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POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated half-year report PSr 2020

(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 2020, i.e. from 1 January 2020 to 30 June 2020

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

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

date of issuance: 29 July 2020

ORANGE POLSKA SA	
(full name of issuer)	
ORANGEPL	Telecommunication (tel)
(abbreviated name of the issuer)	(classification according to WSE/sector)
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Ernst & Young Audyt Polska Sp. z o.o. Sp. komandytowa
(auditor)

SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	half-year 2020	half-year 2019	half-year 2020	half-year 2019
condensed consolidated financial statements data				
I. Revenue	5 632 000	5 537 000	1 268 097	1 291 278
II. Operating income	197 000	213 000	44 356	49 674
III. Profit before income tax	16 000	60 000	3 603	13 993
IV. Net income	14 000	47 000	3 152	10 961
V. Net income attributable to owners of Orange Polska S.A.	14 000	47 000	3 152	10 961
VI. Earnings per share (in PLN/EUR)	0.01	0.04	-	0.01
VII. Weighted average number of shares (in millions)	1 312	1 312	1 312	1 312
VIII. Total comprehensive income/(loss)	(57 000)	24 000	(12 834)	5 597
IX. Total comprehensive income/(loss) attributable to owners of Orange Polska S.A.	(57 000)	24 000	(12 834)	5 597
X. Net cash provided by operating activities	1 598 000	1 240 000	359 805	289 179
XI. Net cash used in investing activities	(1 111 000)	(1 228 000)	(250 152)	(286 380)
XII. Net cash used in financing activities	(500 000)	(200 000)	(112 580)	(46 642)
XIII. Net change in cash and cash equivalents	(13 000)	(188 000)	(2 927)	(43 843)
	balance as at 30/06/2020	balance as at 31/12/2019	balance as at 30/06/2020	balance as at 31/12/2019
XIV. Total current assets	3 508 000	3 493 000	785 490	820 242
XV. Total non-current assets	21 102 000	21 429 000	4 725 034	5 032 053
XVI. Total assets	24 610 000	24 922 000	5 510 524	5 852 295
XVII. Total current liabilities	7 770 000	4 191 000	1 739 812	984 149
XVIII. Total non-current liabilities	6 301 000	10 174 000	1 410 882	2 389 104
XIX. Total equity	10 539 000	10 557 000	2 359 830	2 479 042
XX. Equity attributable to owners of Orange Polska S.A.	10 537 000	10 555 000	2 359 382	2 478 572
XXI. Share capital	3 937 000	3 937 000	881 549	924 504
condensed separate financial statements data				
	half-year 2020	half-year 2019	half-year 2020	half-year 2019
I. Revenue	5 167 000	5 244 000	1 163 398	1 222 948
II. Operating income	178 000	192 000	40 078	44 776
III. Profit before income tax	5 000	60 000	1 126	13 993
IV. Net income	5 000	54 000	1 126	12 593
V. Earnings per share (in PLN/EUR)	-	0.04	-	0.01
VI. Weighted average number of shares (in millions)	1 312	1 312	1 312	1 312
VII. Total comprehensive income/(loss)	(66 000)	31 000	(14 861)	7 229
VIII. Net cash provided by operating activities	1 608 000	1 318 000	362 056	307 369
IX. Net cash used in investing activities	(1 143 000)	(1 228 000)	(257 357)	(286 381)
X. Net cash used in financing activities	(461 000)	(251 000)	(103 798)	(58 535)
XI. Net change in cash and cash equivalents	4 000	(161 000)	901	(37 547)
	balance as at 30/06/2020	balance as at 31/12/2019	balance as at 30/06/2020	balance as at 31/12/2019
XII. Total current assets	3 094 000	3 103 000	692 790	728 660
XIII. Total non-current assets	21 217 000	21 492 000	4 750 784	5 046 848
XIV. Total assets	24 311 000	24 595 000	5 443 574	5 775 508
XV. Total current liabilities	7 626 000	4 015 000	1 707 568	942 820
XVI. Total non-current liabilities	6 222 000	10 090 000	1 393 193	2 369 379
XVII. Total equity	10 463 000	10 490 000	2 342 813	2 463 309
XVIII. Share capital	3 937 000	3 937 000	881 549	924 504



The Polish original should be referred to in matters of interpretation.

Translation of auditor's report originally issued in Polish.

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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the condensed IFRS interim consolidated financial statements of Orange Polska Group (the 'Group'), for which the parent company is Orange Polska S.A. (the 'Parent Company') located in Warsaw at Aleje Jerozolimskie 160, containing: the consolidated statement of financial position as at 30 June 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the period from 1 January 2020 to 30 June 2020 and notes to the condensed IFRS interim consolidated financial statements (the 'interim condensed consolidated financial statements').

The Parent Company's Management is responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review.

Scope of review

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

A review is substantially less in scope than an audit conducted in accordance with National Auditing Standards in the wording of the International Auditing Standards adopted by the National Council of Statutory Auditors 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Warsaw, 29 July 2020

Key certified auditor

Partner

Paweł Niškiewicz
certified auditor
no in the register: 13542

Mikołaj Rytel

on behalf of
Ernst & Young Audyt Polska
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ORANGE POLSKA GROUP

CONDENSED IFRS INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 30 JUNE 2020



July 29, 2020

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Orange Polska Group
Condensed IFRS Interim Consolidated Financial Statements – 30 June 2020
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CONSOLIDATED INCOME STATEMENT

(in PLN millions, except for earnings per share)

	<i>Note</i>	3 months ended 30 June 2020	6 months ended 30 June 2020	3 months ended 30 June 2019	6 months ended 30 June 2019 <i>Restated</i> <i>(see Notes 3 and 4)</i>
Revenue	5	2,828	5,632	2,759	5,537
External purchases		(1,597)	(3,147)	(1,533)	(3,087)
Labour expense		(289)	(694)	(377)	(778)
Other operating expense		(106)	(204)	(115)	(211)
Other operating income		62	139	55	108
Impairment of receivables and contract assets		(50)	(86)	(27)	(59)
Gains on disposal of assets		5	15	44	48
Depreciation and impairment of right-of-use assets		(108)	(214)	(92)	(187)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(636)	(1,244)	(575)	(1,158)
Operating income		109	197	139	213
Interest income		8	17	11	21
Interest expense on lease liabilities		(16)	(32)	(17)	(33)
Other interest expense and financial charges		(53)	(113)	(59)	(119)
Discounting expense		-	(23)	(11)	(25)
Foreign exchange gains/(losses)		12	(30)	3	3
Finance costs, net		(49)	(181)	(73)	(153)
Income tax		(8)	(2)	(14)	(13)
Net income		52	14	52	47
Net income attributable to owners of Orange Polska S.A.		52	14	52	47
Net income attributable to non-controlling interests		-	-	-	-
Earnings per share (in PLN)		0.04	0.01	0.04	0.04
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 2020	6 months ended 30 June 2020	3 months ended 30 June 2019	6 months ended 30 June 2019 <i>Restated</i> <i>(see Note 3)</i>
Net income	52	14	52	47
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				
Losses on cash flow hedges	(27)	(86)	(19)	(28)
Income tax relating to items that may be reclassified	7	18	3	5
Other comprehensive loss, net of tax	(23)	(71)	(16)	(23)
Total comprehensive income/(loss)	29	(57)	36	24
Total comprehensive income/(loss) attributable to owners of Orange Polska S.A.	29	(57)	36	24
Total comprehensive income/(loss) attributable to non-controlling interests	-	-	-	-

Orange Polska Group
Condensed IFRS Interim Consolidated Financial Statements – 30 June 2020
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in PLN millions)

	<i>Note</i>	<i>At 30 June 2020</i>	<i>At 31 December 2019</i> <i>Restated</i> <i>(see Note 3)</i>
ASSETS			
Goodwill		2,263	2,263
Other intangible assets		4,318	4,545
Property, plant and equipment		10,335	10,402
Right-of-use assets		2,773	2,681
Trade receivables	9	376	455
Contract assets		62	65
Contract costs		90	99
Derivatives	8,9	-	44
Other assets		64	65
Deferred tax assets		821	810
Total non-current assets		21,102	21,429
Inventories		288	218
Trade receivables	9	1,933	2,132
Contract assets		96	117
Contract costs		341	329
Derivatives	8,9	106	1
Other assets		247	227
Prepaid expenses		104	65
Cash and cash equivalents	8	393	404
Total current assets		3,508	3,493
TOTAL ASSETS		24,610	24,922
EQUITY AND LIABILITIES			
Share capital		3,937	3,937
Share premium		832	832
Other reserves		(170)	(89)
Retained earnings		5,938	5,875
Equity attributable to owners of Orange Polska S.A.		10,537	10,555
Non-controlling interests		2	2
Total equity		10,539	10,557
Trade payables	9	360	348
Lease liabilities		2,177	2,125
Loans from related party	8,9	2,486	6,431
Other financial liabilities at amortised cost	8	2	8
Derivatives	8,9	113	55
Provisions		690	649
Contract liabilities		347	344
Employee benefits	7	83	164
Other liabilities		43	50
Total non-current liabilities		6,301	10,174
Trade payables	7,9	2,086	2,367
Lease liabilities		494	447
Loans from related party	8	3,754	11
Other financial liabilities at amortised cost	8	11	61
Derivatives	8,9	65	20
Provisions	11	232	242
Contract liabilities		470	471
Employee benefits		308	185
Income tax liabilities		22	28
Other liabilities		328	359
Total current liabilities		7,770	4,191
TOTAL EQUITY AND LIABILITIES		24,610	24,922

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in PLN millions)

	Share capital	Share premium	Other reserves			Retained earnings	Equity attributable to owners of OPL S.A.	Non-controlling interests	Total equity
			Cash flow hedge reserve	Actuarial losses on post-employment benefits	Deferred tax				
Balance at 1 January 2020	3,937	832	(50)	(59)	20	5,884	10,564	2	10,566
Change of accounting policy (see Note 3)	-	-	-	-	-	(9)	(9)	-	(9)
Balance at 1 January 2020 after change of accounting policy	3,937	832	(50)	(59)	20	5,875	10,555	2	10,557
Total comprehensive 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 (see Note 7)	-	-	-	-	-	48	48	-	48
Balance at 30 June 2020	3,937	832	(146)	(63)	39	5,938	10,537	2	10,539
Balance at 1 January 2019	3,937	832	(20)	(51)	13	5,790	10,501	2	10,503
Total comprehensive income for the 6 months ended 30 June 2019	-	-	(28)	-	5	47	24	-	24
Share-based payments	-	-	-	-	-	2	2	-	2
Balance at 30 June 2019	3,937	832	(48)	(51)	18	5,839	10,527	2	10,529

CONSOLIDATED STATEMENT OF CASH FLOWS

(in PLN millions)

	3 months ended 30 June 2020	6 months ended 30 June 2020	3 months ended 30 June 2019	6 months ended 30 June 2019 <i>Restated (see Note 3)</i>
OPERATING ACTIVITIES				
Net income	52	14	52	47
<i>Adjustments to reconcile net income to cash from operating activities</i>				
Gains on disposal of assets	(5)	(15)	(44)	(48)
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	744	1,458	667	1,345
Finance costs, net	49	181	73	153
Income tax	8	2	14	13
Change in provisions and allowances	(85)	(75)	(70)	(97)
Operational foreign exchange and derivatives (gains)/losses, net	4	(8)	(2)	(3)
<i>Change in working capital</i>				
(Increase)/decrease in inventories, gross	10	(68)	(41)	(38)
Decrease in trade receivables, gross	171	236	112	139
(Increase)/decrease in contract assets, gross	15	25	(1)	9
Increase in contract costs	(3)	(3)	(4)	(9)
Increase/(decrease) in trade payables	(18)	(61)	70	(69)
Increase in contract liabilities	-	2	18	27
Increase in prepaid expenses and other receivables	(3)	(47)	(38)	(51)
Increase/(decrease) in other payables	115	108	(19)	(12)
Interest received	8	17	11	21
Interest paid and interest rate effect paid on derivatives, net	(69)	(152)	(109)	(165)
Exchange rate effect received on derivatives, net	1	1	-	-
Income tax paid	(12)	(17)	(1)	(22)
Net cash provided by operating activities	982	1,598	688	1,240
INVESTING ACTIVITIES				
Payments for purchases of property, plant and equipment and intangible assets	(458)	(1,066)	(540)	(1,204)
Investment grants received	28	29	27	27
Investment grants paid to property, plant and equipment and intangible assets suppliers	(58)	(103)	(26)	(52)
Exchange rate effect received on derivatives economically hedging capital expenditures, net	4	2	-	-
Proceeds from sale of property, plant and equipment and intangible assets	15	30	30	133
Cash paid for subsidiaries, net of cash acquired	(5)	(5)	(132)	(132)
Receipts from other financial instruments, net	1	2	-	-
Net cash used in investing activities	(473)	(1,111)	(641)	(1,228)
FINANCING ACTIVITIES				
Repayment of long-term loans from related party	-	-	(17)	(17)
Repayment of lease liabilities	(105)	(204)	(98)	(188)
Increase/(decrease) in revolving credit line and other debt	(338)	(297)	80	(53)
Exchange rate effect received on derivatives hedging debt, net	1	1	58	58
Net cash provided by/(used in) financing activities	(442)	(500)	23	(200)
Net change in cash and cash equivalents	67	(13)	70	(188)
Effects of exchange rate changes on cash and cash equivalents	(1)	2	-	-
Cash and cash equivalents at the beginning of the period	327	404	353	611
Cash and cash equivalents at the end of the period	393	393	423	423

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 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 2020 is presented in Note 1.2 to the Orange Polska Group IFRS Consolidated Financial Statements (“IFRS Consolidated Financial Statements”) for the year ended 31 December 2019.

2. Segment information and performance measures

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

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

EBITDAaL is the key measure of operating profitability used by the Management Board and corresponds to operating income before gains on disposal of assets, depreciation, amortisation and impairment of property, plant and equipment and intangible assets, decreased by interest expense on lease liabilities and adjusted for the impact of deconsolidation of subsidiaries, costs related to acquisition and integration of new businesses, employment termination programs, restructuring costs, significant claims, litigation and other risks as well as other significant non-recurring items. The calculation of EBITDAaL for the 6 months ended 30 June 2020 and 2019 is presented in the table below.

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

of telecommunications licences, payments for costs related to acquisition and integration of new businesses not included in purchase price and payments relating to significant claims, litigation and other risks. The calculation of organic cash flows for the 6 months ended 30 June 2020 and 2019 is presented in the table below.

eCapex (economic capital expenditures) is the key measure of resources allocation used by the Management Board and represents acquisitions of property, plant and equipment and intangible assets excluding telecommunications licences, offset by the proceeds accrued on disposal of these assets ('proceeds accrued on disposal of assets'). eCapex does not include acquisitions of right-of-use assets. The calculation of eCapex for the 6 months ended 30 June 2020 and 2019 is presented in the table below.

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

Basic financial data of the operating segment is presented below:

(in PLN millions)

	6 months ended	
	30 June 2020	30 June 2019
		<i>Restated</i>
Revenue	5,632	5,537
EBITDAaL ⁽¹⁾	1,401	1,297
Net income	14	47
Organic cash flows	360	(16)
eCapex	819	948

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

	At 30 June	At 31 December
	2020	2019
		<i>Restated</i>

Net financial debt (in PLN millions, see Note 8)	5,786	6,087
Net financial debt/EBITDAaL ratio ⁽¹⁾	2.1	2.2

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

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

(in PLN millions)

	6 months ended	
	30 June 2020	30 June 2019
		<i>Restated</i>
		<i>(see Note 3)</i>

Operating income	197	213
Less gains on disposal of assets ⁽¹⁾	(15)	(48)
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	1,244	1,158
Interest expense on lease liabilities	(32)	(33)
Adjustment for the impact of employment termination programs	-	4
Adjustment for the costs related to acquisition and integration of new subsidiaries	7	3
EBITDAaL	1,401	1,297

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

(in PLN millions)

	6 months ended	
	30 June 2020	30 June 2019
		<i>Restated</i>
		<i>(see Note 3)</i>
Net cash provided by operating activities	1,598	1,240
Payments for purchases of property, plant and equipment and intangible assets	(1,066)	(1,204)
Exchange rate effect received on derivatives economically hedging capital expenditures, net	2	-
Proceeds from sale of property, plant and equipment and intangible assets	30	133
Repayment of lease liabilities	(204)	(188)
Adjustment for payment for costs related to acquisition and integration of new subsidiaries	-	3
Organic cash flows	360	(16)

(in PLN millions)

	6 months ended	
	30 June 2020	30 June 2019
Acquisitions of property, plant and equipment and intangible assets	847	1,019
Proceeds accrued on disposal of assets	(28)	(71)
eCapex	819	948

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 2019.

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.

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 29 July 2020.

Going concern assessment

As at 30 June 2020, the Group’s current liabilities exceeded current assets by PLN 4,262 million. The related party loans of PLN 3,547 million (presented in Note 19 to the IFRS Consolidated Financial Statements for the year ended 31 December 2019) are due in May and June 2021. The Management is discussing and negotiating the refinancing of these loans with the parent company, and based on current discussions and past experience, believes that they will be successful. Furthermore, the Management analysed the timing, nature and scale of potential financing needs of the Group and believes that available cash as well as expected operating cash inflows will be sufficient to fund the Group’s anticipated cash requirements for working capital purposes. Consequently, the Condensed Interim Consolidated Financial Statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future, for at least the next twelve months.

New standards and interpretations in 2020

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

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

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

As a result of the Decision and the analysis performed in 2020, the Group changed its accounting policy in respect of the determination of the lease term of cancellable leases. The change was applied retrospectively and impacted the statement of financial position as at 1 January 2019. The Group assessed the reasonably certain lease terms of cancellable lease contracts to be equal to 5 years for all lease contracts, except for 18 years for road occupancy leases where fixed network infrastructure is placed. This change in accounting policy resulted in the recognition of additional right-of-use assets and additional lease liabilities, mainly in respect of leases of premises and ground for fixed and mobile network infrastructure.

Adoption of changes described above affected the consolidated statement of financial position as at 1 January 2019 and 31 December 2019, the consolidated income statement, total comprehensive income and consolidated statement of cash flows for the 3 and 6 months ended 30 June 2019 as follows:

CONSOLIDATED INCOME STATEMENT:

<i>(in PLN millions)</i>	<i>3 months</i>	<i>6 months</i>	<i>3 months</i>	<i>6 months</i>	<i>3 months</i>	<i>6 months</i>
	<i>ended 30 June 2019</i>	<i>ended 30 June 2019</i>	<i>ended 30 June 2019</i>	<i>ended 30 June 2019</i>	<i>ended 30 June 2019</i>	<i>ended 30 June 2019</i>
			<i>Impact</i>			
	<i>Before changes</i>		<i>of changes</i>		<i>After changes</i>	
Revenue	2,759	5,537	-	-	2,759	5,537
External purchases	(1,555)	(3,125)	22	38	(1,533)	(3,087)
Other operating expense	(119)	(226)	4	15	(115)	(211)
Depreciation and impairment of right-of-use assets	(67)	(138)	(25)	(49)	(92)	(187)
Operating income	138	209	1	4	139	213
Interest expense on lease liabilities	(12)	(22)	(5)	(11)	(17)	(33)
Finance costs, net	(68)	(142)	(5)	(11)	(73)	(153)
Income tax	(15)	(14)	1	1	(14)	(13)
Net income	55	53	(3)	(6)	52	47
Total comprehensive income	39	30	(3)	(6)	36	24

CONSOLIDATED STATEMENT OF FINANCIAL POSITION:

(in PLN millions)

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

(in PLN millions)

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

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

	3 months ended 30 June 2019		6 months ended 30 June 2019		3 months ended 30 June 2019		6 months ended 30 June 2019	
	<i>Before changes</i>		<i>Impact of changes</i>		<i>After changes</i>			
OPERATING ACTIVITIES								
Net income	55	53	(3)	(6)	52	47		
<i>Adjustments to reconcile net income to cash from operating activities</i>								
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	642	1,296	25	49	667	1,345		
Finance costs, net	68	142	5	11	73	153		
Income tax	15	14	(1)	(1)	14	13		
Interest paid and interest rate effect paid on derivatives, net	(104)	(156)	(5)	(9)	(109)	(165)		
Net cash provided by operating activities	667	1,196	21	44	688	1,240		
FINANCING ACTIVITIES								
Repayment of lease liabilities	(77)	(144)	(21)	(44)	(98)	(188)		
Net cash provided by/(used in) financing activities	44	(156)	(21)	(44)	23	(200)		
Net change in cash and cash equivalents	70	(188)	-	-	70	(188)		

Amendment to IFRS 16 COVID-19-Related Rent Concessions

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

4. Statement of accounting policies

Except for the changes described in Note 3 and presented below, the accounting policies and methods of computation used in the preparation of the Condensed Interim Consolidated Financial Statements are materially consistent with those described in Notes 2 and 32 to the audited IFRS Consolidated Financial Statements for the year ended 31 December 2019.

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

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

Additionally, foreign exchange gains/losses for the 6 months ended 30 June 2019 amounting to PLN 3 million presented within finance costs, net, were separated from other interest expense and financial charges to new line item.

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

5. Revenue

Revenue is disaggregated as follows:

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

<i>(in PLN millions)</i>	<i>3 months ended 30 June 2020</i>	<i>6 months ended 30 June 2020</i>	<i>3 months ended 30 June 2019</i>	<i>6 months ended 30 June 2019</i>
Mobile only services	630	1,268	646	1,286
Fixed only services	527	1,050	552	1,121
Narrowband	206	414	233	477
Broadband	214	425	213	432
Network solutions (business market)	107	211	106	212
Convergent services (consumer market)	428	847	384	753
Equipment sales	308	614	352	719
IT and integration services	238	471	163	310
Wholesale	613	1,214	568	1,128
Mobile wholesale	366	715	324	634
Fixed wholesale	165	336	169	346
Other	82	163	75	148
Other revenue	84	168	94	220
Total revenue	2,828	5,632	2,759	5,537

Wholesale and other revenue for the 6 months ended 30 June 2020 and 2019 include, respectively, PLN 40 million and PLN 45 million of lease revenue that is outside the scope of IFRS 15 “Revenue from Contracts with Customers”.

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

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

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

Impact of COVID-19 pandemic

In March 2020, COVID-19 was officially declared as a pandemic. The authorities closed the borders, introduced a lockdown on schools, some businesses and facilities and restricted movement of people to leaving home for essential reasons only. The imposed restrictions have been progressively lifted starting from end of April 2020. The pandemic has significantly impacted the Polish economy. Consensus of forecasts indicates that Poland's GDP may fall by 3.8% in 2020 with economic activity being still affected in the second half of the year. At the same time the consensus indicates that GDP in Poland could return to growth in 2021 although the pace of the recovery is highly uncertain at the moment. The government has introduced 5 sets of legislation (Anti-crisis Shields and Financial Shield) targeted mainly on micro, small and medium companies, aimed at counterbalancing the crisis impact.

Since mid-March, the Group has implemented a number of actions to adapt to the crisis situation, ensure business continuity and reduce the risks of the pandemic. The pandemic had an impact on the Group's ability to achieve its business goals in the first half of 2020. The Management has adopted a number of counteractive measures to mitigate the negative impact of the pandemic on Group's business performance. Based on the up to date observations, the Group discloses the following major impacts of COVID-19 pandemic on its operations, financial position and performance in the 6 months ended 30 June 2020:

1. The results achieved in the first half of 2020 indicate that the core of the Group's operations remains relatively immune to the impact of the pandemic. Data and voice connectivity has become more essential than ever to the needs of consumers and businesses. The majority of revenue and profits are derived from subscription-based services, which allows the Group to rely on relatively stable and predictable revenue streams.
2. The Group observes increased voice and data traffic in its mobile and fixed networks. The networks are working without disruption and are handling the higher volumes well, benefitting from fibre infrastructure in core and access layers.
3. The distribution network was significantly affected as around 45% of points of sale were closed from mid-March till beginning of May 2020. During that time, shops which remained open, experienced much lower customer traffic. All points of sale were reopened on 4 May, however traffic both in shopping malls and other shops remains below usual traffic before confinement. To counteract this, the Group has been boosting online and telesales and observes increased customer traffic in these channels. However, this increase has not yet compensated for a loss of traffic in points of sale. This situation on one hand affected sale of new services, sale of equipment and related accessories and on the other hand the Group observed lower customer churn. There were much lower activations of new pre-paid cards as a consequence of pandemic-related reduced small business activity and much lower sales to foreign residents. Sale of new services progressively improved in May and June.

4. Restrictions for people's mobility (borders were closed from mid-March and reopened on 13 June 2020, only for European Union citizens) and likely adverse attitude to travel negatively influenced revenue from international roaming and visitor roaming, accompanied by lower roaming interconnection expenses. On the other hand, revenue from wholesale mobile incoming considerably increased during the lockdown, reflecting much higher traffic, in line with mobile outgoing costs.
5. The Group assessed if there are any impairment indicators of telecom operator Cash Generating Unit and concluded that there are none as at 30 June 2020. Therefore, no impairment test was performed at this date.
6. The Group performed an analysis of available information about past events, current conditions and forecasts of future economic conditions to evaluate the impact of COVID-19 on the bad debt allowance. Based on a scenario analysis, with middle scenario assuming a GDP decrease of 3.8% in 2020, and the bad debt experience in 2011-2012 when a significant reduction in GDP growth last occurred, the Group recognised additional PLN 15 million of impairment of trade receivables as at 30 June 2020. The Group will update the analysis as the effects of COVID-19 and related government responses become clearer.
7. Significant weakening of PLN against EUR and USD in the first half of 2020 resulted in the recognition of foreign exchange losses (mainly on unhedged long-term lease liabilities), which are presented in finance costs, net. Weakening of PLN had a limited negative influence on operating costs and level of capital expenditures, as the Group uses financial instruments to hedge majority of these exposures. Currency loans from related party and bank borrowings are also hedged and the Group's debt is effectively denominated in PLN.
8. As at 30 June 2020, the Group performed an analysis to evaluate the impact of COVID-19 on the realization of contractual commitments. The results of the analysis have been adequately recognised in the Group's financial statements.

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

Amendments to the Collective Labour Agreement

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

Other events of the interim period

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

The amount of trade payables subject to reverse factoring increased from PLN 147 million as at 31 December 2019 to PLN 228 million as at 30 June 2020. These payables are presented together with the remaining balance of trade payables, as analysis conducted by the Group indicates they have retained their trade nature.

8. Net financial debt

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

<i>(in PLN millions)</i>	<i>At 30 June 2020</i>	<i>At 31 December 2019</i>
Loans from related party	6,240	6,442
Other financial liabilities at amortised cost	13	69
Derivatives – net (liabilities less assets)	72	30
Gross financial debt after derivatives	6,325	6,541
Cash and cash equivalents	(393)	(404)
Cash flow hedge reserve	(146)	(50)
Net financial debt	5,786	6,087

In the 6 months ended 30 June 2020, the net cash flows from issuance and repayments of the Revolving Credit Facility from Atlas Services Belgium S.A., a subsidiary of Orange S.A., amounted to PLN (240) million.

As at 30 June 2020, the total outstanding balance of loans from the related party amounted to PLN 6,240 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related party amounted to 1.40% before swaps and 3.14% after swaps as at 30 June 2020.

As at 30 June 2020, the total nominal amount of cross currency interest rate swaps and interest rate swaps, outstanding under the agreement with Orange S.A. concerning derivative transactions, was EUR 190 million and PLN 5,450 million, respectively, with a total negative fair value amounting to PLN 99 million.

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

9. Fair value of financial instruments

The Group's financial assets and liabilities that are measured subsequent to their initial recognition at fair value comprise derivative instruments and selected trade receivables arising from sales of mobile handsets in instalments. As at 30 June 2020 and 31 December 2019, the total negative fair value of derivatives amounted to PLN 72 million and PLN 30 million, respectively, and fair value of selected trade receivables arising from sales of mobile handsets in instalments amounted to PLN 102 million and PLN 218 million, respectively. The fair value of these instruments is determined as described in Notes 13.1 and 22 to the IFRS Consolidated Financial Statements for the year ended 31 December 2019. Significant inputs to the valuation techniques used by the Group to measure the fair value of derivatives and selected trade receivables are classified to Level 2 of the fair value hierarchy described in Note 23.1.

The carrying amount of the Group's financial instruments excluding lease liabilities approximates their fair value, except for telecommunications licence payables and a loan from related party based on fixed interest rate for which as at 30 June 2020 the estimated fair value exceeded the carrying amount respectively by PLN 60 million and PLN 52 million (PLN 65 million and PLN 34 million as at 31 December 2019) due to significant change between the original effective interest rates at the date of the initial recognition and current market rates.

10. Dividend

In accordance with the recommendation of the Management Board of the Company there was no dividend paid in 2020.

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

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

a. Proceedings by UOKiK and claims connected with them

Proceedings by UOKiK related to pre-paid offers

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

Proceedings related to retail prices of calls to Play

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

In the appeal proceedings regarding P4's claim for PLN 316 million, the Appeal Court scheduled a hearing for 28 August 2020.

b. Other contingent liabilities and provisions

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

Furthermore, the Group uses fixed assets of other parties in order to provide telecommunications services. 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 could result in a cash outflow in the future. The amount of the potential obligations or future commitments cannot be measured with sufficient reliability due to legal complexities involved.

The Group monitors the risks on a regular basis and the Management Board believes that adequate provisions have been recorded for known and quantifiable risks.

12. Related party transactions

As at 30 June 2020, Orange S.A. owned 50.67% of shares of the Company. Orange S.A. has majority of the total number of votes at the General Meeting of OPL S.A. which appoints OPL S.A.'s Supervisory Board Members. The Supervisory Board decides about the composition of the Management Board. According to the Company's Articles of Association, at least 4 Members of the Supervisory Board must be independent. The majority of Members of the Audit Committee of the Supervisory Board are independent.

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

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

(in PLN millions)

	3 months ended 30 June 2020	6 months ended 30 June 2020	3 months ended 30 June 2019	6 months ended 30 June 2019
Sales of goods and services and other income:	51	103	55	104
Orange S.A. (parent)	33	67	37	69
Orange Group (excluding parent)	18	36	18	35
Purchases of goods (including inventories, tangible and intangible assets) and services:	(57)	(112)	(59)	(109)
Orange S.A. (parent)	(15)	(27)	(16)	(25)
Orange Group (excluding parent)	(42)	(85)	(43)	(84)
- including Orange Brand Services Limited (brand licence agreement)	(31)	(58)	(28)	(55)
Finance costs, net:	(48)	(98)	(55)	(112)
Orange S.A. (parent)	(33)	12	(22)	(43)
Orange Group (excluding parent)	(15)	(110)	(33)	(69)
Other comprehensive loss:	(21)	(121)	(15)	(25)
Orange S.A. (parent)	(21)	(121)	(15)	(25)

(in PLN millions)

	At 30 June 2020	At 31 December 2019
Receivables:	86	97
Orange S.A. (parent)	63	64
Orange Group (excluding parent)	23	33
Liabilities:	87	100
Orange S.A. (parent)	31	49
Orange Group (excluding parent)	56	51
Financial receivables:	79	38
Orange S.A. (parent)	79	38
Cash and cash equivalents deposited with:	121	29
Orange S.A. (parent)	121	29
Financial liabilities:	6,418	6,497
Orange S.A. (parent)	178	55
Orange Group (excluding parent)	6,240	6,442

Compensation (remuneration, bonuses, post-employment and other long-term benefits, termination indemnities and share-based payment plans - cash and non-monetary benefits) of OPL S.A.'s Management Board and Supervisory Board Members for the 6 months ended 30 June 2020 and 2019 amounted to PLN 9.5 million and PLN 11.1 million, respectively.

13. Subsequent events

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

Pursuant to Art. 69 of the Decree of the Minister of Finance of 29 March 2018 on current and periodic information to be disclosed by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state – Journal of Laws of 2018, item 757 (“the Decree of the Minister of Finance of 29 March 2018”), the Management Board of Orange Polska S.A. (“OPL S.A.”, “the Company”) discloses the following information:

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

The ownership structure of the Company’s share capital, based on the information available to the Company as at 29 July 2020, i.e. the date of submission of the interim report for the 6 months ended 30 June 2020 was the same as at 28 April 2020, i.e. the date of submission of the quarterly report for the first quarter of 2020:

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

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

Mr Jean-François Fallacher, the President of the Management Board of OPL S.A., held 40,000 Orange Polska S.A. shares as at 29 July 2020 and 28 April 2020.

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

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

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

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

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

In the 6 months ended 30 June 2020, neither the Company nor its subsidiaries granted guarantees or collateral of loans or borrowings to any entity or its subsidiary, a total value of which would be significant.

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

As announced in the current report 3/2020 of February 12, 2020, the Group forecasts that EBITDAaL in 2020 will be higher than in 2019 (PLN 2.718 billion after restatement). Considering the results of the first half of 2020 and additional measures implemented to mitigate the impact of the crisis, the Management Board of Orange Polska S.A. is reiterating its forecast for growth of EBITDAaL in 2020. However, the Management Board will closely monitor the situation and assess the impact of the COVID-19 pandemic on the Group's performance on a current basis.

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

Factors that, in the Management Board's opinion, have influence on the Group's operations or may have such influence in the near future are presented in Section 4 of the Chapter II of Management Board's Report on the Activity of the Orange Polska Group in the first half of 2020. 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 2020 and 31 December 2019 presented in the table "Selected financial data" was translated into EUR at the average exchange rates of the National Bank of Poland ("NBP") at the end of the reporting period. The income statement data, together with the statement of comprehensive income and statement of cash flows data for the 6 months ended 30 June 2020 and 2019, were translated into EUR at an exchange rates which is the arithmetical average of the average NBP rates published by the NBP on the last day of each month of the 6-month periods ended 30 June 2020 and 2019.

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

	30 June 2020	31 December 2019	30 June 2019
Statement of financial position	4.4660 PLN	4.2585 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	4.4413 PLN	Not applicable	4.2880 PLN



The Polish original should be referred to in matters of interpretation.

Translation of auditor's report originally issued in Polish.

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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the condensed IFRS interim separate financial statements of Orange Polska S.A (the 'Company') located in Warsaw at Aleje Jerozolimskie 160, containing: the statement of financial position as at 30 June 2020, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the period from 1 January 2020 to 30 June 2020 and notes to the condensed IFRS interim separate financial statements (the 'interim condensed financial statements').

The Company's Management is responsible for the preparation and presentation of the interim condensed financial statements in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Our responsibility is to express a conclusion on the interim condensed financial statements based on our review.

Scope of review

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

A review is substantially less in scope than an audit conducted in accordance with National Auditing Standards in the wording of the International Auditing Standards adopted by the National Council of Statutory Auditors 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 interim condensed financial statements are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Warsaw, 29 July 2020

Key certified auditor

Partner

Paweł Niškiewicz
certified auditor
no in the register: 13542

Mikołaj Rytel

on behalf of
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ORANGE POLSKA S.A.

**CONDENSED IFRS INTERIM SEPARATE FINANCIAL
STATEMENTS FOR THE 6 MONTHS ENDED 30 JUNE 2020**



July 29, 2020

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

	<i>Note</i>	3 months ended 30 June 2020	6 months ended 30 June 2020	3 months ended 30 June 2019	6 months ended 30 June 2019 <i>Restated</i> <i>(see Notes 2 and 3)</i>
Revenue	4	2,592	5,167	2,601	5,244
External purchases		(1,407)	(2,768)	(1,408)	(2,853)
Labour expense		(263)	(643)	(359)	(740)
Other operating expense		(106)	(205)	(113)	(210)
Other operating income		65	142	56	110
Impairment of receivables and contract assets		(49)	(83)	(26)	(57)
Gains on disposal of assets		5	15	33	38
Depreciation and impairment of right-of-use assets		(103)	(206)	(88)	(182)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(635)	(1,241)	(575)	(1,158)
Operating income		99	178	121	192
Dividend income		6	6	20	21
Interest income		9	19	11	21
Interest expense on lease liabilities		(16)	(32)	(17)	(33)
Other interest expense and financial charges		(54)	(113)	(59)	(119)
Discounting expense		-	(23)	(11)	(25)
Foreign exchange gains/(losses)		12	(30)	3	3
Finance costs, net		(43)	(173)	(53)	(132)
Income tax		(7)	-	(8)	(6)
Net income		49	5	60	54
Earnings per share (in PLN)		0.04	-	0.05	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 2020	6 months ended 30 June 2020	3 months ended 30 June 2019	6 months ended 30 June 2019 <i>Restated</i> <i>(see Note 2)</i>
Net income	49	5	60	54
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				
Losses on cash flow hedges	(27)	(86)	(19)	(28)
Income tax relating to items that may be reclassified	7	18	3	5
Other comprehensive loss, net of tax	(23)	(71)	(16)	(23)
Total comprehensive income/(loss)	26	(66)	44	31

STATEMENT OF FINANCIAL POSITION

(in PLN millions)

		At 30 June 2020	At 31 December 2019 <i>Restated</i> <i>(see Note 2)</i>
	<i>Note</i>		
ASSETS			
Goodwill		2,014	2,014
Other intangible assets		4,254	4,473
Property, plant and equipment		10,437	10,506
Right-of-use assets		2,745	2,649
Investments in subsidiaries		334	334
Trade receivables	8	344	423
Contract assets		62	65
Contract costs		84	95
Loans to related parties		115	70
Derivatives	7,8	-	44
Other assets		59	59
Deferred tax asset		769	760
Total non-current assets		21,217	21,492
Inventories		217	178
Trade receivables	8	1,786	1,981
Contract assets		96	117
Contract costs		337	327
Loans to related parties		2	16
Derivatives	7,8	106	1
Other assets		138	111
Prepaid expenses		63	29
Cash and cash equivalents		349	343
Total current assets		3,094	3,103
TOTAL ASSETS		24,311	24,595
EQUITY AND LIABILITIES			
Share capital		3,937	3,937
Share premium		832	832
Other reserves		(169)	(88)
Retained earnings		5,863	5,809
Total equity		10,463	10,490
Trade payables	8	360	348
Lease liabilities		2,159	2,104
Loans from related parties	7,8	2,486	6,432
Other financial liabilities at amortised cost		-	3
Derivatives	7,8	113	55
Provisions		672	631
Contract liabilities		327	323
Employee benefits	6	67	155
Other liabilities		38	39
Total non-current liabilities		6,222	10,090
Trade payables	6,8	1,933	2,221
Lease liabilities		483	434
Loans from related parties	7	3,838	66
Other financial liabilities at amortised cost		7	57
Derivatives	7,8	65	20
Provisions	10	226	237
Contract liabilities		446	444
Employee benefits		291	175
Income tax liabilities		22	23
Other liabilities		315	338
Total current liabilities		7,626	4,015
TOTAL EQUITY AND LIABILITIES		24,311	24,595

STATEMENT OF CHANGES IN EQUITY

(in PLN millions)

	Share capital	Share premium	Other reserves			Retained earnings	Total equity
			Cash flow hedge reserve	Actuarial losses on post-employment benefits	Deferred tax		
Balance at 1 January 2020	3,937	832	(50)	(59)	21	5,818	10,499
Change of accounting policy (see Note 2)	-	-	-	-	-	(9)	(9)
Balance at 1 January 2020 after change of accounting policy	3,937	832	(50)	(59)	21	5,809	10,490
Total comprehensive 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 (see Note 6)	-	-	-	-	-	48	48
Balance at 30 June 2020	3,937	832	(146)	(63)	40	5,863	10,463
Balance at 1 January 2019	3,937	832	(20)	(51)	14	5,727	10,439
Total comprehensive income for the 6 months ended 30 June 2019	-	-	(28)	-	5	54	31
Share-based payments	-	-	-	-	-	2	2
Balance at 30 June 2019	3,937	832	(48)	(51)	19	5,783	10,472

STATEMENT OF CASH FLOWS

(in PLN millions)

	<i>3 months ended 30 June 2020</i>	<i>6 months ended 30 June 2020</i>	<i>3 months ended 30 June 2019</i>	<i>6 months ended 30 June 2019 Restated (see Note 2)</i>
OPERATING ACTIVITIES				
Net income	49	5	60	54
<i>Adjustments to reconcile net income to cash from operating activities</i>				
Gains on disposal of assets	(5)	(15)	(33)	(38)
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	738	1,447	663	1,340
Finance costs, net	43	173	53	132
Income tax	7	-	8	6
Change in provisions and allowances	(87)	(78)	(71)	(95)
Operational foreign exchange and derivatives (gains)/losses, net	3	(9)	(2)	(3)
<i>Change in working capital</i>				
(Increase)/decrease in inventories, gross	9	(36)	(36)	(35)
Decrease in trade receivables, gross	154	235	150	127
(Increase)/decrease in contract assets, gross	15	25	(1)	9
(Increase)/decrease in contract costs	(1)	1	-	3
Increase/(decrease) in trade payables	(22)	(71)	53	(16)
Increase in contract liabilities	5	6	5	9
(Increase)/decrease in prepaid expenses and other receivables	(5)	(48)	10	(7)
Increase/(decrease) in other payables	109	107	(4)	(11)
Dividends received	-	-	8	8
Interest received	9	19	11	21
Interest paid and interest rate effect paid on derivatives, net	(69)	(152)	(109)	(165)
Exchange rate effect received on derivatives, net	1	1	-	-
Income tax paid	(2)	(2)	(1)	(21)
Net cash provided by operating activities	951	1,608	764	1,318
INVESTING ACTIVITIES				
Payments for purchases of property, plant and equipment and intangible assets	(463)	(1,067)	(546)	(1,208)
Investment grants received	28	29	27	27
Investment grants paid to property, plant and equipment and intangible assets suppliers	(58)	(103)	(26)	(52)
Exchange rate effect received on derivatives economically hedging capital expenditures, net	4	2	-	-
Proceeds from sale of property, plant and equipment and intangible assets	15	30	15	118
Proceeds from sale of investments in subsidiaries	-	-	-	2
Cash paid for investments in subsidiaries	(5)	(5)	(133)	(133)
Receipts from/(payments on) loans made to related parties and other financial instruments, net	10	(29)	(12)	18
Net cash used in investing activities	(469)	(1,143)	(675)	(1,228)
FINANCING ACTIVITIES				
Repayment of long-term loans from related party	-	-	(17)	(17)
Repayment of lease liabilities	(100)	(196)	(95)	(183)
Increase/(decrease) in revolving credit line and other debt	(324)	(266)	52	(109)
Exchange rate effect received on derivatives hedging debt, net	1	1	58	58
Net cash used in financing activities	(423)	(461)	(2)	(251)
Net change in cash and cash equivalents	59	4	87	(161)
Effects of exchange rate changes on cash and cash equivalents	(1)	2	-	-
Cash and cash equivalents at the beginning of the period	291	343	290	538
Cash and cash equivalents at the end of the period	349	349	377	377

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 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 2020 (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 2019.

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.

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 2020. 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 29 July 2020.

Going concern assessment

As at 30 June 2020, the Company’s current liabilities exceeded current assets by PLN 4,532 million. The related party loans of PLN 3,547 million (presented in Note 17 to the IFRS Separate Financial Statements for the year ended 31 December 2019) are due in May and June 2021. The Management is discussing and negotiating the refinancing of these loans with the parent company, and based on current discussions and past experience, believes that they will be successful. Furthermore, the Management analysed the timing, nature and scale of potential financing needs of the Company and believes that available cash as well as expected operating cash inflows will be sufficient to fund

the Company's anticipated cash requirements for working capital purposes. Consequently, the Condensed Interim Separate Financial Statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future, for at least the next twelve months.

New standards and interpretations in 2020

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

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

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

As a result of the Decision and the analysis performed in 2020, the Company changed its accounting policy in respect of the determination of the lease term of cancellable leases. The change was applied retrospectively and impacted the statement of financial position as at 1 January 2019. The Company assessed the reasonably certain lease terms of cancellable lease contracts to be equal to 5 years for all lease contracts, except for 18 years for road occupancy leases where fixed network infrastructure is placed. This change in accounting policy resulted in the recognition of additional right-of-use assets and additional lease liabilities, mainly in respect of leases of premises and ground for fixed and mobile network infrastructure.

Adoption of changes described above affected the statement of financial position as at 1 January 2019 and 31 December 2019, the income statement, total comprehensive income and statement of cash flows for the 3 and 6 months ended 30 June 2019 as follows:

INCOME STATEMENT:

<i>(in PLN millions)</i>	<i>3 months</i>	<i>6 months</i>	<i>3 months</i>	<i>6 months</i>	<i>3 months</i>	<i>6 months</i>
	<i>ended 30 June 2019</i>	<i>ended 30 June 2019</i>	<i>ended 30 June 2019</i>	<i>ended 30 June 2019</i>	<i>ended 30 June 2019</i>	<i>ended 30 June 2019</i>
	<i>Before changes</i>		<i>Impact of changes</i>		<i>After changes</i>	
Revenue	2,601	5,244	-	-	2,601	5,244
External purchases	(1,429)	(2,890)	21	37	(1,408)	(2,853)
Other operating expense	(117)	(225)	4	15	(113)	(210)
Depreciation and impairment of right-of-use assets	(64)	(134)	(24)	(48)	(88)	(182)
Operating income	120	188	1	4	121	192
Interest expense on lease liabilities	(12)	(22)	(5)	(11)	(17)	(33)
Finance costs, net	(48)	(121)	(5)	(11)	(53)	(132)
Income tax	(9)	(7)	1	1	(8)	(6)
Net income	63	60	(3)	(6)	60	54
Total comprehensive income	47	37	(3)	(6)	44	31

STATEMENT OF FINANCIAL POSITION:

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

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

STATEMENT OF CASH FLOWS:

<i>(in PLN millions)</i>	<i>3 months ended 30 June 2019</i>		<i>6 months ended 30 June 2019</i>		<i>3 months ended 30 June 2019</i>		<i>6 months ended 30 June 2019</i>	
	<i>Before changes</i>		<i>Impact of changes</i>		<i>After changes</i>			
OPERATING ACTIVITIES								
Net income	63	60	(3)	(6)	60	54		
<i>Adjustments to reconcile net income to cash from operating activities</i>								
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	639	1,292	24	48	663	1,340		
Finance costs, net	48	121	5	11	53	132		
Income tax	9	7	(1)	(1)	8	6		
Interest paid and interest rate effect paid on derivatives, net	(104)	(156)	(5)	(9)	(109)	(165)		
Net cash provided by operating activities	744	1,275	20	43	764	1,318		
FINANCING ACTIVITIES								
Repayment of lease liabilities	(75)	(140)	(20)	(43)	(95)	(183)		
Net cash provided by/(used in) financing activities	18	(208)	(20)	(43)	(2)	(251)		
Net change in cash and cash equivalents	87	(161)	-	-	87	(161)		

Amendment to IFRS 16 COVID-19-Related Rent Concessions

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

3. Statement of accounting policies

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

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

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

Additionally, foreign exchange gains/losses for the 6 months ended 30 June 2019 amounting to PLN 3 million presented within finance costs, net, were separated from other interest expense and financial charges to new line item.

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

4. Revenue

Revenue is disaggregated as follows:

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

(in PLN millions)

	<i>3 months ended 30 June 2020</i>	<i>6 months ended 30 June 2020</i>	<i>3 months ended 30 June 2019</i>	<i>6 months ended 30 June 2019</i>
Mobile only services	629	1,266	645	1,284
Fixed only services	527	1,050	552	1,121
Narrowband	206	414	233	477
Broadband	214	425	213	432
Network solutions (business market)	107	211	106	212
Convergent services (consumer market)	428	847	384	753
Equipment sales	308	614	352	719
IT and integration services	53	102	38	83
Wholesale	613	1,214	568	1,128
Mobile wholesale	366	715	324	634
Fixed wholesale	165	336	169	346
Other	82	163	75	148
Other revenue	34	74	62	156
Total revenue	2,592	5,167	2,601	5,244

Wholesale and other revenue for the 6 months ended 30 June 2020 and 2019 include, respectively, PLN 47 million and PLN 44 million of lease revenue that is outside the scope of IFRS 15 “Revenue from Contracts with Customers”.

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

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

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

Impact of COVID-19 pandemic

In March 2020, COVID-19 was officially declared as a pandemic. The authorities closed the borders, introduced a lockdown on schools, some businesses and facilities and restricted movement of people to leaving home for essential reasons only. The imposed restrictions have been progressively lifted starting from end of April 2020. The pandemic has significantly impacted the Polish economy. Consensus of forecasts indicates that Poland's GDP may fall by 3.8% in 2020 with economic activity being still affected in the second half of the year. At the same time the consensus indicates that GDP in Poland could return to growth in 2021 although the pace of the recovery is highly uncertain at the moment. The government has introduced 5 sets of legislation (Anti-crisis Shields and Financial Shield) targeted mainly on micro, small and medium companies, aimed at counterbalancing the crisis impact.

Since mid-March, the Company has implemented a number of actions to adapt to the crisis situation, ensure business continuity and reduce the risks of the pandemic. The pandemic had an impact on the Company's ability to achieve its business goals in the first half of 2020. The Management has adopted a number of counteractive measures to mitigate the negative impact of the pandemic on Company's business performance. Based on the up to date observations, the Company discloses the following major impacts of COVID-19 pandemic on its operations, financial position and performance in the 6 months ended 30 June 2020:

1. The results achieved in the first half of 2020 indicate that the core of the Company's operations remains relatively immune to the impact of the pandemic. Data and voice connectivity has become more essential than ever to the needs of consumers and businesses. The majority of revenue and profits are derived from subscription-based services, which allows the Company to rely on relatively stable and predictable revenue streams.
2. The Company observes increased voice and data traffic in its mobile and fixed networks. The networks are working without disruption and are handling the higher volumes well, benefitting from fibre infrastructure in core and access layers.
3. The distribution network was significantly affected as around 45% of points of sale were closed from mid-March till beginning of May 2020. During that time, shops which remained open, experienced much lower customer traffic. All points of sale were reopened on 4 May, however traffic both in shopping malls and other shops remains below usual traffic before confinement. To counteract this, the Company has been boosting online and telesales and observes increased customer traffic in these channels. However, this increase has not yet compensated for a loss of traffic in points of sale. This situation on one hand affected sale of new services, sale of equipment and related accessories and on the other hand the Company observed lower customer churn. There were much lower activations of new pre-paid cards as a consequence of pandemic-related reduced small business activity and much lower sales to foreign residents. Sale of new services progressively improved in May and June.

4. Restrictions for people's mobility (borders were closed from mid-March and reopened on 13 June 2020, only for European Union citizens) and likely adverse attitude to travel negatively influenced revenue from international roaming and visitor roaming, accompanied by lower roaming interconnection expenses. On the other hand revenue from wholesale mobile incoming considerably increased during the lockdown, reflecting much higher traffic, in line with mobile outgoing costs.
5. The Company assessed if there are any impairment indicators of telecom operator Cash Generating Unit and concluded that there are none as at 30 June 2020. Therefore, no impairment test was performed at this date.
6. The Company performed an analysis of available information about past events, current conditions and forecasts of future economic conditions to evaluate the impact of COVID-19 on the bad debt allowance. Based on a scenario analysis, with middle scenario assuming a GDP decrease of 3.8% in 2020, and the bad debt experience in 2011-2012 when a significant reduction in GDP growth last occurred, the Company recognised additional PLN 15 million of impairment of trade receivables as at 30 June 2020. The Company will update the analysis as the effects of COVID-19 and related government responses become clearer.
7. Significant weakening of PLN against EUR and USD in the first half of 2020 resulted in the recognition of foreign exchange losses (mainly on unhedged long-term lease liabilities), which are presented in finance costs, net. Weakening of PLN had a limited negative influence on operating costs and level of capital expenditures, as the Company uses financial instruments to hedge majority of these exposures. Currency loans from related party and bank borrowings are also hedged and the Company's debt is effectively denominated in PLN.
8. As at 30 June 2020, the Company performed an analysis to evaluate the impact of COVID-19 on the realization of contractual commitments. The results of the analysis have been adequately recognised in the Company's financial statements.

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

Amendments to the Collective Labour Agreement

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

Other events of the interim period

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

The amount of trade payables subject to reverse factoring increased from PLN 137 million as at 31 December 2019 to PLN 218 million as at 30 June 2020. These payables are presented together with the remaining balance of trade payables, as analysis conducted by the Company indicates they have retained their trade nature.

7. Changes in loans from related parties

In the 6 months ended 30 June 2020, the net cash flows from issuance and repayments of the Revolving Credit Facility from Atlas Services Belgium S.A., a subsidiary of Orange S.A., amounted to PLN (240) million.

As at 30 June 2020, the total outstanding balance of loans from the related parties amounted to PLN 6,324 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related parties amounted to 1.38% before swaps and 3.10% after swaps as at 30 June 2020.

As at 30 June 2020, the total nominal amount of cross currency interest rate swaps and interest rate swaps, outstanding under the agreement with Orange S.A. concerning derivative transactions, was EUR 190 million and PLN 5,450 million, respectively, with a total negative fair value amounting to PLN 99 million.

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

8. Fair value of financial instruments

The Company's financial assets and liabilities that are measured subsequent to their initial recognition at fair value comprise derivative instruments and selected trade receivables arising from sales of mobile handsets in instalments. As at 30 June 2020 and 31 December 2019, the total negative fair value of derivatives amounted to PLN 72 million and PLN 30 million, respectively, and fair value of selected trade receivables arising from sales of mobile handsets in instalments amounted to PLN 102 million and PLN 218 million, respectively. The fair value of these instruments is determined as described in Notes 12.1 and 21 to the IFRS Separate Financial Statements for the year ended 31 December 2019. Significant inputs to the valuation techniques used by the Company to measure the fair value of derivatives and selected trade receivables are classified to Level 2 of the fair value hierarchy described in Note 22.1.

The carrying amount of the Company's financial instruments excluding lease liabilities approximates their fair value, except for telecommunications licence payables and a loan from related party based on fixed interest rate for which as at 30 June 2020 the estimated fair value exceeded the carrying amount respectively by PLN 60 million and PLN 52 million (PLN 65 million and PLN 34 million as at 31 December 2019) due to significant change between the original effective interest rates at the date of the initial recognition and current market rates.

9. Dividend

In accordance with the recommendation of the Management Board of the Company there was no dividend paid in 2020.

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

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

a. Proceedings by UOKiK and claims connected with them

Proceedings by UOKiK related to pre-paid offers

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

Proceedings related to retail prices of calls to Play

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

In the appeal proceedings regarding P4's claim for PLN 316 million, the Appeal Court scheduled a hearing for 28 August 2020.

b. Other contingent liabilities and provisions

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

Furthermore, the Company uses fixed assets of other parties in order to provide telecommunications services. 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 could result in a cash outflow in the future. The amount of the potential obligations or future commitments cannot be measured with sufficient reliability due to legal complexities involved.

The Company monitors the risks on a regular basis and the Management Board believes that adequate provisions have been recorded for known and quantifiable risks.

11. Related party transactions

As at 30 June 2020, Orange S.A. owned 50.67% of shares of the Company. Orange S.A. has majority of the total number of votes at the General Meeting of OPL S.A. which appoints OPL S.A.'s Supervisory Board Members. The Supervisory Board decides about the composition of the Management Board. According to the Company's Articles of Association, at least 4 Members of the Supervisory Board must be independent. The majority of Members of the Audit Committee of the Supervisory Board are independent.

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

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

OPL S.A.'s financial income earned from its subsidiaries comprises dividends and interest on the loans granted to the subsidiaries. Financial costs incurred by OPL S.A. in transactions with the subsidiaries comprised mainly interest on bonds issued to the subsidiaries. Financial receivables from the subsidiaries relate to the loans granted to the subsidiaries and dividend receivables. Financial liabilities to the subsidiaries comprise mainly cash pool deposits from subsidiaries.

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

(in PLN millions)

	<i>3 months</i>	<i>6 months</i>	<i>3 months</i>	<i>6 months</i>
	<i>ended 30 June 2020</i>		<i>ended 30 June 2019</i>	
Sales of goods and services and other income:	77	157	72	148
Orange Polska Group (subsidiaries)	27	55	17	45
Orange Group	50	102	55	103
- Orange S.A. (parent)	33	67	37	69
- Orange Group (excluding parent)	17	35	18	34
Purchases of goods (including inventories, tangible and intangible assets) and services:	(126)	(245)	(178)	(315)
Orange Polska Group (subsidiaries)	(69)	(133)	(119)	(206)
Orange Group	(57)	(112)	(59)	(109)
- Orange S.A. (parent)	(15)	(27)	(16)	(25)
- Orange Group (excluding parent)	(42)	(85)	(43)	(84)
- including Orange Brand Services Limited (brand licence agreement)	(31)	(58)	(28)	(55)
Financial income:	7	8	21	22
Orange Polska Group (subsidiaries)	7	8	21	22
Financial expense, net:	(48)	(98)	(56)	(113)
Orange Polska Group (subsidiaries)	-	-	(1)	(1)
Orange Group	(48)	(98)	(55)	(112)
- Orange S.A. (parent)	(33)	12	(22)	(43)
- Orange Group (excluding parent)	(15)	(110)	(33)	(69)
Other comprehensive loss:	(21)	(121)	(15)	(25)
Orange S.A. (parent)	(21)	(121)	(15)	(25)

(in PLN millions)

	<i>At 30 June 2020</i>	<i>At 31 December 2019</i>
Receivables and contract costs:	121	136
Orange Polska Group (subsidiaries)	35	39
Orange Group	86	97
- Orange S.A. (parent)	63	64
- Orange Group (excluding parent)	23	33
Liabilities:	174	219
Orange Polska Group (subsidiaries)	87	119
Orange Group	87	100
- Orange S.A. (parent)	31	49
- Orange Group (excluding parent)	56	51
Financial receivables:	202	124
Orange Polska Group (subsidiaries)	123	86
Orange S.A. (parent)	79	38
Cash and cash equivalents deposited with:	121	29
Orange S.A. (parent)	121	29
Financial liabilities:	6,502	6,553
Orange Polska Group (subsidiaries)	84	56
Orange Group	6,418	6,497
- Orange S.A. (parent)	178	55
- Orange Group (excluding parent)	6,240	6,442
Guarantees granted:	119	104
Orange Polska Group (subsidiaries)	119	104

Compensation (remuneration, bonuses, post-employment and other long-term benefits, termination indemnities and share-based payment plans - cash and non-monetary benefits) of OPL S.A.'s Management Board and Supervisory Board Members for the 6 months ended 30 June 2020 and 2019 amounted to PLN 9.5 million and PLN 11.1 million, respectively.

12. Subsequent events

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

ORANGE POLSKA GROUP



MANAGEMENT BOARD'S REPORT ON THE ACTIVITY

IN THE FIRST SIX MONTHS ENDED 30 JUNE 2020

This report on the activity of the Orange Polska Group ("the Group" or "Orange Polska") in the first half of 2020 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 2019 report.

Disclosures on performance measures, including information on data restatements for the year 2019 in connection with changes in accounting policies, 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 2020.

From 2020 our definitions of Capex and EBITDAaL alternative performance measures have been revised. Capex for the first half of 2020 is presented net of the accrued proceeds from asset disposals and is named economic capex (eCapex). Consequently, EBITDAaL excludes gains on asset disposals. This change better reflects transformation of Orange Polska's fixed asset base, which has been rapidly evolving over the past few years and will do so in the future. Orange Polska invests in assets essential for its future value creation (fibre and mobile network) and disposes assets no longer necessary for its core operations. Economic benefits of this transformation have been shifted from EBITDAaL to Capex. Data for the first half of 2019 have been revised for comparative purposes.

July 29, 2020

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CHAPTER I
HIGHLIGHTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

as of June 30, 2020 and for the six-month period ended thereon

1 SUMMARISED FINANCIAL STATEMENTS

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

	For 6 months ended 30 June				
	2020 (IFRS 16) in PLN mln	2020 (IFRS 16) in EUR ¹ mln	2019 (IFRS 16) in PLN mln comparable data*	2019 (IFRS 16) in EUR ² mln	Change (%)
Consolidated Income Statement					
Revenue	5,632	1,268	5,537	1,291	1.7%
EBITDAaL*	1,401	315	1,297	302	8.0%
EBITDAaL margin*	24.9%		23.4%		1.5 pp
Operating income	197	44	213	50	-7.5%
Operating margin	3.5%		3.8%		-0.3 pp
Net income	14	3	47	11	-70.2%
Net income attributable to owners of Orange Polska S.A.	14	3	47	11	-70.2%
Weighted average number of shares (in millions)**	1,312		1,312		
Earnings per share (in PLN/EUR)	0.01	-	0.04	0.01	-75.0%
Consolidated Statement of Cash Flows					
Net cash provided by operating activities	1,598	360	1,240	289	28.9%
Net cash used in investing activities	(1,111)	(250)	(1,228)	(286)	-9.5%
Net cash used in financing activities	(500)	(113)	(200)	(47)	150.0%
Net change in cash and cash equivalents	(13)	(3)	(188)	(44)	-93.1%
eCapex*	819	184	948	221	-13.6%
Organic cash flow	360	81	(16)	(4)	2,350.0%
As of					
	30.06.2020 (IFRS 16) in PLN mln	30.06.2020 (IFRS 16) in EUR ³ mln	31.12.2019 (IFRS 16) in PLN mln comparable data*	31.12.2019 (IFRS 16) in EUR ⁴ mln	Change (%)
Consolidated Statement of Financial Position					
Cash and cash equivalents	393	88	404	95	-2.7%
Other intangible assets	4,318	967	4,545	1,067	-5.0%
Property, plant and equipment	10,335	2,314	10,402	2,443	-0.6%
Total assets	24,610	5,511	24,922	5,852	-1.3%
Financial liabilities at amortised cost***, of which:	8,924	1,998	9,083	2,133	-1.8%
Current	4,259	954	519	122	720.6%
Non-current	4,665	1,045	8,564	2,011	-45.5%
Other liabilities, current and non-current	5,147	1,152	5,282	1,240	-2.6%
Total equity	10,539	2,360	10,557	2,479	-0.2%
<i>Notes on data conversion:</i>					
1 – PLN/EUR fx rate of 4.4413 applied		3 – PLN/EUR fx rate of 4.4660 applied			
2 – PLN/EUR fx rate of 4.2880 applied		4 – PLN/EUR fx rate of 4.2585 applied			
* From 2020, the definitions of capex and EBITDAaL alternative performance measures have been revised. Capex is now presented net of accrued proceeds from asset disposals and is named economic capex (eCapex). Consequently, EBITDAaL excludes gains on asset disposals. This change reflects better transformation of Orange Polska fixed asset base which has been rapidly evolving over the past few years and will do so in the future. We invest in assets essential for our future value creation (fibre and mobile network) and dispose assets no longer necessary for our core operations. Economic benefits of this transformation have been shifted from EBITDAaL to Capex. Data for 2019 have been revised for comparative purposes. Disclosures on performance measures, including information on data restatements for the year 2019 in connection with changes in accounting policies, 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 2020.					
** Weighted average number of shares in 6 months ended June 30, 2020 and June 30, 2019, respectively.					
*** Excluding trade payables.					

1.1 Comments on the Consolidated Income Statement

Consolidated revenue amounted to PLN 5,632 million in the first half of 2020 and was higher by PLN 95 million compared to the first half of 2019. Combined revenues from the core categories of telecommunication services (i.e. convergence, mobile-only and fixed broadband-only) were up 2.8% year-on-year. This growth rate is a significant improvement versus 2019, mainly owing to the 'more for more' strategy. Furthermore, the evolution of revenues was significantly supported by strong growth in IT and integration services (partially owing to contribution of BlueSoft acquired in 2019). Wholesale revenues were up 8%, reflecting much higher mobile traffic during the peak of the COVID-19 pandemic. The increase in these categories offset a decline in legacy voice services, equipment sales (as a result of temporary closure of a considerable part of our distribution network and a drop in customer purchases due to the pandemic), and other revenues (due to a change in business terms of energy resale versus the first half of 2019).

EBITDAaL (our new measure of operating performance introduced under IFRS 16, please refer to Note 3 to the Consolidated Full-Year Financial Statements for 2019) came in at PLN 1,401 million and was higher by PLN 104 million year-on-year. Operating margin (ratio of EBITDAaL to revenues) increased by 1.5pp to 24.9%. Profitability benefited from improvements in the key telecommunication services in the wake of last year's price increases. EBITDAaL was supported by further indirect cost optimisation as well as measures mitigating the negative impact of the COVID-19 pandemic (i.e. release of PLN 64 million of balance-sheet provisions related to jubilee awards). On the other hand, we recorded additional provisions, estimating the risk related to bad debts and anticipating failure to perform certain contractual obligations to one of our suppliers.

Operating income (EBIT) was lower by PLN 16 million year-on-year. The growth of EBITDAaL was offset by lower gains on asset disposals (down PLN 33 million) and higher depreciation (up PLN 86 million).

Net finance costs amounted to PLN 181 million in the first half of 2020 and were higher by PLN 28 million year-on-year, mainly due to recognised foreign exchange losses on long-term leasing liabilities denominated in foreign currencies.

As a result, consolidated net income amounted to PLN 14 million compared to PLN 47 million in the first half of 2019.

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 1,598 million in the first half of 2020 and was PLN 358 million higher year-on-year. It resulted mainly from higher EBITDAaL and lower working capital requirement.

Net cash used in investing activities amounted to PLN 1,111 million in the first half of 2020 compared to PLN 1,228 million in the first half of 2019. This resulted mainly from payment for the acquisition of BlueSoft sp. z o.o. in 2019.

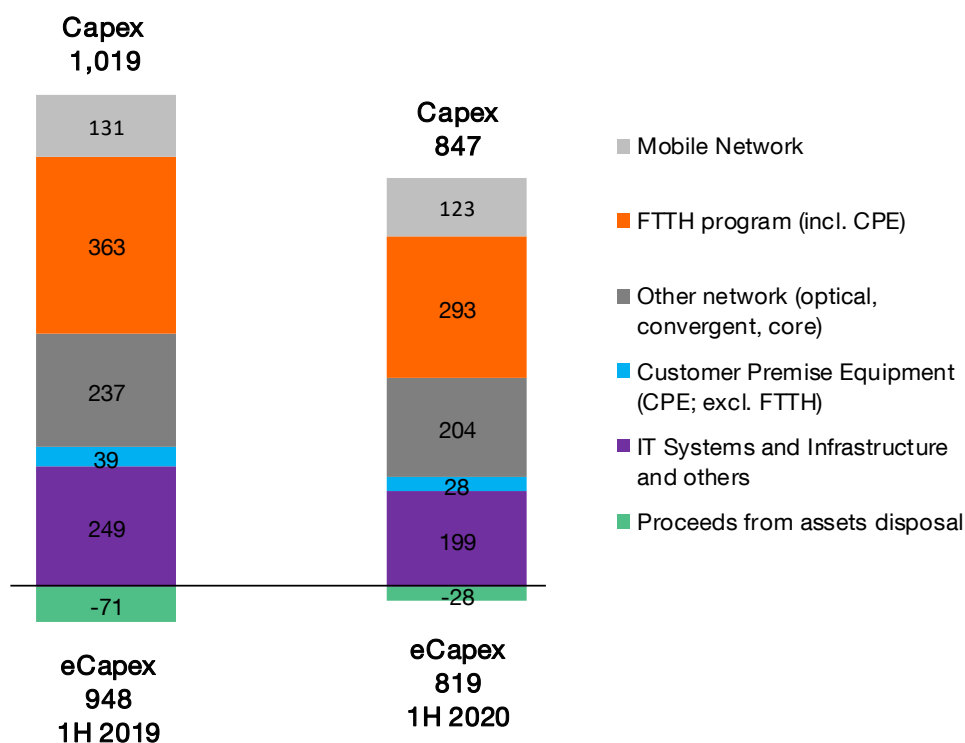
Net cash outflows from financing activities amounted to PLN 500 million compared to PLN 200 million in 2019. This change is mainly attributable to cash flows from a related party loan.

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 2020 amounted to PLN 819 million and were lower by PLN 129 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 half of 2020. Including the lines developed in 2014 to 2019, there are now 4.6 million households connectable with our fibre network, available in a total of 151 cities (compared to 142 cities at the end of 2019);
- 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 43 million year-on-year.

**Split of CAPEX
(PLN mn)**

1.4 Comments on the Consolidated Statement of Financial Position

Total assets were lower by PLN 312 million than at December 31, 2019. This change resulted mainly from a decrease in fixed assets, as depreciation and amortisation expense exceeded capital expenditures by PLN 397 million, and a decrease in trade receivables. This impact was partially offset by an increase in right of use assets and derivatives.

Total liabilities were lower by PLN 294 million than at December 31, 2019. This change resulted mainly from a decrease in trade payables and loans to a related party, which was partially offset by an increase in lease liabilities and derivatives.

1.5 Related Parties Transactions

Please refer to Note 12 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 2020.

1.7 Subsequent Events

Please refer to Note 13 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 2019 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, 2020, neither the 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 SA Group, current account overdraft facilities, and sale of receivables in a newly launched securitisation programme.

In the first six months of 2020, the Group repaid long-term bank loans of PLN 3 million and a revolving loan of PLN 640 million provided by the Orange SA Group.

In the reported period, the Group used PLN 400 million out of a revolving loan provided by the Orange SA Group.

As of June 30, 2020, Group's interest-bearing liabilities (before derivatives) totalled PLN 6,248 million, which is a decrease of PLN 259 million compared to December 31, 2019. Debt to the Orange SA Group accounted for 99.9% of this amount.

In the programme of sale of receivables related to handsets instalment sales with BNP Paribas SA as the buyer and Eurotitrisation as the settlement agent, which was set up in 2019, the Group raised approximately PLN 94 million from the sale of receivables in the first six months of 2020.

Group's liquidity remained solid, owing to strong cash position, amounting to PLN 393 million at June 30, 2020, and available credit facilities totalling the equivalent of PLN 1,805 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 2020.

At June 30, 2020, Group's liquidity ratios decreased as compared to the end of 2019. The Group's lower financial liquidity reflected a loan of €190 million maturing in May 2021 and of a loan of PLN 2,700 million maturing in June 2021. This resulted in an increase of PLN 3,590 million in current liabilities (less provisions and contract liabilities), which was partially offset by an increase of PLN 15 million in current assets.

The liquidity ratios for the Group at June 30, 2020 and December 31, 2019, respectively, are presented in the table below.

	June 30, 2020	December 31, 2019
Current ratio		
Current assets / current liabilities*	0.50	1.03
Quick ratio		
Total current assets – inventories / current liabilities*	0.46	0.97
Super-quick ratio		
Total current assets – inventories – receivables / current liabilities*	0.18	0.34

*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 5,786 million at June 30, 2020 (from PLN 6,087 million at the end of 2019).

1.10.1 Bonds

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

In the reported period, the parent company did not issue any bonds to its subsidiaries under a programme established in 2002. This was discontinued and replaced in 2019 by a cash-pool agreement, which enables selected subsidiaries to invest surplus funds in the parent company's bank account for the purpose of the Group's liquidity management.

1.10.2 Loan and Borrowing Agreements

In the first half of 2020, the Group and the Polish Branch of Societe Generale S.A. concluded an annex to a current account overdraft agreement of PLN 95 million, extending its maturity to May 29, 2021.

On June 12, 2020, the Group and Orange SA concluded a cash-pooling agreement, which replaced the agreement of 2013, while extending the maturity of a backup liquidity financing limit of PLN 500 million to December 31, 2021.

1.10.3 Unused Credit Facilities

As of June 30, 2020, the Group had outstanding general-purpose credit facilities amounting to an equivalent of PLN 1,305 million.

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

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 (under IFRS16) was 2.1 on June 30, 2020.

1.10.5 Guarantees and Collaterals

In the first half of 2020, Orange Polska S.A. requested banks to issue bank guarantees with respect to liabilities of TP Teltech sp. z o.o., an Orange Polska's wholly-owned subsidiary, towards its business partners, while warranting to indemnify the banks against any claims thereunder. As of June 30, 2020, these guarantees totalled PLN 7.1 million.

On June 23, 2020, Orange Polska S.A. granted collaterals totalling PLN 28.1 million to Bank Handlowy w Warszawie S.A., which replaced collaterals from 2018, to secure proper performance bonds issued by the latter in favour of TP Teltech sp. z o.o. with respect to its obligations towards Nokia Solutions and Networks sp. z o.o. (formerly Alcatel Lucent Polska sp. z o.o.), related to the implementation of the Operational Programme "Digital Poland 2".

As of the reporting date, a collateral of PLN 2.4 million granted in 2019 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 TP Teltech sp. z o.o. was still valid.

As of June 30, 2020, a collateral of PLN 20 million granted by Orange Polska S.A. to Santander Factoring sp. z o.o. (formerly BZ WBK Faktor sp z o.o.) to secure a facility provided by the latter to TP Teltech sp. z o.o. under a confirming agreement for payment management was still valid.

In the reported period, 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, 2020, these guarantees totalled PLN 1.1 million.

As of June 30, 2020, three bank guarantees, which had been issued upon request of Orange Polska S.A. with respect to liabilities of Orange Energia sp. z o.o., an Orange Polska's wholly-owned subsidiary, towards its business partners in connection with the acquisition of this company by the Group in 2017, remained in force. Moreover, in the reported period, Orange Polska S.A. requested banks to issue bank guarantees with respect to liabilities of Orange Energia sp. z o.o. towards its business partners, while warranting to indemnify the banks against any claims thereunder. As of June 30, 2020, these guarantees totalled PLN 14.3 million.

As of the reporting date, a collateral of PLN 22.0 million granted by Orange Polska S.A. to Bank Handlowy w Warszawie S.A. to secure liabilities of Orange Energia sp. z o.o. on the account of current account overdraft facility provided by the bank was still valid.

As of June 30, 2020, a bank guarantee of PLN 3.8 million issued by Santander 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.

In January 2020, Orange Polska S.A. granted the following collaterals to secure liabilities of its subsidiary BlueSoft sp. z o.o.:

- a collateral of PLN 5 million to BNP Paribas Bank Polska S.A. with respect to a loan agreement;
- a collateral of PLN 5 million to BNP Paribas Bank Polska S.A. with respect to a multi-purpose credit facility dedicated to bank guarantees;
- a collateral of PLN 5 million to Powszechna Kasa Oszczędności Bank Polski S.A. with respect to a current account overdraft facility.

As of June 30, 2020, a collateral of PLN 5 million granted by Orange Polska S.A. to BNP Paribas Bank Polska S.A. to secure liabilities of Essembli sp z o.o., an Orange Polska's wholly-owned subsidiary, with respect to a multi-purpose credit facility dedicated to bank guarantees, was still valid.

1.10.6 Hedging Transactions

In the first half of 2020, 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, 2020 covered:

- 99.7% of debt denominated in foreign currencies; and,
- 37.1% of licence payable for the 2100 MHz spectrum (UMTS licence)

As a result of hedging, Group's effective currency exposure at June 30, 2020 was as follows:

- EUR 51 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, 2020, the Group's proportion between fixed/floating rate debt (after hedging) was 100/0% as compared to 96/4% on December 31, 2019.

In addition, the Group has hedged the risk of Orange Polska share price increase with options. As of June 30, 2020, 100% of phantom shares for the incentive programme for managers were hedged (please refer to section 3.3.1 below for additional information).

CHAPTER II
MANAGEMENT BOARD'S REPORT ON OPERATING AND FINANCIAL PERFORMANCE
OF THE GROUP

in the first half of 2020

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. Additionally, the amount of EBITDAaL in a comparative period was restated to conform to the new definition used in 2020.

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

EBITDAaL is the key measure of operating profitability used by the Management Board and corresponds to operating income before gains on disposal of assets, depreciation, amortisation and impairment of property, plant and equipment and intangible assets, decreased by interest expense on lease liabilities and adjusted for the impact of deconsolidation of subsidiaries, costs related to acquisition and integration of new businesses, employment termination 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 and integration of new 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>	1H2020	1H2019
Operating income	197	213
Less gains on disposal of assets	-15	-48
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	1,244	1,158
Interest expense on lease liabilities	-32	-33
Adjustment for the impact of employment termination programs	-	4
Adjustment for the costs related to acquisition and integration of new subsidiaries	7	3
EBITDAaL (EBITDA after Leases)	1,401	1,297

Key figures (PLN million)	1H 2020**	1H 2019** restated	Change
Revenue	5,632	5,537	1.7%
EBITDAaL*	1,401	1,297	8.0%
EBITDAaL margin*	24.9%	23.4%	+1.5pp
Operating income	197	213	-7.5%
Net income	14	47	-70.2%
eCapex*	819	948	-13.6%
Organic cash flow	360	-16	+376 m

* From 2020 our definitions of capex and EBITDAaL alternative performance measures have been revised. Capex is now presented net of the accrued proceeds from asset disposals and is named economic capex (eCapex). Consequently, EBITDAaL excludes gains on asset disposals. This change better reflects transformation of Orange Polska's fixed asset base, which has been rapidly evolving over the past few years and will do so in the future. Orange Polska invests in assets essential for its future value creation (fibre and mobile network) and disposes assets no longer necessary for its core operations. Economic benefits of this transformation have been shifted from EBITDAaL to Capex. Data for the first half of 2019 have been revised for comparative purposes.

** Data for 2019 and Q1 2020 been retrospectively restated for the additional impact of the IFRS16 scope as described in the FS in Note 3 and 4.

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 5,632 million in the first half of 2020, up PLN 95 million or 1.7% year-on-year. Convergence remains a strategic drive for revenue growth, but there was also a major trend improvement in mobile-only and fixed broadband-only revenues. Mobile-only revenues decreased by only 1.4% year-on-year compared to a 5.9% decline in 2019. This significant improvement was achieved despite a slump by about 50% in international roaming revenues in the second quarter due to the COVID-19 pandemic and resulted from growing customer base and improvement in ARPO trend, mainly as a result of price increases in 2019. Fixed broadband-only revenues decreased by only 1.6% compared to a 6.9% decline in 2019. The improvement was driven by an increase in ARPO, following its earlier decline, mainly an outcome of last year's price increases. As a result, combined revenues of these two categories and convergence (comprising the set of core telecommunication services) were up 2.8% in the first half of 2020 compared to 1.4% growth in 2019. Revenues from IT and integration services maintained their outstanding growth rate (52% year-on-year), owing to a combination of robust organic growth (27% year-on-year) and the consolidation of BlueSoft acquired in 2019, which contributed PLN 77 million to the Group's result. A major factor supporting organic growth was the execution of a contract with the Polish Post for the delivery of tablets for postmen and provision of accompanying services.

Revenue evolution in the first six months of 2020 was also influenced by the following factors:

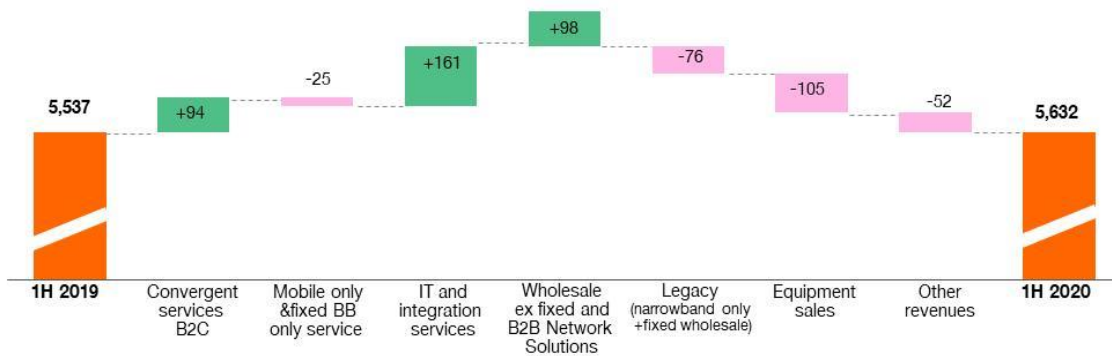
- A further structural decline in fixed voice telephony legacy revenues (by 13% year-on-year);
- A 15% decrease in equipment sales reflecting temporary closure of a considerable part of distribution network and a drop in customer purchases due to the COVID-19 pandemic;
- An 8% increase in wholesale revenues, resulting mainly from much higher mobile traffic owing to the impact of the pandemic;
- A significant decrease (24% year-on-year) in other revenues due to a change in business terms of energy resale versus the first half of 2019.

In the first six months of 2020, total operating costs (defined as EBITDAaL less revenues) slightly decreased. As a result, EBITDAaL was up 8.0% (or PLN 104 million) year-on-year. Operating margin (ratio of EBITDAaL to revenues) increased by 1.5 pp to 24.9%. Profitability was positively influenced by improvements in key telecommunication services and last year's price increases. EBITDAaL was significantly affected by developments related to the COVID-19 pandemic. Taking measures to mitigate its negative impact, Orange Polska introduced changes regarding jubilee awards for long service. This enabled us to reverse PLN 64 million of balance-sheet provisions for employee benefits, which was directly reflected in our financial result. On the other hand, we recorded additional provisions, estimating the risk related to bad debts and anticipating failure to perform certain contractual obligations to one of our suppliers.

Cost evolution can be attributed mainly to the following factors:

- A decrease of 5% in commercial expenses, resulting from a decline in handset sales as well as savings in advertising and marketing costs;
- A decrease of as much as 12% year-on-year in labour costs, owing to release of provisions for jubilee awards and workforce optimisation related to the implementation of the new Social Agreement; and
- An increase of 9% in interconnect expenses due to an exceptional increase in traffic during the peak of the pandemic.

Revenue evolution
(yoy change in PLN mn)



EBITDAaL evolution
(yoy change in PLN mn)



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.

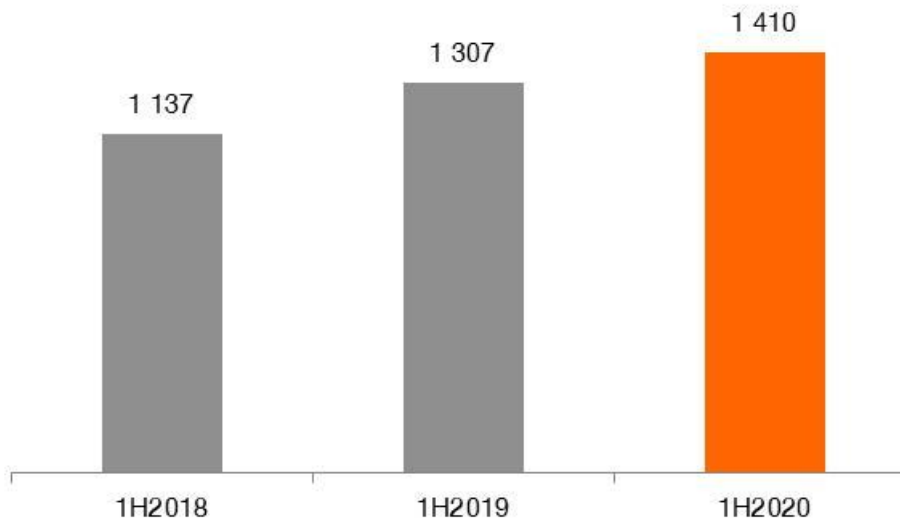
Our flagship convergent offer, Orange Love, remained unchanged in the first half of 2020. This period was considerably affected by the pandemic, and in such environment our commercial results were strong. Our B2C convergent customer base increased by 41 thousand (or 3%), exceeding 1.4 million. It needs to be noted that saturation of our broadband customer base with convergent services has already reached a significant level (63%). 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 exceeded 5.7 million, which means that, on average, each convergent individual 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.

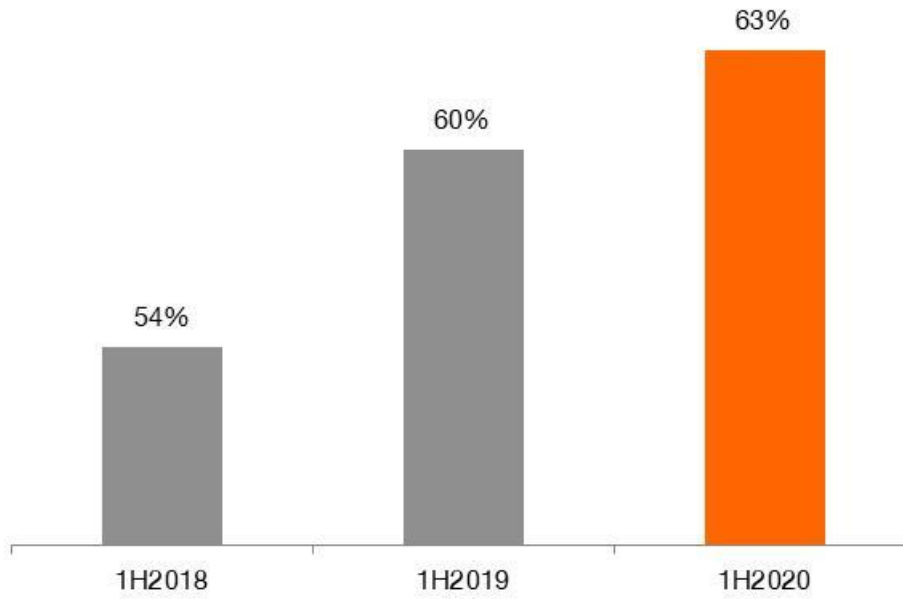
Comparable data	For 6 months ended		Change Comparable data
	30 June 2020	30 June 2019 Comparable data	
Convergence revenues (PLN mn)	847	753	12.5%
Convergence ARPO (PLN)	105.1	101.7	3.3%

In the first six months of 2020, revenues from convergent services totalled PLN 847 million and were up almost 13% year-on-year. The increase was driven mainly by customer base growth, but also, notably, an increase in average revenue per customer, which grew by over 3% year-on-year, mainly as a result of price increases introduced in 2019 and upsell of services.

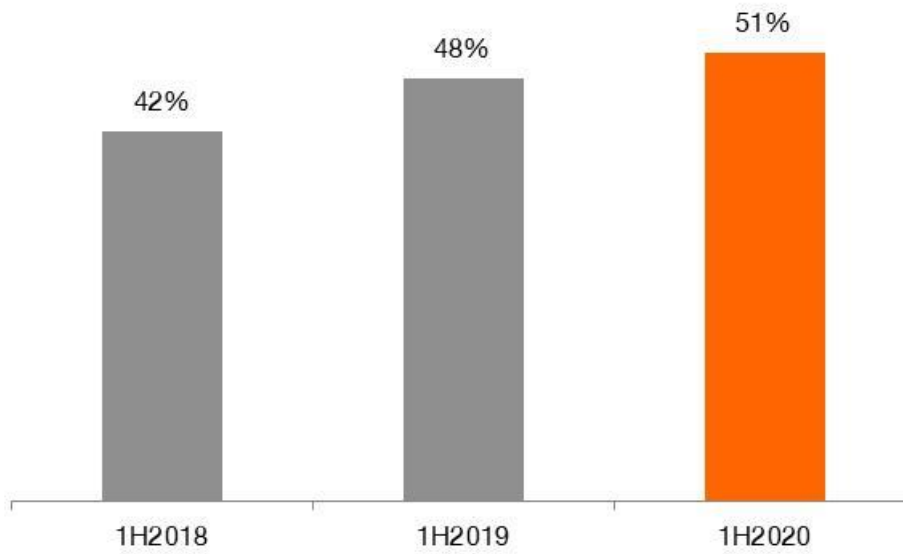
Orange Polska's B2C convergent customer base (in '000)



Convergence penetration in B2C fixed broadband customer base



Convergence penetration in B2C mobile handset post-paid customer base



2.2 Mobile-only Services

Revenues (PLN million)	For 6 months ended		Change 2020/2019 Comparable data
	30 June 2020	30 June 2019 Comparable data	
Mobile-only services	1,268	1,286	-1.4%

Key performance indicators (number of services) ('000)	30 June 2020	31 Dec 2019	30 June 2019	Change 30.06.2020/ 31.12.2019	Change 31.12.2019/ 30.06.2019
Post-paid mobile services	10,504	10,237	10,040	2.6%	2.0%
convergent	2,651	2,589	2,486	2.4%	4.1%
mobile-only	7,853	7,648	7,554	2.7%	1.2%
Pre-paid mobile services	4,982	5,047	4,924	-1.3%	2.5%
Total mobile services	15,487	15,284	14,964	1.3%	2.1%

Key performance indicators (PLN)	1H 2020	1H 2019	1H 2018	Change 2020/2019	Change 2019/2018
Monthly blended retail ARPO from mobile-only services	19.4	20.1	21.8	-3.5%	-7.8%
post-paid (excluding M2M)	25.9	27.0	28.9	-4.1%	-6.6%
pre-paid	11.8	11.5	12.1	2.6%	-5.0%

As at the end of June 2020, Orange Polska had a mobile services base of almost 15.5 million, which is an increase of over 1% vs. the end of 2019. Growth in the post-paid segment offset a decrease in pre-paid services.

In the post-paid segment, SIM card trends were similar to those in 2019:

- Customer base of handset offers was up almost 2%, as a result of the consistent implementation of a value-based commercial strategy, concentration on the Orange Love convergent offer in customer acquisition and growing take-up of the Orange Flex offer;
- 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; however, the rate of decline was lower;
- Rapid growth in the number of SIM cards related to M2M services (up 10% in the first half of 2020), 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 half of 2020, 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 rapid take-up of the Orange Flex service, which was introduced in 2019.

Blended ARPO (from mobile-only services) amounted to PLN 19.4 in the first half of 2020 and was down 3.5% year-on-year. The decrease resulted from a combination of a 4% decline in post-paid ARPO and an almost 3% increase in pre-paid ARPO.

The post-paid ARPO decline continued to slow down. In the first half of 2020 it was 4% versus almost 6% in 2019. The trend improved despite a major negative impact of the decline in international roaming revenues, especially in the second quarter. 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);
- 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).

2.2.1 Market and Competition¹

The estimated number of SIM cards (54.8 million) increased by 2.8% compared to the end of June 2019, driving the mobile penetration rate (among population) to 143% at the end of June 2020. The largest segment of the market is still mobile voice, which maintained a positive annual growth rate. In post-paid services, sales of M2M cards increased year-on-year, whereas sales of mobile broadband SIM cards decreased (largely due to migration to fixed broadband services).

The mature mobile market in Poland is characterised by low prices compared to other EU countries. However, favourable macroeconomic environment in Poland and upcoming capital investments related to 5G frequency allocation urged a number of operators to adopt 'more-for-more' strategy for their telecommunication services. This strategy leads to offers with value-added services and larger data packages (GB) embedded in the subscription to address current customer expectations resulting from increased data consumption within mobile plans, in return for 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. 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 (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. Unquestionably, the most important development in the mobile market in the first six months of 2020 was to be the auction for 3.4–3.8 GHz frequencies. Although the auction has not been completed, all operators have announced to provide 5G services using the frequencies they already have, and some market offers have already been launched.

Despite continued migration of some customers to post-paid services, the pre-paid segment is still important for MNOs and is highly competitive against 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 2020, with Orange Polska's estimated market share of 28.3%.

2.2.2 Mobile Voice and Data Services

In connection with the market launch of the Orange Love offer in February 2017, we focused 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 and monetisation of the price increases introduced last year.

The implementation of our commercial plans in the first half of 2020 was affected by the COVID-19 pandemic. The key development related to our mobile portfolio was a revision of our mobile plans for business customers, which we introduced in February, shortly before the outbreak of the pandemic. The revision reflected our 'more for more' strategy, but it was not a simple price increase. In three out of four new tariff plans, in addition to unlimited calls and SMSs and a data pool, customers can choose from among seven different value-added services within the subscription fee. These include handset maintenance (Orange Smart Care Premium), CyberShield, a package for international calls, an additional data pool in roaming and others. These additional services can be switched throughout the term of the contract.

In the consumer market, we modified our pre-paid portfolio by increasing prices of SMSs and MMSs in some tariff plans and increasing prices of calls from PLN 0.30 to PLN 0.32 for all customers charged per price lists.

The launch of 5G services in the 2.1 GHz band in the beginning of July is a development which will only affect our commercial performance in the second half of the year. The service is available exclusively in high-end tariff plans for both residential and business customers. We are working on launching 5G for Orange Flex customers. At present, our customers are offered 10 smartphones which support 5G technology in these frequencies. About 6 million people in almost 400 cities and towns are within the reach of this service.

There were no fundamental changes in Poland's mobile market in the first six months of 2020. Two out of four operators (Play and T-Mobile) introduced changes in their tariffs to encourage customers to choose more expensive tariff plans. In the beginning of July, Play announced a price increase in its pre-paid tariffs based on price lists, becoming effective in mid-August.

¹ Analysis of the mobile market, excluding wireless for fixed offers.

2.3 Fixed-only Services

Revenues (PLN million)	For 6 months ended		Change 2020/2019 Comparable data
	30 June 2020	30 June 2019 Comparable data	
Fixed-only services	1,050	1,121	-6.3%
narrowband	414	477	-13.2%
broadband	425	432	-1.6%
enterprise solutions and networks	211	212	-0.5%

Key performance indicators (number of services) ('000)	30 June 2020	31 Dec 2019	30 June 2019	Change 30.06.2020/ 31.12.2019	Change 31.12.2019/ 30.06.2019
Fixed voice services (retail: PSTN and VoIP)	2,998	3,109	3,259	-3.6%	-4.6%
convergent	833	825	800	1.0%	3.1%
fixed-only	2,165	2,284	2,459	-5.2%	-7.1%
Fixed broadband accesses (retail)	2,638	2,607	2,582	1.2%	1.0%
convergent	1,410	1,369	1,307	3.0%	4.7%
fixed broadband-only	1,228	1,238	1,275	-0.8%	-2.9%

Key performance indicators (PLN)	1H 2020	1H 2019	1H 2018	Change 2020/2019	Change 2019/2018
ARPO from fixed narrowband-only (PSTN) services	37.0	36.3	36.5	1.9%	-0.5%
ARPO from fixed broadband-only services	57.4	55.2	56.6	4.0%	-2.5%

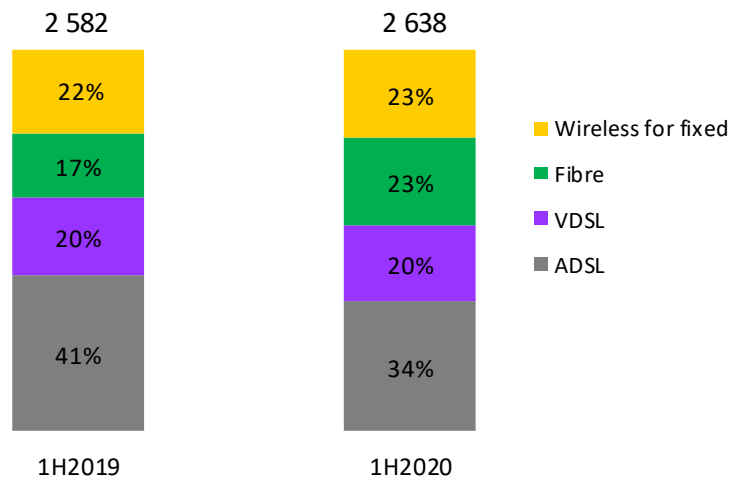
Total fixed broadband customer base increased by 31 thousand (or 1.2%) in the first half of 2020. The trend did not change compared to 2019. Decline in the mostly non-competitive ADSL technology was offset by growth in fibre and wireless for fixed. The number of VDSL customers slightly decreased, mainly due to this technology being gradually replaced by fibre. The share of growing technologies in the aggregate customer base increased to 66% at the end of June 2020 (from 59% at the end of June 2019). We expect this transformation to continue as a result of steady implementation of our convergence strategy and further investments in the fibre network.

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 continued to shrink as a result of migration to convergence but also due to churn, but a significantly slower pace: in the first six months of 2020 the decline was only 10 thousand compared to 50 thousand in the first half of 2019. This resulted mainly from the roll-out of our fibre network and higher demand for fixed broadband during the COVID-19 pandemic.

In the first half of 2020, the decline in revenues from fixed broadband-only services significantly slowed down and was only 1.6% versus almost 7% in 2019. It is a consequence of lower churn and higher broadband ARPO, which rebounded 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.

Broadband customer base
(in thousand)



Erosion of the fixed voice customer base (excluding VoIP) totalled 146 thousand in the first half of 2020 and was slightly lower than in previous periods. This was a consequence of reduced churn in the second quarter, during the peak of the pandemic. 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. On the positive side, average revenue per user has been gradually increasing. It was up almost 2% year-on-year in the first half of 2020. A major factor contributing to this improvement was higher traffic on our fixed line network during the peak of the pandemic.

2.3.1 Market and Competition

Fixed Voice Market

The Group estimates that the fixed line penetration rate was at 16% of Poland's population at the end of June 2020, as compared to 17% at the end of June 2019. 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 2020 by 0.2 million versus the end of June 2019. This can be attributed to two factors: intensive roll-out of fibre infrastructure and growing popularity of wireless for fixed broadband. 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).

Our LTE offer successfully complements or sometimes (when quality of fixed connection is weak) substitutes for traditional cable lines. In the first half of 2020, Orange Polska's LTE for fixed customer base increased by 17 thousand, exceeding 600 thousand lines at the end of June 2020.

Simultaneously, 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 high-speed broadband customer base increased by 0.18 million year-on-year. The key success factors were rapidly growing range of our fibre network, modernisation of our VDSL network, as well as our convergent offer competitive to cable television (CATV) operators.

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 saw 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 Orange Polska's 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 2020.

The rapid growth of the high-speed fixed broadband and wireless for fixed customer base was reflected in an increase in the aggregate number of Orange Polska's fixed broadband users by 30 thousand in the first half of 2020.

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

Fixed broadband market – key performance indicators

	30 June 2020 (estimate)	30 June 2019
Market penetration rate – broadband lines (in total population)	24.3%	23.7%
Total number of broadband lines in Poland ('000)	9,330	9,105
Orange Polska's market share by volume	28.3%	28.4%

Fixed voice market share

	30 June 2020 (estimate)	30 June 2019
Retail local access ²	47.4%	48.5%

2.3.2 Fixed Line Data Services

Due to great differences in the competitive environment, the technological options related to population density, our market shares and customer needs, Orange Polska uses a local approach in its activities, which varies in big cities, medium to small towns and rural areas.

In big cities we focus on the development of fibre coverage and recovery of market share in fixed broadband by capitalising on our excellent position in the mobile market; whereas in rural areas, mobile technologies, supplemented by fixed ones, are the primary broadband access solution. Our main challenge is to defend the fixed broadband customer base, particularly by cross-sales of mobile services.

As at the end of June 2020, more than 4.6 million households were connectable with our fibre network, which is an increase of almost 400,000 compared to the end of 2019. Our fibre services are available in 151 cities compared to 142 cities at the end of 2019. In 84 cities, our fibre network reaches over 50% of all households. In the first half of 2020, like in the previous year, we focused more on developing our network in smaller towns, where some districts are dominated by single-family houses. These accounted for 33% of the total network roll-out. 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.

Our retail fibre customer base reached 608 thousand, growing by 17% (or 88 thousand) year-on-year. Remarkably, net acquisitions in either of the first two quarters of 2020 were record high (44 thousand), second only to the fourth quarter of 2019, as Q4 is always the peak season. The service adoption rate (including both our own retail customers and those of other operators selling their services on our fibre network) continued to grow, reaching 13.5% at the end of June 2020 (vs. 12.5% at the end of December 2019). 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.

As for portfolio developments, we have been greatly promoting convergence, using our strong position in the mobile market. It is a major competitive advantage over CATV operators, as they provide no or very limited mobile services. The Orange Love offer launched in February 2017 greatly contributes to the achievement of these goals. At the end of June 2020, penetration of convergence in our fibre customer base was 60%.

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 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. In addition to improved menu ergonomics, the decoder

² Without Wholesale Line Rental but with Orange WLR and VoIP services, which are the equivalents of subscriber lines.

enables recording up to three programmes simultaneously and watching 4K TV. Thus, Orange Polska became the first nationwide pay TV operator to provide content at 4K resolution.

In rural areas, mobile technologies are the primary broadband access solution and constitute the basis for our wireless for fixed offers. Owing to convenience (no complicated installation) and high quality of our mobile network, such offers are very popular among customers.

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 the anticipated 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. In a short-term perspective, the market in Poland will be driven especially by the following 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 an increase in LTE coverage, as well as growing post-paid customer base in the mobile segment. This is also seen on the demand side as the need for connectivity, which the lockdown has highlighted. At the same time, the telco services market will be under pressure due to continuing fixed-to-mobile substitution, both in fixed telephony and traditional broadband (DSL, 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 on-going digitisation of the society and economy, including development of remote working and learning, e-commerce, Internet of Things, 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 2.0 million households), fixed line investments by other telecom operators, and constant improvements in mobile connectivity. The activity of operators as well as agreements between them on using the constructed infrastructure, such as the one between Orange Polska and T-Mobile to provide access to households in multi-family houses in deregulated areas, 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 from price rivalry 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 of an agreement to use the Nexera network, or an agreement providing for T-Mobile's access to the Inea network. On the B2B market we expect volume growth to continue as a result of an increase in the number of employees and companies, 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 (specialising in the design and development of dedicated applications) by Orange Polska. Furthermore, Cyfrowy Polsat acquired a 22% stake in Poland's largest IT group, Asseco Poland.

In the first half of 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. In the medium term, the implementation of 5G technology, especially in the 3.4–3.8 GHz band will be also supported by the roll-out of fibre infrastructure, which is currently being developed mainly for fixed broadband purposes. In the long run, the 5G market development will be driven by provision of services in the 700 MHz band, which is to be contributed in kind to the company Polskie 5G [Polish 5G]. In October 2019, the Polish Development Fund (PFR), Exatel and representatives of commercial telecom operators signed a memorandum on a analysis of a business model for Polskie 5G.

The development of Poland's telecommunications market is also driven by subsequent acquisitions. On January 31, 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. Furthermore, in June 2020, UOKiK informed about its approval of the acquisition of Virgin Mobile Polska (MVNO) by Play, who has been its hosting operator hitherto.

3.2 *Orange.one* Strategy

Orange.one: A new momentum for Orange Polska

In September 2017, we announced a new strategic plan for 2017–2020 called *Orange.one*. Our vision is to become Poland's first choice telecommunications operator for consumers and businesses by 2020, while creating a business model that will generate sustainable growth in both sales and profits. We expect to achieve these objectives by developing services and products of unmatched quality, supported by the comprehensive development of our fibre network and digital capabilities, and by significantly increasing our operational efficiency.

Orange.one reaffirms the key priorities of the previous strategy announced at the beginning of 2016, while giving them a new momentum. To achieve the goal of sustainable turnaround, we will need better execution, clearer focus and more agility. All our business decisions will be driven to a greater extent by value creation, and our customer propositions will be driven by simplicity and consistency. Poland's telecommunications market is characterised by very intense competition and even though there are some clear signs of a shift towards value-oriented strategies, we do not expect any significant change in the level of competition.

We have right assets at hand

We believe to have adequate assets to implement our strategy, and what we need is better execution to get the proper return and value out of these assets. We have Poland's largest base of mobile and fixed line customers, who have trusted us. For several years we have been heavily investing in our mobile and fixed networks and their connectivity has been appreciated by both retail and wholesale customers. We operate under a global and broadly recognised brand, which is a major source of competitive advantage, as it is considered innovative and enjoys very high awareness. The Company's another strength is highly motivated and skilled employees, in whom we invest to make them contribute to value creation.

Consumer market strategy driven by convergence

The key to success in the B2C market is convergence, or sales of mobile and fixed line service bundles. Convergence addresses household telecommunication needs in a comprehensive manner, increases customer satisfaction and reduces churn. We still see a great potential in convergence for both upselling additional services to the households where we are already present and entering new households with our services. According to our research, about 90% of Polish households still buy telecom services from several suppliers. A fast, modern and reliable network is a critical factor to success in convergence. Our ambition is to have over 5 million households, or about 40% of all households in Poland, connectable to our fibre network by 2020. While implementing our strategy in the mass market, we also account for customers who for some reason do not need or do not want convergence, offering them attractive tariff plans and equipment at competitive prices. In customer acquisition and retention, our guiding principle will be to create value for the Company.

Business market strategy driven by digital transformation

In the B2B market, our main ambition is to become the first choice partner for our customers in digitisation. Digitisation is currently the key transformation process in business organisations with respect to both their internal environment and their products and services. This process involves increased demand for data transmission, business migration to the cloud, increased cybersecurity needs and demand for tailor-made and much more flexible ICT solutions. Development in these areas is our priority. We continue to improve connectivity, which provides the basis for digitisation of both corporations and small businesses. Convergence, which is the key growth engine in the B2C market, is also a pillar of our offer to small to medium companies, often supplemented by an ICT component. In the next few years, the Internet of Things will remain a major growth area. We continue development also in this segment, benefiting from the fact that we are currently the market leader in machine-to-machine (M2M) services.

Our common ambition for both B2B and B2C segments is to achieve the number one position in NPS (Net Promoter Score) ranking on the Polish market by 2020.

Financial goal: Sustainable growth of revenue and EBITDA in 2020

Proper implementation of the *Orange.one* strategy is to lead to the development of a business model which will enable us to return to a sustainable and stable growth path. In financial terms, this should result in a gradual improvement in trends, generating sustainable revenue and EBITDA growth.

It is to be driven by the following factors:

- significant growth of convergent customer base and convergent services,
- more focus on value generation,
- successful development in adjacent business areas (ICT, Orange Energy, Orange Smart Care, sales of equipment), and
- a diminishing share of legacy services in total revenues.

The improving revenue trend will contribute to an improvement in the EBITDA trend, which will be also driven by operating leverage and continued cost optimisation. We forecast a reduction of underlying indirect costs by 12–15% by 2020 versus 2016. Savings will be generated across all cost groups, including labour, outsourcing, general & administrative, energy and network maintenance costs. They will result largely from comprehensive transformation of Orange Polska's processes at each stage of our business model: networks, products and services, distribution and customer care. The process transformation will aim at their simplification, automation and digitisation.

The intended capex will reflect our connectivity programme and business transformation needs. Our capex ambition is to spend at least PLN 2 billion annually by 2020, including ambition to spend ca PLN 2.8 billion on fibre network deployment in 2018–2020 to cover more than 5 million households by the end of 2020.

Current performance and expectations validate strategic objectives

We believe that our financial performance in 2018 and 2019, as well as our expectations for 2020 fully validate our *Orange.one* strategy. In 2018, we reported the first improvement in our operating profitability measure (adjusted EBITDA) after twelve years of decline. The upward trend continued in 2019 (while adjusted EBITDA was replaced by EBITDAaL as the key measure of operating profitability). In 2018 the growth resulted exclusively from cost savings and higher gains on sale of real estate, whereas last year it was also driven by revenues, which grew for the first time in a long period. The reversal of prolonged negative trends has been mainly a result of the implementation of our convergence strategy, monetisation of fibre network investments, steady focus on value generation in our commercial activities, 'more for more' pricing strategy and very high cost savings. Operating profitability is improving despite continued structural pressure on high-margin traditional fixed line services, the erosion of which almost fully filters through to profits. The ambition to sustain this growth in 2020 has been significantly affected by the COVID-19 pandemic. We estimate that despite a 1.7% increase in revenues in the first half of 2020, it will not be possible to attain full-year revenue growth. The results for the first six months were strongly supported by very good performance in ICT, driven by contracts concluded before the pandemic and the consolidation of BlueSoft. In the second half of 2020, we expect pressure on the business market, especially ICT, a further decline in roaming revenues and a potential further decrease in equipment sales. However, we are reiterating our full-year EBITDAaL growth guidance, as the results of the first six months, during which EBITDAaL increased by 8%, represent a significant contribution towards meeting the challenges in the second half of the year. Additional measures to mitigate the negative impact of the pandemic on the Group's performance (e.g. a change regarding jubilee awards, enabling release of balance-sheet provisions) have been a major support in this area.

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 the first half of 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 59 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.

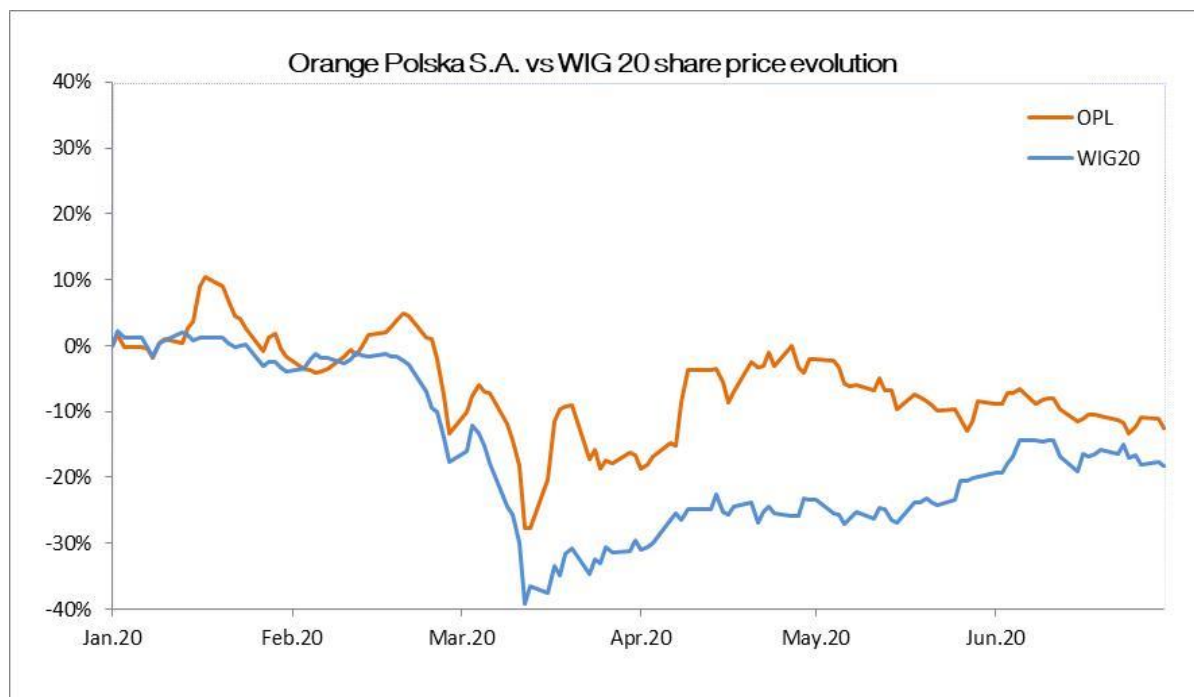
The first six months of 2020 brought losses in the indices on the Warsaw Stock Exchange (WSE). Orange Polska shares were down 13%, while the large-cap index, WIG20, lost 18% in the period. The better performance of Orange Polska shares against the main index can be attributed to the perception of the telecom sector as relatively less affected by the negative impact of the COVID-19 pandemic.

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

Name of the Institution
Citigroup
Dom Maklerski Banku Ochrony Środowiska
Dom Maklerski mBanku
Dom Maklerski PKO Bank Polski
Dom Maklerski Santander
Erste Bank Investment
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 in the period from January 1, 2020 to June 30, 2020



3.3.1 Orange Polska S.A. Incentive Programme Based on Phantom Shares

On September 4, 2017, the Supervisory Board adopted the Incentive Programme ("the Programme") for the Management Board Members, Executive Directors and key managers of Orange Polska S.A., including selected members of management boards of its subsidiaries ("the Participants"), which is based on derivative instruments ("phantom shares"), whose underlying asset is the Orange Polska S.A. share price on the regulated market operated by the Warsaw Stock Exchange.

The purpose of the Programme is to provide additional incentives to motivate senior managers to achieve mid-term commercial and financial objectives, resulting from Orange Polska's new strategy, which will lead to increasing the value of the Company's shares.

The terms of the Programme are as follows:

1. Participation in the programme shall be voluntary.
2. By October 31, 2017, the Programme Participants could purchase a total of up to 2,315,000 phantom shares from the basic pool for a price of PLN 1 per phantom share.
3. In case of meeting certain criteria described in the detailed Regulations of the Programme regarding the average price of Orange Polska shares and NPS (Net Promoter Score), the Participants shall purchase additional packages of up to 1,438,500 and 616,500 phantom shares, respectively.
4. Phantom shares shall be bought back from the Participants by the Company, at Orange Polska's average share price in the first quarter of 2021, only in the case it is not lower than the arithmetic mean of Orange Polska's closing share prices in the third quarter of 2017 (which was PLN 5.46). Otherwise, phantom shares shall not be bought back, resulting in the loss of invested funds by the Participants.

More than 90% of managers have chosen to participate in the Programme.

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

Presented below are the key events that, in Management'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 this Chapter IV.

4.1 Impact of the COVID-19 Pandemic on Orange Polska's Operations

Even though the core of Orange Polska's operations has appeared relatively immune to the impact of the pandemic, this unprecedented situation has negatively affected our results for the first half of 2020 and there is uncertainty regarding the impact of the consequences of the economic slowdown on our results in the remainder of the year.

Lower customer demand combined with the lockdown and the resulting closure of a significant part of physical points of sale (between mid-March and beginning of May) contributed to lower-than-previously-expected sale of new services and significantly impacted sale of equipment (revenues from equipment sales were down 15% year-on-year in 1H 2020). This affected the pace of monetisation of our 'more for more' strategy, which we implemented last year. Closure of borders and restrictions regarding people's mobility affected roaming revenues, which were down 50% year-on-year. This negatively influenced revenues from mobile-only services.

On the positive side, subscription-based services, that account for the majority of our revenues and profits, proved to be resilient to the impact of the pandemic. Data and voice connectivity has become more essential than ever to the needs of consumers and businesses. As the pandemic has particularly validated the investments in network quality, the demand for fixed broadband connectivity has remained unaffected.

The pandemic has a significant negative impact on the Polish economy. In Q2 2020, Poland's GDP is estimated to have fallen by as much as about 10%. According to market estimates, the recession, albeit much lower, will continue for the remainder of the year, and there is uncertainty regarding the shape of the recovery thereafter. This economic downturn has a negative impact on the operations of some of our customers, mainly on the business market. There is uncertainty as to how this will influence our results in the second half of 2020. To account for that risk we have booked provisions for bad debts in the amount of PLN 15 million. In particular, we expect a significant slowdown in the IT/IS area, lower demand for our services from some business customers, a further decline in roaming revenues and subdued demand for handsets.

The Management Board has launched additional measures to partially mitigate the negative impact of the pandemic on the Company's business goals. In particular, on June 4, 2020 we announced the conclusion of an amendment to the Collective Labour Agreement regarding jubilee awards for long service. As a result of this amendment we reversed provisions for employee benefits in the amount of PLN 64 million. This increased our profits in the first half of 2020 and will allow for lower cash-out in the years to come. Also in June, we signed with trade unions an amendment to the Social Agreement. In particular, this settlement provided for a reduction in the rate of basic salary increases in 2020 from 3.5% to 1.0%. We have also initiated other cost efficiency measures beyond those planned within the framework of our on-going transformation. To keep economic Capex (eCapex) within the expected range (PLN 1.7–1.9bn), we are optimising investment outlays to offset lower-than-previously-expected proceeds from asset disposal.

Owing to relative resilience of our core business and additional compensating measures, we reported 8% year-on-year growth of EBITDAaL in the first half of 2020 and, despite uncertainty regarding H2, we are able to maintain our full-year growth guidance.

4.2 Implementation of Orange Polska's Strategy: *Orange.one*

In September 2017, Orange Polska announced *Orange.one*: new strategic plan for the years 2017–2020. According to the Company's strategic vision, Orange Polska aims to become Poland's telecommunications operator of first choice for consumers and businesses, while creating a corporate business model that will generate sustainable sales and profit growth. These objectives are to be achieved by developing unmatched quality of services and products, supported by comprehensive development of its fibre network and digital capabilities, and by increasing significantly its operational effectiveness and efficiency. *Orange.one* assumes continuation of the key efforts initiated by the action plan announced in February 2016, while giving them a new momentum. The key to success will be better execution, clearer focus and more speed and agility. All decisions will be influenced by long-term value creation and all customer propositions will be driven by simplicity and consistency.

In financial terms, the new strategic plan is to result in a gradual improvement in trends of revenues and EBITDA and their sustainable growth from 2020 (in 2019, adjusted EBITDA was replaced by EBITDAaL as the key measure of operating profitability). This will be supported mainly by concentration on the convergence strategy, monetisation of fibre network investments, development of complimentary business areas, focus on value generation and significant optimisation of underlying indirect costs. The plan provides for considerable capital expenditures to 2020, resulting mainly from intensive roll-out of the fibre network.

4.3 Implementation of the 'More For More' Strategy in the Consumer Market

In 2019, we changed our price lists of most services to mass market customers. The higher prices are a consequence of, inter alia, the following developments:

1. Changing needs of customers, which is reflected in growing demand for data transmission and faster fixed broadband services;
2. More stable competitive environment in Poland's telecommunications market, particularly its mobile sector;
3. Very low prices of telecommunications services in Poland as compared to other EU member states;
4. Favourable macroeconomic environment in Poland.

In our mobile voice tariffs, we raised all four subscription fees by PLN 5, while offering in return increased data packages for use in Poland and across the European Union.

In our flagship convergent offer Orange Love, we raised the price of the standard package by PLN 10, while offering in return faster fibre broadband speed (300 Mbps instead of 100 Mbps) and a larger data package on the SIM card. The prices of other convergent packages remained unchanged. In our fixed broadband portfolio, we first of all modified the offer structure and provided faster fibre broadband speeds. The same price now applies throughout the 24-month term of the service contract, while previously there were different prices in the first and the second year. The effective price for customers is by PLN 5 higher.

At the end of the year, we modified certain elements of our pre-paid portfolio, increasing the price of the unlimited service (for newly activated SIM cards) by PLN 5 and the price of the voice service from PLN 0.29 to PLN 0.30 per minute. Further changes in our pre-paid portfolio were introduced in the first half of 2020. We increased prices of SMSs and MMSs in some tariff plans and increased prices of calls from PLN 0.30 to PLN 0.32 for all customers charged per price lists.

Higher service prices are in line with our strategy focused on value and growth of revenue and profits. Higher prices apply exclusively to newly signed contracts with customers in the acquisition and retention process; the terms of existing contracts do not change. We expect that such prices will gradually contribute to improvements in the ARPO, revenue and EBITDAaL trends. The effects could already be seen in the results of the first half of 2020. In particular, there was a significant improvement in ARPO evolution in both convergent and fixed broadband-only services. As a result, the trend of revenues from core telecommunication services improved. Combined revenues from convergent, mobile-only and fixed broadband-only services were up 2.8% in the first half of 2020 as compared to 1.4% growth in 2019.

4.4 Preparations for the 5G Launch in Poland

5G Tests

It is Orange Polska's ambition to take an active part in the implementation of Poland's 5G network in order to provide our customers with access to this technology and modern services based on it. We have continued our preparations for 5G launch. The on-going roll-out of our fibre network is a precondition for the efficient operation of the future 5G mobile network. Orange Polska has also pioneered intensive tests of this new technology.

In the Orange Cities project, which has been carried out since September 2019, the Company has conducted extensive 5G tests in a number of cities, including Warsaw and Lublin, using the 3.6 GHz band, which is to be of key importance in the 5G network deployment. The test 5G network used network equipment from various suppliers. A total of over 100 different terminals (handsets, routers) were used, and both journalists and our customers were invited to take part in tests.

The Orange Cities project was preceded by 5G tests in Zakopane, conducted in the beginning of 2019. These tests used millimeter waves, on which 5G services of fibre-like capacity are to be based in the future.

Apart from hardware tests, 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.

Auction for Frequencies in the 3480–3800 MHz Band

On March 6, 2020, following two rounds of public consultation, the President of UKE announced the launch of an auction procedure to allocate four nationwide frequency blocks in the 3.6 GHz range, the primary pioneer band for 5G. Four licences of 80 MHz each, valid for 15 years, were to be allocated in the process. 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. The auction winners were to launch 5G over at least 700 base stations using the allocated frequencies by the end of 2025. The closing date for submitting initial bids was set at April 23, 2020.

On April 16, 2020, due to pandemic situation, the President of UKE suspended the auction procedure, effective from March 31, 2020. The Act of May 14, 2020 amending certain acts regarding protection measures in

connection with the spread of the SARS-CoV-2 virus ("Anti-Crisis Shield 3.0") obligated the President of UKE to annul the on-going auction procedure without delay (as the draft reservation decisions did not include the requirements for the safety and integrity of telecommunication infrastructure and services introduced by the aforementioned Act).

Orange Polska submitted an initial bid in the action in April 2020. Such bids were also submitted by the other three infrastructure-based operators (T-Mobile, P4 and Polkomtel). On June 12, Orange Polska received a decision on the auction annulment.

As of the date of this Report, no time schedule of a new auction procedure for the 3.6 GHz band is available to the public. However, Orange Polska expects that due to the necessity to appoint a new President of UKE and restart the whole procedure, the frequency allocation will not be completed before the first quarter of 2021.

Commercial Launch of 5G Services in the 2100 MHz Band

Orange Polska maintains its position that only quick allocation of frequencies in the 3.6 GHz 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, the Upper Silesian conurbation.

4.5 Launch of the Orange Flex Offer

In May 2019, we launched a highly innovative Orange Flex offer. It is a fully digital offer manageable from a smartphone application, which enables customers to adjust their mobile plans using their smartphones and subsequently change packages depending on their needs with no loyalty agreements involved. Customers can choose from among four tariff plans which differ in data usage limits. They can change these plans (even every month), buy additional services in real time or even temporarily disable services with no consequences. Payments are effected with a payment card attached to the application, so there is no need for invoices.

Orange Flex was developed from scratch and based to a large extent on feedback from our customers. Flex combines the flexibility of pre-paid offers with the convenience of post-paid ones. A breakthrough feature is that customers can activate a new number in a few minutes with no interaction with an operator using eSIM technology. It is a highly innovative offer, which in our opinion sets a new benchmark for the future of telecommunications services, which are to be marked by total flexibility and digital experience.

4.6 Acquisition of 100% Shares in BlueSoft sp. z o.o. by Orange Polska to Strengthen Its Operations to Business Customers

On June 12, 2019, Orange Polska closed the purchase of 100% shares in BlueSoft sp. z o.o.

BlueSoft, founded in 2002, provides multiple IT services in areas with high-growth potential: application development and integration, system customisation, analytics and cloud services. In 2018, around 75% of its consolidated revenues came from development and integration of customised applications, which included 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. In 2018, BlueSoft generated PLN 123 million of consolidated revenues and PLN 25 million of consolidated EBITDA. Employment at the end of 2018 stood at around 650.

In our strategy, we have always 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 on-going 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 two years, we have increased our ICT revenues by 50%. The acquisition of BlueSoft perfectly complements our competencies and significantly increases our competitive advantage over both alternative telecom operators and ICT-only companies. The transaction is another step in the implementation of Orange Polska's strategy in the business market, which focuses on expanding competencies to ICT services with a high added value in order to meet growing demand of business customers in the area of digital transformation, including cloud, micro-platforms, dedicated portals and cybersecurity. We expect significant revenue synergies from the merger, which we will gradually realise starting from 2020.

4.7 Infrastructure Development

Fixed Line

Since 2015, in line with the adopted strategy, we have focused on massive development of FTTH lines. At the end of June 2020, almost 4.6 million households in 151 Polish cities were connectable with our fibre network. The network roll-out has been maintained at a high rate of at least 0.7 million households and businesses annually. Our ambition is to have about 5 million households connectable with fibre by the end of 2020.

The number of households connectable to Orange Polska's VDSL network stood at over 5.3 million at the end of June 2020. VDSL range has not increased over the recent years, mainly because of the prioritisation of fibre network investments.

Our strategy of development of services based on FTTH lines assumes not only construction of the Group's own infrastructure but also wholesale agreements with other fibre network operators and efficient use of the existing fibre infrastructure in the relevant locations, wherever it is technically possible and economically viable. We have been signing agreements with fibre infrastructure providers since 2015. 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 present, Orange Polska uses the infrastructure of 38 operators for almost 800,000 households. In 2020 and later years, Orange Polska intends to continue acquiring FTTH range, including that developed in the Operational Programme "Digital Poland", from other operators.

Orange Polska is Poland's largest wholesale service provider. There has been growing demand for transmission bandwidth, particularly lines of capacity of 1 Gbps or 10 Gbps. In order to meet customers' needs, Orange Polska has been systematically expanding nationwide OTN (Optical Transport Network) trunk lines. In 2020, we increased the number of OTN transport nodes, thus expanding the aggregate network capacity from 4.6 Tbps at the end of December 2019 to 5.1 Tbps at the end of June 2020.

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. Furthermore, 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 99.20% at the end of June 2020, which confirms very high quality of Orange Polska's fixed-line services.

Mobile

Orange Polska has been steadily increasing the number of its base stations and enhancing their capacity. In the first six months of 2020, our customers got access to further 167 base stations. 4G coverage for all bands was 99.87% of the population on 98.32% of Poland's territory at mid-2020. Orange Polska provided LTE services via 11,368 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 9,645 at the end of June 2020 compared to 8,928 at the end of December 2019.

In 2019, the Company completed a project in Warsaw to increase the 4G capacity by upgrading base stations to 4x4 MIMO (Multiple Input Multiple Output). In the first half of 2020, this project was expanded to include Łódź, Cracow, the Upper Silesian conurbation and the city centres of Poznań, Wrocław, Opole, Częstochowa, Rzeszów, Kielce, Bielsko-Biała and Tychy. As at the end of June, the number of 4x4 MIMO base stations reached 1,408. The hardware upgrade required to launch 4x4 MIMO enabled also the activation on the same base stations of Dynamic Spectrum Sharing (DSS), that is sharing of a 10 MHz channel in the 2100 MHz band between 4G and 5G. DSS on these sites was launched commercially on July 1, 2020.

Orange Polska has conducted intensive 5G tests, and it now operates test networks in Warsaw, Lublin and Chorzów.

Our spectrum refarming project, which was spread over three years (2018 to 2020), was completed in June 2020. This involved modernisation of base stations to increase the frequency spectrum allocated to LTE, which enabled aggregation of up to four carrier bands in the 4G technology. With the new equipment, LTE was activated in the 2100 MHz band on 9,135 base stations.

We are gradually implementing the LTE-M technology for Internet of Things. LTE-M is currently available on 1,647 base stations. We are activating this technology on a site-by-site basis, and in case of definite business needs its range is expanded to cover whole areas or cities. We are planning nationwide implementation soon.

4.8 Orange Polska's Participation in the Operational Programme "Digital Poland"

In the EU Financial Framework 2014–2020, funds have been allocated for the Operational Programme "Digital Poland", which aims to strengthen digital foundations for the national development. According to the Partnership Agreement of May 23, 2014, those foundations include: common access to high-speed Internet, effective and user-friendly public e-services and a continuously rising level of digital competences of the society. In the priority axis I: Common access to high-speed Internet, funds totalling PLN 1.02 billion have been allocated for adding last mile facilities meeting the European Digital Agenda requirements to the existing infrastructure.

Following the first competition procedure for co-financing of investment projects in the Programme, in September 2016 Orange Polska concluded agreements with the "Digital Poland" Project Centre for co-financing of investment projects in 174 towns in 8 areas, which are located in the Lubuskie, Pomeranian and

Lower Silesian Regions of Poland. The funds granted totalled almost PLN 24 million. The projects were implemented in 2017–2019.

The second competition procedure was announced on September 30, 2016. In this procedure, a total of PLN 3 billion was allocated for co-financing projects in 79 NUTS-3 regions (that is areas comprising of several districts each). Ultimately, 18 projects submitted by Orange Polska were selected for co-financing.

Orange Polska is implementing projects in seven regions of Poland, namely: Pomeranian Region (4 projects), West Pomeranian Region (4 projects), Lesser Poland Region (3 projects), Lubuskie Region (2 projects), Lower Silesian Region (2 projects), Mazovian Region (2 projects), and Silesian Region (1 project). These projects have been granted a total of PLN 741.3 million from the Programme funds, which accounts for about 84% of eligible costs (according to co-financing agreements between Orange Polska and the “Digital Poland” Project Centre). Co-financing accounts also for about 70% of the total costs of network construction according to the agreements between Orange Polska and the contractors. Over 363,000 households and 3,752 educational facilities are within the reach of the intended investments. The projects have been scheduled for completion in 2021. Orange Polska has already completed connecting educational facilities within the framework of the Nationwide Education Network, and household connections are being gradually developed.

The fourth competition procedure, in which a total of PLN 580 million was allocated for project co-financing, was announced on October 9, 2019. By the end of June 2020, the “Digital Poland” Project Centre had decided to award funds to 6 projects to be implemented by Orange Polska (out of 7 applications filed by the Company).

4.9 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 and 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 2019, a major development in the highly competitive market in Poland was adoption of ‘more-for-more’ pricing strategies by the operators. This involves increased benefits for subscribers in return for higher subscription fees. In May 2019, Orange Polska became the first operator to raise prices of its mobile packages. Then, Play and T-Mobile followed the suit.

The implementation of the “more for more” strategy is important for financial standing of telecom operators, as they face cost pressure and upcoming massive investments in 5G services. Price competition over recent years has led to a relative balance in market shares of the main players and reduced mobile service prices in Poland to one of the lowest levels within the European Union.

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 that the consolidation trend and the fact that the market is highly competitive.

In 2020, investments in the fibre infrastructure based on EU funds have 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 have not been economically viable hitherto. 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. There are over 2.0 million households in the areas covered by the investment projects carried out in the Operational Programmes “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.

4.10 Evolution of the Group's Distribution Network

In the first half of 2020, the COVID-19 pandemic weighted heavily on Orange Polska's distribution and sales network. Restrictions regarding people's mobility or closure of shopping galleries in Poland forced customers to change their purchase behaviours. In line with government guidelines, all our outlets located in shopping centres were also temporarily closed for a period of six weeks (between March 13 and May 4, 2020).

While access to physical points of sale was hindered or impossible, customers were choosing online purchases much 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. Owing to customised offers and 24/7 availability of Orange store, our customers can make purchases on their own or, upon request, assisted by our phone consultants.

The Telesales channel, which is operated by our external partners and our own call centre, also performed very well in this period. In this channel we concentrate on dedicated campaigns accounting for customer profiles and behaviour 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 addition to Telesales, there is also a service infoline, which combines customer care with account management. Furthermore, we are developing an innovative artificial intelligence solution for handling incoming calls: Max, a bot helping customers to settle matters related to Orange services. Despite numerous restrictions related to the pandemic, we ensured the continuity of top quality phone assistance to our customers in our remote channels.

After the restrictions were lifted, customers largely returned to their purchase preferences and physical points of sale (POS) became the most popular sales channel once again. Orange Polska has a chain of 691 POSs all over Poland (vs. 710 at the end of 2019). 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 2020, 304 (or 44%) of our outlets had been modernised in a new visualisation.

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 this process has accelerated at the time of the COVID-19 pandemic. Our customers increasingly recharge their pre-paid accounts in remote channels (through online banking portals, mobile apps and orange.pl website). In the first six months of 2020, there was an increase of 23% year-on-year in top-up sales through online channels.

The period of the pandemic has demonstrated that Orange Polska's distribution network is prepared to face any eventuality. The availability of multiple sales channels enables us to meet the expectations of various groups of customers regardless of their preferences and needs, also in case of random conditions like the state of pandemic.

4.11 Regulatory Environment

The telecommunications market in Poland is subject to sector-specific regulations, which are adopted on the European Union level and subsequently transposed to domestic legislation (to the extent they require implementation into national law). The market oversight is performed by the 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 the review, determines the required extent of regulation. Orange Polska S.A. has been designated as an operator having significant market power (SMP) and has been imposed regulatory obligations with respect to certain telecom market segments. These regulatory restrictions significantly affect 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 activity is 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 call origination on a fixed public telephone network (pursuant to a deregulation decision issued in 2018, the relevant regulatory obligations will remain in force to October 1, 2020);
- 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;

- market for high quality access services at a fixed location, up to 2 Mbps; and
- market for call termination on Orange Polska S.A.'s mobile network (MTR).

Each SMP decision of the President of UKE's determines specific Orange Polska's 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 9, 2020, the President of UKE requested Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. and Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością Business Advisory sp.k. to conduct an annual regulatory audit of Orange Polska for 2019. The auditor shall submit its audit report to Orange Polska and the President of UKE not later than on August 26, 2020.

Access to Outdoor and Indoor Cable Ducts

Pursuant to the obligations imposed by the Act on supporting the development of telecommunications services and networks ("the Mega-Act"), Orange Polska S.A. provides access to its outdoor and indoor cable ducts. The President of UKE has issued decisions determining the terms of access to outdoor and indoor cable ducts with respect to both Orange Polska and other six major infrastructure-based operators in Poland, namely UPC, Vectra, Inea, Netia, Toya, and Multimedia Polska. The terms of access are symmetrical, with the exception of monthly rates for outdoor cable duct lease. However, the operators have appealed against UKE's decisions and the relevant court proceedings are pending.

Access to Indoor Cable Ducts in Multi-family Houses

In December 2019, the President of UKE issued decisions on the terms of access to Orange Polska's indoor cables. Orange Polska filed an application for the re-examination of the matter by UKE. Decisions for other six operators: Netia, UPC, Vectra, Multimedia Polska, Toya and Inea (following their applications for the re-examination of the decisions issued in May 2019), regulating the same scope of obligations, were issued in January 2020. All these operators appealed against the respective decisions, requesting that their immediate enforceability be suspended. While the court has not suspended the immediate enforceability of the decisions, the relevant court proceedings are pending.

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 feature points of interconnection of telecommunications networks in the IP/SIP technology. Orange Polska S.A. appealed against this decision to the Regional Administrative Court. Simultaneously, due to the immediate enforceability of the decision, the Company fulfilled its obligation on March 30, 2020 by submitting a draft amendment to its reference offer in this respect for the President of UKE's approval. The relevant administrative procedure is pending.

Potential Regulatory Changes

Regulations affecting Orange Polska S.A. are subject to periodical reviews in order to adjust them to the current market situation.

Call Termination on Fixed Networks

In December 2019, the President of UKE issued over 200 decisions, including one for Orange Polska S.A., imposing regulatory obligations on the wholesale market for call termination on fixed networks. The decisions are only partial and do not set fixed termination rates (FTRs).

Simultaneously, the European Commission is working on the implementation of uniform rates for call termination on both fixed networks (i.e. single FTR) and mobile networks (i.e. single MTR), which should be implemented by 2021.

Amendment to the Telecommunication Law

By December 21, 2020, all EU member states shall 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 Ministry of Digital Affairs is working on the implementation of legislation changes relevant to the telecommunications sector, preparing 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, which is paid pro rata by all operators with revenues of more than PLN 4 million in the calendar year for which the compensation is due.

Orange Polska S.A. also participates in compensating the deficit. Its share is typically about 41%. Furthermore, with respect to some operators, Orange Polska S.A. has reached agreements regulating the issue of mutual settlements on the account of the universal service obligation.

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. Courts did not share the President of UKE's arguments for rejecting compensation in the amount requested by Orange Polska S.A. and obliged UKE to re-examine the case.

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 by other operators.

At the same time, procedures to determine the share of individual operators in the compensation of the universal service net cost deficit are pending. The President of UKE first determines a list of operators to contribute to the compensation for particular years, and then their share in the compensation by way of individual decisions. Operators have the right to appeal against such decisions.

The majority of individual decisions regarding the initially granted amount of compensation for 2006–2010 have been issued, and most operators have already paid the relevant amounts to Orange Polska S.A. However, the proceedings related to individual decisions for 2011 and similar proceeding concerning additional compensation for 2006–2010 are still pending.

Out of the initially granted compensation for 2006–2011, in the first six months of 2020 Orange Polska S.A. received PLN 4 million, while PLN 2 million is still due.

Major Changes in Legislation

In the first half of 2020, there was a number of changes in legal environment with respect to both general law and provisions specific to the telecom sector. Some of them were introduced urgently due to the nationwide state of pandemic. Such modification of legal environment entails constant and diligent monitoring and may require allocation of resources to implement new regulations.

Domestic Law

- On January 1, 2020, the Regulation of the Minister of Health on the acceptable electromagnetic field levels in the environment came into force. It set limits consistent with the Council Recommendation 1999/519/EC, which is based on the International Commission on Non-Ionizing Radiation Protection (ICNIRP) guidelines;
- On February 19, 2020, the Regulation of the Minister of Climate of February 17, 2020 on the means of verifying compliance with the acceptable electromagnetic field levels in the environment came into force;
- On June 29, 2020, the Regulation of the Minister of Digital Affairs of June 22, 2020 on the minimum technical and organisational measures and methods to be used by telecommunication operators to ensure security or integrity of networks or services was promulgated. The Regulation shall become effective six months after the date of promulgation.

Changes in Legislation Related to the COVID-19 Pandemic

- On March 8, 2020, the Act of March 2, 2020 on specific solutions to prevent, counteract and combat COVID-19, other infectious diseases and crisis situations caused by them came into force.
- On March 31, 2020, the Act of March 31, 2020 amending the act on specific solutions to prevent, counteract and combat COVID-19, other infectious diseases and crisis situations caused by them and certain other acts came into force. It included mainly general economic solutions.
- On April 18, 2020, the Act of April 16, 2020 on special support instruments in connection with the spread of the SARS-CoV-2 virus came into force. It supplemented the previously adopted solutions and introduced changes directly relevant to telecommunication operators, including the obligation to provide certain positioning data upon request of the Minister of Digital Affairs and the obligation to provide unlimited access (without affecting data transmission limits) to the websites listed by the Minister of Digital Affairs.
- On May 16, 2020, the Act of May 14, 2020 amending certain acts regarding protection measures in connection with the spread of the SARS-CoV-2 virus came into force. It introduced regulations affecting the telecommunications sector, particularly with respect to the term of office of the President of UKE, selection procedures regarding radio frequencies, 5G network security and partial implementation of the European Electronic Communications Code provisions regarding certain rights of subscribers into the Telecommunication Law (effective on December 21, 2020).

- On June 24, 2020, the Act of June 19, 2020 on subsidies to interest rates of bank loans granted to entrepreneurs affected by COVID-19 and on simplified procedure for approval of a composition agreement in connection with COVID-19 came into force.
- In connection with the spread of the COVID-19 disease, the state of epidemic emergency was introduced in Poland between March 14 and March 20, 2020 (pursuant to the Regulation of the Minister of Health of March 13, 2020 on declaring the state of epidemic emergency in the territory of the Republic of Poland). Since March 20, 2020, there has been the state of epidemic in Poland (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). Since March 14, 2020, subsequent changes in legislation in the form of regulations have introduced 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 Regulation of the Council of Ministers on the action plan of a telecommunication operator in the event of specific hazards.
- Draft Electronic Communication Law, presented in a public pre-consultation procedure by the Ministry of Initial Affairs as an initial draft.

EU Law

- The discussions in the EU Council regarding the Regulation on privacy and electronic communications (ePrivacy) have been going on since 2017 due to lack of consensus among the Member States.
- Work is in progress on a legislative package for the new financial framework 2021-2027; it is scheduled for completion in the fourth quarter of 2020;
- The European Commission is working on the Digital Services Act package. A public consultation of the package assumptions, particularly regarding e-commerce matters, new competition tools and ex ante instruments is going on. The Commission is to publish the draft act at the end of 2020.

4.12 Claims and Disputes, Fines and Proceedings

Please refer to Note 29 to the Consolidated Full-Year Financial Statements for 2019 and Note 11 to the Condensed IFRS Interim Consolidated Financial Statements for the first six months of 2020 for detailed information about material proceedings and claims against Group companies and fines imposed thereon, including a fine imposed by the European Commission, as well as issues related to the incorporation of Orange Polska S.A.

CHAPTER III ORGANISATION AND CORPORATE STRUCTURE

5 ORGANISATIONAL CHANGES IN THE FIRST HALF OF 2020

5.1 Group's Structure as of June 30, 2020

Please refer to Note 1.2 to the IFRS Full Year Consolidated Financial Statements for 2019 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 2020, there were changes in the corporate structure of the following functions: Human Resources, Finance, Carriers Market and Real Estate Sales, Strategy and Corporate Affairs, Customer Experience, 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 the first half of 2020. As of June 30, 2020, the Management Board was composed of eight Members, who have been assigned the direct supervision over the following Company's matters:

- President of the Management Board;
- Vice President of the Management Board in charge of Business Market;
- Vice President of the Management Board in charge of Consumer Market;
- Management Board Member in charge of 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; and
- Management Board Member in charge of Human Resources.

On March 31, 2020, Maciej Nowochoński, previously in charge of Finance and Carriers Market, became the Management Board Member in charge of Carriers Market and Real Estate Sales, while Jacek Kunicki, previously the Group's Chief Controller, became Orange Polska's Chief Financial Officer as the Executive Director in charge of Finance. On July 21, 2020, Jacek Kunicki was appointed by the Supervisory Board as the Management Board Member.

5.2.2 Business Units of Orange Polska S.A.

In the first half of 2020, the number of business units was reduced from 78 to 77, namely the number of business units decreased in the functions Human Resources and Strategy & Corporate Affairs, while it increased by one in the function IT.

As of June 30, 2020, Orange Polska had 77 business units, reporting directly to:

- 1) President of the Management Board: 1 business unit;
- 2) Vice President of the Management Board in charge of Business Market: 7 business units;
- 3) Vice President of the Management Board in charge of Consumer Market: 7 business units;
- 4) Management Board Member in charge of Customer Experience: 8 business units;
- 5) Management Board Member in charge of Networks and Technology: 13 business units;
- 6) Management Board Member in charge of Strategy and Corporate Affairs: 5 business units;
- 7) Management Board Member in charge of Human Resources: 11 business units;
- 8) Management Board Member in charge of Carriers Market and Real Estate Sales: 8 business units;
- 9) Executive Officer in charge of Finance: 7 business units;
- 10) Executive Director in charge of IT: 8 business units; and
- 11) Executive Director in charge of Transformation and Effectiveness: 2 business units.

Finance now reports to the Executive Officer in charge of Finance, while Carriers Market reports to the Management Board Member in charge of Carriers Market and Real Estate Sales. This change involved transfer of one business unit from Finance to Carriers Market.

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 2020.

5.3 Ownership Changes in the Group in the First Half of 2020

The Group effected no significant ownership changes in the first half of 2020.

5.4 Orange Polska Shareholders

As of June 30, 2020, 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 29, 2020 was as follows:

Shareholder	Number of shares held	Number of votes at the General Assembly of Orange Polska S.A.	Percentage of the total voting power at the General Assembly of Orange Polska S.A.	Nominal value of shares held (in PLN)	Interest in the Share Capital
Orange SA	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 29, 2020, Orange SA held a 50.67% stake in the Company.

Orange SA is one of the world's foremost telecommunications operators, with a turnover of €42.2 billion at the end of 2019.

Convergent offers totalled 10.8 million customers at the end of 2019, up 3.4% year on year, enabling Orange SA to consolidate its position as Europe's leading convergent operator. With 7.3 million fibre customers, Orange SA is the undisputed leader in fibre in Europe, posting strong growth in 2019 with 745,000 net sales in France and a record fourth quarter in both France and Poland with 239,000 and 47,000 net sales respectively.

In Africa and Middle East, Orange SA continued 4G deployment, reaching more than 23.8 million customers by the end of 2019, an increase of 42.6% year on year. Orange Money, with a base of 18.2 million active customers at the end of 2019, grew 20.1% in one year in that region. At the end of 2019 Orange Bank had over 500,000 customers, including 390,000 account holders in France; it has also launched its offer in Spain.

Orange SA 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 SA has become a European leader thanks to the acquisitions of SecureData and SecureLink. Orange SA is listed on the Euronext Paris (ORA) and the New York Stock Exchange (ORAN).

As of June 30, 2020, the Company had no information regarding valid agreements or other events that could result in changes in the proportions of shares held by the shareholders.

Orange Polska S.A. did not issue any employee shares in the first half of 2020.

5.5 Corporate Governance Bodies of the Parent Company

I. Composition of the Management Board in the first half of 2020

Composition on January 1, 2020:

1. Jean-François Fallacher – President of the Board
2. Mariusz Gaca – Vice President of the Board
3. Bożena Leśniewska – Vice President of the Board
4. Witold Drożdż – Board Member
5. Jolanta Dudek – Board Member
6. Piotr Jaworski – Board Member
7. Jacek Kowalski – Board Member
8. Maciej Nowohoński – Board Member

The composition of the Management Board did not change in the first six months of 2020.

On March 31, 2020, Maciej Nowohoński, previously in charge of Finance and Carriers Market, became the Management Board Member in charge of Carriers Market and Real Estate Sales, while Jacek Kunicki, previously the Group's Chief Controller, became Orange Polska's Chief Financial Officer as the Executive Director in charge of Finance. On July 21, 2020, Jacek Kunicki was appointed by the Supervisory Board as the Management Board Member.

On June 12, 2020, Jean-François Fallacher informed Orange Polska that he had accepted an offer to become the CEO of Orange Spain as of September 1, 2020. He will remain He will remain the President of the Management Board of Orange Polska until August 31, 2020. On July 21, 2020, the Supervisory Board appointed Julien Ducarroz as the President of the Management Board, effective on September 1, 2020 r.

On July 21, 2020 Mariusz Gaca informed Supervisory Board that he has accepted an offer to become the CEO of Orange Moldova and will step down from Management Board of Orange Polska as of October 31, 2020.

II. Composition of the Supervisory Board and its Committees and changes thereof in the first half of 2020

Composition on January 1, 2020:

- | | |
|---------------------------------|---|
| 1. Maciej Witucki | – Chairman of the Supervisory Board |
| 2. Gervais Pellissier | – Deputy Chairman of the Supervisory Board |
| 3. Marc Ricau | – Board Member and Secretary |
| 4. Dr. Henryka Bochniarz | – Independent Board Member |
| 5. Thierry Bonhomme | – Board Member |
| 6. Eric Debroeck | – Board Member |
| 7. Ramon Fernandez | – Board Member |
| 8. John Russell Houlden | – Independent Board Member and Chairman of the Audit Committee |
| 9. Prof. Michał Kleiber | – Independent Board Member |
| 10. Patrice Lambert-de Diesbach | – Board Member |
| 11. Monika Nachyła | – Board Member |
| 12. Dr. Maria Pasło-Wiśniewska | – 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 |

On June 17, 2020, the mandates of Messrs. John Russell Houlden and Patrice Lambert-de Diesbach expired.

On the same day, the Annual General Assembly appointed the aforementioned persons, that is John Russell Houlden and Patrice Lambert-de Diesbach, for another term of office.

Composition on June 30, 2020:

- | | |
|---------------------------------|---|
| 1. Maciej Witucki | – Chairman of the Supervisory Board |
| 2. Gervais Pellissier | – Deputy Chairman of the Supervisory Board |
| 3. Marc Ricau | – Board Member and Secretary |
| 4. Dr. Henryka Bochniarz | – Independent Board Member |
| 5. Thierry Bonhomme | – Board Member |
| 6. Eric Debroeck | – Board Member |
| 7. Ramon Fernandez | – Board Member |
| 8. John Russell Houlden | – Independent Board Member and Chairman of the Audit Committee |
| 9. Prof. Michał Kleiber | – Independent Board Member |
| 10. Patrice Lambert-de Diesbach | – Board Member |
| 11. Monika Nachyła | – Board Member |
| 12. Dr. Maria Pasło-Wiśniewska | – 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 |

As at June 30, 2020, Orange Polska had five independent members on the Supervisory Board, namely: Dr. Henryka Bochniarz, John Russell Houlden, Prof. Michał Kleiber, Monika Nachyła and Dr. Maria Pasło-Wiśniewska.

Composition of the Committees of the Supervisory Board on June 30, 2020:

The Audit Committee

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

The Strategy Committee

1. Jean-Marc Vignolles – Chairman
2. Dr. Henryka Bochniarz
3. Thierry Bonhomme
4. Eric Debroeck
5. Patrice Lambert-de Diesbach
6. Monika Nachyła
7. Dr. Maria Pasło-Wiśniewska
8. Gervais Pellissier

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
Mariusz Gaca – Vice President	2023
Bożena Leśniewska – Vice President	2021
Witold Drożdż	2021
Jolanta Dudek	2021
Piotr Jaworski	2021
Jacek Kowalski	2023
Jacek Kunicki	2023
Maciej Nowohoński	2023

Supervisory Board	Year of AGM
Maciej Witucki – Chairman	2022
Gervais Pellissier – Deputy Chairman	2022
Marc Ricau – Secretary	2022
Henryka Bochniarz	2021
Thierry Bonhomme	2021
Eric Debroeck	2022
Ramon Fernandez	2021
John Russell Houlden	2023
Michał Kleiber	2022
Patrice Lambert-de Diesbach	2023
Monika Nachyła	2022
Maria Pasło-Wiśniewska	2021
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 29, 2020:

– Mr. Jean-François Fallacher, President of the Management Board, held 40,000 shares of Orange Polska S.A.;

- 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 29, 2020.

Shares held in related entities:

Jean-François Fallacher	1.717	shares of Orange S.A. of par value of EUR 4 each
Jean-François Fallacher	1	share of Orange Money IFN S.A. of par value of RON 10
Mariusz Gaca	2.217	shares of Orange S.A. of par value of EUR 4 each
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 29, 2020, no persons supervising Orange Polska S.A. held any shares in the Company.

Shares held in related entities:

Gervais Pellissier	34,527	shares of Orange S.A. of par value of EUR 4 each
Gervais Pellissier	1	share of Business Services SA of par value of EUR 0.84
Gervais Pellissier	1	share of Orange Horizons of par value of EUR 10
Marc Ricau	856	shares of Orange S.A. of par value of EUR 4 each
Thierry Bonhomme	15,830	shares of Orange S.A. of par value of EUR 4 each
Eric Debroeck	5,641	shares of Orange S.A. of par value of EUR 4 each
Ramon Fernandez	1,524	shares of Orange S.A. of par value of EUR 4 each

5.5.2 General Assembly

On June 17, 2020, the Annual General Meeting among others:

- approved the Management Board's Report on the activity of Orange Polska S.A. and the Orange Polska Group in the 2019 financial year;
- approved Orange Polska S.A.'s financial statements for the 2019 financial year;
- approved the consolidated financial statements for the 2019 financial year;
- granted approval of the performance of their duties by members of Orange Polska S.A.'s governing bodies in the financial year 2019;
- adopted a resolution on distribution of Orange Polska S.A.'s profit for the financial year 2019, pursuant to which Orange Polska S.A.'s profit of PLN 88 282 929.11 disclosed in the Company's financial statements for the financial year 2019 was allocated to the reserve capital;
- did not adopt a resolution on paying a dividend in 2020, prioritising investment in long-term value creation.

5.6 Workforce

As of June 30, 2020, Orange Polska employed 11,549 people (in full-time equivalents), which is a decrease of 6.7% compared to the end of December 2019.

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, 917 employees left the Company in the first six months of 2020. Severance pay in Orange Polska S.A. averaged PLN 81.2 thousand per employee leaving under the Social Agreement in the first half of 2020.

In the first six months of 2020, external recruitment in Orange Polska totalled 175 positions. External recruitment was mainly related to sale positions and customer service staff.

5.6.1 Social Agreement

On December 12, 2019, the Management Board of Orange Polska concluded a new Social Agreement with its Social Partners. This will remain in force for the next two years, that is 2020–2021. In particular, the Social Agreement for 2020–2021 set the number of voluntary departures over these two years at 2,100 people and determined a financial package for employees leaving Orange Polska under the voluntary departure scheme. It also provided for potential basic salary increases (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 provided for the follow-up of the 'Friendly Work Environment' project and continuation of medical coverage.

The negotiated Settlement set the number of employees to leave Orange Polska 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 rules and selection criteria to be applied to people whose employment is terminated by the employer for reasons not attributable to employees. The amount of compensation package per departing employee will depend on their seniority in the Group in accordance with the Intragroup Collective Labour Agreement.

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, 1988 (ICLA) signed the Additional Protocol no. 9 to ICLA, which is pending registration by the minister competent for labour affairs. Pursuant to the Protocol, the current system of jubilee awards for long service will remain in force until April 8, 2021. Then, between April 9, 2021 and December 31, 2021, employees who complete 15 to 30 years of service will receive a one-off jubilee award in the amount depending on their seniority. Finally, from January 1, 2022, employees will not be eligible for jubilee awards for long service. The Additional Protocol no. 9 also provides for a change in contributions to the Company Social Benefits Fund in 2020 and 2021. The basic contribution per employee in 2020 and 2021 will amount to, respectively, 18.75% and 9.4% of the average monthly wage in the national economy in the preceding year or the second half of the preceding year, whichever was higher. From 2022, the basic contribution will be consistent with the Act on the company social benefits fund.

On June 23, 2020, the Management Board of Orange Polska 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, may not be fully utilized. 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.

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 2019. However, the Company identified one additional risk factor in the first half of 2020.

6.1 Impact of the COVID-19 Pandemic on Orange Polska's Operations

Even though the core of Orange Polska's operations has appeared relatively immune to the impact of the pandemic, this unprecedented situation has negatively affected our results for the first half of 2020 and there is uncertainty regarding the impact of the consequences of the economic slowdown on our results in the remainder of the year.

Lower customer demand combined with the lockdown and the resulting closure of a significant part of physical points of sale (between mid-March and beginning of May) contributed to lower-than-previously-expected sale of new services and significantly impacted sale of equipment (revenues from equipment sales were down 15% year-on-year in 1H 2020). This affected the pace of monetisation of our 'more for more' strategy, which we implemented last year. Closure of borders and restrictions regarding people's mobility affected roaming revenues, which were down 50% year-on-year. This negatively influenced revenues from mobile-only services.

On the positive side, subscription-based services, that account for the majority of our revenues and profits, proved to be resilient to the impact of the pandemic. Data and voice connectivity has become more essential than ever to the needs of consumers and businesses. As the pandemic has particularly validated the investments in network quality, the demand for fixed broadband connectivity has remained unaffected.

The pandemic has a significant negative impact on the Polish economy. In Q2 2020, Poland's GDP is estimated to have fallen by as much as about 10%. According to market estimates, the recession, albeit much lower, will continue for the remainder of the year, and there is uncertainty regarding the shape of the recovery thereafter. This economic downturn has a negative impact on the operations of some of our customers, mainly on the business market. There is uncertainty as to how this will influence our results in the second half of 2020. To account for that risk we have booked provisions for bad debts in the amount of PLN 15 million. In particular, we expect a significant slowdown in the IT/IS area, lower demand for our services from some business customers, a further decline in roaming revenues and subdued demand for handsets.

The Management Board has launched additional measures to partially mitigate the negative impact of the pandemic on the Company's business goals. In particular, on June 4, 2020 we announced the conclusion of an amendment to the Collective Labour Agreement regarding jubilee awards for long service. As a result of this amendment we reversed provisions for employee benefits in the amount of PLN 64 million. This increased our profits in the first half of 2020 and will allow for lower cash-out in the years to come. Also in June, we signed with trade unions an amendment to the Social Agreement. In particular, this settlement provided for a reduction in the rate of basic salary increases in 2020 from 3.5% to 1.0%. We have also initiated other cost efficiency measures beyond those planned within the framework of our on-going transformation. To keep economic Capex (eCapex) within the expected range (PLN 1.7–1.9 bn), we are optimising investment outlays to offset lower-than-previously-expected proceeds from asset disposal.

Owing to relative resilience of our core business and additional compensating measures, we reported 8% year-on-year growth of EBITDAaL in the first half of 2020 and, despite uncertainty regarding H2, we are able to maintain our full-year growth guidance.

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. Jean-François Fallacher – President of the Board
2. Bożena Leśniewska – Vice President in charge of Business Market
3. Mariusz Gaca – Vice President in charge of Consumer Market
4. Witold Drożdż – Board Member in charge of Strategy and Corporate Affairs
5. Jolanta Dudek – Board Member in charge of Customer Care and Customers Excellence
6. Piotr Jaworski – Board Member in charge of Networks and Technology
7. Jacek Kowalski – Board Member in charge of Human Capital
8. Jacek Kunicki – Board Member in charge of Finance, Chief Financial Officer
9. 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 3/2020 of February 12, 2020, the Group forecasts that EBITDAaL in 2020 will be higher than in 2019 (PLN 2,718 million). Considering the results of the first half of 2020 and additional measures implemented to mitigate the impact of the crisis, the Management Board of Orange Polska S.A. is reiterating its forecast for growth of EBITDAaL in 2020. However, the Management Board will closely monitor the situation and assess the impact of the COVID-19 pandemic on the Group's performance on a current basis.

GLOSSARY OF TELECOM TERMS

- 4G** – fourth generation of mobile technology, sometimes called LTE (Long Term Evolution)
- Access Fee** – revenues from monthly fee from New Tariff Plans (incl. Free minutes)
- 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 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 100Mb/s
- 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 Costs
- 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