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POLISH FINANCIAL SUPERVISION AUTHORITY
Consolidated half-year report PSr 2021

(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 **2021**, i.e. from **1 January 2021 to 30 June 2021**

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

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

date of issuance: **28 July 2021**

ORANGE POLSKA SA

(full name of issuer)

ORANGEPL

(abbreviated name of the issuer)

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 (auditor)

SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	half-year 2021	half-year 2020	half-year 2021	half-year 2020
condensed consolidated financial statements data				
I. Revenue	5,872,000	5,632,000	1,291,344	1,268,097
II. Operating income	340,000	197,000	74,771	44,356
III. Profit before income tax	229,000	16,000	50,361	3,603
IV. Net income	155,000	14,000	34,087	3,152
V. Net income attributable to owners of Orange Polska S.A.	155,000	14,000	34,087	3,152
VI. Earnings per share (in PLN/EUR)	0.12	0.01	0.03	-
VII. Weighted average number of shares (in millions)	1,312	1,312	1,312	1,312
VIII. Total comprehensive income/(loss)	222,000	(57,000)	48,821	(12,834)
IX. Total comprehensive income/(loss) attributable to owners of Orange Polska S.A.	222,000	(57,000)	48,821	(12,834)
X. Net cash provided by operating activities	1,606,000	1,598,000	353,184	359,805
XI. Net cash used in investing activities	(1,019,000)	(1,111,000)	(224,094)	(250,152)
XII. Net cash used in financing activities	(635,000)	(500,000)	(139,646)	(112,580)
XIII. Net change in cash and cash equivalents	(48,000)	(13,000)	(10,556)	(2,927)
	balance as at 30/06/2021	balance as at 31/12/2020	balance as at 30/06/2021	balance as at 31/12/2020
XIV. Total current assets and assets held for sale	3,492,000	3,363,000	772,430	728,742
XV. Total non-current assets	20,241,000	20,937,000	4,477,305	4,536,925
XVI. Total assets	23,733,000	24,300,000	5,249,735	5,265,667
XVII. Total current liabilities	3,930,000	7,637,000	869,315	1,654,893
XVIII. Total non-current liabilities	8,992,000	6,064,000	1,989,029	1,314,033
XIX. Total equity	10,811,000	10,599,000	2,391,391	2,296,741
XX. Equity attributable to owners of Orange Polska S.A.	10,809,000	10,597,000	2,390,949	2,296,308
XXI. Share capital	3,937,000	3,937,000	870,864	853,125
condensed separate financial statements data				
	half-year 2021	half-year 2020	half-year 2021	half-year 2020
I. Revenue	5,287,000	5,167,000	1,162,694	1,163,398
II. Operating income	308,000	178,000	67,734	40,078
III. Profit before income tax	212,000	5,000	46,622	1,126
IV. Net income	165,000	5,000	36,286	1,126
V. Earnings per share (in PLN/EUR)	0.13	-	0.03	-
VI. Weighted average number of shares (in millions)	1,312	1,312	1,312	1,312
VII. Total comprehensive income/(loss)	232,000	(66,000)	51,020	(14,861)
VIII. Net cash provided by operating activities	1,602,000	1,608,000	352,305	362,056
IX. Net cash used in investing activities	(989,000)	(1,143,000)	(217,497)	(257,357)
X. Net cash used in financing activities	(666,000)	(461,000)	(146,464)	(103,798)
XI. Net change in cash and cash equivalents	(53,000)	4,000	(11,656)	901
	balance as at 30/06/2021	balance as at 31/12/2020	balance as at 30/06/2021	balance as at 31/12/2020
XII. Total current assets and assets held for sale	3,087,000	2,991,000	682,844	648,132
XIII. Total non-current assets	20,174,000	20,913,000	4,462,484	4,531,724
XIV. Total assets	23,261,000	23,904,000	5,145,328	5,179,856
XV. Total current liabilities	3,622,000	7,399,000	801,186	1,603,320
XVI. Total non-current liabilities	8,884,000	5,972,000	1,965,139	1,294,097
XVII. Total equity	10,755,000	10,533,000	2,379,003	2,282,439
XVIII. Share capital	3,937,000	3,937,000	870,864	853,125



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 2021,

and, for the three-month and six-month periods ended 30 June 2021:

- 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 2021:

- 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.

On behalf of audit firm

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

Registration No. 3546

Signed on the Polish original

Signed on the Polish original

Marek Gajdziński

Anna Burian-Szywacz

Key Statutory Auditor

Key Statutory Auditor

Registration No. 90061

Registration No. 12579

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, 28 July 2021

ORANGE POLSKA GROUP

CONDENSED IFRS INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 30 JUNE 2021



July 28, 2021

Contents

CONSOLIDATED INCOME STATEMENT	3
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	3
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5
CONSOLIDATED STATEMENT OF CASH FLOWS	6
1. The Orange Polska Group	7
2. Segment information and performance measures	7
3. Statement of compliance and basis of preparation	9
4. Statement of accounting policies	9
5. Revenue	10
6. Impairment test	11
7. Explanatory comments about the seasonality or cyclicity of interim Group operations	11
8. Items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence	12
9. Net financial debt	13
10. Fair value of financial instruments	14
11. Dividend	14
12. Changes in major litigation and claims, contingent liabilities and contingent assets since the end of the last annual reporting period	14
13. Related party transactions	15
14. Subsequent events	16

CONSOLIDATED INCOME STATEMENT

(in PLN millions, except for earnings per share)

	Note	3 months ended 30 June 2021	6 months ended 30 June 2021	3 months ended 30 June 2020	6 months ended 30 June 2020
Revenue	5	2,954	5,872	2,828	5,632
External purchases		(1,665)	(3,295)	(1,597)	(3,147)
Labour expense		(343)	(722)	(289)	(694)
Other operating expense		(113)	(231)	(106)	(204)
Other operating income		67	126	62	139
Impairment of receivables and contract assets		(23)	(46)	(50)	(86)
Gains/(losses) on disposal of assets		7	(13)	5	15
Depreciation and impairment of right-of-use assets		(118)	(233)	(108)	(214)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	8	(542)	(1,118)	(636)	(1,244)
Operating income		224	340	109	197
Interest income		7	15	8	17
Interest expense on lease liabilities		(14)	(27)	(16)	(32)
Other interest expense and financial charges		(51)	(97)	(53)	(113)
Discounting expense		(12)	(20)	-	(23)
Foreign exchange gains/(losses)		25	18	12	(30)
Finance costs, net		(45)	(111)	(49)	(181)
Income tax		(63)	(74)	(8)	(2)
Net income		116	155	52	14
Net income attributable to owners of Orange Polska S.A.		116	155	52	14
Net income attributable to non-controlling interests		-	-	-	-
Earnings per share (in PLN)		0.09	0.12	0.04	0.01
Weighted average number of shares (in millions)		1,312	1,312	1,312	1,312

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)

	3 months ended 30 June 2021	6 months ended 30 June 2021	3 months ended 30 June 2020	6 months ended 30 June 2020
Net income	116	155	52	14
Items that will not be reclassified to profit or loss				
Actuarial losses on post-employment benefits	-	-	(4)	(4)
Income tax relating to items not to be reclassified	-	-	1	1
Items that may be reclassified subsequently to profit or loss				
Gains/(losses) on cash flow hedges	19	83	(27)	(86)
Income tax relating to items that may be reclassified	(4)	(16)	7	18
Other comprehensive income/(loss), net of tax	15	67	(23)	(71)
Total comprehensive income/(loss)	131	222	29	(57)
Total comprehensive income/(loss) attributable to owners of Orange Polska S.A.	131	222	29	(57)
Total comprehensive income/(loss) attributable to non-controlling interests	-	-	-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in PLN millions)	Note	At 30 June 2021	At 31 December 2020
ASSETS			
Goodwill		2,285	2,285
Other intangible assets		4,045	4,184
Property, plant and equipment	8	9,716	10,301
Right-of-use assets		2,871	2,768
Trade receivables	10	335	382
Contract assets		76	70
Contract costs		113	106
Derivatives	9,10	27	-
Other assets		61	41
Deferred tax assets		712	800
Total non-current assets		20,241	20,937
Inventories		241	230
Trade receivables	10	1,801	1,850
Contract assets		74	87
Contract costs		374	368
Derivatives	9,10	6	147
Other assets		182	240
Prepaid expenses		120	83
Cash and cash equivalents		310	358
Total current assets		3,108	3,363
Assets held for sale	8	384	-
TOTAL ASSETS		23,733	24,300
EQUITY AND LIABILITIES			
Share capital		3,937	3,937
Share premium		832	832
Other reserves		(67)	(123)
Retained earnings		6,107	5,951
Equity attributable to owners of Orange Polska S.A.		10,809	10,597
Non-controlling interests		2	2
Total equity		10,811	10,599
Trade payables	10	237	242
Lease liabilities		2,280	2,216
Loans from related party	9,10	5,456	2,406
Other financial liabilities at amortised cost	9	4	2
Derivatives	9,10	51	100
Provisions	12	546	657
Contract liabilities		329	338
Employee benefits		59	53
Other liabilities		30	50
Total non-current liabilities		8,992	6,064
Trade payables	10	2,029	2,236
Lease liabilities		504	488
Loans from related party	9,10	9	3,584
Other financial liabilities at amortised cost	9	43	19
Derivatives	9,10	9	32
Provisions	12	207	254
Contract liabilities		502	476
Employee benefits		210	204
Income tax liabilities		17	18
Other liabilities		400	326
Total current liabilities		3,930	7,637
TOTAL EQUITY AND LIABILITIES		23,733	24,300

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in PLN millions)

	Share capital	Share premium	Other reserves			Retained earnings	Equity attributable to owners of OPL S.A.	Non-controlling interests	Total equity
			Cash flow hedge reserve	Actuarial losses on post-employment benefits	Deferred tax				
Balance at 1 January 2021	3,937	832	(89)	(62)	28	5,951	10,597	2	10,599
Total comprehensive income for the 6 months ended 30 June 2021	-	-	83	-	(16)	155	222	-	222
Share-based payments	-	-	-	-	-	1	1	-	1
Transfer to inventories	-	-	(14)	-	3	-	(11)	-	(11)
Balance at 30 June 2021	3,937	832	(20)	(62)	15	6,107	10,809	2	10,811
Balance at 1 January 2020	3,937	832	(50)	(59)	20	5,875	10,555	2	10,557
Total comprehensive loss for the 6 months ended 30 June 2020	-	-	(86)	(4)	19	14	(57)	-	(57)
Share-based payments	-	-	-	-	-	1	1	-	1
Transfer to inventories	-	-	(10)	-	-	-	(10)	-	(10)
Other movements	-	-	-	-	-	48	48	-	48
Balance at 30 June 2020	3,937	832	(146)	(63)	39	5,938	10,537	2	10,539

CONSOLIDATED STATEMENT OF CASH FLOWS

(in PLN millions)	3 months ended 30 June 2021	6 months ended 30 June 2021	3 months ended 30 June 2020	6 months ended 30 June 2020
OPERATING ACTIVITIES				
Net income	116	155	52	14
Adjustments to reconcile net income to cash from operating activities				
(Gains)/losses on disposal of assets	(7)	13	(5)	(15)
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	660	1,351	744	1,458
Finance costs, net	45	111	49	181
Income tax	63	74	8	2
Change in provisions and allowances	(59)	(56)	(85)	(75)
Operational foreign exchange and derivatives (gains)/losses, net	1	4	4	(8)
Change in working capital				
(Increase)/decrease in inventories, gross	10	(11)	10	(68)
Decrease in trade receivables, gross	15	97	171	236
Decrease in contract assets, gross	6	7	15	25
Increase in contract costs	-	(13)	(3)	(3)
Decrease in trade payables	(2)	(14)	(18)	(61)
Increase in contract liabilities	1	17	-	2
Increase in prepaid expenses and other receivables	(67)	(48)	(3)	(47)
Increase/(decrease) in other payables	(13)	60	115	108
Interest received	7	15	8	17
Interest paid and interest rate effect paid on derivatives, net	(63)	(152)	(69)	(152)
Exchange rate and other effect received on derivatives, net	3	4	1	1
Income tax paid	(3)	(8)	(12)	(17)
Net cash provided by operating activities	713	1,606	982	1,598
INVESTING ACTIVITIES				
Payments for purchases of property, plant and equipment and intangible assets	(459)	(1,060)	(458)	(1,066)
Investment grants received	42	91	28	29
Investment grants paid to property, plant and equipment and intangible assets suppliers	(35)	(98)	(58)	(103)
Exchange rate effect received on derivatives economically hedging capital expenditures, net	1	2	4	2
Proceeds from sale of property, plant and equipment and intangible assets	24	48	15	30
Cash paid for subsidiaries, net of cash acquired	(5)	(5)	(5)	(5)
Receipts from other financial instruments, net	2	3	1	2
Net cash used in investing activities	(430)	(1,019)	(473)	(1,111)
FINANCING ACTIVITIES				
Repayment of long-term loans from related party	(101)	(101)	-	-
Repayment of lease liabilities	(129)	(249)	(105)	(204)
Decrease in revolving credit line and other debt	(230)	(376)	(338)	(297)
Exchange rate effect received on derivatives hedging debt, net	91	91	1	1
Net cash used in financing activities	(369)	(635)	(442)	(500)
Net change in cash and cash equivalents	(86)	(48)	67	(13)
Effects of exchange rate changes on cash and cash equivalents	-	-	(1)	2
Cash and cash equivalents at the beginning of the period	396	358	327	404
Cash and cash equivalents at the end of the period	310	310	393	393

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

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

The list of entities included in the Condensed IFRS Interim Consolidated Financial Statements of the Group (the “Condensed Interim Consolidated Financial Statements”) as at and for the 6 months ended 30 June 2021 is presented in Note 1.2 to the Orange Polska Group IFRS Consolidated Financial Statements (“IFRS Consolidated Financial Statements”) for the year ended 31 December 2020.

2. Segment information and performance measures

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

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

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

Organic cash flows are the key measure of cash flow generation used by the Management Board and correspond to net cash provided by operating activities decreased by payments for purchases of property, plant and equipment and intangible assets and repayment of lease liabilities, increased by impact of net exchange rate effect received/paid on derivatives economically hedging capital expenditures and lease liabilities and proceeds from sale of property, plant and equipment and intangible assets and adjusted for the payments for acquisition of telecommunications licences, payments for costs related to acquisition, disposal and integration of businesses not included in purchase price and payments relating to significant claims, litigation and other risks.

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

Net financial debt and net financial debt to EBITDAaL ratio are the key measures of indebtedness and liquidity used by the Management Board. The calculation of net financial debt is presented in Note 9.

Basic financial data of the operating segment is presented below:

(in PLN millions)	6 months ended 30 June 2021	6 months ended 30 June 2020
Revenue	5,872	5,632
EBITDAaL	1,465	1,401
Net income	155	14
Organic cash flows	357	360
eCapex	887	819

	At 30 June 2021	At 31 December 2020
Net financial debt (in PLN millions, see Note 9)	5,209	5,549
Net financial debt/EBITDAaL ratio	1.8	2.0

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

(in PLN millions)	6 months ended 30 June 2021	6 months ended 30 June 2020
Operating income	340	197
Less gains/add losses on disposal of assets	13	(15)
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	1,118	1,244
Interest expense on lease liabilities	(27)	(32)
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries	21	7
EBITDAaL	1,465	1,401

(in PLN millions)	6 months ended 30 June 2021	6 months ended 30 June 2020
Net cash provided by operating activities	1,606	1,598
Payments for purchases of property, plant and equipment and intangible assets	(1,060)	(1,066)
Exchange rate effect received on derivatives economically hedging capital expenditures, net	2	2
Proceeds from sale of property, plant and equipment and intangible assets	48	30
Repayment of lease liabilities	(249)	(204)
Adjustment for payment for costs related to acquisition, disposal and integration of subsidiaries	10	-
Organic cash flows	357	360

Orange Polska Group

Condensed IFRS Interim Consolidated Financial Statements – 30 June 2021

Translation of the financial statements originally issued in Polish

(in PLN millions)	6 months ended	6 months ended
	30 June 2021	30 June 2020
Acquisitions of property, plant and equipment and intangible assets	886	847
Less proceeds accrued on disposal of assets ⁽¹⁾	1	(28)
eCapex	887	819

⁽¹⁾ 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.

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 2020.

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 28 July 2021.

Adoption of standards and interpretations in 2021

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

4. Statement of accounting policies

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

5. Revenue

Revenue is disaggregated as follows:

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

(in PLN millions)	3 months ended 30 June 2021	6 months ended 30 June 2021	3 months ended 30 June 2020	6 months ended 30 June 2020
Mobile only services	652	1,283	630	1,268
Fixed only services	494	998	527	1,050
Narrowband	174	356	206	414
Broadband	214	428	214	425
Network solutions (business market)	106	214	107	211
Convergent services (consumer market)	492	969	428	847
Equipment sales	330	673	308	614
IT and integration services	269	519	238	471
Wholesale	598	1,196	613	1,214
Mobile wholesale	378	731	366	715
Fixed wholesale	132	289	165	336
Other	88	176	82	163
Other revenue	119	234	84	168
Total revenue	2,954	5,872	2,828	5,632

Wholesale and other revenue for the 6 months ended 30 June 2021 and 2020 include, respectively, PLN 41 million and PLN 40 million of lease revenue that is outside the scope of IFRS 15 “Revenue from Contracts with Customers”.

6. Impairment test

Vast majority of the Group's individual assets do not generate cash inflows independently from other assets due to the nature of the Group's activities, therefore the Group identifies all telecom operations as a single telecom operator Cash Generating Unit ("CGU").

As at 30 June 2021 and 31 December 2020 the Group performed impairment tests of the CGU (including goodwill). No impairment loss was recognised in the years 2021 and 2020.

The following key assumptions were used to determine the value in use of the telecom operator CGU:

- value of the market, penetration rate, market share and the level of the competition, level of prices and decisions of the regulator in terms of pricing, customer base, the level of commercial expenses required to replace products and keep up with existing competitors or new market entrants, the impact of changes in revenue on direct costs;
- the level of capital expenditures which may be affected by the roll-out of necessary new technologies or regulatory decisions concerning telecommunications licences allocation;
- the length and severity of the COVID-19 pandemic and its impact on the CGU performance;
- discount rate which is based on weighted average cost of capital and reflects current market assessment of the time value of money and the risks specific to activities of the CGU; and
- perpetuity growth rate which reflects Management's assessment of cash flows evolution after the last year covered by the cash flow projections.

The amounts assigned to each of these parameters reflect past experience adjusted for expected changes over the timeframe of the business plan, but may also be affected by unforeseeable changes in the political, economic or legal framework.

Telecom operator CGU

	At 30 June 2021	At 31 December 2020
Basis of recoverable amount	Value in use	Value in use
Sources used	Business plan	Business plan
	5 years cash flow projections	5 years cash flow projections
Perpetuity growth rate	1.5 %	1.5 %
Post-tax discount rate	7.00 %	7.25 %
Pre-tax discount rate ⁽¹⁾	8.15 %	8.47 %

⁽¹⁾ Pre-tax discount rate is calculated as a post-tax discount rate adjusted to reflect the specific amount and timing of the future tax cash flows.

Sensitivity of recoverable amount

The value in use of the telecom operator CGU as at 30 June 2021 exceeds its carrying value by PLN 4.7 billion. Any of the following changes in key assumptions:

- a 26% fall in projected cash flows after fifth year or
- a 1.3 p.p. decrease in growth rate to perpetuity or
- a 1.5 p.p. increase in post-tax discount rate

would bring the value in use of the telecom operator CGU to the level of its carrying value.

7. 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.

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

Impact of COVID-19 pandemic

The situation related to COVID-19 pandemic is volatile, Poland and other countries experienced another wave of COVID-19 in 2021. Some restrictions were imposed again and have been progressively lifted in Poland starting from May. The pandemic has significantly impacted the Polish economy. Poland's GDP decreased by 2.7% in 2020 and by 0.9% in the first quarter of 2021 (year-on-year). At the same time the consensus indicates that GDP in Poland could return to low single digit growth in 2021 although the pace of the recovery is highly uncertain at the moment.

Since the beginning of COVID-19 pandemic in the first quarter of 2020, the Management has adopted a number of counteractive measures to mitigate the negative impact of the pandemic on Group's business performance. The results achieved by the Group indicate that the core of the Group's operations remain relatively immune to the impact of the pandemic. Data and voice connectivity has become more essential than ever to the needs of consumers and businesses. The majority of revenue and profits are derived from subscription-based services, which allows the Group to rely on relatively stable and predictable revenue streams.

In 2021, the Group performed a reassessment of the impact of COVID-19 on the bad debt allowance. As a result, the Group recognised PLN 4 million of additional impairment of trade receivables in the 6 months ended 30 June 2021.

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

Joint venture with APG Group

As at 30 June 2021, Orange Polska reclassified PLN 384 million of property, plant and equipment to assets held for sale. They represent network assets that in July 2021 were contributed or leased under a finance lease to Światłowód Inwestycje Sp. z o.o., a subsidiary of OPL S.A.

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

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

The transaction is conditional upon its approval by relevant competition authorities and upon registration of the contribution of the fibre assets by Orange Polska to Światłowód Inwestycje. The contribution of the fibre assets occurred in July 2021.

Other events

From 2021, as a result of an annual review of estimated useful lives of fixed assets, the Group extended the estimated useful lives for certain items of software which decreased the amortisation expense by PLN 63 million in the 6 months ended 30 June 2021 in comparison to previous year. Amortisation expense in 2021 relating to these assets is expected to be lower by approximately PLN 117 million in comparison to 2020.

The Group finalised the accounting for the acquisition of Craftware Sp. z o.o. There were no adjustments in 2021 to the assets and liabilities recognised as at 31 December 2020 as a result of this acquisition. For details, see Note 4 to the IFRS Consolidated Financial Statements for the year ended 31 December 2020.

The amount of trade payables subject to reverse factoring increased from PLN 117 million as at 31 December 2020 to PLN 139 million as at 30 June 2021. These payables are presented together with the remaining balance of trade payables, as analysis conducted by the Group indicates they have retained their trade nature.

9. 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 2021	At 31 December 2020
Loans from related party	5,465	5,990
Other financial liabilities at amortised cost	47	21
Derivatives – net (liabilities less assets)	27	(15)
Gross financial debt after derivatives	5,539	5,996
Cash and cash equivalents	(310)	(358)
Cash flow hedge reserve	(20)	(89)
Net financial debt	5,209	5,549

On 29 January 2021, the Group and Atlas Services Belgium S.A., a subsidiary of Orange S.A., concluded a Loan Agreement for PLN 2,700 million with repayment date in June 2026. The new Loan Agreement, together with the Revolving Credit Facility, provided non-cash-refinancing of loans granted by Atlas Services Belgium S.A.: EUR 190 million which expired in May 2021 and PLN 2,700 million which expired in June 2021. Additionally, on 17 June 2021, the Group and Atlas Services Belgium S.A. concluded an Annex to existing Revolving Credit Facility Agreement, extending its maturity to 29 July 2022. On 25 June 2021, the Group and Orange S.A. updated the Cash Management Treasury Agreement, extending access to back-up liquidity funding to 28 February 2023.

In the 6 months ended 30 June 2021, the net cash flows from issuance and repayments of the Revolving Credit Facility from Atlas Services Belgium S.A., a subsidiary of Orange S.A., amounted to PLN (400) million.

As at 30 June 2021, the total outstanding balance of loans from the related party amounted to PLN 5,465 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related party amounted to 1.75% before swaps and 2.77% after swaps as at 30 June 2021.

In the 6 months ended 30 June 2021, the Group entered into new derivative transactions under the agreement with Orange S.A. hedging interest rate risk related to the Loan Agreement concluded in January 2021 described above. As at 30 June 2021, the total nominal amount of interest rate swaps, outstanding under the agreement with

Orange S.A. concerning derivative transactions, was PLN 4,100 million with a total negative fair value amounting to PLN 23 million.

10. Fair value of financial instruments

The Group's financial assets and liabilities that are measured subsequent to their initial recognition at fair value comprise derivative instruments and selected trade receivables arising from sales of mobile handsets in instalments. As at 30 June 2021 and 31 December 2020, the total fair value of derivatives amounted to PLN 27 million and PLN (15) million, respectively, and fair value of selected trade receivables arising from sales of mobile handsets in instalments amounted to PLN 185 million and PLN 211 million, respectively. The fair value of these instruments is determined as described in Notes 14.1 and 23 to the IFRS Consolidated Financial Statements for the year ended 31 December 2020. Significant inputs to the valuation techniques used by the Group to measure the fair value of derivatives and selected trade receivables are classified to Level 2 of the fair value hierarchy described in Note 24.1.

The carrying amount of the Group's financial instruments excluding lease liabilities approximates their fair value, except for telecommunications licence payables and a loan from related party based on fixed interest rate for which as at 30 June 2021 the estimated fair value exceeded the carrying amount respectively by PLN 32 million and PLN 28 million (PLN 47 million and PLN 45 million as at 31 December 2020) due to significant change between the original effective interest rates at the date of the initial recognition and current market rates.

11. Dividend

In accordance with the recommendation of the Management Board of the Company there was no dividend paid in 2021.

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

The information hereunder refers to the matters presented in Note 30 to the IFRS Consolidated Financial Statements for the year ended 31 December 2020 or describes major matters that occurred after 31 December 2020.

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.

Apart from those matters, operational activities of the Group are subject to legal, tax, social and administrative regulations and the Group is a party to a number of legal and tax proceedings and commercial contracts related to its operational activities. Some regulatory decisions can be detrimental to the Group and court verdicts within appeal proceedings against such decisions can have negative consequences for the Group. Also, there are claims including for damages or contractual penalties raised by counterparties to commercial contracts, or claims for other payments resulting from breach of law which may result in cash outflows.

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.

13. Related party transactions

As at 30 June 2021, Orange S.A. owned 50.67% of shares of the Company. Orange S.A. has majority of the total number of votes at the General Meeting of OPL S.A. which appoints OPL S.A.'s Supervisory Board Members. The Supervisory Board decides about the composition of the Management Board. According to the Company's Articles of Association, at least 4 Members of the Supervisory Board must be independent. The majority of Members of the Audit Committee of the Supervisory Board are independent.

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

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

(in PLN millions)	3 months ended 30 June 2021	6 months ended 30 June 2021	3 months ended 30 June 2020	6 months ended 30 June 2020
Sales of goods and services and other income:	51	106	51	103
Orange S.A. (parent)	33	67	33	67
Orange Group (excluding parent)	18	39	18	36
Purchases of goods (including inventories, tangible and intangible assets) and services:	(58)	(114)	(57)	(112)
Orange S.A. (parent)	(11)	(20)	(15)	(27)
Orange Group (excluding parent)	(47)	(94)	(42)	(85)
- including Orange Brand Services Limited (brand licence agreement)	(34)	(68)	(31)	(58)
Financial costs, net:	(39)	(83)	(48)	(98)
Orange S.A. (parent)	(40)	(54)	(33)	12
Orange Group (excluding parent)	1	(29)	(15)	(110)
Other comprehensive income/(loss):	31	96	(21)	(121)
Orange S.A. (parent)	31	96	(21)	(121)

Orange Polska Group

Condensed IFRS Interim Consolidated Financial Statements – 30 June 2021

Translation of the financial statements originally issued in Polish

(in PLN millions)	At 30 June 2021	At 31 December 2020
Receivables:	72	85
Orange S.A. (parent)	50	51
Orange Group (excluding parent)	22	34
Liabilities:	76	84
Orange S.A. (parent)	20	31
Orange Group (excluding parent)	56	53
Financial receivables:	26	106
Orange S.A. (parent)	26	106
Cash and cash equivalents deposited with:	19	55
Orange S.A. (parent)	19	55
Financial liabilities:	5,514	6,122
Orange S.A. (parent)	49	132
Orange Group (excluding parent)	5,465	5,990

Compensation (remuneration, bonuses, post-employment and other long-term benefits, termination indemnities and share-based payment plans - cash and non-monetary benefits) of OPL S.A.'s Management Board and Supervisory Board Members for the 6 months ended 30 June 2021 and 2020 amounted to PLN 7.4 million and PLN 9.5 million, respectively. Additionally, the President of OPL S.A.'s Management Board is employed by Orange Global International Mobility S.A., a subsidiary of Orange S.A., and posted to Orange Polska since September 2020. The amount incurred by the Orange Polska Group for the reimbursement of key management personnel costs from the Orange Group for the 6 months ended 30 June 2021 amounted to PLN 2.4 million.

14. Subsequent events

On 14 July 2021, Światłowód Inwestycje Sp. z o.o. signed contracts for financing debt facilities with a consortium of banks, including BNP Paribas Bank Polska S.A., ING Bank N.V., Santander Bank Polska S.A., Societe Generale as well as European Investment Bank. Based on the signed contracts Światłowód Inwestycje will have access to debt of up to PLN 3.1 billion to finance its plan to rollout fibre network to around 1.7 million households by 2025. The financing is for a period of seven years and is primarily conditional on closing of the transaction between Orange Polska and APG Group related to sale of 50% stake in Światłowód Inwestycje (see Note 8). The financing is with no recourse to Orange Polska.

On 23 July 2021, UOKiK instituted proceedings regarding practices violating collective interests of consumers in the provision of certain additional services by Orange Polska. Further information is presented in Note 12.

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 28 July 2021, i.e. the date of submission of the interim report for the 6 months ended 30 June 2021 was the same as at 21 April 2021, i.e. the date of submission of the quarterly report for the first quarter of 2021:

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 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 28 July 2021 and 21 April 2021.

Mr Piotr Jaworski, the Member of the Management Board of OPL S.A., held 673 Orange Polska S.A. shares as at 28 July 2021 and 21 April 2021.

Mr Maciej Nowohoński, the Member of the Management Board of OPL S.A., held 25,000 Orange Polska S.A. shares as at 28 July 2021 and 21 April 2021.

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

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

In the 6 months ended 30 June 2021, neither the Company nor its subsidiaries granted guarantees or collateral of loans or borrowings to any entity or its subsidiary, a total value of which would be significant.

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

As announced in the current report 14/2021 of 28 June 2021, the Group has increased forecast for 2021 EBITDAaL to low-to-mid single digit growth compared to 2020. Considering the results of the first half of 2021, the Management Board of Orange Polska S.A. is reiterating its revised forecast.

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

Factors that, in the Management Board's opinion, have influence on the Group's operations or may have such influence in the near future are presented in Section 4 of the Chapter II of Management Board's Report on the Activity of the Orange Polska Group in the first half of 2021. Additionally, key risk factors that may impact the Group's operational and financial performance are reviewed in detail in the Chapter IV of the above-mentioned Report.

VI. Foreign exchange rates

The statement of financial position data as at 30 June 2021 and 31 December 2020 presented in the table "Selected financial data" was translated into EUR at the average exchange rates of the National Bank of Poland ("NBP") at the end of the reporting period. The income statement data, together with the statement of comprehensive income and statement of cash flows data for the 6 months ended 30 June 2021 and 2020, were translated into EUR at an exchange rates which are the arithmetical average of the average NBP rates published by the NBP on the last day of each month of the 6-month periods ended 30 June 2021 and 2020.

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

1 EUR	30 June 2021	31 December 2020	30 June 2020
Statement of financial position	4.5208 PLN	4.6148 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	4.5472 PLN	Not applicable	4.4413 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 2021,

and, for the three-month and six-month periods ended 30 June 2021:

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

and, for the six-month period ended 30 June 2021:

- 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.



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.

On behalf of audit firm

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

Registration No. 3546

Signed on the Polish original

Signed on the Polish original

Marek Gajdziński

Anna Burian-Szywacz

Key Statutory Auditor

Key Statutory Auditor

Registration No. 90061

Registration No. 12579

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, 28 July 2021

ORANGE POLSKA S.A.

**CONDENSED IFRS INTERIM SEPARATE FINANCIAL
STATEMENTS FOR THE 6 MONTHS ENDED 30 JUNE 2021**



July 28, 2021

Contents

INCOME STATEMENT	3
STATEMENT OF COMPREHENSIVE INCOME	3
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF CHANGES IN EQUITY	5
STATEMENT OF CASH FLOWS	6
1. Orange Polska S.A.	7
2. Statement of compliance and basis of preparation	7
3. Statement of accounting policies	8
4. Revenue	8
5. Impairment test	9
6. Explanatory comments about the seasonality or cyclicity of interim Company operations	10
7. Items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence	10
8. Changes in loans from related parties	12
9. Fair value of financial instruments	12
10. Dividend	12
11. Changes in major litigation and claims, contingent liabilities and contingent assets since the end of the last annual reporting period	13
12. Related party transactions	13
13. Subsequent events	15

INCOME STATEMENT

(in PLN millions, except for earnings per share)

	Note	3 months ended 30 June 2021	6 months ended 30 June 2021	3 months ended 30 June 2020	6 months ended 30 June 2020
Revenue	4	2,655	5,287	2,592	5,167
External purchases		(1,412)	(2,807)	(1,407)	(2,768)
Labour expense		(310)	(652)	(263)	(643)
Other operating expense		(108)	(227)	(106)	(205)
Other operating income		70	138	65	142
Impairment of receivables, contract assets and loans		(59)	(81)	(49)	(83)
Gains/(losses) on disposal of assets		6	(14)	5	15
Depreciation and impairment of right-of-use assets		(114)	(225)	(103)	(206)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	7	(539)	(1,111)	(635)	(1,241)
Operating income		189	308	99	178
Dividend income		3	3	6	6
Interest income		8	16	9	19
Interest expense on lease liabilities		(13)	(26)	(16)	(32)
Other interest expense and financial charges		(42)	(87)	(54)	(113)
Discounting expense		(12)	(20)	-	(23)
Foreign exchange gains/(losses)		24	18	12	(30)
Finance costs, net		(32)	(96)	(43)	(173)
Income tax		(36)	(47)	(7)	-
Net income		121	165	49	5
Earnings per share (in PLN)		0.09	0.13	0.04	-
Weighted average number of shares (in millions)		1,312	1,312	1,312	1,312

STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)

	3 months ended 30 June 2021	6 months ended 30 June 2021	3 months ended 30 June 2020	6 months ended 30 June 2020
Net income	121	165	49	5
Items that will not be reclassified to profit or loss				
Actuarial losses on post-employment benefits	-	-	(4)	(4)
Income tax relating to items not to be reclassified	-	-	1	1
Items that may be reclassified subsequently to profit or loss				
Gains/(losses) on cash flow hedges	19	83	(27)	(86)
Income tax relating to items that may be reclassified	(4)	(16)	7	18
Other comprehensive income/(loss), net of tax	15	67	(23)	(71)
Total comprehensive income/(loss)	136	232	26	(66)

STATEMENT OF FINANCIAL POSITION

(in PLN millions)	Note	At 30 June 2021	At 31 December 2020
ASSETS			
Goodwill		2,014	2,014
Other intangible assets		3,952	4,079
Property, plant and equipment	7	9,784	10,397
Right-of-use assets		2,830	2,727
Investments in subsidiaries		380	334
Trade receivables	9	305	351
Contract assets		75	70
Contract costs		101	96
Loans to related parties		-	60
Derivatives	8,9	27	-
Other assets		19	38
Deferred tax asset		687	747
Total non-current assets		20,174	20,913
Inventories		181	184
Trade receivables	9	1,603	1,627
Contract assets		73	87
Contract costs		367	362
Loans to related parties		73	115
Derivatives	8,9	6	147
Other assets		93	139
Prepaid expenses		61	31
Cash and cash equivalents		246	299
Total current assets		2,703	2,991
Assets held for sale	7	384	-
TOTAL ASSETS		23,261	23,904
EQUITY AND LIABILITIES			
Share capital		3,937	3,937
Share premium		832	832
Other reserves		(66)	(122)
Retained earnings		6,052	5,886
Total equity		10,755	10,533
Trade payables	9	237	242
Lease liabilities		2,255	2,188
Loans from related parties	8,9	5,456	2,406
Derivatives	8,9	42	100
Provisions	11	528	639
Contract liabilities		305	315
Employee benefits		51	51
Other liabilities		10	31
Total non-current liabilities		8,884	5,972
Trade payables	9	1,821	2,014
Lease liabilities		487	475
Loans from related parties	8,9	84	3,682
Other financial liabilities at amortised cost		11	4
Derivatives	8,9	9	32
Provisions	11	194	248
Contract liabilities		462	449
Employee benefits		165	166
Income tax liabilities		16	16
Other liabilities		373	313
Total current liabilities		3,622	7,399
TOTAL EQUITY AND LIABILITIES		23,261	23,904

STATEMENT OF CHANGES IN EQUITY

(in PLN millions)

	Share capital	Share premium	Other reserves			Retained earnings	Total equity
			Cash flow hedge reserve	Actuarial losses on post-employment benefits	Deferred tax		
Balance at 1 January 2021	3,937	832	(89)	(62)	29	5,886	10,533
Total comprehensive income for the 6 months ended 30 June 2021	-	-	83	-	(16)	165	232
Share-based payments	-	-	-	-	-	1	1
Transfer to inventories	-	-	(14)	-	3	-	(11)
Balance at 30 June 2021	3,937	832	(20)	(62)	16	6,052	10,755
Balance at 1 January 2020	3,937	832	(50)	(59)	21	5,809	10,490
Total comprehensive loss for the 6 months ended 30 June 2020	-	-	(86)	(4)	19	5	(66)
Share-based payments	-	-	-	-	-	1	1
Transfer to inventories	-	-	(10)	-	-	-	(10)
Other movements	-	-	-	-	-	48	48
Balance at 30 June 2020	3,937	832	(146)	(63)	40	5,863	10,463

STATEMENT OF CASH FLOWS

(in PLN millions)	3 months ended 30 June 2021	6 months ended 30 June 2021	3 months ended 30 June 2020	6 months ended 30 June 2020
OPERATING ACTIVITIES				
Net income	121	165	49	5
Adjustments to reconcile net income to cash from operating activities				
(Gains)/losses on disposal of assets	(6)	14	(5)	(15)
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	653	1,336	738	1,447
Finance costs, net	32	96	43	173
Income tax	36	47	7	-
Change in provisions and allowances	(32)	(30)	(87)	(78)
Operational foreign exchange and derivatives (gains)/losses, net	-	3	3	(9)
Change in working capital				
(Increase)/decrease in inventories, gross	17	3	9	(36)
Decrease in trade receivables, gross	32	73	154	235
Decrease in contract assets, gross	7	8	15	25
(Increase)/decrease in contract costs	1	(10)	(1)	1
Increase/(decrease) in trade payables	(42)	1	(22)	(71)
Increase in contract liabilities	4	3	5	6
Increase in prepaid expenses and other receivables	(4)	(16)	(5)	(48)
Increase/(decrease) in other payables	(28)	39	109	107
Dividends received	3	3	-	-
Interest received	8	16	9	19
Interest paid and interest rate effect paid on derivatives, net	(63)	(152)	(69)	(152)
Exchange rate and other effect received on derivatives, net	3	4	1	1
Income tax paid	(1)	(1)	(2)	(2)
Net cash provided by operating activities	741	1,602	951	1,608
INVESTING ACTIVITIES				
Payments for purchases of property, plant and equipment and intangible assets	(446)	(1,040)	(463)	(1,067)
Investment grants received	42	91	28	29
Investment grants paid to property, plant and equipment and intangible assets suppliers	(35)	(98)	(58)	(103)
Exchange rate effect received on derivatives economically hedging capital expenditures, net	1	2	4	2
Proceeds from sale of property, plant and equipment and intangible assets	20	44	15	30
Cash paid for investments in subsidiaries	(5)	(5)	(5)	(5)
Receipts from/(payments on) loans to related parties and other financial instruments, net	16	17	10	(29)
Net cash used in investing activities	(407)	(989)	(469)	(1,143)
FINANCING ACTIVITIES				
Repayment of long-term loans from related party	(101)	(101)	-	-
Repayment of lease liabilities	(125)	(241)	(100)	(196)
Decrease in revolving credit line and other debt	(279)	(415)	(324)	(266)
Exchange rate effect received on derivatives hedging debt, net	91	91	1	1
Net cash used in financing activities	(414)	(666)	(423)	(461)
Net change in cash and cash equivalents	(80)	(53)	59	4
Effects of exchange rate changes on cash and cash equivalents	-	-	(1)	2
Cash and cash equivalents at the beginning of the period	326	299	291	343
Cash and cash equivalents at the end of the period	246	246	349	349

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

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

2. Statement of compliance and basis of preparation

Basis of preparation

These unaudited Condensed IFRS Interim Separate Financial Statements for the 6 months ended 30 June 2021 (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 2020.

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 2021. 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 28 July 2021.

Adoption of standards and interpretations in 2021

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

3. Statement of accounting policies

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

4. Revenue

Revenue is disaggregated as follows:

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

(in PLN millions)	3 months ended 30 June 2021	6 months ended 30 June 2021	3 months ended 30 June 2020	6 months ended 30 June 2020
Mobile only services	651	1,281	629	1,266
Fixed only services	494	998	527	1,050
Narrowband	174	356	206	414
Broadband	214	428	214	425
Network solutions (business market)	106	214	107	211
Convergent services (consumer market)	492	969	428	847
Equipment sales	330	673	308	614
IT and integration services	60	111	53	102
Wholesale	598	1,196	613	1,214
Mobile wholesale	378	731	366	715
Fixed wholesale	132	289	165	336
Other	88	176	82	163
Other revenue	30	59	34	74
Total revenue	2,655	5,287	2,592	5,167

Wholesale and other revenue for the 6 months ended 30 June 2021 and 2020 include PLN 47 million of lease revenue that is outside the scope of IFRS 15 “Revenue from Contracts with Customers”.

5. Impairment test

Vast majority of the Company’s individual assets, including investments in subsidiaries, do not generate cash inflows independently from other assets due to the nature of the Company’s activities, therefore the Company identifies all telecom operations as a single telecom operator Cash Generating Unit (“CGU”).

As at 30 June 2021 and 31 December 2020 the Company performed impairment tests of the CGU (including goodwill). No impairment loss was recognised in the years 2021 and 2020.

The following key assumptions were used to determine the value in use of the telecom operator CGU:

- value of the market, penetration rate, market share and the level of the competition, level of prices and decisions of the regulator in terms of pricing, customer base, the level of commercial expenses required to replace products and keep up with existing competitors or new market entrants, the impact of changes in revenue on direct costs;
- the level of capital expenditures which may be affected by the roll-out of necessary new technologies or regulatory decisions concerning telecommunications licences allocation;
- the length and severity of the COVID-19 pandemic and its impact on the CGU performance;
- discount rate which is based on weighted average cost of capital and reflects current market assessment of the time value of money and the risks specific to activities of the CGU; and
- perpetuity growth rate which reflects Management’s assessment of cash flows evolution after the last year covered by the cash flow projections.

The amounts assigned to each of these parameters reflect past experience adjusted for expected changes over the timeframe of the business plan, but may also be affected by unforeseeable changes in the political, economic or legal framework.

Telecom operator CGU		
	At 30 June 2021	At 31 December 2020
Basis of recoverable amount	Value in use	Value in use
Sources used	Business plan	Business plan
	5 years cash flow projections	5 years cash flow projections
Perpetuity growth rate	1.5 %	1.5 %
Post-tax discount rate	7.00 %	7.25 %
Pre-tax discount rate ⁽¹⁾	8.15 %	8.47 %

⁽¹⁾ Pre-tax discount rate is calculated as a post-tax discount rate adjusted to reflect the specific amount and timing of the future tax cash flows.

Sensitivity of recoverable amount

The value in use of the telecom operator CGU as at 30 June 2021 exceeds its carrying value by PLN 4.8 billion. Any of the following changes in key assumptions:

- a 27% fall in projected cash flows after fifth year or
- a 1.3 p.p. decrease in growth rate to perpetuity or
- a 1.6 p.p. increase in post-tax discount rate

would bring the value in use of the telecom operator CGU to the level of its carrying value.

6. 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.

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

Impact of COVID-19 pandemic

The situation related to COVID-19 pandemic is volatile, Poland and other countries experienced another wave of COVID-19 in 2021. Some restrictions were imposed again and have been progressively lifted in Poland starting from May. The pandemic has significantly impacted the Polish economy. Poland's GDP decreased by 2.7% in 2020 and by 0.9% in the first quarter of 2021 (year-on-year). At the same time the consensus indicates that GDP in Poland could return to low single digit growth in 2021 although the pace of the recovery is highly uncertain at the moment.

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

of consumers and businesses. The majority of revenue and profits are derived from subscription-based services, which allows the Company to rely on relatively stable and predictable revenue streams.

In 2021, the Company performed a reassessment of the impact of COVID-19 on the bad debt allowance. As a result, the Company recognised PLN 4 million of additional impairment of trade receivables in the 6 months ended 30 June 2021.

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

Joint venture with APG Group

As at 30 June 2021, Orange Polska reclassified PLN 384 million of property, plant and equipment to assets held for sale. They represent network assets that in July 2021 were contributed or leased under a finance lease to Światłowód Inwestycje Sp. z o.o., a subsidiary of OPL S.A.

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

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

The transaction is conditional upon its approval by relevant competition authorities and upon registration of the contribution of the fibre assets by Orange Polska to Światłowód Inwestycje. The contribution of the fibre assets occurred in July 2021 (see Note 13).

Other events

From 2021, as a result of an annual review of estimated useful lives of fixed assets, the Company extended the estimated useful lives for certain items of software which decreased the amortisation expense by PLN 63 million in the 6 months ended 30 June 2021 in comparison to previous year. Amortisation expense in 2021 relating to these assets is expected to be lower by approximately PLN 117 million in comparison to 2020.

In the 6 months ended 30 June 2021, the Company recognised an impairment loss of PLN 43 million on loan to a subsidiary.

The amount of trade payables subject to reverse factoring increased from PLN 106 million as at 31 December 2020 to PLN 129 million as at 30 June 2021. These payables are presented together with the remaining balance of trade payables, as analysis conducted by the Company indicates they have retained their trade nature.

8. Changes in loans from related parties

On 29 January 2021, the Company and Atlas Services Belgium S.A., a subsidiary of Orange S.A., concluded a Loan Agreement for PLN 2,700 million with repayment date in June 2026. The new Loan Agreement, together with the Revolving Credit Facility, provided non-cash-refinancing of loans granted by Atlas Services Belgium S.A.: EUR 190 million which expired in May 2021 and PLN 2,700 million which expired in June 2021. Additionally, on 17 June 2021, the Company and Atlas Services Belgium S.A. concluded an Annex to existing Revolving Credit Facility Agreement, extending its maturity to 29 July 2022. On 25 June 2021, the Company and Orange S.A. updated the Cash Management Treasury Agreement, extending access to back-up liquidity funding to 28 February 2023.

In the 6 months ended 30 June 2021, the net cash flows from issuance and repayments of the Revolving Credit Facility from Atlas Services Belgium S.A. amounted to PLN (400) million.

As at 30 June 2021, the total outstanding balance of loans from the related parties amounted to PLN 5,540 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related parties amounted to 1.73% before swaps and 2.73% after swaps as at 30 June 2021.

In the 6 months ended 30 June 2021, the Company entered into new derivative transactions under the agreement with Orange S.A. hedging interest rate risk related to the Loan Agreement concluded in January 2021 described above. As at 30 June 2021, the total nominal amount of interest rate swaps, outstanding under the agreement with Orange S.A., was PLN 4,100 million with a total negative fair value amounting to PLN 23 million.

9. Fair value of financial instruments

The Company's financial assets and liabilities that are measured subsequent to their initial recognition at fair value comprise derivative instruments and selected trade receivables arising from sales of mobile handsets in instalments. As at 30 June 2021 and 31 December 2020, the total fair value of derivatives amounted to PLN 18 million and PLN (15) million, respectively, and fair value of selected trade receivables arising from sales of mobile handsets in instalments amounted to PLN 185 million and PLN 211 million, respectively. The fair value of these instruments is determined as described in Notes 13.1 and 22 to the IFRS Separate Financial Statements for the year ended 31 December 2020. Significant inputs to the valuation techniques used by the Company to measure the fair value of derivatives and selected trade receivables are classified to Level 2 of the fair value hierarchy described in Note 23.1.

The carrying amount of the Company's financial instruments excluding lease liabilities approximates their fair value, except for telecommunications licence payables and a loan from related party based on fixed interest rate for which as at 30 June 2021 the estimated fair value exceeded the carrying amount respectively by PLN 32 million and PLN 28 million (PLN 47 million and PLN 45 million as at 31 December 2020) due to significant change between the original effective interest rates at the date of the initial recognition and current market rates.

10. Dividend

In accordance with the recommendation of the Management Board of the Company there was no dividend paid in 2021.

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 Separate Financial Statements for the year ended 31 December 2020 or describes major matters that occurred after 31 December 2020.

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.

Apart from those matters, operational activities of the Company are subject to legal, tax, social and administrative regulations and the Company is a party to a number of legal and tax proceedings and commercial contracts related to its operational activities. Some regulatory decisions can be detrimental to the Company and court verdicts within appeal proceedings against such decisions can have negative consequences for the Company. Also, there are claims including for damages or contractual penalties raised by counterparties to commercial contracts, or claims for other payments resulting from breach of law which may result in cash outflows.

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

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.

12. Related party transactions

As at 30 June 2021, Orange S.A. owned 50.67% of shares of the Company. Orange S.A. has majority of the total number of votes at the General Meeting of OPL S.A. which appoints OPL S.A.'s Supervisory Board Members. The Supervisory Board decides about the composition of the Management Board. According to the Company's Articles of Association, at least 4 Members of the Supervisory Board must be independent. The majority of Members of the Audit Committee of the Supervisory Board are independent.

OPL S.A.'s income earned from its subsidiaries comprises mainly telecommunications equipment sales and IT services. The purchases from the subsidiaries comprise mainly network development and maintenance. Costs incurred by the Company in transactions with its subsidiaries also comprise donations to Fundacja Orange and impairment of loan (see Note 7).

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.

Orange Polska S.A.

Condensed IFRS Interim Separate Financial Statements – 30 June 2021

Translation of the financial statements originally issued in Polish

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 income/loss concerning transactions with the Orange Group relate to loan agreements concluded with Atlas Services Belgium S.A. and agreement with Orange S.A. concerning derivative transactions to hedge exposure to foreign currency risk and interest rate risk related to the above-mentioned loan agreements. Cash and cash equivalents deposited with Orange S.A. relate to the Cash Management Treasury Agreement.

(in PLN millions)	3 months ended 30 June 2021	6 months ended 30 June 2021	3 months ended 30 June 2020	6 months ended 30 June 2020
Sales of goods and services and other income:	90	175	77	157
Orange Polska Group (subsidiaries)	39	70	27	55
Orange Group	51	105	50	102
- Orange S.A. (parent)	33	67	33	67
- Orange Group (excluding parent)	18	38	17	35
Purchases of goods (including inventories, tangible and intangible assets), services and other costs:	(168)	(303)	(126)	(245)
Orange Polska Group (subsidiaries)	(110)	(189)	(69)	(133)
Orange Group	(58)	(114)	(57)	(112)
- Orange S.A. (parent)	(11)	(20)	(15)	(27)
- Orange Group (excluding parent)	(47)	(94)	(42)	(85)
- including Orange Brand Services Limited (brand licence agreement)	(34)	(68)	(31)	(58)
Financial income:	4	5	7	8
Orange Polska Group (subsidiaries)	4	5	7	8
Financial expense, net:	(39)	(83)	(48)	(98)
Orange Group	(39)	(83)	(48)	(98)
- Orange S.A. (parent)	(40)	(54)	(33)	12
- Orange Group (excluding parent)	1	(29)	(15)	(110)
Other comprehensive income/(loss):	31	96	(21)	(121)
Orange S.A. (parent)	31	96	(21)	(121)

Orange Polska S.A.

Condensed IFRS Interim Separate Financial Statements – 30 June 2021

Translation of the financial statements originally issued in Polish

(in PLN millions)	At 30 June 2021	At 31 December 2020
Receivables:	121	118
Orange Polska Group (subsidiaries)	50	33
Orange Group	71	85
- Orange S.A. (parent)	50	51
- Orange Group (excluding parent)	21	34
Liabilities:	153	182
Orange Polska Group (subsidiaries)	77	98
Orange Group	76	84
- Orange S.A. (parent)	20	31
- Orange Group (excluding parent)	56	53
Financial receivables:	99	281
Orange Polska Group (subsidiaries)	73	175
Orange S.A. (parent)	26	106
Cash and cash equivalents deposited with:	19	55
Orange S.A. (parent)	19	55
Financial liabilities:	5,589	6,220
Orange Polska Group (subsidiaries)	75	98
Orange Group	5,514	6,122
- Orange S.A. (parent)	49	132
- Orange Group (excluding parent)	5,465	5,990
Guarantees granted:	134	113
Orange Polska Group (subsidiaries)	134	113

Compensation (remuneration, bonuses, post-employment and other long-term benefits, termination indemnities and share-based payment plans - cash and non-monetary benefits) of OPL S.A.'s Management Board and Supervisory Board Members for the 6 months ended 30 June 2021 and 2020 amounted to PLN 7.4 million and PLN 9.5 million, respectively. Additionally, the President of OPL S.A.'s Management Board is employed by Orange Global International Mobility S.A., a subsidiary of Orange S.A., and posted to Orange Polska since September 2020. The amount incurred by the Orange Polska S.A. for the reimbursement of key management personnel costs from the Orange Group for the 6 months ended 30 June 2021 amounted to PLN 2.4 million.

13. Subsequent events

On 1 July 2021, the Company contributed to Światłowód Inwestycje Sp. z o.o. PLN 355 million of property, plant and equipment and PLN 754 million of cash. The property, plant and equipment include connections to 672 thousand households. At the same time, the Company and Światłowód Inwestycje concluded agreements for the lease and maintenance of fibres, including lease and services to be rendered in the future, for which Światłowód Inwestycje paid PLN 729 million upfront. Fibre network assets contributed in kind and fibres leased under a finance lease to Światłowód Inwestycje on 1 July 2021 (PLN 29 million) were presented by Orange Polska as assets held for sale as at 30 June 2021. Finally, on 1 July 2021, as part of the sale transaction preparation, the Company granted a loan to Światłowód Inwestycje in the amount of PLN 157 million with a repayment date in July 2024.

On 23 July 2021, UOKiK instituted proceedings regarding practices violating collective interests of consumers in the provision of certain additional services by Orange Polska. Further information is presented in Note 11.

ORANGE POLSKA GROUP



MANAGEMENT BOARD'S REPORT ON THE ACTIVITY IN THE FIRST SIX MONTHS ENDED 30 JUNE 2021

This report on the activity of the Orange Polska Group ("the Group" or "Orange Polska") in the first half of 2021 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 2020 report.

Disclosures on performance measures have been presented in the Notes 2 and 3 to Condensed IFRS Interim Consolidated Financial Statements of the Orange Polska Group for the 6 months ended 30 June 2021.

July 28, 2021

CHAPTER I HIGHLIGHTS OF THE CONSOLIDATED FINANCIAL STATEMENTS.....	4
1 SUMMARISED FINANCIAL STATEMENTS	5
1.1 Comments on the Consolidated Income Statement	6
1.2 Comments on the Consolidated Statement of Cash Flows	6
1.3 Economic Capital Expenditures (eCAPEX).....	6
1.4 Comments on the Consolidated Statement of Financial Position.....	7
1.5 Related Parties Transactions	7
1.6 Description of Significant Agreements	7
1.7 Subsequent Events	7
1.8 Scope of Consolidation within the Group.....	7
1.9 Information about the Loan or Borrowing Collaterals or Guarantees Provided by the Issuer or Its Subsidiaries	7
1.10 Management of Financial Resources and Liquidity of the Group.....	8
1.10.1 Bonds	8
1.10.2 Loan and Borrowings Agreements.....	8
1.10.3 Unused Credit Facilities	9
1.10.4 Loan Covenants	9
1.10.5 Guarantees and Collaterals.....	9
1.10.6 Hedging Transactions	10
CHAPTER II MANAGEMENT BOARD'S REPORT ON OPERATING AND FINANCIAL PERFORMANCE OF THE GROUP	11
2 OPERATING AND FINANCIAL PERFORMANCE OF THE GROUP	12
2.1 Convergent Services	14
2.2 Mobile-only Services	15
2.2.1 Market and Competition	16
2.2.2 Mobile Voice and Data Services	17
2.3 Fixed-only Services	17
2.3.1 Market and Competition	18
2.3.2 Fixed Line Data Services	19
3 OUTLOOK FOR THE DEVELOPMENT OF ORANGE POLSKA.....	21
3.1 Market Outlook.....	21
3.2 .Grow Strategic Plan 2021-2024: a Bold Next Step on the Value Creation Journey	21
3.3 Listing of Orange Polska S.A. Shares on the Warsaw Stock Exchange.....	24
4 MATERIAL EVENTS THAT HAD OR MAY HAVE INFLUENCE ON ORANGE POLSKA'S OPERATIONS	26
4.1 Implementation of the .Grow Strategy.....	26
4.2 Expected Return to Dividend Payments	26
4.3 FiberCo Project: 50/50 Joint Venture with APG to Rollout Fibre Network to 1.7m Households	26
4.4 New Opportunities in the Wholesale Market.....	27
4.5 Preparations for the 5G Launch in Poland.....	27
4.6 Acquisitions of BlueSoft and Craftware to Strengthen Operations to Business Customers	28
4.7 Infrastructure Development.....	28
4.8 Competition in the Telecommunications Market.....	29
4.9 Evolution of the Group's Distribution Network	30

4.10 Regulatory Environment	30
4.11 Claims and Disputes, Fines and Proceedings	33
CHAPTER III ORGANISATION AND CORPORATE STRUCTURE	34
5 ORGANISATIONAL CHANGES IN THE FIRST HALF OF 2021	35
5.1 Group's Structure as of June 30, 2021	35
5.2 Changes in the Corporate Structure of Orange Polska S.A.	35
5.2.1 Management Board of Orange Polska S.A.	35
5.2.2 Business Units of Orange Polska S.A.	35
5.2.3 Changes in the Structure of Subsidiaries of Orange Polska S.A.	35
5.3 Ownership Changes in the Group in the First Half of 2021	36
5.4 Orange Polska Shareholders	36
5.5 Corporate Governance Bodies of the Parent Company	37
5.5.1 Orange Polska Shares Held by Persons Who Manage or Supervise Orange Polska	39
5.5.2 General Meeting	39
5.6 Workforce	40
5.6.1 Social Agreement	40
CHAPTER IV KEY RISK FACTORS	41
6 RISK MANAGEMENT FRAMEWORK IN ORANGE POLSKA	42
CHAPTER V STATEMENTS	43
7 STATEMENTS OF THE MANAGEMENT BOARD	44
7.1 Statement on Adopted Accounting Principles	44
7.2 Statement on Appointment of the Licensed Auditor of the Group's Consolidated Financial Statements	44
7.3 Management Board's Position as to the Achievement of the Previously Published Financial Projections for the Given Period	44
GLOSSARY OF TELECOM TERMS	45

CHAPTER I
HIGHLIGHTS OF THE CONSOLIDATED FINANCIAL STATEMENTS
as of June 30, 2021 and for the six-month period ended thereon

1 SUMMARISED FINANCIAL STATEMENTS

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

	For 6 months ended 30 June				
	2021 in PLN mn	2021 in EUR ¹ mn	2020 in PLN mn	2020 in EUR ² mn	Change (%)
Consolidated Income Statement					
Revenue	5,872	1,291	5,632	1,268	4.3%
EBITDAaL*	1,465	322	1,401	315	4.6%
EBITDAaL margin	24.9%		24.9%		0.0 pp
Operating income*	340	75	197	44	72.6%
Operating margin	5.8%		3.5%		2.3 pp
Net income*	155	34	14	3	1,007.1%
Net income attributable to owners of Orange Polska S.A.*	155	34	14	3	1,007.1%
Weighted average number of shares (in millions)**	1,312	1,312	1,312	1,312	
Earnings per share (in PLN/EUR)	0.12	0.03	0.01	—	1,100%
Consolidated Statement of Cash Flows					
Net cash provided by operating activities	1,606	353	1,598	360	0.5%
Net cash used in investing activities	(1,019)	(224)	(1,111)	(250)	(8.3)%
Net cash used in financing activities	(635)	(140)	(500)	(113)	27.0%
Net change in cash and cash equivalents	(48)	(11)	(13)	(3)	269.2%
eCapex*	887	195	819	184	8.3%
Organic cash flows*	357	79	360	81	(0.8)%
As of					
	30.06.2021 in PLN mn	30.06.2021 in EUR ³ mn	31.12.2020 in PLN mn	31.12.2020 in EUR ⁴ mn	Change (%)
Consolidated Statement of Financial Position					
Cash and cash equivalents	310	69	358	78	(13.4)%
Other intangible assets	4,045	895	4,184	907	(3.3)%
Property, plant and equipment	9,716	2,149	10,301	2,232	(5.7)%
Total assets	23,733	5,250	24,300	5,266	(2.3)%
Financial liabilities at amortised cost***, of which:	8,296	1,835	8,715	1,889	(4.8)%
Current	556	123	4,091	887	(86.4)%
Non-current	7,740	1,712	4,624	1,002	67.4%
Other liabilities, current and non-current	4,626	1,023	4,986	1,080	(7.2)%
Total equity	10,811	2,392	10,599	2,297	2.0%
Notes on data conversion: 1 – PLN/EUR fx rate of 4.5472 applied 3 – PLN/EUR fx rate of 4.5208 applied 2 – PLN/EUR fx rate of 4.4413 applied 4 – PLN/EUR fx rate of 4.6148 applied * Disclosures on performance measures have been presented in the Notes 2 and 3 to Condensed IFRS Interim Consolidated Financial Statements of the Orange Polska Group for the 6 months ended 30 June 2021. ** Weighted average number of shares in 6 months ended June 30, 2021 and June 30, 2020, respectively. *** Excluding trade payables.					

1.1 Comments on the Consolidated Income Statement

Revenues totalled PLN 5,872 million in the first half of 2021, up PLN 240 million or 4.3% year-on-year. Revenue growth accelerated over 2020, when it was 0.9% year-on-year. There were five main factors influencing this revenue trend. Firstly, combined revenues of convergence, mobile-only and fixed broadband-only (which we consider our core telecom services) were up 5.5% year-on-year. This growth rate was significantly higher than in 2020, when it amounted to 2.9%. This much better performance was a consequence of a successful combination of strong growth of customer volumes (particularly in the second half of 2020) and improving trends of average revenue that they generate (ARPO). Improving ARPO is a result of our value pricing strategy and growing share of fibre. Secondly, revenues from IT and integration services maintained their solid growth rate (up 10% year-on-year), largely benefitting from the consolidation of Craftware acquired at the end of 2020. Thirdly, revenues from equipment sales increased by 10% year-on-year, as demand for smartphones partially recovered. Fourthly, other revenues were up almost 40% owing to an improvement in business terms of energy resale versus 2020. Finally, top line continued to be affected by structural decline in legacy fixed-voice revenues, which in the first half of 2021 were down 14% year-on-year.

EBITDAaL (definition of our measure of operating performance was changed in 2020, please see Note 3 to the IFRS Consolidated Financial Statements for 2020) came in at PLN 1,465 million in the first half of 2021 and was up PLN 64 million or 4.6% year-on-year. EBITDAaL growth accelerated from 2020, when it was 2.9%, and, what is equally important, its structure changed. This year, EBITDAaL growth has been generated by improving direct margin, that is revenue growth fuelled mainly by the successful implementation of our value strategy in core telecommunication services (especially convergence) and the ICT sector. In previous years, the turnaround after years of decline was driven by cost savings. This change, aligned with the goals of our new strategy, makes our growth structure healthier and based on solid foundations.

Operating income (EBIT) amounted to PLN 340 million and was up by as much as over 70% year-on-year. This dynamic growth was driven by the aforementioned growth of EBITDAaL, and lower depreciation. Depreciation expense was lower by 10% year-on-year, largely as a result of extending the economic useful life for certain assets, which increased their depreciation period.

Net finance costs amounted to PLN 111 million in the first half of 2021 and decreased by PLN 70 million year-on-year, mainly due to more favourable movements in foreign exchange rates.

As a result, consolidated net income amounted to PLN 155 million in the first half of 2021 compared to PLN 14 million in the first half of 2020.

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 1,606 million in the first half of 2021 and was PLN 8 million higher compared to the first half of 2020.

Net cash used in investing activities amounted to PLN 1,019 million in the first half of 2021 compared to PLN 1,111 million in the first half of 2020. This resulted mainly from higher investment grants received in the first half of 2021.

Net cash outflows from financing activities amounted to PLN 635 million compared to PLN 500 million in the first half of 2020. This change is mainly attributable to cash flows from a related party loan and bank overdrafts, which were partially offset by cash flows from derivative instruments.

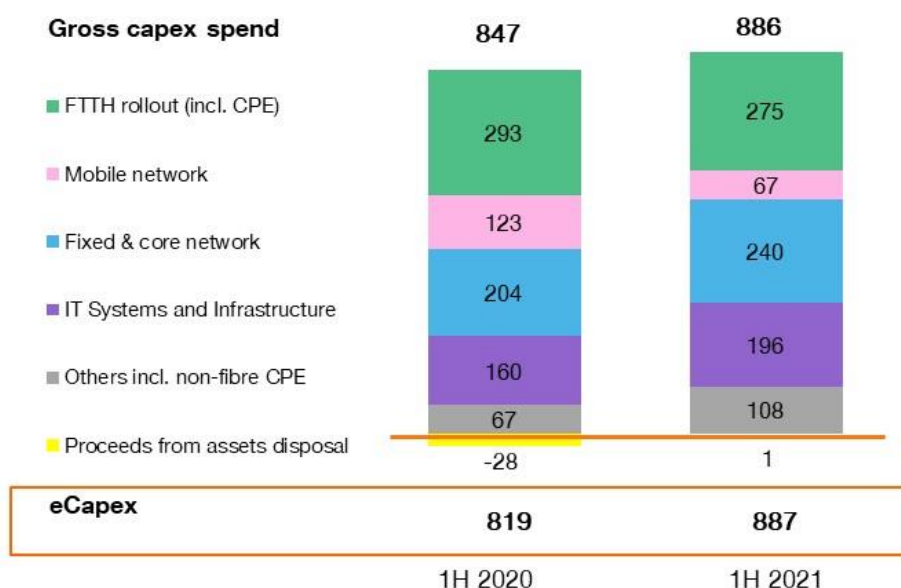
1.3 Economic Capital Expenditures (eCAPEX)

Group's economic capital expenditures (starting from 2020, this measure includes accrued proceeds from asset disposals) in the first half of 2021 amounted to PLN 887 million and were higher by PLN 68 million year-on-year.

These included mainly the following:

- Roll-out of our fibre access network in the announced investment programme, which covered 0.4 million households in the first six months of 2021. Including the lines developed in 2014 to 2020, there are now 5.4 million households connectable with our fibre network, available in a total of 180 cities (compared to 154 cities at the end of 2020);
- Investments to enhance the range of LTE services and the mobile network connectivity, expand the capacity and range of GSM/UMTS services, and adapt 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 and sales and customer service processes as well as the modernisation and enhancement of the IT technical infrastructure; and
- Proceeds from sale of assets lower by PLN 29 million year-on-year.

Split of CAPEX Investment areas (in PLNm)



1.4 Comments on the Consolidated Statement of Financial Position

Total assets were lower by PLN 567 million than at December 31, 2020. This change resulted mainly from a decrease in fixed assets, as depreciation and amortisation expense exceeded capital expenditures by PLN 232 million, and a decrease in derivatives and trade receivables. This impact was partially offset by an increase in right of use assets.

Total liabilities were lower by PLN 779 million than at December 31, 2020. This change resulted mainly from a decrease in loans to a related party, provisions and trade payables, which were partially offset by an increase in lease liabilities.

1.5 Related Parties Transactions

Please refer to Note 13 to the Condensed IFRS Interim Consolidated Financial Statements about Group's transactions with related entities.

1.6 Description of Significant Agreements

Please refer to section 1.10.2 below for information on significant agreements concluded by the Group in the first half of 2021.

1.7 Subsequent Events

Please refer to Note 14 to the Condensed IFRS Interim Consolidated Financial Statements for information on subsequent events.

1.8 Scope of Consolidation within the Group

Please refer to Note 1.2 to the Consolidated Full-Year Financial Statements for 2020 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, 2021, 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, current account overdraft facilities, and sale of receivables in a securitisation programme.

In the first six months of 2021, the Group repaid long-term bank loans of PLN 3,561 million and a revolving loan of PLN 400 million provided by the Orange S.A. Group.

In the reported period, the Group used PLN 760 million out of a revolving loan provided by the Orange S.A. Group.

As of June 30, 2021, Group's interest-bearing liabilities (before derivatives) totalled PLN 5,512 million, which is a decrease of PLN 499 million compared to December 31, 2020. Debt to the Orange S.A. Group accounted for 99.2% of this amount.

In the first half of 2021, 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 9 million from the sale of receivables under the programme in the first six months of 2021.

In 2021, 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 310 million at June 30, 2021, and available credit facilities totalling the equivalent of PLN 1,651 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 2021.

At June 30, 2021, Group's liquidity ratios increased as compared to the end of 2020. The Group's higher financial liquidity reflected repayment of a loan of €190 million in May 2021 and refinancing of a loan of PLN 2,700 million in June 2021. This resulted in a decrease of PLN 3,686 million in current liabilities (less provisions and contract liabilities).

The liquidity ratios for the Group at June 30, 2021 and December 31, 2020, respectively, are presented in the table below.

	June 30, 2021	December 31, 2020
Current ratio Current assets / current liabilities*	0.96	0.49
Quick ratio Total current assets – inventories / current liabilities*	0.89	0.45
Super-quick ratio Total current assets – inventories – receivables / current liabilities*	0.33	0.19

*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 5,209 million at June 30, 2021 (from PLN 5,549 million at the end of 2020).

1.10.1 Bonds

As part of the Group's liquidity management, in the first half of 2021 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

On January 5, 2021, Orange Polska S.A. concluded an investment financing agreement with Alior Bank S.A., which provided a broadband loan of PLN 45 million with a maturity term of 10 years for financing a part of costs of connecting end users under the Measure 1.1 of the Operational Programme Digital Poland: Eliminating territorial differences in terms of access to high-speed broadband Internet. The loan is financed in 80% (i.e. PLN 36 million) from the funds of the Operational Programme Digital Poland for 2014–2020 entrusted to Alior Bank S.A. and in 20% (i.e. PLN 9 million) from Alior Bank S.A.'s own funds.

On January 29, 2021, the Group and Atlas Services Belgium S.A., a subsidiary of Orange S.A., concluded a loan agreement for PLN 2,700 million maturing on June 20, 2026. Its purpose was to refinance the Group's debt under a term loan of PLN 2,700 million in June 2021.

On June 17, 2021, the Group and Atlas Services Belgium S.A., a subsidiary of Orange S.A., concluded an annex to a revolving loan agreement for PLN 1,500 million, extending its maturity to July 29, 2022.

On June 25, 2021, the Group and Orange S.A. updated a cash-pooling agreement, which extended the term of providing the backup liquidity financing limit of PLN 500 million to February 28, 2023.

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, 2022.

On June 18, 2021, the parent company and its subsidiary Światłowód Inwestycje sp. z o.o. concluded a loan agreement for PLN 0.5 million, maturing on July 1, 2021, for the purpose of financing current activities of the latter. On the maturity date, the loan liability was set off against outstanding cash contribution to be made by the parent company on account of acquisition of shares in Światłowód Inwestycje.

On 1 July 2021, the parent company granted a loan to its subsidiary Światłowód Inwestycje sp. z o.o. in the amount of PLN 157 million with a repayment period of up to 1 July 2024. The loan is related to preparation of the transaction of sale of 50% stake in Światłowód Inwestycje to APG.

On July 14, 2021, Orange Polska's subsidiary Światłowód Inwestycje sp. z o.o. concluded a loan agreement with BNP Paribas, ING Bank N.V., Santander Bank Polska S.A. and Société and a financial agreement with the European Investment Bank for the rollout of the fibre network in Poland. Under these agreements, Światłowód Inwestycje will get access to debt facilities of PLN 3.150 million for the purpose of financing of the construction and wholesale of fibre-to-the-home (FTTH) network in Poland. Financing will be provided for 7 years and will be contingent on, inter alia, the conclusion of the final agreement with Acari Investments Holding B.V. pursuant to a preliminary agreement for sale of shares dated April 11, 2021. Financing provided to Światłowód Inwestycje will not be guaranteed by Orange Polska.

1.10.3 Unused Credit Facilities

As of June 30, 2021, the Group had outstanding general-purpose credit facilities amounting to an equivalent of PLN 1,151 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 1.8 on June 30, 2021.

1.10.5 Guarantees and Collaterals

In the first half of 2021, 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, 2021, these guarantees totalled PLN 4.6 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 the reporting date, a collateral of up to PLN 2.4 million granted by Orange Polska S.A. to Bank Handlowy w Warszawie S.A. to secure a proper performance bond issued by the bank in favour of its subsidiary TP Teltech sp. z o.o. was still valid.

As of June 30, 2021, 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 reported period of 2021, 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, 2021, 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, 2021, these guarantees totalled PLN 16 million.

As of June 30, 2021, 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, 2021, 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, 2021, 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, 2021, 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 2021, the Group continued to minimise its exposure to foreign exchange volatility by concluding and maintaining cross currency swap, currency option, cross currency interest rate swap and non-deliverable forward contracts, which at June 30, 2021 covered:

- 49.6% of licence payable for the 2100 MHz spectrum (UMTS licence).

As a result of hedging, Group's effective currency exposure at June 30, 2021 was as follows:

- EUR 28 million of licence payable for the 2100 MHz spectrum (UMTS licence).

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

The Group uses interest rate swaps and cross currency interest rate swaps to hedge its interest rate risk. As of June 30, 2021, the Group's proportion between fixed/floating rate debt (after hedging) was 89/11% as compared to 99/1% on December 31, 2020.

CHAPTER II
MANAGEMENT BOARD'S REPORT
ON OPERATING AND FINANCIAL PERFORMANCE OF THE GROUP
in the first half of 2021

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, 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.

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, disposal and integration of businesses, employment termination programmes, restructuring costs, significant claims, litigation and other risks as well as other significant non-recurring items.

Organic cash flows are the key measure of cash flow generation used by the Management Board and correspond to net cash provided by operating activities decreased by payments for purchases of property, plant and equipment and intangible assets and repayment of lease liabilities, increased by impact of net exchange rate effect received/paid on derivatives economically hedging capital expenditures and lease liabilities and proceeds from sale of property, plant and equipment and intangible assets, and adjusted for the payments for acquisition of telecommunications licences, payments for costs related to acquisition, disposal and integration of businesses not included in purchase price and payments relating to significant claims, litigation and other risks.

eCapex (economic capital expenditures) is the key measure of resources allocation used by the Management Board and represents acquisitions of property, plant and equipment and intangible assets excluding telecommunications licences, 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.

Net financial debt and net financial debt to EBITDAaL ratio are the key measures of indebtedness and liquidity used by the Management Board.

Reconciliation of operating performance measure to financial statements

<i>in PLNm</i>	1H 2021	1H 2020
Operating income/ loss	340	197
Less gains /add losses on disposal of assets	13	-15
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	1,118	1,244
Interest expense on lease liabilities	-27	-32
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries	21	7
EBITDAaL (EBITDA after Leases)	1,465	1,401

Key figures (PLN million)	1H 2021*	1H 2020*	Change
Revenue	5 872	5 632	4.3%
EBITDAaL*	1 465	1 401	4.6%
EBITDAaL margin	24.9%	24.9%	0.0 pp
Operating income*	340	197	72.6%
Net income*	155	14	+141 m
eCapex*	887	819	8.3%
Organic cash flow*	357	360	(0.8)%

* Disclosures on performance measures have been presented in the Notes 2 and 3 to Condensed IFRS Interim Consolidated Financial Statements of the Orange Polska Group for the 6 months ended 30 June 2021.

In 2018, we changed the layout of our revenue reporting. The new layout better reflects our commercial strategy, which is focused on convergent offer sales. Consequently, we now report convergent revenues separately from revenues from mobile-only and fixed-only services (i.e. sales to non-convergent customers).

Revenues totalled PLN 5,872 million in the first half of 2021, up PLN 240 million or 4.3% year-on-year. Revenue growth accelerated over 2020, when it was 0.9% year-on-year.

Our strategic 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 5.5% year-on-year (versus a 2.9% increase in 2020), improving in each category. The main growth driver was convergence with revenue growth of over 14%, fuelled by steadily growing customer base and ARPO improvement, mainly as a result of price increases in 2019 and a growing share of fibre customers, who generate the highest revenue. Mobile-only revenues achieved growth for the first time as a category in this reporting layout and were up 1.2%. 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. ARPO was flat in the first six months, 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.

Revenues from IT and integration services maintained their solid growth rate (up 10% year-on-year), largely benefitting from the consolidation of Craftware acquired at the end of 2020. Organic growth was minimal due to a high comparable base in the first half of 2020, when we executed a large contract with the Polish Post for delivery of tablets for postmen and provision of accompanying services.

Revenue evolution in the first six months of 2021 was also influenced by the following factors:

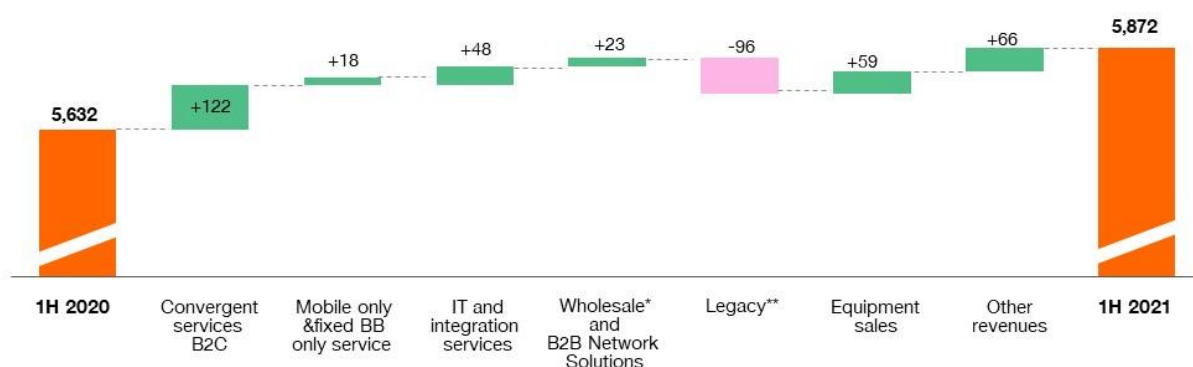
- An almost 40% increase in other revenues owing to an improvement in business terms of energy resale versus 2020;
- A further structural decline in fixed voice telephony legacy revenues (by 14% year-on-year);
- A 10% increase in equipment sales, as demand for smartphones partially recovered.

EBITDAaL for the first half of 2021 was PLN 1,465 million and was up PLN 64 million or 4.6% year-on-year. Operating margin (ratio of EBITDAaL to revenues) was flat at 24.9%. EBITDAaL growth accelerated from 2020, when it was 2.9%, and, what is equally important, its structure changed. This year, EBITDAaL growth has been generated by improving direct margin, that is revenue growth fuelled mainly by the successful implementation of our value strategy in core telecommunication services (especially convergence) and the ICT sector. In previous years, the turnaround after years of decline was driven by cost savings. This change, aligned with the goals of our new strategy, makes our growth structure healthier and based on solid foundations.

Cost evolution can be attributed mainly to the following factors:

- An increase of almost 4% year-on-year in labour costs, due to release of provisions for jubilee awards in the second quarter of 2020, which was an one-off item reducing these costs by PLN 64 million in the comparable period. Excluding this item, labour costs decreased owing to workforce optimisation related to the implementation of the Social Agreement;
- An increase of 6% in commercial expenses, driven by growth in smartphone and ICT equipment sales;
- An increase of 11% in other external purchases, resulting mainly from the acquisitions of Craftware acquired at the end of 2020 and higher costs of energy for resale (related to higher revenues in this segment);
- A decrease of almost 50% in costs of impairment of trade receivables and contract assets, mainly because provisions for bad debts due to the impact of the pandemic were recorded in the first half of 2020.

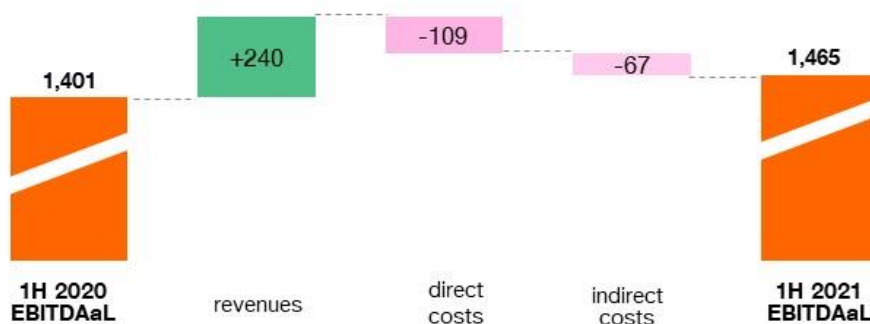
Revenue evolution (yoy change in PLNm)



* Wholesale excluding fixed wholesale and interconnect

** Legacy (narrowband only, fixed wholesale and interconnect revenues)

EBITDAaL evolution (yoy change in PLNm)



2.1 Convergent Services

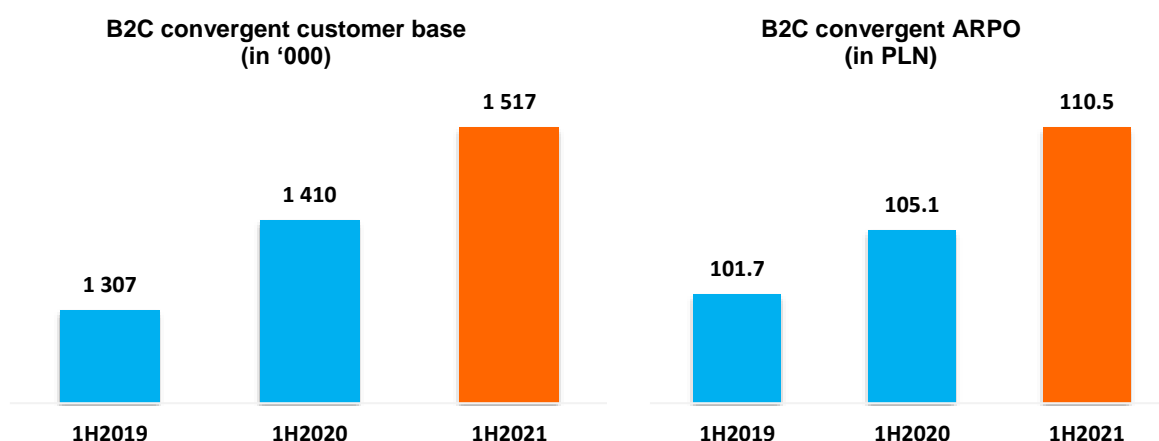
One of the key strategic objectives of Orange Polska is to be the leader in telecommunication services sales to households. Convergence, or sales of mobile and fixed-line service bundles, addresses household telecommunication needs in a comprehensive manner, increasing customer satisfaction and reducing 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.

Our flagship convergent offer, Orange Love, remained unchanged in the first half of 2021. After a surge in sales in the second half of 2020 as a result of the pandemic, customer additions slightly slowed down in the first six months of 2021. Our B2C convergent customer base increased by 34 thousand (or 2%), reaching 1.52 million. It needs to be noted that saturation of our broadband customer base with convergent services has already reached a significant level (66%). The majority of new mobile and fixed broadband acquisitions are still effected in the convergent bundle formula. Our convergent offer is a major competitive advantage over CATV operators, as they provide no or very limited mobile services. The total number of services provided in the convergence scheme among B2C customers reached 6.1 million, which means that, on average, each convergent residential customer uses more than four Orange services.

Our convergence strategy has been reflected in a new layout of revenues. Since the beginning of 2018, we have been separately reporting revenues from this group of customers.

	For 6 months ended		Change
	30 June 2021	30 June 2020	
Convergence revenues (PLN mn)	969	847	14.4%
Convergence ARPO (PLN)	110.5	105.1	5.1%

In the first half of 2021, revenues from convergent services totalled PLN 969 million and were up over 14% year-on-year. The growth accelerated over 2020, which resulted from high customer additions in the second half of 2020 and higher dynamics in ARPO. Convergent ARPO grew by over 5% year-on-year, mainly as a result of price increases in 2019 and upsell of services 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 2021	30 June 2020	
Mobile-only services	1,283	1,268	1.2%

Key performance indicators (number of services) ('000)	30 June 2021	31 Dec 2020	30 June 2020	Change 30.06.2021/31.12.2020	Change 31.12.2020/30.06.2020
Post-paid mobile services	11,192	10,892	10,504	2.8%	3.7%
convergent	2,848	2,787	2,651	2.2%	5.1%
mobile-only	8,344	8,105	7,853	2.9%	3.2%
Pre-paid mobile services	4,855	4,860	4,982	(0.1)%	(2.4)%
Total mobile services	16,047	15,752	15,487	1.9%	1.7%

Key performance indicators (PLN)	1H 2021	1H 2020	1H 2019	Change 2021/2020	Change 2020/2019
Monthly blended retail ARPO from mobile-only services	19.9	19.4	20.1	2.6%	(3.5)%
post-paid (excluding M2M)	25.8	25.9	27.0	(0.4)%	(4.1)%
pre-paid	12.3	11.8	11.5	4.2%	2.6%

As at the end of June 2021, Orange Polska had a mobile services base of over 16 million, which is an increase of almost 2% vs. the end of 2020. The growth was generated in the post-paid segment, while the number of pre-paid services remained almost flat.

In the post-paid segment, SIM card trends were similar to those in 2020:

- The volume of handset offers has grown steadily, at about 1% quarterly, 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 strong 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;
- Strong growth in the number of SIM cards related to M2M services (up 9%), partly owing to the execution of a contract with Tauron for the delivery of SIM cards for electricity meters.

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. The number of the former grows rapidly, driven by convergent customer base expansion and upsales of additional SIM cards to Orange Love customers. The number of non-convergent services (excluding M2M) also increased in the first six months of 2021, after its earlier decline resulting mainly from migration to convergence, churn and lower migration from pre-paid services (as a result of their higher price attractiveness). This rebound was driven mainly by growing business customer base and take-up of the Orange Flex and Nju Mobile brands.

The number of pre-paid services remained flat in the first half of 2021, after a decline throughout 2020, which resulted mainly from lower activations of new pre-paid cards as a consequence of pandemic-related factors, including a decrease in the activity of small businesses, much lower sales to foreign residents and reduced tourism during the summer season.

Blended ARPO (from mobile-only services) amounted to PLN 19.9 in the first half of 2021 and was up 2.6% year-on-year. The improvement resulted from a combination of flat post-paid ARPO and a 4.2% increase in pre-paid ARPO.

The post-paid ARPO decline almost completely stopped after prolonged downward trend. 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 (introduced in May 2019) and the business market (introduced to SOHO customers in November 2018 and February 2020);
- 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);
- Partial recovery of roaming revenues in the second quarter of 2021 compared to a slump in the first half of 2020 due to pandemic-related restrictions regarding people's mobility.

2.2.1 Market and Competition¹

The estimated number of SIM cards (56.7 million) increased by 3.6% compared to the end of June 2020, driving the mobile penetration rate (among population) to 149% at the end of June 2021. Despite high saturation, mobile voice still maintained a positive growth rate. In post-paid services, sales of M2M cards also 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 2021, Poland's mobile market, like other sectors of the economy and similarly to 2020, was still greatly impacted by the COVID-19 pandemic. The pandemic regulations and restrictions were reflected in changes in telecommunication services consumption patterns among both residential and business customers, especially in the first quarter of 2021. A marked increase in mobile data consumption coupled with a slump in international roaming and varying intensity of equipment sales (due to reduced traffic in sales outlets) were the key elements of the COVID-19 impact on the mobile market. Operators maintained the 'more-for-more' approach in their pricing strategies. 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. 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. The trend of enlarging data packages within mobile plans is expected 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, while increasing the reach of fixed networks (through acquisitions, wholesale agreements or partnerships). Operators also modify their offers, particularly by changing the way customers can manage services (from a smartphone application), which in the monthly subscription model enables customers to terminate contracts at any point.

¹ 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 2021, with Orange Polska's estimated market share of 28.3%.

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 2021 we continued our policy of price increases in the 'more for more' formula. In each post-paid tariff plan for B2C customers we raised the price by PLN 5, while simultaneously increasing data pools. These pools can be expanded with My Orange application, which is to encourage customers to use digital sales and customer care channels. Furthermore, customers subscribing to two high-end plans have access to 5G technology and can buy the HBO GO service at a reduced price. In our pre-paid portfolio, in June we increased prices of calls and text messages again for customers charged per price lists.

In the mobile market, the first half of 2021 saw operators actively launch promotions, particularly for post-paid customers porting their numbers (e.g. doubling data pools or offering free subscription periods), on the one hand, and introduce more expensive tariff plans dedicated to 5G with greater data pools on the other. Owing to the latter, tariff plans of various operators have become considerably more extensive.

2.3 Fixed-only Services

Revenues (PLN million)	For 6 months ended		Change
	30 June 2021	30 June 2020	
Fixed-only services	998	1,050	(5.0)%
narrowband	356	414	(14.0)%
broadband	428	425	0.7%
B2B network solutions	214	211	1.4%

Key performance indicators (number of services) ('000)	30 June 2021	31 Dec 2020	30 June 2020	Change 30.06.2021/31.12.2020	Change 31.12.2020/30.06.2020
Fixed voice services (retail: PSTN and VoIP)	2,782	2,899	2,998	(4.0)%	(3.3)%
convergent	860	855	833	0.6%	2.6%
fixed voice-only	1,922	2,044	2,165	(6.0)%	(5.6)%
Fixed broadband accesses (retail)	2,719	2,702	2,638	0.6%	2.4%
convergent	1,517	1,483	1,410	2.3%	5.2%
fixed broadband-only	1,202	1,219	1,228	(1.4)%	(0.7)%

Key performance indicators (PLN)	1H 2021	1H 2020	1H 2019	Change 2021/2020	Change 2020/2019
ARPO from fixed narrowband-only (PSTN) services	37.1	37.0	36.3	0.3%	1.9%
ARPO from fixed broadband-only services	59.0	57.4	55.2	2.8%	4.0%

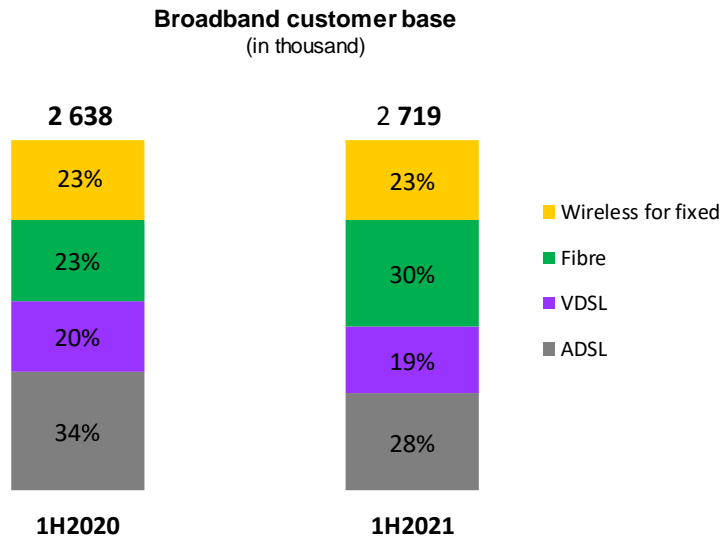
Total fixed broadband customer base increased by 17 thousand (or almost 1%) in the first half of 2021. It was slower growth than in 2020, particularly its second half, which saw an explosion of demand, as the pandemic and the resulting remote work and learning made high-speed Internet access a basic necessity for a great number of households. Fixed broadband growth was driven exclusively by fibre, and our fibre customer base increased by over 100,000 in 1H2021.

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 30% at the end of June 2021 from 23% a year earlier, leaving behind the share of mostly non-competitive ADSL technology, which fell from 34% to 28%.

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 has continued to shrink as a result of migration to convergence but also due to churn, though at a relatively slow pace since the beginning of 2020. This can be attributed mainly to the roll-out of our fibre network and higher demand for fixed broadband during the COVID-19 pandemic.

Despite a slight decline in customer base, revenues from fixed broadband-only services remained almost flat year-on-year. It is a consequence of an increase of almost 3% in broadband ARPO, which rebounded in 2020 after years of decline. This can be attributed to the following factors:

- Price increases introduced in 2019; 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 138 thousand in the first half of 2021 and was similar to that in the first half of 2020. 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 was flat at about PLN 37.

2.3.1 Market and Competition

Fixed Voice Market

The Group estimates that the fixed line penetration rate was at 15% of Poland's population at the end of June 2021, as compared to 16% at the end of December 2020. 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 access lines, including wireless for fixed technology, increased in the first six months of 2021 by 0.1 million versus the end of December 2020. This can be attributed to two factors: intensive roll-out of fibre infrastructure and further expansion of LTE for fixed broadband customer base. 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).

The high-speed fixed broadband market has been constantly expanding and growing in Poland, especially in urban areas, with Orange Polska contributing greatly to the growth.

Orange Polska's increased activity in the high-speed broadband segment has stimulated the already highly competitive market environment and forced CATV operators to upgrade and enhance their offer even more quickly. In addition, local markets have seen a number of dedicated marketing campaigns by CATV operators offering additional discounts for discontinuation of services provided by other operators. 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 stood at 32% by volume or 22% by value at the end of June 2021.

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) and Tauron (operating FTTH infrastructure).

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

Fixed broadband market – key performance indicators

	30 June 2021 (estimate)	30 June 2020
Market penetration rate – broadband lines (in total population)	25.3%	24.3%
Total number of broadband lines in Poland ('000)	9,641	9,324
Orange Polska's market share by volume	28.2%	28.3%

Orange Polska's fixed voice market share

	30 June 2021 (estimate)	30 June 2020
Retail local access*	47.1%	47.6%

*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

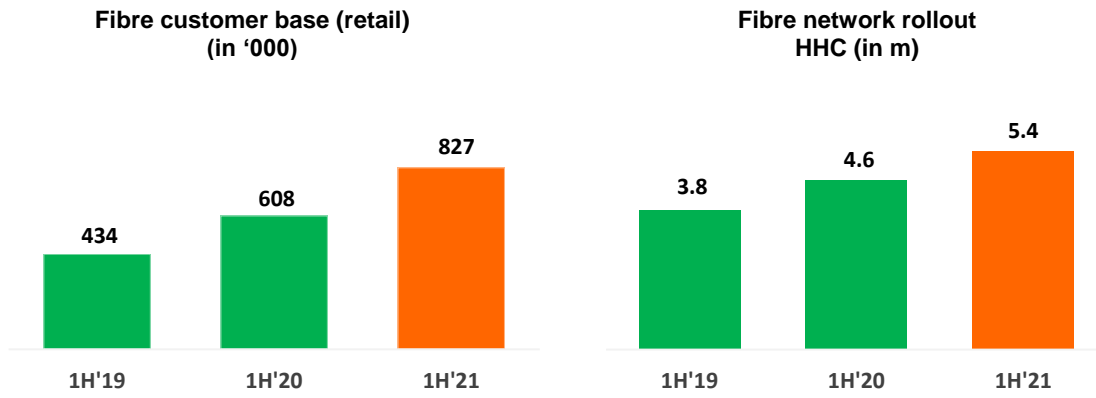
For several years we have heavily invested in the rollout of access network in the fibre technology. It is the key element to rebuild our position in the fixed broadband market and the main driver for our convergence strategy of bundling mobile and fixed services.

As at the end of June 2021, almost 5.4 million households were connectable with our fibre network, which is an increase of almost 400,000 compared to the end of 2020. Our fibre services are available in 180 cities in Poland. In almost 100 of them our fibre network reaches over 50% of all households. Since 2020, we have focused more on developing our network in smaller towns, where some districts are dominated by single-family houses. These have accounted for over one third of the total network rollout. 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. It is also favoured by lower competition from other fixed-line operators than in big cities.

Our retail fibre customer base reached 827 thousand at the end of June 2021, growing by 14% (or 102 thousand) compared to the end of December 2020. 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, exceeding 16% (vs. 15% at the end of 2020). Notably, over 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

Following a slight decline in the telecommunications market in 2020 due to the impact of the COVID-19 pandemic, particularly affecting equipment sales and roaming revenues, Orange Polska expects the telecommunications market to grow in the coming years. Expansion was already visible in the first half of 2021 after the period of lockdown and restrictions. In a short-term perspective, the market in Poland will be driven especially by the following two factors: rapid expansion of very high-speed broadband access (above 30 Mbps), owing to fibre infrastructure investments (including those in the Operational Programme Digital Poland) and inflow of EU funds, and growing post-paid customer base in the mobile segment. This is also seen on the demand side as the increased need for connectivity, which the pandemic has highlighted. According to macroeconomic forecasts, economic recovery will drive growth in demand from both residential and business customers in the coming years. However, regarding the market evolution characteristics, the telecom market growth will be hampered by continuing fixed-to-mobile substitution, both in fixed telephony and traditional fixed broadband (based mainly on copper lines, below 30 Mbps).

In the long run, the market growth will be stimulated by the development of 5G services owing to its higher speed, low latency and 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 EU co-financed investment projects carried out by Orange Polska (aiming to reach over 2 million households by Orange and alternative operators), 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 the joint venture of Orange Polska and APG, will bring Poland closer to meeting the European Digital Agenda objectives.

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 demonstrated by the launch of fixed broadband sales by Play on Vectra's network, conclusion by the Cyfrowy Polsat Group and UPC of agreements to use the Nexera network, or an agreement providing for T-Mobile's access to the Inea network. Furthermore, Play's portfolio transformation towards fixed-mobile convergence and potential investments in fixed infrastructure have been announced by Iliad, the new owner of this operator.

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.

In 2020, mobile operators launched 5G technology in a number of locations in Poland using the spectrum they already had, as the auction for the 3.4–3.8 GHz frequencies had been annulled.

The development of Poland's telecommunications market is also driven by subsequent acquisitions. In January 2020, Vectra announced the acquisition of a 100% share in Multimedia Polska, while accepting the conditions set by the Office for Competition and Consumer Protection (UOKiK), that is to dispose infrastructure in 8 cities and enable customers to freely change an operator in a further 13 cities. In August 2020, Play finalised the acquisition of Virgin Mobile Polska (MVNO), for whom it had been the hosting operator. In May 2021, Polkomtel announced its intention to take control over Premium Mobile, an MVNO hosted on its network.

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

Last year, 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.

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. At the heart of the Orange.one strategy was convergence; and this 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.

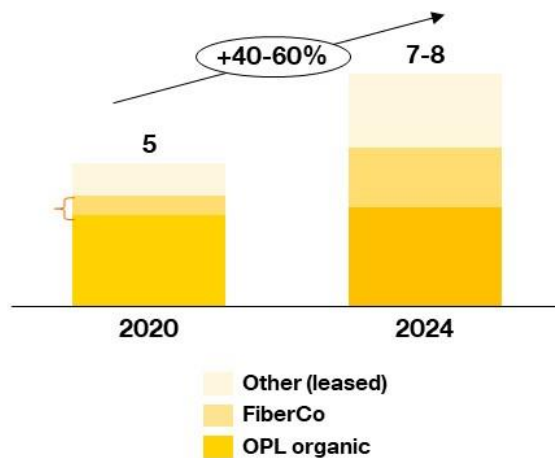
Last and certainly not least, we want to grow in social responsibility. Orange Polska has set ambitious ESG goals for itself and is ideally placed with its services both to help others reduce their own environment footprint and to ensure that no one is left behind.

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 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 (m 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 mobile networks. Together with our customers we want to create over 40 campus networks by 2025.

Responsibility: Clear Environmental 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 environment 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 OPL: 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 CO2 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 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 a 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. On the one hand, this means making access to high-speed Internet more available, and on the other hand - education and developing digital competences. We are active in both of these fields. We invest in optical fiber, also by using public funds, so as to reach the areas located far from cities as well. These areas often lack infrastructure and access to modern services. And in addition, we have been supporting the digital education of Poles for over 15 years through our Orange Foundation. Our Orange Foundation is committed to this and implements digital education programs in schools. Over 5,000 children will take part in them 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. 75,000 teachers in total will benefit from the program.

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, 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 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.

We intend to resume dividend payments starting next year. We propose PLN 0.25 per share dividend payment 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 ¹
Revenue growth	Low single-digit CAGR
EBITDAaL growth	Low-to-mid single-digit CAGR
eCapex (PLN bn)	1.7 to 1.9 annual average
ROCE	Increase 3-4x (from 1.6% in 2020)
Dividends ²	Return to dividends from 2021 results (payable in 2022) ³ PLN 0.25 per share as sustainable floor
Net debt / EBITDAaL	Range of 1.7-2.2x in the long term

¹ Subject to final provisions of cybersecurity law and excludes major non-organic changes to OPL structure; CAGR vs. 2020.

² Please refer to section 4.2 below for the description of dividend approach.

³ Provided that net debt/EBITDAaL ratio will not exceed 2.1x, including the result of the 5G spectrum auction; subject to approval of the General Meeting of Shareholders.

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;
- WIG-telecommunication industry index; and
- WIG ESG Index of socially responsible companies.

In 2020, Orange Polska S.A. was once again included in a prestigious group of listed, socially responsible companies. The new 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 2021 brought gains in the indices on the Warsaw Stock Exchange (WSE). Orange Polska shares were up 2%, while the large-cap index, WIG20, gained 12% 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
Barclays
Citigroup
Dom Maklerski Banku Ochrony Środowiska
Dom Maklerski mBanku
Dom Maklerski PKO Bank Polski
Dom Maklerski Santander
Erste Bank Investment
Goldman Sachs
Haitong Bank
HSBC

Ipopema Securities

Pekao Investment Banking

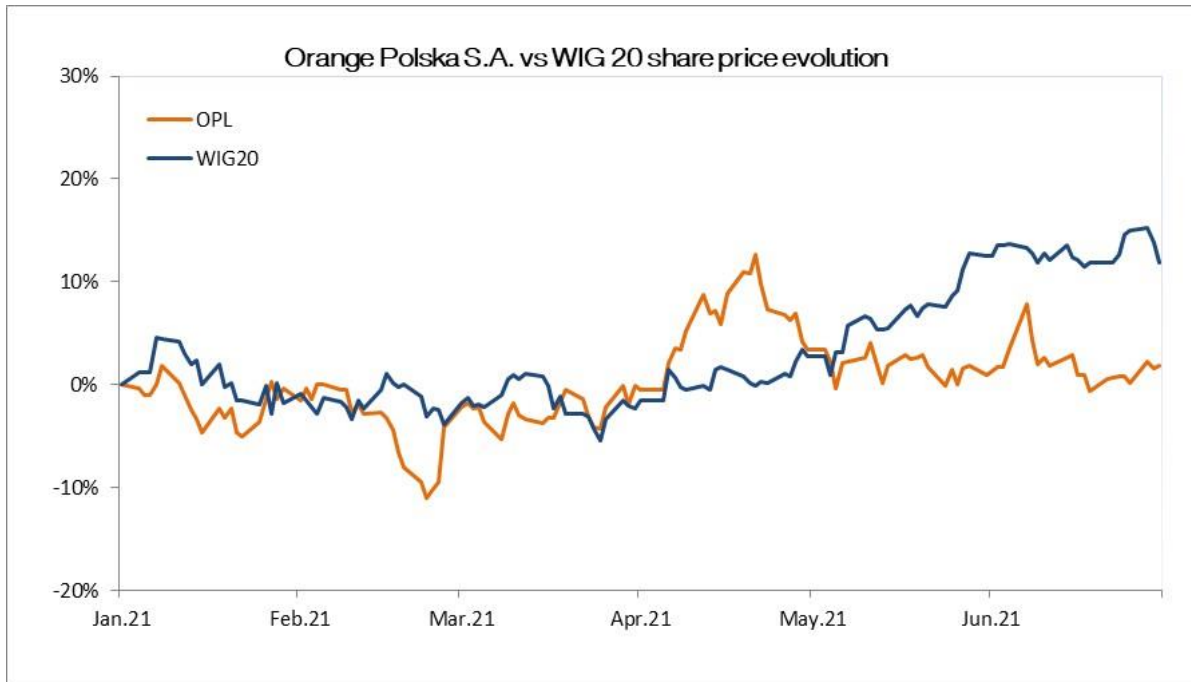
Trigon Dom Maklerski S.A.

VTB Capital

Wood & Company

* For an updated list of brokers with the related institution data please visit the Company's website at www.orange-ir.pl

ORANGE POLSKA S.A. SHARE PRICE between January 1, 2021 and June 30, 2021



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 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. At the heart of the Orange.one strategy was convergence; and this 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.

4.2 Expected Return to Dividend Payments

Considering the uncertainties around the terms of the forthcoming 5G auction and the final provisions of the cybersecurity regulations, on May 19, 2021 the Management Board of Orange Polska has adopted a resolution on allocating the Company's entire 2020 profit to reserve capital and not paying any dividend in 2021. The resolution in this form was approved by the Annual General Meeting of Shareholders.

However, considering the success of the concluded Orange.one strategy and the recently announced new strategic plan, .Grow, which assumes stable growth of Company's financial results, the Management Board is convinced that Orange Polska is on the right track to resume sustainable shareholder remuneration. Therefore, the Management Board commits to propose PLN 0.25 per share dividend payment 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.

Furthermore, the Management Board considers PLN 0.25 per share cash dividend as sustainable floor for the future. In the future, 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.

4.3 FiberCo Project: 50/50 Joint Venture with APG to Rollout Fibre Network to 1.7m Households

On April 11, 2021, we signed an agreement to sell a 50% stake in a joint venture partnership operating under the name Światłowód Inwestycje (FiberCo), which will build fibre infrastructure and offer wholesale access services.

Ultimately, with the 2.4 million households footprint FiberCo will be Poland's leading independent open access FTTH wholesale operator. Out of this number, Orange Polska has already contributed ca 0.7 million households of its current fibre footprint. Access to the remaining ca 1.7 million households will be built by FiberCo by 2025. FiberCo's network will be located mainly in low and mid competition areas to make maximum use of the broadband market potential. FiberCo will operate in open access model providing wholesale access to its fibre network to Orange Polska and other interested operators. The joint venture 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 values Światłowód Inwestycje at PLN 2,748 million (on a debt-free, cash-free basis). Orange Polska will sell a 50% stake in the joint venture to APG for a total consideration of PLN 1,374 million. Out of that amount PLN 887 million will be paid on closing (subject to customary adjustments). Payment of the remaining PLN 487 million will occur in 2022–2026 and will be conditional on Orange Polska delivering on agreed network rollout

schedule. The transaction assumes equity contributions for each party of around PLN 300 million to be made in 2023–2026. The transaction is expected to close by the end of August 2021.

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 OPL to monetise its fibre investments both in retail and wholesale operations.

4.4 New Opportunities in the Wholesale Market

As part of .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 customers serviced by other operators at least six times versus the end of 2020, when their base stood at 26 thousand. In addition, we intend to provide greater access to our transport infrastructure. This will include rendering services to Światłowód Inwestycje (FiberCo). 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.

4.5 Preparations for the 5G Launch in Poland

Auction Procedure for Frequencies in the 3480–3800 MHz Band

Although the initiated auction procedure in the 3480–3800 MHz range was cancelled over a year ago, a new one has not been announced yet. According to our best knowledge, it is related to prolonged legislative work on cybersecurity regulations, which are to be incorporated into the new auction documentation. 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.

Commercial Launch of 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. Due to the auction annulment, the Company has decided to implement Dynamic Spectrum Sharing (DSS) in the 2100 MHz band, which allows dynamic allocation of spectrum resources to 4G or 5G as required. Consequently, as from July 1, 2020 Orange Polska is offering commercial 5G services via a network of 1,600 base stations located in 370 cities and towns in Poland, to the largest extent in Warsaw, Łódź, Cracow and the Upper Silesian conurbation. In the beginning of 2021 Orange Polska also enabled 5G access in Tricity.

Preparations for the 5G Network Implementation in Poland

It is Orange Polska's ambition to actively participate in the implementation 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 roll-out of our fibre network is a precondition for the efficient operation of the future 5G mobile network. Following a series of tests in the Orange Cities project, which started in 2019 in Warsaw and Lublin on the 3.6 GHz band and involved both journalists and our employees and customers, in December 2020 the Company signed an agreement with the Łódź Special Economic Zone for the development of an internal 5G network on the 3.6 GHz band. At the end of May, 5G LAB was launched in the Zone. It is Poland's first 5G campus for startups and a space for testing innovative projects using exactly the same 5G infrastructure which is to be deployed in Poland in the future. In addition, as a result of our co-operation with Miele, which has its factory in Ksawerów near the city of Łódź, Orange Polska will develop

another 5G campus network on the 3.6 GHz band. With this network, Miele will deploy innovative digital solutions to automate production and quality control processes for manufactured products and conduct virtual reality-based training for employees on a wide scale.

Furthermore, 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.

4.6 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 the Orange.one strategy we declared our intention to expand the ICT business, which offers high growth potential and considerable synergies with our core operations. These synergies have recently become higher than ever 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. Over the last three years, we have increased our ICT revenues by 120%. 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 increases our competitive edge against both alternative telecom operators and pure ICT companies. We expect significant revenue synergies from both acquisitions to be realised in subsequent years.

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.

4.7 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 2021, 5.38 million households in 180 Polish cities were connectable to our fibre network. We maintain the VDSL range at over 5.3 million households mainly because of the prioritisation of fibre network investments.

We also use the infrastructure of other operators to expand the reach of our fibre services. Where it is technically possible and economically viable, we enter into wholesale agreements with other fibre network operators for the efficient use of the existing infrastructure in the relevant locations. The main benefit is quicker access to the FTTH network. This is in line with the aims of the Cost Directive of the European Commission, which recommends avoiding duplication of the existing facilities. At the end of June 2021, we used the infrastructure of 48 operators for over 1.1 million households.

In our new .Grow strategy framework, we will 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 will be more reliant on partnerships, while our own network rollout will be limited to projects implemented within the Digital Poland Operational Programme.

Orange Polska is Poland's largest wholesale service provider. The demand for transmission bandwidth is growing, especially for 1 and 10 Gbps lines. To meet these needs, Orange Polska has continued to expand nationwide OTN (Optical Transport Network) trunk lines. In the first six months of 2021, we increased the number of OTN transport nodes, thus expanding the aggregate network capacity from 7.0 Tbps at the end of 2020 to 8.8 Tbps at the end of the first half of 2021.

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, 999 and eCall, are connected. About 90% of all emergency numbers in Poland (over 800 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 98.81% at the end of June 2021, which confirms very high quality of Orange Polska's fixed-line services.

Mobile Network

We have been steadily increasing the number of our base stations and enhancing their capacity. In the first six months of 2021, our customers got access to a further 106 base stations. 4G coverage for all bands was 99.89% of the population on 98.48% of Poland's territory at the end of June 2021. Orange Polska provided LTE services via 11,744 base stations. In response to rapid growth in data traffic volume, we have steadily increased the number of sites that enable spectrum aggregation; their number reached 9,980 at the end of June 2021 compared to 9,831 at the end of December 2020.

In January 2021, Orange Polska launched its 5G service in the Dynamic Spectrum Sharing (DSS) mode in the shared 2100 MHz band in Tricity, and in June 2021 it was made available in Lublin. Thus, Tricity and Lublin joined Łódź, Cracow, the Upper Silesian conurbation, Poznań, Wrocław, Opole, Częstochowa, Rzeszów, Kielce, Bielsko-Biała and Tychy, where our customers can use 5G. The number of our 5G DSS base stations stood at 1,673 at the end of the June 2021.

We are gradually implementing the LTE-M technology on the 800 MHz band for Internet of Things. LTE-M is currently available nationwide on 8,842 base stations, with a further 200 pending activation. In the areas where the use of this band is excluded (i.e. in the border areas that require international co-ordination), we use 1800 MHz frequencies.

We continue with VoLTE, VoWiFi and 5G terminal validations. The offer of such terminals available to Orange Polska's customers is steadily expanded by new models, while the share of 2G/3G terminals is gradually reduced.

4.8 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 Cyfrowy Polsat 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, Inea.

In the second quarter of 2020, Play also expanded its mobile portfolio to include fixed broadband service, pursuant to co-operation with Vectra, a cable TV operator, through wholesale access to broadband services based on the DOCSiS technology.

In 2020, the most important development in the market was definitely the takeover of Play by French operator Iliad, which may have a significant impact on the market dynamics in the future. According to official announcements, Iliad is planning Play's expansion to the fixed market, which confirms the underlying market trend.

The market is preparing for new technical solutions enabled by 5G technology. Soon, 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 CATV operators' geographical expansion in smaller towns should be expected. Acquisition of Multimedia Polska by Vectra in the first half of 2020 confirms the consolidation trend and that the market is highly competitive. Also UPC announced a further shift towards convergence in 2021.

In 2021, 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 even in non-urban areas, where investments in fibre had not been economically viable before.

From Orange Polska's perspective, development of fibre infrastructure in semi-urban areas poses a major challenge to defend our market position, but at the same time a major opportunity to attract new customers to our retail offer by using the newly constructed networks on wholesale terms. In order to adequately address this market need, Orange Polska and APG established a joint venture to rollout fibre network to 1.7 million households. There are over 2 million households in the areas covered by the investment projects carried out in the Operational Programme Digital Poland. These are largely areas out of reach of fixed-line telecom networks or areas where provision of high-speed broadband services is not technically possible.

2021 saw a change of landscape in the telecommunication infrastructure market in Poland. Both Play and Cyfrowy Polsat Group sold their infrastructure to Cellnex, a Spain-based infrastructure investor. In case of Play, the transaction involved its passive infrastructure, while Cyfrowy Polsat 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.

4.9 Evolution of the Group's Distribution Network

The first half of 2021 saw a gradual 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.

Orange Polska has a chain of 676 POSs all over Poland (vs. 687 at the end of 2020). Our 'Best Retail Network' project is underway. Solutions previously only implemented in the large Smart Stores, such as intuitive and functional interiors, are also being implemented in smaller outlets to meet customers' needs. By the end of June 2021, 324 (or 48%) of our outlets had been modernised in a new visualisation. 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).

Customers are choosing online purchases more frequently. High effectiveness of our online channel is supported by marketing campaigns based on behavioural customer profiles, as well as online and offline events. Owing to marketing automation and artificial intelligence tools, customers are recommended offers which best suit their needs.

The first half of 2021 brought extensive initiatives in the Digital Boost programme, which aims to increase the number of My Orange application users and support its active use. We introduced event campaigns for customers, dedicated promotions and a loyalty programme, Wednesdays with Orange. We continue to develop customised campaigns based on customer behavioural profiling and both online and offline events. In May 2021, we introduced a mobile voice offer promoting online purchases with a free month extra. We focus on cross-channel co-operation: in traditional offline channels we promote the installation of the My Orange application and educate customers in the use of self-service channels.

The Telesales channel, which is operated by our external partners and our own call centre, also performed well in the reported period. In this channel we concentrate on dedicated campaigns accounting for customer profiles and behavioural patterns to ensure best offer customisation. Owing to specialisation and development of competencies of our consultants, we are highly effective in our operations, while great focus on retention campaigns enables us to effectively secure our customer base and mitigate churn. In the first six months of 2021 we continued efforts to increase the value of smartphone sales combined with sales of accessories. We are also working on a hybrid work model for our telesalesforce, which will involve remote work after the end of the pandemic. It will increase the competitiveness of our agents on local labour markets by adapting to the market expectations.

In addition to Telesales, there is also a service infoline, which combines customer care with account management. Such a combination is very well received by customers (satisfaction ratio steadily over 90%), as they can settle any matters with Orange at a single phone number, starting from complex technical problems, queries and contract extension to new Orange service purchases. In the first six months of 2021, almost 10% of calls ended in the activation of a new service or the extension of the existing contract. 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.

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.

Our pre-paid top-ups are available in over 80,000 retail POSs (grocery stores, kiosks and petrol stations). Consumer behaviour with respect to topping-up has been evolving, and the COVID-19 pandemic reinforced this process. Our customers increasingly recharge their pre-paid accounts in remote channels (through online banking portals, mobile apps and orange.pl website). We actively support these channels, while promoting the #OrangeGoesGreen approach: paperless top-ups without scratch cards. In the first half of 2021, there was an increase of 18% year-on-year in top-up sales through online channels.

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.

4.10 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 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 significantly 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 (LLU), including shared or fully unbundled access, in a fixed location, 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 8, 2021, 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 2020 and the results of service cost calculation for 2022 ("the 2021 audit") for their compliance with the law as well as the approved regulatory accounting instruction for 2020 and the service cost calculation description for 2022 regarding central access provided at a fixed location for mass-market products and local access at a fixed location. The audit is expected to be completed on August 26, 2021.

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 other six 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.

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. Simultaneously, 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.

Call Termination on Fixed and Mobile Networks

The Delegated Regulation supplementing Directive (EU) 2018/1972 of the European Parliament and of the Council will come 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:
 - PLN 0.0317/min – from July 1, 2021;
 - 0.55 ec/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 will be 0.07 ec/min from January 1, 2022. Until then, a transitional rate of PLN 0.005/min will apply in Poland from July 1, 2021.

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 determine the competitiveness of the market for high quality access services in a fixed location up to 2 Mbps inclusively and confirm the competitiveness of this market over 2 Mbps.

New Regulated Offers for Access to Orange Polska's Network

On June 29, 2021, the President of UKE released for consultation draft decisions on approval of reference offers for Bitstream Access and LLU services in fibre and copper technologies.

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.

At the same time, 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 will be initiated.

In April 2021, an individual decision for additional compensation for 2006 was issued. Similar procedures for regarding additional compensation for 2007–2010 are still pending. Out of the initial compensation granted for 2006–2011, Orange Polska S.A. received PLN 7.5 thousand in the first half of 2021, while PLN 1.3 million is still due. Out of the additional compensation granted for 2006, Orange Polska S.A. received PLN 7.5 million in the first half of 2021, while PLN 0.5 million is still due.

Major Changes in Legislation

In the first half of 2021, 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

- On February 18, 2021, the Regulation of the Minister of Digital Affairs of January 28, 2021 amending the Regulation of the Minister of Digital Affairs of July 8, 2019 on the time schedule of assignment of certain spectrum resources used for civilian or civilian-government purposes came into force. It sets a new deadline for the 3.7 GHz bandwidth distribution on August 27, 2021.
- In connection with the spread of COVID-19, there has been the state of epidemic in Poland since March 20, 2020 (pursuant to the Regulation of the Minister of Health of March 20, 2020 on declaring the state of epidemic in the territory of the Republic of Poland). Under the Regulation, depending on the epidemic situation, subsequent changes in legislation have been introduced, providing for various restrictions, orders and prohibitions related to the state of epidemic for both natural persons and enterprises.

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

- 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 some provisions regarding the establishment of the Strategic Communication Network Operator 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").

EU Law

- 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 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 by April 30, 2022);
- In 2021, the European Commission has 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;
- On December 16, 2020, the European Commission adopted two proposals 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 work will be continued in the second half of 2021;
- Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility was adopted (OJ L 57, 18.2.2021). In particular, it provides for funding of the Polish National Recovery and Resilience Plan;
- On April 21, 2021, the European Commission adopted a proposal for the first ever legal framework on artificial intelligence: Regulation laying down harmonised rules on artificial intelligence (Artificial Intelligence Act). 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").

4.11 Claims and Disputes, Fines and Proceedings

Please see Note 30 to the Consolidated Full-Year Financial Statements for 2020 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. and Note 12 to the Condensed IFRS Interim Consolidated Financial Statements.

CHAPTER III ORGANISATION AND CORPORATE STRUCTURE

5 ORGANISATIONAL CHANGES IN THE FIRST HALF OF 2021

5.1 Group's Structure as of June 30, 2021

Please refer to Note 1.2 to the IFRS Full Year Consolidated Financial Statements for 2020 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 2021, there were changes in the corporate structure of the following functions: Network and Technology, Carriers Market and Real Estate Sales, and IT. The changes aimed at improving the efficiency of these functions and addressing business needs.

5.2.1 Management Board of Orange Polska S.A.

The composition of Orange Polska Management Board did not change in 2021. As of June 30, 2021, 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;
- Management Board Member in charge of Customer Experience;
- Management Board Member in charge of Carriers Market and Real Estate Sales;
- 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; and
- Management Board Member in charge of Finance.

The Consumer Market function reported directly to the President of the Management Board.

Orange Polska strengthened its management team in order to prepare for the implementation of the new strategy.

Since July 1, 2021, Jolanta Dudek has managed the Company's consumer division, comprising the functions of consumer market and residential customer relations, as the Vice President in charge of Consumer Market. Since 2013, she has been responsible for the area of customer relations within the Company. She was appointed to the Management Board in 2015.

Business customer care has been incorporated into the business market division, which is managed by Bożena Leśniewska. Positioning of the customer relations function according to business lines will enable the Company to enhance the relevant processes and better respond to the needs of customers at each stage of their relations with Orange.

Artur Stankiewicz has joined the Company's top management, assuming the newly created position of Chief Digital Officer and entering the Executive Committee, where his mission will be to develop digital sales and customer care channels. He will report directly to the President.

5.2.2 Business Units of Orange Polska S.A.

In the first half of 2021, the number of business units was reduced from 77 to 75, namely the number of business units decreased in the functions Network and Technology, and Carriers Market and Real Estate Sales.

As of June 30, 2021, Orange Polska had 75 business units, reporting directly to:

- 1) President of the Management Board: 8 business units (including 7 business units of the Consumer Market function reporting directly to the President of the Management Board);
- 2) Vice President of the Management Board in charge of Business Market: 7 business units;
- 3) Management Board Member in charge of Customer Experience: 8 business units;
- 4) Management Board Member in charge of Networks and Technology: 12 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: 11 business units;
- 7) Management Board Member in charge of Wholesale Market and Real Estate Sales: 7 business units;
- 8) Management Board Member in charge of Finance: 7 business units;
- 9) Executive Director in charge of IT: 8 business units; and
- 10) Executive Director in charge of Transformation and Effectiveness: 2 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 2021.

5.3 Ownership Changes in the Group in the First Half of 2021

Apart from signing on April 11, 2021 an agreement to sell to APG a 50% stake in Światłowód Inwestycje sp. z o.o., which is described in section 4.3. above, the Group effected no significant ownership changes in the first half of 2021.

5.4 Orange Polska Shareholders

As of June 30, 2021, 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 28, 2021 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%
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%

As of July 28, 2021, Orange S.A. held a 50.67% stake in the Company.

Orange Group is one of the leading telecommunications operators in Europe with a broad footprint in other parts of the world.

In 2020, 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 €42.3 billion, up 0.3% year-on-year on a comparable basis. This growth was driven by strong trends in wholesale services, thanks to the co-financing of the fibre network in France, and convergent services, which posted respective growth rates of 4.4% and 2.1%. Roaming (customers and visitors) was hit by travel restrictions, while equipment sales fell 9.5% due to store closures. France and Africa & Middle-East made a positive contribution, posting respective growth rates of 1.6% and 5.2% in 2020. Europe (including Spain) remained under pressure, as did Enterprise, although the latter showed some improvement in the fourth quarter.

There were 11.06 million convergent customers Group-wide at December 31, 2020, up 2.7% year-on-year, driven by continuing strong growth in Europe.

Mobile services numbered 214.1 million access lines at December 31, 2020, up 3.3% year-on-year, including 77.4 million contracts, up 4.3%.

Fixed services numbered a total of 45.1 million access lines at December 31, 2020, down 0.7% year-on-year. This was primarily due to the sharp 12.4% fall in fixed narrowband access lines, despite continuing strong growth (23.7%) in very high-speed fixed broadband access lines.

Orange Group employs 142,000 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, 2021, Orange Polska S.A. 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 2021.

5.5 Corporate Governance Bodies of the Parent Company

I. Composition of the Management Board in 2021

Composition on January 1, 2021:

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

Changes in 2021:

The composition of the Management Board did not change in the first six months of 2021.

Composition on June 30, 2021:

1. Julien Ducarroz – President of the Board
2. Bożena Leśniewska – Vice President of the Board
3. Witold Drożdż – Board Member
4. Jolanta Dudek – 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 the first half of 2021

Composition on January 1, 2021:

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. Henryka Bochniarz, PhD – Independent Board Member
5. Thierry Bonhomme – Board Member
6. Eric Debroeck – Board Member
7. John Russell Houlden – Independent Board Member and Chairman of the Audit Committee
8. Marie-Noëlle Jégo-Laveissière – Board Member
9. Prof. Michał Kleiber – Independent Board Member
10. Patrice Lambert-de Diesbach – Board Member
11. Monika Nachyła – Independent Board Member
12. Maria Paśło-Wiśniewska, PhD – Independent Board Member and Chairman of the Remuneration Committee
13. Jean-Michel Thibaud – Board Member
14. Jean-Marc Vignolles – Board Member and Chairman of the Strategy Committee

Changes in 2021:

On May 19, 2021, Eric Debroeck resigned his position on the Supervisory Board, effective on June 25, 2021.

On June 25, 2021, the mandates of Henryka Bochniarz, Thierry Bonhomme, Ramon Fernandez, Marie-Noëlle Jégo-Laveissière, Maria Paśło-Wiśniewska and Jean-Marc Vignolles expired.

On the same day, the Annual General Meeting appointed the following persons: Philippe Béguin, Bénédicte David, Ramon Fernandez, Marie-Noëlle Jégo-Laveissière, Maria Paśło-Wiśniewska, Wioletta Rosołowska and Jean-Marc Vignolles, for new term of office.

Composition on June 30, 2021:

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 Paśło-Wiśniewska, PhD – Independent Board Member and Chairman 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, 2021, Orange Polska had five independent members on the Supervisory Board, namely: John Russell Houlden, Prof. Michał Kleiber, Monika Nachyła, Maria Paśło-Wiśniewska, PhD, and Wioletta Rosołowska.

Composition of the Committees of the Supervisory Board on June 30, 2021:

The Audit Committee

1. John Russell Houlden – Chairman
2. Monika Nachyła
3. Maria Paśło-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 Paśło-Wiśniewska, PhD – Chairman
2. Prof. Michał Kleiber
3. Marc Ricau
4. Jean-Marc Vignolles

The Strategy Committee

1. Jean-Marc Vignolles – Chairman
2. Philippe Béguin
3. Bénédicte David
4. Patrice Lambert-de Diesbach
5. Monika Nachyła
6. Maria Paśło-Wiśniewska, PhD
7. 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
Bożena Leśniewska – Vice President	2024
Witold Drożdż	2024
Jolanta Dudek	2024
Piotr Jaworski	2024
Jacek Kowalski	2023
Jacek Kunicki	2023
Maciej Nowohoński	2023

Supervisory Board	Year of AGM
Maciej Witucki – Chairman	2022
Ramon Fernandez – Deputy Chairman	2024
Marc Ricau – Secretary	2022
Philippe Béguin	2024
Bénédicte David	2024
John Russell Houlden	2023

Marie-Noëlle Jégo-Laveissière	2024
Michał Kleiber	2022
Patrice Lambert-de Diesbach	2023
Monika Nachyła	2022
Maria Pasło-Wiśniewska	2021
Wioletta Rosołowska	2024
Jean-Michel Thibaud	2022
Jean-Marc Vignolles	2021

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

Managing Persons

As of July 28, 2021:

- 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 28, 2021.

Shares held in related entities:

Bożena Leśniewska	1,797 shares of Orange S.A. of par value of EUR 4 each
Witold Drożdż	1,717 shares of Orange S.A. of par value of EUR 4 each
Jolanta Dudek	1,797 shares of Orange S.A. of par value of EUR 4 each
Piotr Jaworski	1,967 shares of Orange S.A. of par value of EUR 4 each
Jacek Kowalski	2,067 shares of Orange S.A. of par value of EUR 4 each
Jacek Kunicki	859 shares of Orange S.A. of par value of EUR 4 each
Maciej Nowohoński	1,717 shares of Orange S.A. of par value of EUR 4 each

Supervising Persons

As of July 28, 2021, no persons supervising Orange Polska S.A. held any shares in the Company.

Shares held in related entities:

Ramon Fernandez	24,179 shares of Orange S.A. of par value of EUR 4 each
Marc Ricau	859 shares of Orange S.A. of par value of EUR 4 each
Bénédicte David	4000 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 June 25, 2021, 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 2020 financial year;
- approved Orange Polska S.A.'s financial statements for 2020;
- approved the consolidated financial statements for 2020;
- granted approval of the performance of their duties by members of Orange Polska S.A.'s governing bodies in the 2020 financial year;
- adopted a resolution on distribution of Orange Polska S.A.'s profit for the 2020 financial year, pursuant to which Orange Polska S.A.'s profit of PLN 46,754,503.75 disclosed in the Company's financial statements for 2020 was allocated as follows:
 - PLN 935,090.08 to the reserve capital, and
 - PLN 45,819,413.67 to the reserve capital, which may be distributed as a dividend;
- adopted a resolution on distribution of Orange Polska S.A.'s profit from previous years, pursuant to which Orange Polska S.A.'s profit of PLN 18,055,143.94 disclosed in the Company's financial statements for 2020 was allocated as follows:
 - PLN 361,102.88 to the reserve capital, and
 - PLN 17,694,041.06 to the reserve capital, which may be distributed as a dividend;
- approved the Supervisory Board's Report for the 2020 financial year;
- expressed a positive opinion on the annual report on remuneration prepared by the Supervisory Board.

5.6 Workforce

As of June 30, 2021, Orange Polska Group employed 10,915 people (in full-time equivalents), which is a decrease of 4% compared to the end of December 2020.

Orange Polska's workforce reduction was mainly a result of the implementation of the Social Agreement for the years 2020–2021. Pursuant to the Social Agreement, 543 employees left the Company in the first six months of 2021. Severance pay in Orange Polska S.A. averaged PLN 86.1 thousand per employee leaving under the Social Agreement in the first half of 2020.

In the first six months of 2021, external recruitment in Orange Polska totalled 170 positions. External recruitment was mainly related to sale structures.

5.6.1 Social Agreement

On December 12, 2019, the Management Board of Orange Polska S.A. concluded a new Social Agreement with the Social Partners. The Social Agreement remains in force for two years, that is 2020–2021. In particular, it sets the number of voluntary departures over these two years at 2,100 people and determines a financial package for employees leaving Orange Polska S.A. under the voluntary departure scheme. It also provides for potential base salary rises (3.5% in both 2020 and 2021) and additional compensation for employees reaching retirement age within the next four years, while specifying the position and role of internal mobility in supporting an allocation programme and offering participation in an outplacement programme to people whose employment contracts are to be terminated by the employer. In addition, the Social Agreement for 2020–2021 provides for the follow-up of the 'Friendly Work Environment' programme and continuation of medical coverage.

The negotiated Settlement set the number of employees to leave Orange Polska S.A. in 2020 at 1,250 and determined the terms of voluntary departures in 2020 as well as the amount of severance pay and additional compensation for employees departing in 2020. The Settlement also specified the principles and criteria to be applied by the employer in the process of selecting employees whose employment was to be terminated through no fault of the employee. The amount of compensation package per departing employee was to depend on their seniority in the Group in accordance with the Intragroup Collective Labour Agreement for the Employees of Orange Polska S.A.

On June 4, 2020, the Management Board of Orange Polska and the Signatories to the Intragroup Collective Labour Agreement for Orange Polska's Employees of June 25, 1998 (ICLA) signed the Additional Protocol no. 9 to ICLA, which was registered by the minister competent for labour affairs on July 13, 2020. Pursuant to the Protocol, as from 2022 employees will not be eligible for jubilee awards for long service and the basic contribution to the Company Social Benefits Fund will be consistent with the Act on the company social benefits fund.

On June 23, 2020, the Management Board of Orange Polska S.A. signed a Settlement with its Social Partners on amending the Social Agreement for the years 2020–2021. The amendment to the Social Agreement is an element of Orange Polska's efforts to partially mitigate the negative impact of the COVID-19 pandemic on its business performance. Under the negotiated Settlement, the rate of basic salary increases in 2020 was reduced from 3.5% to 1.0% and the procedure of awarding them was changed (criteria: change of pay ranges; certification project in the sales area; retaining the key positions). The Settlement also provides for reallocating PLN 8 million from the Central Fund as additional financing of the 'Orange Vitality Academy', particularly the 'Friendly Work Environment' project. Furthermore, the employer undertook to minimise the number of dismissals in the process of collective redundancies until the end of 2020, which means that the quota of departures in 2020, which was set in the Social Agreement at 1,250 employees, was not to be fully utilised. The amounts of severance pay and additional compensation for departing employees specified in the Social Agreement as well as the rate of potential basic salary increases in 2021 and the aggregate voluntary departures quota for 2020-2021 set in the Social Agreement were not changed.

On December 8, 2020, a Settlement was concluded with the Social Partners, which determines the detailed procedures for the implementation of the Social Agreement for 2020–2021 in 2021. The Settlement for 2021 sets the number of dismissals at 920 and determines the terms of voluntary departures. The limit for 2021 is a part of the aggregate two-year limit of dismissals set in the Social Agreement for 2020–2021. The amount of severance pay and additional compensation for employees departing in 2021 are to be consistent with the provisions of the Social Agreement for 2020–2021. Furthermore, the Settlement for 2021 specifies the principles and criteria to be applied by the employer in the process of selecting employees whose employment will be terminated through no fault of the employee. The amount of compensation package per departing employee will not change and will depend on their seniority in the Group in accordance with the Intragroup Collective Labour Agreement for the Employees of Orange Polska S.A.

On February 5, 2021, Orange Polska S.A. entered into an Arrangement with trade unions setting forth the rate of base salary increases in 2021 for the Company's employees covered by ICLA. The Arrangement for 2021 determines the base salary increase rate at 3.8%. The increases will be effected from August 1, 2021 and will cover at least 50% of all employees (under the Social Agreement for 2020–2021, the base salary increase rate was to be at least 3.5% in 2021, the increases were to be effected from July 1, 2021 and were to cover at least 40% of all employees).

CHAPTER IV
KEY RISK FACTORS

6 RISK MANAGEMENT FRAMEWORK IN ORANGE POLSKA

There were no material changes with respect to the key risk factors affecting the activities of Orange Polska S.A. compared to the state of affairs presented in the Chapter IV of the Management Board's Report for 2020.

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. Bożena Leśniewska – Vice President in charge of Business Market
3. Witold Drożdż – Board Member in charge of Strategy and Corporate Affairs
4. Jolanta Dudek – Board Member in charge of Customer Care and Customers Excellence
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

As announced in the current report 3/2021 of February 17, 2021, the Group forecast low single digit growth of EBITDAaL in 2021 versus 2020. As a consequence of the strategic review conducted for the purpose of the .Grow strategy announcement, the Management Board of Orange Polska revised 2021 EBITDAaL guidance upwards. It now expects EBITDAaL growth at low-to-mid single digit percentage versus low single digit percentage previously. Revised guidance is now fully aligned with the announced mid-term guidance.

Realisation of this guidance will be monitored by the Company on an ongoing basis. Should there occur material deviation from the forecast, the Company will make a revision to the forecast and immediately publish it in the form of a current report.

GLOSSARY OF TELECOM TERMS

4G – 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

EBITDAaL (EBITDA after Leases) – Operating income before 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, employment termination programmes, restructuring costs, significant claims, litigation and other risks as well as other significant non-recurring items

F2M – Fixed to Mobile Calls

FBB – Fixed Broadband

FTE – Full time equivalent

FTTH – Fibre to the Home

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

Household connectable with fibre – an apartment in a multi-family building or a single family house within the reach of our fibre-to-the-home service that allows to provide service with a speed of at least 100 Mbps

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

LTE – Long Term Evolution, standard of data transmission on mobile networks (4G)

M2M – Machine to Machine, telemetry

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 – Organic Cash Flow = net cash provided by operating activities – (CAPEX + CAPEX payables) + proceeds from sale of assets

RAN agreement – agreement on reciprocal use of radio access networks

SAC – Subscriber Acquisition Cost

SIMO – mobile SIM-only offers without devices

SMP – Significant Market Power

SRC – Subscriber Retention Cost

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

VHBB – Very high speed broadband, above 30 Mbps

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

WLL – Wireless Local Loop

WLR – Wholesale Line Rental