 and April 5, 2022, amendments to the Regulation on the use of the Broadband Fund came into force. Their purpose was to clarify the rules of supporting the deployment of broadband networks and harmonise them with EU regulations, particularly enabling grants to local governments;
- On March 13, 2022, a special Act on refugees from Ukraine came into force (with a retroactive effect from February 24, 2022). In particular, it enabled the registration of pre-paid cards based on any document that may be used to establish the identity of the refugee;
- On March 25, 2022, the Regulation on the establishment of certain restrictions, orders, and prohibitions related to the epidemic came into force. It lifted most of the restrictions, such as the obligation to cover the mouth and nose with a mask, mandatory quarantine or isolation at home and quarantine after crossing the border;
- On May 16, 2022, the state of epidemic was cancelled in Poland and the state of epidemic threat was announced (pursuant to the Regulation on announcing the state of epidemic emergency in the Republic of Poland). The

lifting of the state of epidemic and replacing it with the state of epidemic emergency has not significantly changed the state of affairs, as the great majority of solutions provided in the so called COVID acts are still applicable;

- On June 4, 2022, the new so called Implementation Act came into force. It regulates the implementation of the programmes financed with EU funds in 2021–2027 and includes provisions concerning the National Recovery and Resilience Plan. This act provides framework for calls for projects financed with European funds, including those related to the development of broadband infrastructure, for which Orange Polska may seek financing;
- On June 4, 2022, an amendment to the so called Qualification Regulation came into force. It removed radio communication facilities from the catalogue of investments which may have larger environmental impact;
- On June 10, 2022, the Act amending the Personal Income Tax Act and certain other acts was passed by the Parliament. It was a major adjustment of the so-called 'Polish Deal', which had been passed on October 29, 2021. The amendment package maintained the increase of the personal income tax-free allowance to PLN 30,000 and the threshold for entering the highest personal income tax bracket from PLN 85,000 to PLN 120,000, while introducing a number of corrections, such as elimination of the middle class tax relief; a decrease in PIT rate from 17% to 12%; deduction of health insurance premiums from the tax base up to a certain limit by payers of flat-rate tax or lump sum tax on registered income; an option to choose a tax scale by payers of flat-rate tax or lump sum tax on registered income in 2022; elimination of a mechanism of withholding and payment of income tax advances throughout 2022. extending the deadlines for withholding and remitting income tax advances in 2022.

#### EU Law – adopted

- On January 12, 2022, the Delegated Regulation supplementing Directive on placing radio equipment on the market was adopted. It establishes essential requirements for vendors of internet-connected radio equipment. Vendors have 30 months to adapt.
- On June 17, 2022, the Council of the European Union adopted the Decision authorising Poland to apply a special measure derogating from Articles 218 and 232 of Directive 2006/112/EC on the common system of value added tax (regarding obligatory e-invoices from January 1, 2024 to December 31, 2026).

The following crucial bills which may affect Orange Polska are currently at various stages of the legislative process:

#### National Law – in progress

- Draft Electronic Communication Law and draft Act introducing the Electronic Communication Law;
- Draft Act amending the act on the national cybersecurity system and the Telecommunications Law. It provides for a mechanism of hardware or software vendor evaluation and determines the consequences of recognising a particular entity as a high risk vendor. The draft also includes provisions regarding the establishment of the Strategic Security Network Operator and the company Polskie 5G [Polish 5G] as well as the spectrum allocation method;
- Draft Act amending the act on competition and consumer protection and certain other acts, implementing the Directive (EU) 2019/1 of the European Parliament and of the Council of 11 December 2018 ("ECN+ Directive");
- Draft Act amending the act on competition and consumer protection, implementing the Regulation 2017/2394 of 12 December 2017 on cooperation between national authorities responsible for the enforcement of consumer protection laws ("CPC Regulation");
- Draft Act amending the act on consumer rights and the Civil Code, implementing two Directives (EU): Directive 2019/771 on certain aspects concerning contracts for the sale of goods ("SGD") and Directive 2019/770 on certain aspects concerning contracts for the supply of digital content and digital services ("DCD");
- Draft Act amending the act on consumer rights and certain other acts, implementing the Directive (EU) 2019/2161 of 27 November 2019 as regards the better enforcement and modernisation of Union consumer protection rules ("the Omnibus Directive");
- Draft Act on the protection of persons who report breaches of law, implementing the Directive (EU) 2019/1937 on the protection of persons who report breaches of Union law;
- Draft Act amending the Labour Code and certain other acts regarding remote work regulations as well as preventive testing for sobriety and controlling for the presence of substances acting similarly to alcohol;
- Draft Act on the accessibility of products and services, implementing the Directive 2019/882 on the accessibility requirements for products and services;
- Draft Act on combating fraud in electronic communications;
- Draft Act on the mObywatel [mCitizen] application, equating the electronic document available therein with the standard identity document;
- Draft Act amending the act on copyright and neighbouring rights and certain other acts;
- Draft Act on the status of a professional artist (reprographic fee);
- Draft Act on amending the Construction Law and certain other acts;
- Draft Act on amending the act on spatial planning and development and certain other acts;
- Draft Acts establishing technical and construction requirements for, *inter alia*, buildings, telecommunication facilities, technological ducts and public roads as well as power supply of telecommunication facilities.



- A draft amendment to the act on supporting the development of telecommunications services and networks, introducing the obligation to periodically report information on address points where: (i) it is possible to provide data transmission services ensuring fixed broadband access to the Internet, (ii) it is planned to provide such services as a result of the implementation of investments financed from public funds, (iii) it is planned to provide such services within 3 years as a result of the implementation of investments from private funds.

#### EU Law – in progress

- Since 2017, EU institutions have continued work on the Regulation on privacy and electronic communications (ePrivacy), and in 2021 they entered the phase of interinstitutional (trilogue) negotiations;
- On 23 February 2022, the European Commission presented the draft Data Act. The Regulation is to set a legal framework for contracts for sharing data generated and collected by internet-connected devices as well as for switching between different cloud data-processing services;
- On 16 March 2022, the European Commission launched a public consultation on the forthcoming Cyber Resilience Directive, which is to strengthen the security requirements for vendors of internet-connected devices;
- On September 18, 2020, the European Commission issued the Recommendation on a common Union toolbox for reducing the cost of deploying very high capacity networks and ensuring timely and investment-friendly access to 5G radio spectrum, to foster connectivity in support of economic recovery from the COVID-19 crisis in the Union. Pursuant to the Recommendation, Member States and the Commission developed a set of best practices ("Connectivity Toolbox" published in March 2021), which are to be implemented by Member States (report on the implementation to be submitted by April 30, 2022);
- On September 24, 2020, the European Commission presented the draft Directive on resilience of the financial sector. In particular, it regulates the potential relations of this sector with providers of external ICT services. The work has continued in 2022;
- In 2022, the European Commission continued work on revision of Directive 2014/61/EU of the European Parliament and of the Council of 15 May 2014 on measures to reduce the cost of deploying high-speed electronic communications networks;
- In 2022, the legislative process continued on two proposals presented by the European Commission on December 16, 2020 for changes to cybersecurity laws: Directive on measures for a high common level of cybersecurity across the Union, repealing Directive (EU) 2016/1148, and Directive on the resilience of critical entities. The process is expected to be completed in 2022;
- The work on a legal framework on artificial intelligence: Regulation laying down harmonised rules on artificial intelligence (Artificial Intelligence Act) has continued since 2021;
- On June 3, 2021, the European Commission adopted a proposal for establishing a framework for a trusted and secure European e-ID: Regulation on a European Digital Identity ("digital wallet");
- In 2022, the European Commission has continued work on the implementation of the Fit for 55 package, that had been presented on July 14, 2021. The package contains a set of legislative and programme proposals whose overall objective is to reduce the carbon footprint of the European economy. In particular, the package intends to modify energy efficiency requirements for enterprises;
- The work on the proposal to revise the Radio Equipment Directive by introducing a common charging port has continued in 2022. By 2024, mobile phones and other devices are to be equipped with the standard USB-C port;
- On June 17, 2022, the Council of the European Union adopted an implementing decision of the approval of Poland's Recovery and Resilience Plan. It opens the door to the formal launch of its implementation, particularly with respect to the projects related to the development of broadband infrastructure or 5G network in Poland by 2026;
- On May 18, 2022, the European Commission presented the REPowerEU Plan to end dependence on Russian fossil fuels through energy savings, diversification of energy supplies and promotion of renewable energy sources.

#### **4.13 Claims and Disputes, Fines and Proceedings**

Please see the Note 32 to the Consolidated Full-Year Financial Statements for 2021 and the Note 11 to the Interim Consolidated Financial Statements for six months ended 30 June 2022 for detailed information about material proceedings and claims against Group companies and fines imposed thereon, as well as issues related to the incorporation of Orange Polska S.A.

**CHAPTER III**  
**ORGANISATION AND CORPORATE STRUCTURE**

## 5 ORGANISATIONAL CHANGES IN THE FIRST HALF OF 2022

### 5.1 Group's Structure as of June 30, 2022

Please refer to the Note 1.2 to the IFRS Full Year Consolidated Financial Statements for 2021 for the description of the Group's organisation.

### 5.2 Changes in the Corporate Structure of Orange Polska S.A.

In the first half of 2022, there were changes in the corporate structure of the following functions: Network and Technology, Carriers Market and Real Estate Sales, Consumer Market and Business Market. The changes aimed at improving the efficiency of these functions and addressing business needs.

On February 1, 2022, the structure of the Network and Technology function was changed. New business units were established in the Infrastructure and Service Maintenance, Cybersecurity, Strategy and Architecture, Core Network Development and Access Network Development areas, integrating the responsibilities from the existing units. The changes aimed at building positive customer experience and competitive advantage by ensuring the continuity and optimum quality of network functioning and service provision, while taking into account the carbon neutrality goals.

On April 1, 2022, a change was introduced in the Business Market function. A new sector/segment of corporate customers (LMEs) was created in order to accurately address their digitisation needs and increase the revenue stream in this sector. The existing ICT and IoT structures were integrated in order to achieve synergy in the management of complex products and projects.

On May 1, 2022, within the Consumer Market function, customer care and customer path design areas were integrated and the Orange Finance unit was dissolved.

#### 5.2.1 Management Board of Orange Polska S.A.

The composition of Orange Polska Management Board did not change in the first half of 2022. As of June 30, 2022, the Management Board was composed of eight Members, who have been assigned the direct supervision over the following Company's matters:

- President of the Management Board;
- Vice President of the Management Board in charge of Business Market;
- Vice President of the Management Board in charge of Consumer Market;
- Management Board Member in charge of Network and Technology;
- Management Board Member in charge of Strategy and Corporate Affairs;
- Management Board Member in charge of Human Capital;
- Management Board Member in charge of Carriers Market and Real Estate Sales; and
- Management Board Member in charge of Finance.

#### 5.2.2 Business Units of Orange Polska S.A.

In the first half of 2022, the number of business units was reduced from 75 to 70, namely the number of business units decreased in the functions Network and Technology (-2), Business Market (-1) and Consumer Market (-2).

As of June 30, 2022, Orange Polska had 70 business units, reporting directly to:

- 1) President of the Management Board: 1 business unit;
- 2) Vice President of the Management Board in charge of Business Market: 7 business units;
- 3) Vice President of the Management Board in charge of Consumer Market: 8 business units;
- 4) Management Board Member in charge of Networks and Technology: 10 business units;
- 5) Management Board Member in charge of Strategy and Corporate Affairs: 5 business units;
- 6) Management Board Member in charge of Human Capital: 10 business units;
- 7) Management Board Member in charge of Wholesale Market and Real Estate Sales: 6 business units;
- 8) Management Board Member in charge of Finance: 7 business units;
- 9) Executive Director in charge of IT: 8 business units;
- 10) Executive Director in charge of Transformation and Effectiveness: 3 business units; and
- 11) Executive Director in charge of Digitisation: 5 business units.

#### 5.2.3 Changes in the Structure of Subsidiaries of Orange Polska S.A.

There were no major organisational changes in Orange Polska S.A.'s subsidiaries in the first half of 2022.

### 5.3 Ownership Changes in the Group in the First Half of 2022

The Group effected no significant ownership changes in the first half of 2022.

## 5.4 Orange Polska Shareholders

As of June 30, 2022, the share capital of the Company amounted to PLN 3,937 million and was divided into 1,312 million fully paid ordinary bearer shares of nominal value of PLN 3 each.

The ownership structure of the share capital based on information available on July 27, 2022 was as follows:

Shareholder	Number of shares held	Number of votes at the General Meeting of Orange Polska S.A.	Percentage of the total voting power at the General Meeting of Orange Polska S.A.	Nominal value of shares held (in PLN)	Interest in the Share 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	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%
<b>TOTAL</b>	<b>1,312,357,479</b>	<b>1,312,357,479</b>	<b>100.00%</b>	<b>3,937,072,437</b>	<b>100.00%</b>

As of July 27, 2022, Orange S.A. held a 50.67% stake in the Company.

In 2021, Orange S.A. was present in 26 countries for consumer services and had a global presence with Orange Business Services. Orange S.A. operates in 8 countries in Europe, namely Belgium, France, Luxembourg, Moldova, Poland, Romania, Slovakia and Spain, and is present in 18 countries in Africa and the Middle East. Orange's business activities focus on five categories of services: enhanced connectivity (retail and business customers), business IT support services, wholesale services, cybersecurity and financial services.

The Orange Group posted 2020 revenues of €42.5 billion, up 0.8% year-on-year on a comparable basis.

Africa & Middle East was the main contributor to this growth, with a year-on-year increase of 10.6%, followed by Europe excluding Spain (+2.6%) and the Enterprise segment (+0.5%). The decline in France (-1.6%) was due to a reduction in fibre network co-financing compared to 2020. Retail services continued to expand, driven by convergent services (+1.9% year-on-year) in France and Europe excluding Spain, and mobile-only services (+4.2%) in Africa & Middle East. Fixed-only services declined 2.8%. Wholesale revenues were down 6.8% due to co-financing in France, while IT and integration services and equipment sales continued to increase, the latter returning to close to their 2019 level.

There were 11.5 million convergent customers Group-wide at December 31, 2021, up 2.1% year-on-year.

Mobile services numbered 224.3 million access lines at December 31, 2020, up 4.3% year-on-year, including 82 million contracts, up 4.8%.

Fixed services numbered a total of 46.4 million access lines at December 31, 2021, down 1.7% year-on-year. This was primarily due to the sharp 13.3% fall in fixed narrowband access lines, despite continuing strong growth (22.1%) in very high-speed fixed broadband access lines.

Orange Group employs 140,000 people worldwide.

Orange S.A. is also the leading provider of global IT and telecommunication services to multinational corporations under its brand Orange Business Services. In cloud and cybersecurity services, Orange S.A. has become a European leader thanks to the acquisitions of SecureData and SecureLink. Orange S.A. is listed on the Euronext Paris (ORA) and the New York Stock Exchange (ORAN).

As of June 30, 2022, the Company had no information regarding valid agreements or other events that could result in changes in the proportions of shares held by the shareholders.

Orange Polska S.A. did not issue any employee shares in the first half of 2022.

## 5.5 Corporate Governance Bodies of the Parent Company

### I. Composition of the Management Board in 2022

Composition on January 1, 2022:

1. Julien Ducarroz – President of the Board
2. Jolanta Dudek – Vice President of the Board
3. Bożena Leśniewska – Vice President of the Board
4. Witold Drożdż – Board Member

5. Piotr Jaworski – Board Member
6. Jacek Kowalski – Board Member
7. Jacek Kunicki – Board Member
8. Maciej Nowohoński – Board Member

Changes in 2022:

The composition of the Management Board did not change in the first six months of 2022.

Composition on June 30, 2022:

1. Julien Ducarroz – President of the Board
2. Jolanta Dudek – Vice President of the Board
3. Bożena Leśniewska – Vice President of the Board
4. Witold Drożdż – Board Member
5. Piotr Jaworski – Board Member
6. Jacek Kowalski – Board Member
7. Jacek Kunicki – Board Member
8. Maciej Nowohoński – Board Member

## II. Composition of the Supervisory Board and its Committees and changes thereof in 2022

Composition on January 1, 2022:

1. Maciej Witucki – Chairman of the Supervisory Board
2. Ramon Fernandez – Deputy Chairman of the Supervisory Board
3. Marc Ricau – Board Member and Secretary
4. Philippe Béguin – Board Member
5. Bénédicte David – Board Member
6. John Russell Houlden – Independent Board Member and Chairman of the Audit Committee
7. Marie-Noëlle Jégo-Laveissière – Board Member
8. Prof. Michał Kleiber – Independent Board Member
9. Patrice Lambert-de Diesbach – Board Member
10. Monika Nachyła – Independent Board Member
11. Maria Pasło-Wiśniewska PhD – Independent Board Member and Chairwoman of the Remuneration Committee
12. Wioletta Rosołowska – Independent Board Member
13. Jean-Michel Thibaud – Board Member
14. Jean-Marc Vignolles – Board Member and Chairman of the Strategy Committee

On April 22, 2022, the mandates of Maciej Witucki, Prof. Michał Kleiber, Monika Nachyła, Marc Ricau and Jean-Michel Thibaud expired.

On the same day, the Annual General Meeting appointed the following persons: Bartosz Dobrzyński, Monika Nachyła, Marc Ricau, Jean-Michel Thibaud and Maciej Witucki to the Supervisory Board for a new term of office.

Composition on June 30, 2022:

1. Maciej Witucki – Chairman of the Supervisory Board
2. Ramon Fernandez – Deputy Chairman of the Supervisory Board
3. Marc Ricau – Board Member and Secretary
4. Philippe Béguin – Board Member
5. Bénédicte David – Board Member
6. Bartosz Dobrzyński – Independent Board Member
7. John Russell Houlden – Independent Board Member and Chairman of the Audit Committee
8. Marie-Noëlle Jégo-Laveissière – Board Member
9. Patrice Lambert-de Diesbach – Board Member
10. Monika Nachyła – Independent Board Member
11. Maria Pasło-Wiśniewska PhD – Independent Board Member and Chairwoman of the Remuneration Committee
12. Wioletta Rosołowska – Independent Board Member
13. Jean-Michel Thibaud – Board Member
14. Jean-Marc Vignolles – Board Member and Chairman of the Strategy Committee

As at June 30, 2022, Orange Polska had five independent members on the Supervisory Board, namely: Bartosz Dobrzyński, John Russell Houlden, Monika Nachyła, Maria Pasło-Wiśniewska PhD and Wioletta Rosołowska.

Composition of the Committees of the Supervisory Board on June 30, 2022:

The Audit Committee

1. John Russell Houlden – Chairman
2. Monika Nachyła

3. Maria Pasło-Wiśniewska PhD
4. Marc Ricau
5. Jean-Michel Thibaud

The Audit Committee is chaired by Mr. John Russell Houlden, an independent Member of the Supervisory Board. He has relevant experience and qualifications in finance, accounting and audit.

The Remuneration Committee

1. Maria Pasło-Wiśniewska PhD – Chairwoman
2. Bénédicte David
3. Bartosz Dobrzyński
4. Marc Ricau

The Strategy Committee

1. Jean-Marc Vignolles – Chairman
2. Philippe Béguin
3. Bénédicte David
4. Bartosz Dobrzyński
5. Patrice Lambert-de Diesbach
6. Monika Nachyła
7. Maria Pasło-Wiśniewska PhD
8. Wioletta Rosołowska

Mr. Maciej Witucki, Chairman of the Supervisory Board, and Mr. John Russell Houlden, Independent Board Member and Chairman of the Audit Committee, participate in the meetings of the Strategy Committee on a permanent basis.

Below, is the list of the Members of Orange Polska Supervisory Board and Management Board together with the Annual General Assemblies on which their mandates expire.

Management Board	Year of AGM
Julien Ducarroz – President	2023
Jolanta Dudek – Vice President	2024
Bożena Leśniewska – Vice President	2024
Witold Drożdż	2024
Piotr Jaworski	2024
Jacek Kowalski	2023
Jacek Kunicki	2023
Maciej Nowohoński	2023

Supervisory Board	Year of AGM
Maciej Witucki – Chairman	2025
Ramon Fernandez – Deputy Chairman	2024
Marc Ricau – Secretary	2025
Philippe Béguin	2024
Bénédicte David	2024
Bartosz Dobrzyński	2025
John Russell Houlden	2023
Marie-Noëlle Jégo-Laveissière	2024
Patrice Lambert-de Diesbach	2023
Monika Nachyła	2025
Maria Pasło-Wiśniewska	2024
Wioletta Rosołowska	2024

Jean-Michel Thibaud	2025
Jean-Marc Vignolles	2024

### 5.5.1 Orange Polska Shares Held by Persons Who Manage or Supervise Orange Polska

#### *Managing Persons*

As of July 27, 2022:

- Ms. Jolanta Dudek, Management Board Member, held 8,474 shares of Orange Polska S.A.;
- Mr. Piotr Jaworski, Management Board Member, held 673 shares of Orange Polska S.A.; and
- Mr. Maciej Nowohoński, Management Board Member, held 25,000 shares of Orange Polska S.A.

Other Members of the Management Board did not hold any shares of Orange Polska S.A. as of July 27, 2022.

Shares held in related entities:

Julien Ducarroz	1,973 shares of Orange S.A. of par value of EUR 4 each
Jolanta Dudek	3,770 shares of Orange S.A. of par value of EUR 4 each
Bożena Leśniewska	3,770 shares of Orange S.A. of par value of EUR 4 each
Witold Drożdż	3,294 shares of Orange S.A. of par value of EUR 4 each
Piotr Jaworski	3,940 shares of Orange S.A. of par value of EUR 4 each
Jacek Kowalski	4,040 shares of Orange S.A. of par value of EUR 4 each
Jacek Kunicki	2,044 shares of Orange S.A. of par value of EUR 4 each
Maciej Nowohoński	3,294 shares of Orange S.A. of par value of EUR 4 each

#### *Supervising Persons*

As of July 27, 2022, no persons supervising Orange Polska S.A. held any shares in the Company.

Shares held in related entities:

Ramon Fernandez	35,420 shares of Orange S.A. of par value of EUR 4 each
Marc Ricau	1,648 shares of Orange S.A. of par value of EUR 4 each
Bénédicte David	2,024 shares of Orange S.A. of par value of EUR 4 each
Marie-Noëlle Jégo-Laveissière	13,224 shares of Orange S.A. of par value of EUR 4 each

### 5.5.2 General Meeting

On April 22, 2022, the Annual General Meeting among others:

- approved the Management Board's Report on the activity of Orange Polska Group and Orange Polska S.A. in the 2021 financial year;
- approved Orange Polska S.A.'s financial statements for 2021;
- approved the consolidated financial statements for 2021;
- granted approval of the performance of their duties by members of Orange Polska S.A.'s governing bodies in the 2021 financial year;
- adopted a resolution on distribution of profit for the 2021 financial year, pursuant to which Orange Polska S.A.'s profit of PLN 915,493,003.09 disclosed in the Company's financial statements for 2021 was allocated in the following manner:
  - 1) PLN 328,089,369.75 for a dividend (the amount of dividend was PLN 0,25 for each entitled share),
  - 2) PLN 18,309,860.06 to the reserve capital referred to in Article 31(3) of the Articles of Association, and
  - 3) PLN 569,093,773.28 to the reserve capital, which may be distributed as a dividend;
- approved the Supervisory Board's Report for the 2021 financial year;
- expressed a positive opinion on the annual report on remuneration prepared by the Supervisory Board.

### 5.6 Workforce

As of June 30, 2022, Orange Polska Group employed 10,170 people (in full-time equivalents), which is a decrease of 2.7% compared to the end of December 2021.

Orange Polska's workforce reduction was mainly a result of the implementation of the Social Agreement for the years 2022–2023. Pursuant to the Social Agreement, 546 employees left the Company in the first six months of 2022. Severance pay in Orange Polska S.A. averaged PLN 94.7 thousand per employee leaving under the Social Agreement in the first half of 2022.

In the first six months of 2022, external recruitment in Orange Polska totalled 303 positions. It was mainly related to sale and customer service positions in Orange Polska S.A.

### 5.6.1 Social Agreement

On December 7, 2021, the Management Board of Orange Polska S.A. signed the Social Agreement for 2022–2023 with the Social Partners. Furthermore, the Settlement determining the detailed procedures for the implementation of the Social Agreement for 2022–2023 in 2022 was concluded.

In particular, the Social Agreement for 2022–2023 sets the number of voluntary departures in the next two years at 1,400 people and determines a financial package for employees leaving Orange Polska under the voluntary departure scheme. It also provides for potential basic salary rises (4% in 2022 and not less than 4% in 2023) and the amount of additional compensation for employees who will reach retirement age in the next four years, while specifying the position and role of internal mobility in supporting an allocation programme. To employees whose contracts are to be terminated by the employer, the Social Agreement offers participation in an outplacement programme. In addition, the Social Agreement for 2022–2023 provides for initiatives for a friendly work environment and continuation of medical coverage. Orange Polska S.A. also undertook to support its employees in professional upskilling and development of new competencies, including those of the future, in line with the adopted .Grow strategy.

The negotiated Settlement sets the quota of departures in 2022 at 760, and determines the terms of voluntary departures as well as the amount of severance pay and additional compensation for employees leaving Orange Polska in 2022. The Settlement also specifies the principles and criteria to be applied by the employer in the process of selecting people whose employment will be terminated through no fault of the employee. The amount of compensation package per departing employee will depend on their corporate seniority determined in accordance with the Intragroup Collective Labour Agreement for the Employees of Orange Polska S.A.



**CHAPTER IV**  
**KEY RISK FACTORS**

## 6 RISK MANAGEMENT FRAMEWORK IN ORANGE POLSKA

The Risk Management System and corporate risks identified by Orange Polska are described in the annual Management Board's Report on the Activity for the Year Ended 31 December 2021.

The COVID-19 pandemic since the beginning of 2020 and the long-lasting war in Ukraine have deeply transformed the setting in which Orange Polska conducts its telecommunications business. Although they both are not risks anymore – as they have already materialised – they may trigger new risks for our business.

In particular, the long lasting war in Ukraine may cause additional risks, such as:

- Attacks and cyber attacks on the vital infrastructure of Poland as a NATO country;
- Decrease in network capacity due to increased traffic (voice and data) to and from eastern part of Poland.

The war in the neighbouring country may impact performance of Orange Polska and other telco operators in Poland as a result of direct and physical attacks or cyber attacks on infrastructure elements or applications. The rapid and huge increase in traffic generated on the eastern border by a great number of refugees may decrease network capacity and hinder provisioning of telecommunication services in this part of the country.

Incident response teams in Orange Polska monitor the whole traffic, including cyber incidents, round the clock to react to each threat adequately.

To assure provisioning of telecommunication services in a seamless manner, Orange Polska adjusts its network parameters to increased traffic.

## **CHAPTER V STATEMENTS**

## 7 STATEMENTS OF THE MANAGEMENT BOARD

### 7.1 Statement on Adopted Accounting Principles

Orange Polska S.A. Management Board, composed of:

1. Julien Ducarroz – President of the Board
2. Jolanta Dudek – Vice President in charge of Consumer Market
3. Bożena Leśniewska – Vice President in charge of Business Market
4. Witold Drożdż – Board Member in charge of Strategy and Corporate Affairs
5. Piotr Jaworski – Board Member in charge of Networks and Technology
6. Jacek Kowalski – Board Member in charge of Human Capital
7. Jacek Kunicki – Board Member in charge of Finance, Chief Financial Officer
8. Maciej Nowohoński – Board Member in charge of Carriers Market and Real Estate Sales

hereby confirms that according to their best knowledge the Condensed Interim Consolidated Financial Statements and comparable data have been drawn up in compliance with the accounting regulations in force and reflect the Group's property, financial standing and financial result in an accurate, reliable and transparent manner.

This Management Board's Report provides accurate depiction of the development, achievements and standing of the Orange Polska Group, including the description of major threats and risks.

### 7.2 Statement on Appointment of the Licensed Auditor of the Group's Consolidated Financial Statements

Orange Polska S.A. Management Board hereby declares that the licensed auditor to review the Condensed Interim Consolidated Financial Statements has been appointed in compliance with the relevant regulations and that both the auditor and the chartered accountants carrying out the review meet the requirements to develop an impartial and independent report on the reviewed financial statements in compliance with the relevant regulations and professional standards.

### 7.3 Management Board's Position as to the Achievement of the Previously Published Financial Projections for the Given Period

Group guidance for full-year 2022 regarding revenues, EBITDAaL and economic capex was published in the current report 3/2022 published on 16 February 2022.

Taking into account results achieved during the first six months of 2022 the Management of Orange Polska has increased revenue guidance. It now expects revenues to grow by a low single digit percentage versus a small decline previously. More favourable revenue outlook stems from better than expected performance in 1H, mainly in IT/IS and energy resale areas.

At the same time, the Management has maintained the guidance for EBITDAaL (flat/low single digit growth) and economic capex (range of PLN 1.7-1.9 bn).

The management will be closely monitoring macroeconomic and geopolitical situation and assess its impact on Group results on continuous basis.

## GLOSSARY

**4G/LTE** – Fourth generation of mobile technology, sometimes called LTE (Long Term Evolution)

**5G** – Fifth generation of mobile technology, which is the successor to the 4G mobile network standard

**Access Fee** – Revenues from a monthly fee (incl. a pool of free minutes) for new tariff plans

**ARPO** – Average Revenues per Offer

**AUPU** – Average Usage per User

**BSA** – Bitstream Access Offer

**CATV** – Cable Television

**Churn rate** – The number of customers who disconnect from a network divided by the weighted average number of customers in a given period

**Convergent services** – Revenues from B2C convergent offers (excluding equipment sales). A convergent offer is defined as an offer combining at least a broadband access (xDSL, FTTH or wireless for fixed) and a mobile voice contract (excluding MVNOs) with a financial benefit. Convergent services revenues do not include incoming and visitor roaming revenues

**Core telecom services** – Convergence, mobile-only and broadband-only services

**EBITDAaL** – EBITDA after leases, key measure of operating profitability used by management (for definition please refer to the Note 2 to the IFRS Consolidated Financial Statements of the Orange Polska Group)

**eCapex** – Economic Capex, key measure of resources allocation used by management (for definition please refer to the Note 2 to the IFRS Consolidated Financial Statements of the Orange Polska Group)

**F2M** – Fixed to Mobile Calls

**FBB** – Fixed Broadband

**FTE** – Full time equivalent

**Fibre** – Fixed broadband access network based on FTTH (Fibre To The Home ) / DLA (Drop Line Agnostic) technology which provides the end user with speed of above 100 Mbps

**Fixed broadband-only services** – Revenues from fixed broadband offers (excluding B2C convergent offers and equipment sales) including TV and VoIP services

**HHC (Households connectable) in fibre technology** – Households where broadband access service based on fibre technology can be rendered

**Home Zone (or Office Zone for business customers)** – Area within range of predefined base stations which cover the particular location (home/office)

**ICT** – Information and Communication Technologies

**ILD** – International calls

**IP TV** – TV over Internet Protocol

**Liquidity ratio** – Cash and unused credit lines divided by debt to be repaid in the next 18 months

**LLU** – Local Loop Unbundling

**M2M** – Machine to Machine, telemetry

**Mobile-only services** – Revenue from mobile offers (excluding consumer market convergent offers) and Machine to Machine (M2M) connectivity. Mobile only services revenue does not include equipment sales, incoming and visitor roaming revenue

**MTR** – Mobile Termination Rates

**MVNO** – Mobile Virtual Network Operator

**Net gearing** – Net gearing after hedging ratio = net debt after hedging / (net debt after hedging + shareholders' equity)

**Organic Cash Flow** – Key measure of cash generation used by management (for definition please refer to the Note 2 to the IFRS Consolidated Financial Statements of the Orange Polska Group)

**PPA** – Power purchase agreement

**RAN agreement** – Agreement on reciprocal use of radio access networks

**ROCE** – Return on capital employed = EBIT (ex. extraordinary items) / (Average net debt + Shareholders Equity)

**SIMO** – Mobile SIM-only offers without devices

**SMP** – Significant market power

**UKE** – Urząd Komunikacji Elektronicznej (Office of Electronic Communications)

**UOKiK** – Urząd Ochrony Konkurencji i Konsumentów (Office for Competition and Consumer Protection)

**USO** – Universal Service Obligation

**VDSL** – Very high bit-rate Digital Subscriber Line

**VoIP** – Voice over Internet Protocol

**Wireless for fixed** – LTE broadband access offers dedicated to use within the Home/Office Zone, consisting of a fixed router (Home Zone) plus large or unlimited data packages, which are a substitute for fixed broadband and are provided by all mobile operators in Poland, including Orange Polska

**WLR** – Wholesale Line Rental