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POLISH FINANCIAL SUPERVISION AUTHORITY

Quarterly consolidated report for the first quarter of 2020

(year)

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

for the first quarter of 2020, i.e. from 1 January 2020 to 31 March 2020

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

date of issuance: 28 April 2020

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(abbreviated name of the issuer)	(classification according to WSE/sector)
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SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	1 quarter cumulative period from 01/01/2020 to 31/03/2020	1 quarter cumulative period from 01/01/2019 to 31/03/2019	1 quarter cumulative period from 01/01/2020 to 31/03/2020	1 quarter cumulative period from 01/01/2019 to 31/03/2019
condensed consolidated financial statements data				
I. Revenue	2 804 000	2 778 000	637 809	646 377
II. Operating income	87 000	71 000	19 789	16 520
III. Loss before income tax	(41 000)	(3 000)	(9 326)	(698)
IV. Net loss	(36 000)	(2 000)	(8 189)	(465)
V. Net loss attributable to owners of Orange Polska S.A.	(36 000)	(2 000)	(8 189)	(465)
VI. Loss per share (in PLN/EUR)	(0.03)	-	(0.01)	-
VII. Weighted average number of shares (in millions)	1 312	1 312	1 312	1 312
VIII. Total comprehensive loss	(84 000)	(9 000)	(19 107)	(2 094)
IX. Total comprehensive loss attributable to owners of Orange Polska S.A.	(84 000)	(9 000)	(19 107)	(2 094)
X. Net cash provided by operating activities	595 000	529 000	135 341	123 086
XI. Net cash used in investing activities	(638 000)	(587 000)	(145 122)	(136 582)
XII. Net cash used in financing activities	(37 000)	(200 000)	(8 416)	(46 535)
XIII. Net change in cash and cash equivalents	(80 000)	(258 000)	(18 197)	(60 031)
	balance as at 31/03/2020	balance as at 31/12/2019	balance as at 31/03/2020	balance as at 31/12/2019
XIV. Total current assets	3 576 000	3 493 000	785 537	820 242
XV. Total non-current assets	20 623 000	20 847 000	4 530 237	4 895 386
XVI. Total assets	24 199 000	24 340 000	5 315 774	5 715 628
XVII. Total current liabilities	3 927 000	4 092 000	862 641	960 902
XVIII. Total non-current liabilities	9 786 000	9 682 000	2 149 682	2 273 571
XIX. Total equity	10 486 000	10 566 000	2 303 451	2 481 155
XX. Equity attributable to owners of Orange Polska S.A.	10 484 000	10 564 000	2 303 012	2 480 686
XXI. Share capital	3 937 000	3 937 000	864 838	924 504
condensed separate financial statements data				
	1 quarter cumulative period from 01/01/2020 to 31/03/2020	1 quarter cumulative period from 01/01/2019 to 31/03/2019	1 quarter cumulative period from 01/01/2020 to 31/03/2020	1 quarter cumulative period from 01/01/2019 to 31/03/2019
I. Revenue	2 575 000	2 643 000	585 720	614 966
II. Operating income	78 000	68 000	17 742	15 822
III. Loss before income tax	(48 000)	(5 000)	(10 918)	(1 163)
IV. Net loss	(42 000)	(3 000)	(9 553)	(698)
V. Loss per share (in PLN/EUR)	(0.03)	-	(0.01)	-
VI. Weighted average number of shares (in millions)	1 312	1 312	1 312	1 312
VII. Total comprehensive loss	(90 000)	(10 000)	(20 472)	(2 327)
VIII. Net cash provided by operating activities	636 000	531 000	144 667	123 552
IX. Net cash used in investing activities	(674 000)	(553 000)	(153 311)	(128 671)
X. Net cash used in financing activities	(17 000)	(226 000)	(3 867)	(52 585)
XI. Net change in cash and cash equivalents	(55 000)	(248 000)	(12 511)	(57 704)
	balance as at 31/03/2020	balance as at 31/12/2019	balance as at 31/03/2020	balance as at 31/12/2019
XII. Total current assets	3 159 000	3 103 000	693 935	728 660
XIII. Total non-current assets	20 743 000	20 923 000	4 556 598	4 913 233
XIV. Total assets	23 902 000	24 026 000	5 250 533	5 641 893
XV. Total current liabilities	3 775 000	3 919 000	829 251	920 277
XVI. Total non-current liabilities	9 714 000	9 608 000	2 133 867	2 256 194
XVII. Total equity	10 413 000	10 499 000	2 287 415	2 465 422
XVIII. Share capital	3 937 000	3 937 000	864 838	924 504

ORANGE POLSKA GROUP

CONDENSED IFRS QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2020



April 28, 2020

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Orange Polska Group
Condensed IFRS Quarterly Consolidated Financial Statements – 31 March 2020
Translation of the financial statements originally issued in Polish

CONSOLIDATED INCOME STATEMENT

(in PLN millions, except for loss per share)

	<i>Note</i>	<i>3 months ended</i>	
		<i>31 March 2020</i>	<i>31 March 2019</i>
Revenue	5	2,804	2,778
External purchases		(1,574)	(1,570)
Labour expense		(405)	(401)
Other operating expense		(98)	(107)
Other operating income		77	53
Impairment of receivables and contract assets		(36)	(32)
Gains on disposal of assets		10	4
Depreciation and impairment of right-of-use assets		(83)	(71)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(608)	(583)
Operating income		87	71
Interest income		9	10
Interest expense on lease liabilities		(12)	(10)
Other interest expense and financial charges		(60)	(60)
Discounting expense		(23)	(14)
Foreign exchange losses	7	(42)	-
Finance costs, net		(128)	(74)
Income tax		5	1
Net loss		(36)	(2)
Net loss attributable to owners of Orange Polska S.A.		(36)	(2)
Net loss attributable to non-controlling interests		-	-
Loss per share (in PLN)		(0.03)	-
Weighted average number of shares (in millions)		1,312	1,312

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)

	<i>3 months ended</i>	
	<i>31 March 2020</i>	<i>31 March 2019</i>
Net loss	(36)	(2)
Items that may be reclassified subsequently to profit or loss		
Losses on cash flow hedges	(59)	(9)
Income tax relating to items that may be reclassified	11	2
Other comprehensive loss, net of tax	(48)	(7)
Total comprehensive loss	(84)	(9)
Total comprehensive loss attributable to owners of Orange Polska S.A.	(84)	(9)
Total comprehensive loss attributable to non-controlling interests	-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in PLN millions)

	<i>Note</i>	<i>At 31 March 2020</i>	<i>At 31 December 2019</i>
ASSETS			
Goodwill		2,263	2,263
Other intangible assets		4,410	4,545
Property, plant and equipment		10,276	10,402
Right-of-use assets		2,138	2,101
Trade receivables	9	403	455
Contract assets		64	65
Contract costs		91	99
Derivatives	8,9	89	44
Other assets		65	65
Deferred tax assets		824	808
Total non-current assets		20,623	20,847
Inventories		296	218
Trade receivables	9	2,108	2,132
Contract assets		109	117
Contract costs		337	329
Derivatives	8,9	59	1
Other assets		221	227
Prepaid expenses		119	65
Cash and cash equivalents	8	327	404
Total current assets		3,576	3,493
TOTAL ASSETS		24,199	24,340
EQUITY AND LIABILITIES			
Share capital		3,937	3,937
Share premium		832	832
Other reserves		(134)	(89)
Retained earnings		5,849	5,884
Equity attributable to owners of Orange Polska S.A.		10,484	10,564
Non-controlling interests		2	2
Total equity		10,486	10,566
Trade payables	9	363	348
Lease liabilities		1,697	1,633
Loans from related party	8,9	6,408	6,431
Other financial liabilities at amortised cost	8	3	8
Derivatives	8,9	152	55
Provisions		619	649
Contract liabilities		342	344
Employee benefits		154	164
Other liabilities		48	50
Total non-current liabilities		9,786	9,682
Trade payables	7,9	2,091	2,367
Lease liabilities		370	348
Loans from related party	8	84	11
Other financial liabilities at amortised cost	8	109	61
Derivatives	8,9	-	20
Provisions	11	259	242
Contract liabilities		478	471
Employee benefits		178	185
Income tax liabilities		24	28
Other liabilities		334	359
Total current liabilities		3,927	4,092
TOTAL EQUITY AND LIABILITIES		24,199	24,340

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in PLN millions)

	Share capital	Share premium	Other reserves			Retained earnings	Equity attributable to owners of OPL S.A.	Non-controlling interests	Total equity
			Cash flow hedge reserve	Actuarial losses on post-employment benefits	Deferred tax				
Balance at 1 January 2020	3,937	832	(50)	(59)	20	5,884	10,564	2	10,566
Total comprehensive loss for the 3 months ended 31 March 2020	-	-	(59)	-	11	(36)	(84)	-	(84)
Share-based payments	-	-	-	-	-	1	1	-	1
Transfer to inventories	-	-	3	-	-	-	3	-	3
Balance at 31 March 2020	3,937	832	(106)	(59)	31	5,849	10,484	2	10,486
Balance at 1 January 2019	3,937	832	(20)	(51)	13	5,790	10,501	2	10,503
Total comprehensive loss for the 3 months ended 31 March 2019	-	-	(9)	-	2	(2)	(9)	-	(9)
Share-based payments	-	-	-	-	-	1	1	-	1
Transfer to inventories	-	-	(1)	-	-	-	(1)	-	(1)
Balance at 31 March 2019	3,937	832	(30)	(51)	15	5,789	10,492	2	10,494

CONSOLIDATED STATEMENT OF CASH FLOWS

(in PLN millions)

	3 months ended	
	31 March 2020	31 March 2019
OPERATING ACTIVITIES		
Net loss	(36)	(2)
<i>Adjustments to reconcile net loss to cash from operating activities</i>		
Gains on disposal of assets	(10)	(4)
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	691	654
Finance costs, net	128	74
Income tax	(5)	(1)
Change in provisions and allowances	10	(27)
Operational foreign exchange and derivatives gains, net	(12)	(1)
<i>Change in working capital</i>		
(Increase)/decrease in inventories, gross	(78)	3
Decrease in trade receivables, gross	65	27
Decrease in contract assets, gross	10	10
Increase in contract costs	-	(5)
Decrease in trade payables	(43)	(139)
Increase in contract liabilities	2	9
Increase in prepaid expenses and other receivables	(44)	(13)
Increase/(decrease) in other payables	(7)	7
Interest received	9	10
Interest paid and interest rate effect paid on derivatives, net	(80)	(52)
Income tax paid	(5)	(21)
Net cash provided by operating activities	595	529
INVESTING ACTIVITIES		
Payments for purchases of property, plant and equipment and intangible assets	(608)	(664)
Investment grants received	1	-
Investment grants paid to property, plant and equipment and intangible assets suppliers	(45)	(26)
Exchange rate effect paid on derivatives economically hedging capital expenditures, net	(2)	-
Proceeds from sale of property, plant and equipment and intangible assets	15	103
Receipts from other financial instruments, net	1	-
Net cash used in investing activities	(638)	(587)
FINANCING ACTIVITIES		
Repayment of lease liabilities	(78)	(67)
Increase/(decrease) in revolving credit line and other debt	41	(133)
Net cash used in financing activities	(37)	(200)
Net change in cash and cash equivalents	(80)	(258)
Effects of exchange rate changes on cash and cash equivalents	3	-
Cash and cash equivalents at the beginning of the period	404	611
Cash and cash equivalents at the end of the period	327	353

Notes to the Condensed Quarterly Consolidated Financial Statements

1. The Orange Polska Group

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

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

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

The list of entities included in the Condensed IFRS Quarterly Consolidated Financial Statements of the Group (the “Condensed Quarterly Consolidated Financial Statements”) as at and for the 3 months ended 31 March 2020 is presented in Note 1.2 to the Orange Polska Group IFRS Consolidated Financial Statements (“IFRS Consolidated Financial Statements”) for the year ended 31 December 2019.

2. Segment information and performance measures

The Group reports a single operating segment as decisions about resources to be allocated and assessment of performance are made on a consolidated basis. Group performance is currently evaluated by the Management Board based on revenue, EBITDAaL, net income, organic cash flows, eCapex (economic capital expenditures), net financial debt and net financial debt to EBITDAaL ratio based on cumulative EBITDAaL for the last four quarters. Starting from 2020, in order to better capture economic transformation of asset base, proceeds accrued on disposal of assets offset capital expenditures, while gains on their disposal are excluded from EBITDAaL. As a result, eCapex (economic capital expenditures) replaced Capex (capital expenditures) as the key measure of resources allocation used by the Group. Additionally, the amount of EBITDAaL in comparative period was restated to conform to new definition used in 2020.

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

EBITDAaL is the key measure of operating profitability used by the Management Board and corresponds to operating income before gains on disposal of assets, depreciation, amortisation and impairment of property, plant and equipment and intangible assets, decreased by interest expense on lease liabilities and adjusted for the impact of deconsolidation of subsidiaries, costs related to acquisition and integration of new businesses, employment termination programs, restructuring costs, significant claims, litigation and other risks as well as other significant non-recurring items. The calculation of EBITDAaL for the 3 months ended 31 March 2020 and 2019 is presented in the table below.

Organic cash flows are the key measure of cash flow generation used by the Management Board and correspond to net cash provided by operating activities decreased by payments for purchases of property, plant and equipment and intangible assets and repayment of lease liabilities, increased by impact of net exchange rate effect received/paid on derivatives economically hedging capital expenditures and lease liabilities and proceeds from sale of property, plant and equipment and intangible assets and adjusted for the payments for acquisition

of telecommunications licences, payments for costs related to acquisition and integration of new businesses not included in purchase price and payments relating to significant claims, litigation and other risks. The calculation of organic cash flows for the 3 months ended 31 March 2020 and 2019 is presented in the table below.

eCapex (economic capital expenditures) is the key measure of resources allocation used by the Management Board and represents acquisitions of property, plant and equipment and intangible assets excluding telecommunications licences, offset by the proceeds accrued on disposal of these assets ('proceeds accrued on disposal of assets'). eCapex does not include acquisitions of right-of-use assets. The calculation of eCapex for the 3 months ended 31 March 2020 and 2019 is presented in the table below.

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

Basic financial data of the operating segment is presented below:

(in PLN millions)

	3 months ended	
	31 March 2020	31 March 2019
Revenue	2,804	2,778
EBITDAaL ⁽¹⁾	676	638
Net loss	(36)	(2)
Organic cash flows	(78)	(99)
eCapex	343	451

⁽¹⁾ The amount of EBITDAaL in comparative period was restated to conform to new definition used in 2020.

	At 31 March	At 31 December
	2020	2019
Net financial debt (in PLN millions, see Note 8)	6,175	6,087
Net financial debt/EBITDAaL ratio ⁽¹⁾	2.2	2.2

⁽¹⁾ The amount of net financial debt/EBITDAaL ratio in comparative period was restated to conform to new definition of EBITDAaL used in 2020.

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

(in PLN millions)

	3 months ended	
	31 March 2020	31 March 2019
Operating income	87	71
Less gains on disposal of assets ⁽¹⁾	(10)	(4)
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	608	583
Interest expense on lease liabilities	(12)	(10)
Adjustment for the impact of employment termination programs	-	(2)
Adjustment for the costs related to acquisition and integration of new subsidiaries	3	-
EBITDAaL	676	638

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

(in PLN millions)

	3 months ended	
	31 March 2020	31 March 2019
Net cash provided by operating activities	595	529
Payments for purchases of property, plant and equipment and intangible assets	(608)	(664)
Exchange rate effect paid on derivatives economically hedging capital expenditures, net	(2)	-
Proceeds from sale of property, plant and equipment and intangible assets	15	103
Repayment of lease liabilities	(78)	(67)
Organic cash flows	(78)	(99)

(in PLN millions)

	3 months ended	
	31 March 2020	31 March 2019
Acquisitions of property, plant and equipment and intangible assets	358	463
Proceeds accrued on disposal of assets	(15)	(12)
eCapex	343	451

3. Statement of compliance and basis of preparation

Basis of preparation

These unaudited Condensed Quarterly Consolidated Financial Statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 - Interim Financial Reporting (“IAS 34”) and with all accounting standards applicable to interim financial reporting adopted by the European Union, issued and effective as at the time of preparing the Condensed Quarterly Consolidated Financial Statements (see also Note 4).

These Condensed Quarterly Consolidated Financial Statements should be read in conjunction with the audited IFRS Consolidated Financial Statements for the year ended 31 December 2019.

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

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

These Condensed Quarterly Consolidated Financial Statements are prepared in millions of Polish zloty (“PLN”) and were authorised for issuance by the Management Board on 28 April 2020.

Changes to standards and interpretations in 2020

There were no new standards or interpretations issued from the date when the IFRS Consolidated Financial Statements for the year ended 31 December 2019 were issued.

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

On 16 December 2019 the IFRS Interpretation Committee finalised the tentative agenda decision in respect to the lease term and useful life of leasehold improvements. In the light of the decision of the Committee, the Group continues its analysis of how the reasonably certain lease terms should be determined for each lease contract. At the date of preparation of these financial statements this analysis was still ongoing. The Committee’s decision will lead to the recognition of additional right-of-use assets and additional lease liabilities presented in the consolidated statement of financial position, mainly in respect of leases of technical premises for fixed and mobile network and subsurface rights. Taking into consideration the number and diversity of contracts potentially affected and the fact that formal Committee decision was published on 16 December 2019, there was insufficient time to reliably measure and account for or disclose the impact of the change in the accounting policy resulting from the decision.

4. Statement of accounting policies

Except for the changes presented below, the accounting policies and methods of computation used in the preparation of the Condensed Quarterly Consolidated Financial Statements are materially consistent with those described in Notes 2 and 32 to the audited IFRS Consolidated Financial Statements for the year ended 31 December 2019.

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

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

Additionally, foreign exchange gains/losses presented within finance costs, net, were separated from other interest expense and financial charges to new line item.

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

5. Revenue

Revenue is disaggregated as follows:

Mobile only services	Revenue from mobile offers (excluding consumer market convergent offers) and Machine to Machine connectivity. Mobile only services revenue does not include equipment sales, incoming and visitor roaming revenue.
Fixed only services	Revenue from fixed offers (excluding consumer market convergent offers) including mainly (i) fixed broadband (including wireless for fixed), (ii) fixed narrowband, and (iii) data infrastructure and networks for business customers.
Convergent services (consumer market)	Revenue from consumer market convergent offers. A convergent offer is defined as an offer combining at least a broadband access and a mobile voice contract with a financial benefit (excluding MVNOs). Convergent services revenue does not include equipment sales, incoming and visitor roaming revenue.
Equipment sales	Revenue from all retail mobile and fixed equipment sales, excluding equipment sales associated with the supply of IT and integration services.
IT and integration services	Revenue from ICT (Information and Communications Technology) services and Internet of Things services, including equipment sales associated with the supply of these services.
Wholesale	Revenue from telecom operators for (i) mobile: incoming, visitor roaming, domestic mobile interconnection (i.e. domestic roaming agreement and network sharing) and MVNO, (ii) fixed carriers services, and (iii) other (mainly data infrastructure and networks).
Other revenue	Include (i) equipment sales to brokers and dealers, (ii) revenue from sale of electrical energy, (iii) revenue from infrastructure projects, and (iv) other miscellaneous revenue e.g. from property rentals, research and development activity.

<i>(in PLN millions)</i>	<i>3 months ended</i>	
	<i>31 March 2020</i>	<i>31 March 2019</i>
Mobile only services	638	640
Fixed only services	523	569
Narrowband	208	244
Broadband	211	219
Network solutions (business market)	104	106
Convergent services (consumer market)	419	369
Equipment sales	306	367
IT and integration services	233	147
Wholesale	601	560
Mobile wholesale	349	310
Fixed wholesale	171	177
Other	81	73
Other revenue	84	126
Total revenue	2,804	2,778

Wholesale and other revenue for the 3 months ended 31 March 2020 and 2019 include, respectively, PLN 21 million and PLN 23 million of lease revenue that is outside the scope of IFRS 15 “Revenue from Contracts with Customers”.

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

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

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

Impact of COVID-19 pandemic

In March 2020, COVID-19 was officially declared as a pandemic. The authorities closed the borders, introduced a lockdown on schools, some businesses and facilities and restricted movement of people to leaving home for essential reasons only. Public gatherings were banned, with authorities urging society to stay at home. According to current government announcements, the restrictions imposed have started to be progressively eliminated starting from 20 April 2020. Rapid spread of COVID-19 and social distancing obligation might significantly impact Polish economy. Various GDP forecasts present decrease of GDP growth or recession in 2020. There has been a significant weakening of PLN against EUR and USD, as well as drop in WIG20 index calculated for 20 biggest companies listed on the Warsaw Stock Exchange. The government has announced 2 sets of legislation (Anti-crisis Shield and Financial Shield) targeted mainly on micro, small and medium companies, aimed at counterbalancing the crisis impact.

Orange Polska has immediately implemented a number of actions to adapt to the crisis situation, ensure business continuity and reduce the risks posed by the pandemic. The management is analysing the impact of the COVID-19 pandemic on Orange Polska's operations on a daily basis. Based on the up to date observations, the Group discloses the following major impacts of COVID-19 pandemic on its operations, financial position and performance in the 3 months ended 31 March 2020:

1. Orange Polska assesses that the core of its operations remain relatively immune to the impact of the pandemic. Data and voice connectivity has become more essential than ever to the needs of consumers and businesses. The majority of revenue and profits are derived from subscription-based services, which allows the Group to rely on relatively stable and predictable revenue streams.
2. The Group maintains high liquidity and sufficient financing of its operations and capital expenditures. The debt is effectively denominated in PLN and the Group does not have any refinancing needs in 2020. The Group confirms its ability to continue as a going concern.
3. The Group observes increased voice and data traffic in its mobile and fixed networks. The networks are working without disruption and are handling the higher volumes well, benefitting from fibre infrastructure in core and access layers.
4. The distribution network has been significantly affected as around 45% of points of sale were closed as at 31 March 2020 and those that remain open experience much lower customer traffic. To counteract this, the Group is boosting online and telesales and observes increased customer traffic in these channels. However, this increase is unlikely to compensate for a loss of traffic in points of sale. This on one hand affects sale of new services, sale of equipment and related accessories but on the other hand the Group observes lower customer churn.
5. COVID-19 crisis (closure of borders, restrictions regarding people's mobility, likely adverse attitude to travel) will negatively influence revenue from international roaming and visitor roaming, accompanied by lower roaming interconnection expenses.
6. The Group assessed if there are any impairment indicators and concluded that there are none as at 31 March 2020.
7. The Group has performed an analysis to evaluate the potential impact of COVID-19 on the bad debt allowance as at 31 March 2020. Based on an analysis assuming a potential reduction of around 5 pp in GDP growth in 2020 and the bad debt experience in 2011-2012 when such a reduction last occurred, Orange Polska does not currently anticipate a material increase in bad debt. The Group will update the analysis as the effects of COVID-19 and related government responses become clearer.
8. Significant weakening of PLN against EUR and USD in the first quarter of 2020 resulted in the recognition of foreign exchange losses (mainly on unhedged long-term lease liabilities), which are presented in finance costs, net. Weakening of PLN had a limited negative influence on operating costs and level of capital expenditures, as the Group uses financial instruments to hedge majority of these exposures. Currency loans from related party and bank borrowings are also hedged and the Group's debt is effectively denominated in PLN.

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

Reverse factoring

The amount of trade payables subject to reverse factoring increased from PLN 147 million as at 31 December 2019 to PLN 194 million as at 31 March 2020. These payables are presented together with the remaining balance of trade payables, as analysis conducted by the Group indicates they have retained their trade nature.

8. Net financial debt

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

<i>(in PLN millions)</i>	<i>At 31 March</i>	<i>At 31 December</i>
	<i>2020</i>	<i>2019</i>
Loans from related party	6,492	6,442
Other financial liabilities at amortised cost	112	69
Derivatives – net (liabilities less assets)	4	30
Gross financial debt after derivatives	6,608	6,541
Cash and cash equivalents	(327)	(404)
Cash flow hedge reserve	(106)	(50)
Net financial debt	6,175	6,087

As at 31 March 2020, the total outstanding balance of loans from the related party amounted to PLN 6,492 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related party amounted to 2.08% before swaps and 3.11% after swaps as at 31 March 2020.

As at 31 March 2020, the total nominal amount of cross currency interest rate swaps and interest rate swaps, outstanding under the agreement with Orange S.A., was EUR 190 million and PLN 5,450 million, respectively, with a total negative fair value amounting to PLN 67 million.

9. Fair value of financial instruments

The Group's financial assets and liabilities that are measured subsequent to their initial recognition at fair value comprise derivative instruments and selected trade receivables arising from sales of mobile handsets in instalments. As at 31 March 2020 and 31 December 2019, the total negative fair value of derivatives amounted to PLN 4 million and PLN 30 million, respectively, and fair value of selected trade receivables arising from sales of mobile handsets in instalments amounted to PLN 186 million and PLN 218 million, respectively. The fair value of these instruments is determined as described in Notes 13.1 and 22 to the IFRS Consolidated Financial Statements for the year ended 31 December 2019. Significant inputs to the valuation technique used by the Group to measure the fair value of derivatives and selected trade receivables are classified to Level 2 of the fair value hierarchy described in Note 23.1.

The carrying amount of the Group's financial instruments excluding lease liabilities approximates their fair value, except for telecommunications licence payables and a loan from related party based on fixed interest rate for which as at 31 March 2020 the estimated fair value exceeded the carrying amount respectively by PLN 64 million and PLN 47 million (PLN 65 million and PLN 34 million as at 31 December 2019) due to significant change between the original effective interest rates at the date of the initial recognition and current market rates.

10. Dividend

On 12 February 2020, the Management Board of Orange Polska S.A. adopted a resolution not to recommend payment of any dividend in 2020.

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

The information hereunder refers to the matters presented in Note 29 to the IFRS Consolidated Financial Statements for the year ended 31 December 2019 or describes major matters that occurred after 31 December 2019.

a. Proceedings by UOKiK and claims connected with them

Proceedings by UOKiK related to pre-paid offers

UOKiK informed the Company that it had further prolonged the proceedings. The indicated date of prolongation is 30 April 2020.

Proceedings related to retail prices of calls to Play

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

In the appeal proceedings regarding P4's claim for PLN 316 million, Orange Polska has not yet been notified about a date of the Appeal Court's hearing.

b. Other contingent liabilities and provisions

Apart from the above-mentioned, operational activities of the Group are subject to legal, tax, social and administrative regulations and the Group is a party to a number of legal and tax proceedings and commercial contracts related to its operational activities. Some regulatory decisions can be detrimental to the Group and court verdicts within appeal proceedings against such decisions can have negative consequences for the Group. 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.

12. Related party transactions

As at 31 March 2020, Orange S.A. owned 50.67% of shares of the Company. Orange S.A. has majority of the total number of votes at the General Meeting of OPL S.A. which appoints OPL S.A.'s Supervisory Board Members. The Supervisory Board decides about the composition of the Management Board. According to the Company's Articles of Association, at least 4 Members of the Supervisory Board must be independent. The majority of Members of the Audit Committee of the Supervisory Board are independent.

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

Financial receivables, liabilities, finance costs, net and other comprehensive loss concerning transactions with the Orange Group relate mainly to loan agreements concluded with Atlas Services Belgium S.A. and agreement with Orange S.A. concerning derivative transactions to hedge exposure to foreign currency risk and interest rate risk related to the above-mentioned loan agreements. Cash and cash equivalents deposited with Orange S.A. relate to the Cash Management Treasury Agreement.

Orange Polska Group

Condensed IFRS Quarterly Consolidated Financial Statements – 31 March 2020

Translation of the financial statements originally issued in Polish

(in PLN millions)

	<i>3 months ended</i>	
	<u>31 March 2020</u>	<u>31 March 2019</u>
Sales of goods and services and other income:	52	49
Orange S.A. (parent)	34	32
Orange Group (excluding parent)	18	17
Purchases of goods (including inventories, tangible and intangible assets) and services:	(55)	(50)
Orange S.A. (parent)	(12)	(9)
Orange Group (excluding parent)	(43)	(41)
<i>- including Orange Brand Services Limited (brand licence agreement)</i>	<i>(27)</i>	<i>(27)</i>
Finance costs, net:	(50)	(57)
Orange S.A. (parent)	45	(21)
Orange Group (excluding parent)	(95)	(36)
Other comprehensive loss:	(100)	(10)
Orange S.A. (parent)	(100)	(10)

(in PLN millions)

	<i>At 31 March</i>	<i>At 31 December</i>
	<u>2020</u>	<u>2019</u>
Receivables:	94	97
Orange S.A. (parent)	61	64
Orange Group (excluding parent)	33	33
Liabilities:	93	100
Orange S.A. (parent)	37	49
Orange Group (excluding parent)	56	51
Financial receivables:	85	38
Orange S.A. (parent)	85	38
Cash and cash equivalents deposited with:	24	29
Orange S.A. (parent)	24	29
Financial liabilities:	6,644	6,497
Orange S.A. (parent)	152	55
Orange Group (excluding parent)	6,492	6,442

Compensation (remuneration, bonuses, post-employment and other long-term benefits, termination indemnities and share-based payment plans - cash and non-monetary benefits) of OPL S.A.'s Management Board and Supervisory Board Members for the 3 months ended 31 March 2020 and 2019 amounted to PLN 4.1 million and PLN 4.8 million, respectively.

13. Subsequent events

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

ORANGE POLSKA S.A.

**CONDENSED IFRS QUARTERLY SEPARATE FINANCIAL
STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2020**



April 28, 2020

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

	Note	3 months ended	
		31 March 2020	31 March 2019
Revenue	4	2,575	2,643
External purchases		(1,385)	(1,461)
Labour expense		(380)	(381)
Other operating expense		(99)	(108)
Other operating income		77	54
Impairment of receivables and contract assets		(34)	(31)
Gains on disposal of assets		10	5
Depreciation and impairment of right-of-use assets		(80)	(70)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(606)	(583)
Operating income		78	68
Dividend income		-	1
Interest income		10	10
Interest expense on lease liabilities		(12)	(10)
Other interest expense and financial charges		(59)	(60)
Discounting expense		(23)	(14)
Foreign exchange losses	6	(42)	-
Finance costs, net		(126)	(73)
Income tax		6	2
Net loss		(42)	(3)
Loss per share (in PLN)		(0.03)	-
Weighted average number of shares (in millions)		1,312	1,312

STATEMENT OF COMPREHENSIVE INCOME*(in PLN millions)*

	3 months ended	
	31 March 2020	31 March 2019
Net loss	(42)	(3)
Items that may be reclassified subsequently to profit or loss		
Losses on cash flow hedges	(59)	(9)
Income tax relating to items that may be reclassified	11	2
Other comprehensive loss, net of tax	(48)	(7)
Total comprehensive loss	(90)	(10)

STATEMENT OF FINANCIAL POSITION

(in PLN millions)

	Note	At 31 March 2020	At 31 December 2019
ASSETS			
Goodwill		2,014	2,014
Other intangible assets		4,341	4,473
Property, plant and equipment		10,376	10,506
Right-of-use assets		2,119	2,082
Investments in subsidiaries		334	334
Trade receivables	8	371	423
Contract assets		64	65
Contract costs		86	95
Loans to related parties		115	70
Derivatives	7,8	89	44
Other assets		59	59
Deferred tax asset		775	758
Total non-current assets		20,743	20,923
Inventories		224	178
Trade receivables	8	1,943	1,981
Contract assets		109	117
Contract costs		334	327
Loans to related parties		12	16
Derivatives	7,8	59	1
Other assets		107	111
Prepaid expenses		80	29
Cash and cash equivalents		291	343
Total current assets		3,159	3,103
TOTAL ASSETS		23,902	24,026
EQUITY AND LIABILITIES			
Share capital		3,937	3,937
Share premium		832	832
Other reserves		(133)	(88)
Retained earnings		5,777	5,818
Total equity		10,413	10,499
Trade payables	8	363	348
Lease liabilities		1,686	1,622
Loans from related parties	7,8	6,408	6,432
Other financial liabilities at amortised cost		-	3
Derivatives	7,8	152	55
Provisions		602	631
Contract liabilities		321	323
Employee benefits		142	155
Other liabilities		40	39
Total non-current liabilities		9,714	9,608
Trade payables	6,8	1,943	2,221
Lease liabilities		360	338
Loans from related parties	7	162	66
Other financial liabilities at amortised cost		97	57
Derivatives	7,8	-	20
Provisions	10	253	237
Contract liabilities		447	444
Employee benefits		166	175
Income tax liabilities		22	23
Other liabilities		325	338
Total current liabilities		3,775	3,919
TOTAL EQUITY AND LIABILITIES		23,902	24,026

STATEMENT OF CHANGES IN EQUITY

(in PLN millions)

	Share capital	Share premium	Other reserves			Retained earnings	Total equity
			Cash flow hedge reserve	Actuarial losses on post-employment benefits	Deferred tax		
Balance at 1 January 2020	3,937	832	(50)	(59)	21	5,818	10,499
Total comprehensive loss for the 3 months ended 31 March 2020	-	-	(59)	-	11	(42)	(90)
Share-based payments	-	-	-	-	-	1	1
Transfer to inventories	-	-	3	-	-	-	3
Balance at 31 March 2020	3,937	832	(106)	(59)	32	5,777	10,413
Balance at 1 January 2019	3,937	832	(20)	(51)	14	5,727	10,439
Total comprehensive loss for the 3 months ended 31 March 2019	-	-	(9)	-	2	(3)	(10)
Share-based payments	-	-	-	-	-	1	1
Transfer to inventories	-	-	(1)	-	-	-	(1)
Balance at 31 March 2019	3,937	832	(30)	(51)	16	5,725	10,429

STATEMENT OF CASH FLOWS

(in PLN millions)

	3 months ended	
	31 March 2020	31 March 2019
OPERATING ACTIVITIES		
Net loss	(42)	(3)
<i>Adjustments to reconcile net loss to cash from operating activities</i>		
Gains on disposal of assets	(10)	(5)
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	686	653
Finance costs, net	126	73
Income tax	(6)	(2)
Change in provisions and allowances	9	(24)
Operational foreign exchange and derivatives gains, net	(12)	(1)
<i>Change in working capital</i>		
(Increase)/decrease in inventories, gross	(45)	1
(Increase)/decrease in trade receivables, gross	81	(23)
Decrease in contract assets, gross	10	10
Decrease in contract costs	2	3
Decrease in trade payables	(49)	(69)
Increase in contract liabilities	1	4
Increase in prepaid expenses and other receivables	(43)	(17)
Decrease in other payables	(2)	(7)
Interest received	10	10
Interest paid and interest rate effect paid on derivatives, net	(80)	(52)
Income tax paid	-	(20)
Net cash provided by operating activities	636	531
INVESTING ACTIVITIES		
Payments for purchases of property, plant and equipment and intangible assets	(604)	(662)
Investment grants received	1	-
Investment grants paid to property, plant and equipment and intangible assets suppliers	(45)	(26)
Exchange rate effect paid on derivatives economically hedging capital expenditures, net	(2)	-
Proceeds from sale of property, plant and equipment and intangible assets	15	103
Proceeds from sale of investments in subsidiaries	-	2
Receipts from/(payments on) loans made to related parties and other financial instruments, net	(39)	30
Net cash used in investing activities	(674)	(553)
FINANCING ACTIVITIES		
Repayment of lease liabilities	(75)	(65)
Increase/(decrease) in revolving credit line and other debt	58	(161)
Net cash used in financing activities	(17)	(226)
Net change in cash and cash equivalents	(55)	(248)
Effects of exchange rate changes on cash and cash equivalents	3	-
Cash and cash equivalents at the beginning of the period	343	538
Cash and cash equivalents at the end of the period	291	290

Notes to the Condensed Quarterly Separate Financial Statements

1. Orange Polska S.A.

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

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

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

2. Statement of compliance and basis of preparation

Basis of preparation

These unaudited Condensed IFRS Quarterly Separate Financial Statements for the 3 months ended 31 March 2020 (the “Condensed Quarterly Separate Financial Statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 - Interim Financial Reporting (“IAS 34”) and with all accounting standards applicable to interim financial reporting adopted by the European Union, issued and effective as at the time of preparing the Condensed Quarterly Separate Financial Statements (see also Note 3).

These Condensed Quarterly Separate Financial Statements should be read in conjunction with the audited Orange Polska S.A. IFRS Separate Financial Statements and the notes thereto (“IFRS Separate Financial Statements”) for the year ended 31 December 2019.

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

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

Orange Polska S.A. is the parent company of the Orange Polska Group (“the Group”, “OPL Group”) and prepares quarterly consolidated financial statements for the 3 months ended 31 March 2020. The Group is a part of Orange Group, based in France.

These Condensed Quarterly Separate Financial Statements are prepared in millions of Polish zloty (“PLN”) and were authorised for issuance by the Management Board on 28 April 2020.

Changes to standards and interpretations in 2020

There were no new standards or interpretations issued from the date when the IFRS Separate Financial Statements for the year ended 31 December 2019 were issued.

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

On 16 December 2019 the IFRS Interpretation Committee finalised the tentative agenda decision in respect to the lease term and useful life of leasehold improvements. In the light of the decision of the Committee, the Company continues its analysis of how the reasonably certain lease terms should be determined for each lease contract. At the date of preparation of these financial statements this analysis was still ongoing. The Committee's decision will lead to the recognition of additional right-of-use assets and additional lease liabilities presented in the statement of financial position, mainly in respect of leases of technical premises for fixed and mobile network and subsurface rights. Taking into consideration the number and diversity of contracts potentially affected and the fact that formal Committee decision was published on 16 December 2019, there was insufficient time to reliably measure and account for or disclose the impact of the change in the accounting policy resulting from the decision.

3. Statement of accounting policies

Except for the changes presented below, the accounting policies and methods of computation used in the preparation of the Condensed Quarterly Separate Financial Statements are materially consistent with those described in Notes 2 and 31 to the audited IFRS Separate Financial Statements for the year ended 31 December 2019.

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

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

Additionally, foreign exchange gains/losses presented within finance costs, net, were separated from other interest expense and financial charges to new line item.

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

4. Revenue

Revenue is disaggregated as follows:

Mobile only services	Revenue from mobile offers (excluding consumer market convergent offers) and Machine to Machine connectivity. Mobile only services revenue does not include equipment sales, incoming and visitor roaming revenue.
Fixed only services	Revenue from fixed offers (excluding consumer market convergent offers) including mainly (i) fixed broadband (including wireless for fixed), (ii) fixed narrowband, and (iii) data infrastructure and networks for business customers.
Convergent services (consumer market)	Revenue from consumer market convergent offers. A convergent offer is defined as an offer combining at least a broadband access and a mobile voice contract with a financial benefit (excluding MVNOs). Convergent services revenue does not include equipment sales, incoming and visitor roaming revenue.
Equipment sales	Revenue from all retail mobile and fixed equipment sales, excluding equipment sales associated with the supply of IT and integration services.
IT and integration services	Revenue from ICT (Information and Communications Technology) services and Internet of Things services, including equipment sales associated with the supply of these services.
Wholesale	Revenue from telecom operators for (i) mobile: incoming, visitor roaming, domestic mobile interconnection (i.e. domestic roaming agreement and network sharing) and MVNO, (ii) fixed carriers services, and (iii) other (mainly data infrastructure and networks).
Other revenue	Include (i) equipment sales to brokers and dealers, (ii) revenue from sale of electrical energy and (iii) other miscellaneous revenue e.g. from property rentals, research and development activity.

(in PLN millions)

	3 months ended	
	31 March 2020	31 March 2019
Mobile only services	637	639
Fixed only services	523	569
Narrowband	208	244
Broadband	211	219
Network solutions (business market)	104	106
Convergent services (consumer market)	419	369
Equipment sales	306	367
IT and integration services	49	45
Wholesale	601	560
Mobile wholesale	349	310
Fixed wholesale	171	177
Other	81	73
Other revenue	40	94
Total revenue	2,575	2,643

Wholesale and other revenue for the 3 months ended 31 March 2020 and 2019 include, respectively, PLN 24 million and PLN 23 million of lease revenue that is outside the scope of IFRS 15 "Revenue from Contracts with Customers".

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

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

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

Impact of COVID-19 pandemic

In March 2020, COVID-19 was officially declared as a pandemic. The authorities closed the borders, introduced a lockdown on schools, some businesses and facilities and restricted movement of people to leaving home for essential reasons only. Public gatherings were banned, with authorities urging society to stay at home. According to current government announcements, the restrictions imposed have started to be progressively eliminated starting from 20 April 2020. Rapid spread of COVID-19 and social distancing obligation might significantly impact Polish economy. Various GDP forecasts present decrease of GDP growth or recession in 2020. There has been a significant weakening of PLN against EUR and USD, as well as drop in WIG20 index calculated for 20 biggest companies listed on the Warsaw Stock Exchange. The government has announced 2 sets of legislation (Anti-crisis Shield and Financial Shield) targeted mainly on micro, small and medium companies, aimed at counterbalancing the crisis impact.

Orange Polska has immediately implemented a number of actions to adapt to the crisis situation, ensure business continuity and reduce the risks posed by the pandemic. The management is analysing the impact of the COVID-19 pandemic on Orange Polska's operations on a daily basis. Based on the up to date observations, the Company discloses the following major impacts of COVID-19 pandemic on its operations, financial position and performance in the 3 months ended 31 March 2020:

1. Orange Polska assesses that the core of its operations remain relatively immune to the impact of the pandemic. Data and voice connectivity has become more essential than ever to the needs of consumers and businesses. The majority of revenue and profits are derived from subscription-based services, which allows the Company to rely on relatively stable and predictable revenue streams.
2. The Company maintains high liquidity and sufficient financing of its operations and capital expenditures. The debt is effectively denominated in PLN and the Company does not have any refinancing needs in 2020. The Company confirms its ability to continue as a going concern.
3. The Company observes increased voice and data traffic in its mobile and fixed networks. The networks are working without disruption and are handling the higher volumes well, benefitting from fibre infrastructure in core and access layers.
4. The distribution network has been significantly affected as around 45% of points of sale were closed as at 31 March 2020 and those that remain open experience much lower customer traffic. To counteract this, the Company is boosting online and telesales and observes increased customer traffic in these channels. However, this increase is unlikely to compensate for a loss of traffic in points of sale. This on one hand affects sale of new services, sale of equipment and related accessories but on the other hand the Company observes lower customer churn.
5. COVID-19 crisis (closure of borders, restrictions regarding people's mobility, likely adverse attitude to travel) will negatively influence revenue from international roaming and visitor roaming, accompanied by lower roaming interconnection expenses.
6. The Company assessed if there are any impairment indicators and concluded that there are none as at 31 March 2020.
7. The Company has performed an analysis to evaluate the potential impact of COVID-19 on the bad debt allowance as at 31 March 2020. Based on an analysis assuming a potential reduction of around 5 pp in GDP growth in 2020 and the bad debt experience in 2011-2012 when such a reduction last occurred,

Orange Polska does not currently anticipate a material increase in bad debt. The Company will update the analysis as the effects of COVID-19 and related government responses become clearer.

8. Significant weakening of PLN against EUR and USD in the first quarter of 2020 resulted in the recognition of foreign exchange losses (mainly on unhedged long-term lease liabilities), which are presented in finance costs, net. Weakening of PLN had a limited negative influence on operating costs and level of capital expenditures, as the Company uses financial instruments to hedge majority of these exposures. Currency loans from related party and bank borrowings are also hedged and the Company's debt is effectively denominated in PLN.

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

Reverse factoring

The amount of trade payables subject to reverse factoring increased from PLN 137 million as at 31 December 2019 to PLN 184 million as at 31 March 2020. These payables are presented together with the remaining balance of trade payables, as analysis conducted by the Company indicates they have retained their trade nature.

7. Changes in loans from related parties

As at 31 March 2020, the total outstanding balance of loans from the related parties amounted to PLN 6,570 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related parties amounted to 2.06% before swaps and 3.07% after swaps as at 31 March 2020.

As at 31 March 2020, the total nominal amount of cross currency interest rate swaps and interest rate swaps, outstanding under the agreement with Orange S.A., was EUR 190 million and PLN 5,450 million, respectively, with a total negative fair value amounting to PLN 67 million.

8. Fair value of financial instruments

The Company's financial assets and liabilities that are measured subsequent to their initial recognition at fair value comprise derivative instruments and selected trade receivables arising from sales of mobile handsets in instalments. As at 31 March 2020 and 31 December 2019, the total negative fair value of derivatives amounted to PLN 4 million and PLN 30 million, respectively, and fair value of selected trade receivables arising from sales of mobile handsets in instalments amounted to PLN 186 million and PLN 218 million, respectively. The fair value of these instruments is determined as described in Notes 12.1 and 21 to the IFRS Separate Financial Statements for the year ended 31 December 2019. Significant inputs to the valuation technique used by the Company to measure the fair value of derivatives and selected trade receivables are classified to Level 2 of the fair value hierarchy described in Note 22.1.

The carrying amount of the Company's financial instruments excluding lease liabilities approximates their fair value, except for telecommunications licence payables and a loan from related party based on fixed interest rate for which as at 31 March 2020 the estimated fair value exceeded the carrying amount respectively by PLN 64 million and PLN 47 million (PLN 65 million and PLN 34 million as at 31 December 2019) due to significant change between the original effective interest rates at the date of the initial recognition and current market rates.

9. Dividend

On 12 February 2020, the Management Board of Orange Polska S.A. adopted a resolution not to recommend payment of any dividend in 2020.

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

The information hereunder refers to the matters presented in Note 28 to the IFRS Separate Financial Statements for the year ended 31 December 2019 or describes major matters that occurred after 31 December 2019.

a. Proceedings by UOKiK and claims connected with them

Proceedings by UOKiK related to pre-paid offers

UOKiK informed the Company that it had further prolonged the proceedings. The indicated date of prolongation is 30 April 2020.

Proceedings related to retail prices of calls to Play

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

In the appeal proceedings regarding P4's claim for PLN 316 million, Orange Polska has not yet been notified about a date of the Appeal Court's hearing.

b. Other contingent liabilities and provisions

Apart from the above-mentioned, operational activities of the Company are subject to legal, tax, social and administrative regulations and the Company is a party to a number of legal and tax proceedings and commercial contracts related to its operational activities. Some regulatory decisions can be detrimental to the Company and court verdicts within appeal proceedings against such decisions can have negative consequences for the Company. 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.

11. Related party transactions

As at 31 March 2020, Orange S.A. owned 50.67% of shares of the Company. Orange S.A. has majority of the total number of votes at the General Meeting of OPL S.A. which appoints OPL S.A.'s Supervisory Board Members. The Supervisory Board decides about the composition of the Management Board. According to the Company's Articles of Association, at least 4 Members of the Supervisory Board must be independent. The majority of Members of the Audit Committee of the Supervisory Board are independent.

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

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

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

Financial receivables, liabilities, financial expense, net and other comprehensive loss concerning transactions with the Orange Group relate to loan agreements concluded with Atlas Services Belgium S.A. and agreement with Orange S.A. concerning derivative transactions to hedge exposure to foreign currency risk and interest rate risk related to the above-mentioned loan agreements. Financial income from Orange S.A. and cash and cash equivalents deposited with Orange S.A. relate to the Cash Management Treasury Agreement.

(in PLN millions)

	3 months ended	
	31 March 2020	31 March 2019
Sales of goods and services and other income:	80	76
Orange Polska Group (subsidiaries)	28	28
Orange Group	52	48
- Orange S.A. (parent)	34	32
- Orange Group (excluding parent)	18	16
Purchases of goods (including inventories, tangible and intangible assets) and services:	(119)	(137)
Orange Polska Group (subsidiaries)	(64)	(87)
Orange Group	(55)	(50)
- Orange S.A. (parent)	(12)	(9)
- Orange Group (excluding parent)	(43)	(41)
- including Orange Brand Services Limited (brand licence agreement)	(27)	(27)
Financial income:	1	1
Orange Polska Group (subsidiaries)	1	1
Financial expense, net:	(50)	(57)
Orange Group	(50)	(57)
- Orange S.A. (parent)	45	(21)
- Orange Group (excluding parent)	(95)	(36)
Other comprehensive loss:	(100)	(10)
Orange S.A. (parent)	(100)	(10)

(in PLN millions)

	At 31 March	At 31 December
	2020	2019
Receivables and contract costs:	133	136
Orange Polska Group (subsidiaries)	39	39
Orange Group	94	97
- Orange S.A. (parent)	61	64
- Orange Group (excluding parent)	33	33
Liabilities:	186	219
Orange Polska Group (subsidiaries)	93	119
Orange Group	93	100
- Orange S.A. (parent)	37	49
- Orange Group (excluding parent)	56	51
Financial receivables:	212	124
Orange Polska Group (subsidiaries)	127	86
Orange S.A. (parent)	85	38
Cash and cash equivalents deposited with:	24	29
Orange S.A. (parent)	24	29
Financial liabilities:	6,722	6,553
Orange Polska Group (subsidiaries)	78	56
Orange Group	6,644	6,497
- Orange S.A. (parent)	152	55
- Orange Group (excluding parent)	6,492	6,442
Guarantees granted:	118	104
Orange Polska Group (subsidiaries)	118	104

Compensation (remuneration, bonuses, post-employment and other long-term benefits, termination indemnities and share-based payment plans - cash and non-monetary benefits) of OPL S.A.'s Management Board and Supervisory Board Members for the 3 months ended 31 March 2020 and 2019 amounted to PLN 4.1 million and PLN 4.8 million, respectively.

12. Subsequent events

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

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

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

The ownership structure of the Company’s share capital, based on the information available to the Company as at 28 April 2020, i.e. the date of submission of the quarterly report for the 3 months ended 31 March 2020 was the same as at 12 February 2020, i.e. the date of submission of the annual report for the 12 months ended 31 December 2019:

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

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

Mr Jean-François Fallacher, the President of the Management Board of OPL S.A., held 40,000 Orange Polska S.A. shares as at 28 April 2020 and 12 February 2020.

Ms Jolanta Dudek, the Member of the Management Board of OPL S.A., held 8,474 Orange Polska S.A. shares as at 28 April 2020 and 12 February 2020.

Mr Piotr Jaworski, the Member of the Management Board of OPL S.A., held 673 Orange Polska S.A. shares as at 28 April 2020 and 12 February 2020.

Mr Maciej Nowohoński, the Member of the Management Board of OPL S.A., held 25,000 Orange Polska S.A. shares as at 28 April 2020 and 12 February 2020.

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

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

In the 3 months ended 31 March 2020, neither the Company nor its subsidiaries granted guarantees or collateral of loans or borrowings to any entity or its subsidiary, a total value of which would be significant.

IV. Management Board's Position as to the achievement of the previously published financial projections for the given period

As announced on 12 February 2020 in the current report 3/2020, the Group forecasts EBITDAaL in 2020 to be higher than PLN 2.735 billion. In response to COVID-19 pandemic, the management is adopting counteractive measures in many areas, therefore as of today the Management Board of Orange Polska S.A. does not change 2020 EBITDAaL growth guidance. However taking into account uncertainty, the Management Board of Orange Polska S.A. will closely monitor the situation and re-evaluate the COVID-19 impact on the Group results on a continuous basis.

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

Factors that, in the Management Board's opinion, have influence on the Group's operations or may have such influence in the near future are presented in Section 4 of the Chapter II of Management Board's Report on the Activity of the Orange Polska Group and Orange Polska S.A. in 2019 as well as in the current report 4/2020 published on 2 April 2020 related to impact of COVID-19 pandemic. Additionally, key risk factors that may impact the Group's operational and financial performance are reviewed in detail in the Chapter IV of the above-mentioned Report.

VI. Foreign exchange rates

The statement of financial position data as at 31 March 2020 and 31 December 2019 presented in the table "Selected financial data" was translated into EUR at the average exchange rates of the National Bank of Poland ("NBP") at the end of the reporting period. The income statement data, together with the statement of comprehensive income and statement of cash flows data for the 3 months ended 31 March 2020 and 2019, were translated into EUR at an exchange rates which is the arithmetical average of the average NBP rates published by the NBP on the last day of each month of the 3-month periods ended 31 March 2020 and 2019.

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

	31 March 2020	31 December 2019	31 March 2019
Statement of financial position	4.5523 PLN	4.2585 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	4.3963 PLN	Not applicable	4.2978 PLN