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ORANGEPL RR

☐ - adjusted

POLISH FINANCIAL SUPERVISION AUTHORITY

Annual report RR for the year 2021

(year)

(according to par. 60 s. 1 pkt 3 of the Decree on current and periodic information)
for the issuers in sectors of production, construction, trade or services
(type of issuer)

for the year **2021**, i.e. from **1 January 2021 to 31 December 2021**
including, separate financial statements prepared under: **IAS**
in currency: **PLN**
date of issuance: **16 February 2022**

ORANGE POLSKA SA
(full name of issuer)

ORANGEPL	**Telecommunication (tel)**
(abbreviated name of the issuer)	(classification according to WSE/sector)
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(post code)	(location)
Al. Jerozolimskie	**160**
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526-02-50-995	**012100784**
(NIP)	(REGON)
259400TOMPUOLS65II22	**0000010681**
(LEI)	(KRS)

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

SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	2021	2020	2021	2020
I. Revenue	10,601,000	10,479,000	2,315,893	2,342,095
II. Operating income	1,402,000	382,000	306,281	85,378
III. Profit before income tax	1,148,000	57,000	250,792	12,740
IV. Net income	916,000	47,000	200,109	10,505
V. Earnings per share (in PLN/EUR) (basic and diluted)	0.70	0.04	0.15	0.01
VI. Weighted average number of shares (in millions)	1,312	1,312	1,312	1,312
VII. Total comprehensive income	1,223,000	34,000	267,176	7,599
VIII. Net cash provided by operating activities	3,025,000	2,977,000	660,841	665,370
IX. Net cash used in investing activities	(1,111,000)	(2,082,000)	(242,709)	(465,334)
X. Net cash used in financing activities	(1,329,000)	(941,000)	(290,333)	(210,317)
XI. Net change in cash and cash equivalents	585,000	(46,000)	127,799	(10,281)
	Balance as at 31/12/2021	Balance as at 31/12/2020	Balance as at 31/12/2021	Balance as at 31/12/2020
XII. Total current assets	3,647,000	2,991,000	792,930	648,132
XIII. Total non-current assets	21,191,000	20,913,000	4,607,340	4,531,724
XIV. Total assets	24,838,000	23,904,000	5,400,270	5,179,856
XV. Total current liabilities	3,992,000	7,399,000	867,940	1,603,320
XVI. Total non-current liabilities	9,079,000	5,972,000	1,973,953	1,294,097
XVII. Total equity	11,767,000	10,533,000	2,558,377	2,282,439
XVIII. Share capital	3,937,000	3,937,000	855,981	853,125

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

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

1 EUR	31 December 2021	31 December 2020
Statement of financial position	4.5994 PLN	4.6148 PLN
Income statement, statement of comprehensive income, statement of cash flows	4.5775 PLN	4.4742 PLN

Dear Shareholders,
2021 was the first year of implementation of our ambitious new .Grow strategy and last year's excellent performance was a very strong first step in its execution. We delivered on all our commitments. The outlook for 2022 is more challenging due to external macroeconomic factors, but as I am confident in the strength of our assets, we are fully confirming all of our long-term strategic ambitions.

New strategy for 2021-2024: to grow faster and in a more sustainable way…
.Grow is an evolutionary strategy which means that the main pillars of our strategy does not change. Convergence remains a key growth lever helping us gain and maintain customer trust and loyalty. Further growth of our customer base will be fuelled mainly by continued fibre expansion, which also contributes to ARPU growth. In the business market, we see ICT as the key growth driver. The highest growth rate is to be achieved in the areas of cybersecurity and software & applications, based on both the expertise of the recently acquired subsidiaries and the competence developed for internal needs. As part of .Grow, we want to release our internal potential, resulting from digital transformation. We will be heading in the direction expected by our customers, while improving our internal efficiency by leveraging more on big data and artificial intelligence. Another major component is social responsibility, in which we have set ambitious environmental, social and governance (ESG) goals.

In financial terms, with .Grow we are entering a path of faster and more sustainable growth. EBITDAaL will continue to expand, with its key driver being revenue expansion fuelled by commercial activity. This will be a fundamental change from our previous strategy, in which the turnaround – after years of decline – was generated by huge savings on indirect costs, while direct margin continued to fall.

…enhanced by organisational changes
In order to align our internal structures with the priorities of the new strategy we have made changes to the organisation. In particular, the structures of our key business lines – consumer and business markets – have been entrusted with customer relations, to constitute an end-to-end customer value proposition. We have also set up a new unit dedicated to digital, reporting directly to the CEO. This marks the importance of this area to our future. In order to compete effectively and further increase our efficiency, we need to digitise our activities faster and more effectively: in sales, customer service or our internal processes.

2021 performance: a very strong first step in .Grow execution
Our performance in 2021 was excellent. We delivered on all of our commitments. In particular, EBITDAaL increased by a very strong almost 6% driven by profitable revenue expansion. Revenues from our core telecom services (convergence, mobile-only and broadband-only) increased by 6.7% year-on-year, significantly more than the 2.9% increase in 2020. This improvement resulted from constant growth of our customers, our commercial value strategy and post-pandemic roaming recovery. We continued our more-for-more pricing policy, increasing consumer tariffs in mobile post-paid and pre-paid in return for higher benefits. In B2B, we had another strong year in ICT with revenues increasing 19% supported by solid organic growth and the contribution of Craftware, acquired in December 2020. We also continued our cost transformation, generating savings in many areas including labour, subcontracting and general expenses. I am pleased that we reached consensus with our social partners regarding further employment adaptation and reskilling. We also made good progress in other strategic areas, including digital where we are growing both share of sales and customer care through online channels. Last, but definitely not least, we are continuing the cultural transformation at Orange Polska, bringing new talent onboard and encouraging our people to grow and reskill. Our people are essential to our success.

Inflationary environment makes outlook for 2022 more challenging
We expect the positive trends in our business that were driving our results last year to also support our performance in 2022. However, the outlook for EBITDAaL growth is more challenging due to external macroeconomic factors. Inflation in Poland recently hit 9% and the consensus is that it will exceed 7% for the full year. From our perspective the key challenge is the huge increase in energy prices that we have experienced over the past few months not only in Poland but all over Europe. Even though entering 2022 we have secured around half of our expected energy consumption, we expect our energy bill this year to be significantly higher than last year. We will continue to be active in our commercial value strategy having in mind that the nature of our subscription business – proven very sound during turbulent times of pandemic lockdowns in 2020-2021 – requires more effort to adapt to inflationary environment. We are confident in the

strength of our assets, growing customer demand and the quality of our services and we are fully confirming all of our long-term strategic ambitions.

FiberCo project: an innovative way to explore market opportunities
Execution of the FiberCo project was not only our major achievement last year, but I believe one of the most spectacular achievements in Orange Polska recent history. Attractive transaction terms (proceeds of almost PLN 1.4 billion of which 2/3 was received on closing) reveal the underlying value of our infrastructure assets, significantly strengthen our balance sheet and demonstrate strong shareholder value creation attached to our ambitious FTTH rollout strategy initiated six years ago. Fibre is a key engine for our commercial strategy and the network that will be built by Światłowód-Inwestycje will further significantly expand its reach, contributing to meeting the goals of our .Grow strategy. It will also strongly contribute to the development of the country's digital infrastructure and will fight digital exclusion. We did this extremely challenging and transformational start-up-like project working almost completely online, which proves that the pandemic did not at all hamper our ability to innovate. All my credit and thanks go to the highly motivated teams of Orange Polska who relentlessly delivered in every complex step of the project.

Towards carbon neutrality
Climate responsibility is an indispensable part of our strategy and our daily activities. We believe that telcos have an essential role to play in the transition to carbon neutrality. Fast and efficient connectivity and services based on IoT solutions are contributing to the development of smart living, working and manufacturing. Orange Polska, just like the entire global Orange Group, wants to be climate-neutral and achieve Net Zero Carbon by 2040, ten years ahead of the EU climate goals. In the first period of action, by 2025, we will reduce our CO2 emissions in Scopes 1 and 2 by 65% compared to 2015. After cutting CO2 emissions by 9% in 2021, our levels are already lower by 27% versus 2015. Last year's reduction was the first to be achieved with support from renewable energy. Renewable energy contributed about 6% to our annual consumption in 2021 (with a monthly run-rate of c.10%). In December we signed the second PPA contract for wind energy that will be delivered in 2024, producing around 20% of our annual energy needs. This means that, in securing almost 30% of energy from renewable sources, we are halfway to reaching our 2025 goal of 60%. To reach the 2040 goal we will also accelerate efforts to reduce emissions in the entire supply chain, including suppliers and customers.

Julien Ducarroz
President of the Management Board and CEO
Orange Polska S.A.

This document is a conversion to pdf format of the official Independent Auditor's Report that was issued in xhtml format.

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

Independent Auditor's Report

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

Report on the Audit of the Annual Separate Financial Statements

Opinion

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

— the statement of financial position as at 31 December 2021;

and, for the period from 1 January to 31 December 2021:

— the income statement;
— the statement of comprehensive income;
— the statement of changes in equity;
— the statement of cash flows;

and

— notes comprising a summary of significant accounting policies and other explanatory information;

(the "separate financial statements").

In our opinion, the accompanying separate financial statements of the Entity:

— give a true and fair view of the unconsolidated financial position of the Entity as at 31 December 2021 and of its unconsolidated financial performance and its unconsolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS EU") and the adopted accounting policy;
— comply, in all material respects, with regard to form and content, with applicable laws and the provisions of the Entity's articles of association;
— have been prepared, in all material respects, on the basis of properly maintained accounting records in accordance with chapter 2 of the accounting act dated 29 September 1994 (the "Accounting Act").

Our audit opinion on the separate financial statements is consistent with our report to the Audit Committee dated 16 February 2022.

KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k.

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

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

Basis for Opinion

We conducted our audit in accordance with:

- International Standards on Auditing as adopted by the National Council of Statutory Auditors as National Standards on Auditing (the “NSA”); and
- the act on statutory auditors, audit firms and public oversight dated 11 May 2017 (the “Act on statutory auditors”); and
- regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the “EU Regulation”); and
- other applicable laws.

Our responsibilities under those regulations are further described in the Auditor’s Responsibility for the audit of the separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Ethics

We are independent of the Entity in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”) as adopted by the resolution of the National Council of Statutory Auditors, together with the ethical requirements that are relevant to our audit of the separate financial statements in Poland and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During our audit the key statutory auditor and the audit firm remained independent of the Entity in accordance with requirements of the Act on statutory auditors and the EU Regulation.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. They are the most significant assessed risks of material misstatements, including those due to fraud. Key audit matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon we have summarised our response to those risks. We do not provide a separate opinion on these matters. We have determined the following key audit matters:

Revenue from contracts with customers

Revenue from contracts with customers for the year ended 31 December 2021: PLN 10,507 million. As at 31 December 2021: trade receivables: PLN 1,885 million; contract assets: PLN 179 million; contract costs: PLN 504 million; contract liabilities: PLN 1,534 million.

We refer to the separate financial statements: note 5 and 34.9 “Revenue”, note 13 “Assets and liabilities relating to contract with customers”, note 34.1 „Use of estimates and judgments”.

Key audit matter	*Our response*
In the year ended 31 December 2021, the Entity’s principal revenue streams included provision of fixed, mobile and convergent telecommunication services as well as the provision of IT and integration services and sale of equipment.	Our audit procedures in the area included, among other things: — Obtaining understanding of the Entity’s revenue recognition process, and assessing the appropriateness of its revenue recognition policy for all material products and services against the requirements of the relevant financial reporting standards;

Application of revenue recognition principles of the relevant financial reporting standard (IFRS 15 *Revenue from contracts with customers*) is complex and requires making significant judgments and assumptions. These complexities are primarily associated with the fact that:

— different products and services within the above revenue streams can have different patterns of revenue recognition - these may include recognizing revenue upon delivery, or over time (on a straight-line basis or using a revenue recognition pattern linked to subscriber numbers); and

— various products and services are regularly contracted within a single arrangement (primarily as it relates to (i) the sales of handsets accompanied by a subscription plan (ii) sales of IT services together with network services and equipment (iii) sales of data transfer together with voice and sms services. Given the requirement of IFRS 15 to unbundle multiple elements within complex contractual arrangements, significant judgment is required in determining separate performance obligations within such arrangements and allocating total arrangement consideration thereto.

In addition, complex billing systems are used to process and record high volume of individually low-value transactions. Due to that fact, and also in view of changing pricing models and tariff structures, the existence, accuracy and completeness of revenue amounts recorded is an inherent industry risk.

In view of the above-mentioned factors, satisfying ourselves as to the revenue amounts in the separate financial statements required our increased attention in the audit, and as such was considered by us to be a key audit matter.

— Assisted by our own information technology specialists, testing the selected key controls over the revenue process and billing systems, including, but not limited to, those over access rights, pricing data, rate changes and segregation of duties;

— For a sample of contracts with customers concluded during the audited year, inspecting contractual provisions and making inquiries of members of the Management Board in order to challenge, among other things:
  - Identification of performance obligations within the contracts as well as any contracts to be accounted for on a combined basis;
  - Allocation of the contract consideration to each of the identified performance obligations, based on their estimated stand-alone selling prices, by reference to the sales department data, whose relevance and reliability was independently assessed by us;
  - Determination of the timing of the transfer of control, the resulting pattern of revenue recognition and revenue amounts, by reference to sales invoices, delivery notes, and other as appropriate.

— For a sample of revenue transactions during the audited year, relating to both corporate customers and individuals:
  - Tracing the revenue amounts to corresponding supporting customer billings and underlying contracts;
  - Assessing whether the revenue tested was recognized in the appropriate period by reference to the date of service;
  - Tracing customer billings to cash received from customers;

— Inspecting high risk journal entries posted to revenue accounts and tracing those to the underlying documentation, in order to assess the accuracy of the amounts recognized as well as the rationale for the transactions;

— For a sample of invoices included within trade receivables with corporate customers, obtaining confirmations of the amounts due as at the reporting date and seeking explanations for any significant differences. For non-responses,

	performing alternative procedures, primarily by tracing the amounts outstanding to underlying invoices and subsequent cash receipts; — Examining whether the Entity's revenue recognition-related disclosures in the separate financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.

Impairment of goodwill

As at 31 December 2021: carrying amount of goodwill: PLN 2,014 million; related impairment losses for the year then ended: nil.

We refer to the separate financial statements: note 8 "Impairment test", note 34.1 „Use of estimates and judgments", note 34.12 "Goodwill".

Key audit matter	*Our response*
In conjunction with its business acquisitions in prior years, the Entity recognized goodwill, carried at PLN 2,014 million as at 31 December 2021. Pursuant to the relevant provisions of the financial reporting standards, annual impairment testing is required for cash generating units (CGUs) to which goodwill has been allocated. As disclosed in Note 9, based on its current year's test, the Entity did not recognize any impairment in respect of its CGU containing goodwill. Management Board uses judgment in allocating goodwill and other non-current assets to CGUs for the annual impairment test purposes. A complex model is applied in the test, relying on adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. Significant judgment is required in making key forward-looking assumptions applied in the model, including: — forecast cash flows and growth rates – based on the assessment of future market developments and economic events. Particular estimation uncertainty is associated with forecasting future is associated with forecasting future revenue and capital expenditures within the cash flows;	Our audit procedures, performed, where applicable, with the assistance from our own valuation specialists, included, among other things: — Evaluating the appropriateness of the Entity's value in use model applied to perform the annual impairment test, against the relevant requirements of the financial reporting standards; — Testing of selected key internal controls within the impairment testing process, including those over the data used in the test and over validation and approval of the test assumptions and outcomes; — Assessing asset grouping into CGU, based on our understanding of the Entity's operations, product and service deliverables, and business units; — Inquiring of the Management Board members regarding the impact of the COVID-19 pandemic on the Entity and its results in the current year and going forward; — Evaluating the quality of the Entity's forecasting by comparing historical projections with actual outcomes, and also tracing the forecast cash flows in the impairment model to Management Board-approved budgets and forecasts;

- discount rate – judgment is required in building up a discount rate that appropriately reflects the risks associated with the cash flows of the CGU being tested for impairment.

Complex models using forward-looking assumptions tend to be prone to greater risk of management bias, error and inconsistent application. These conditions necessitate our additional attention in the audit, in particular to address the objectivity, relevance and reliability of sources used for assumptions, and their consistent application. In addition, the Entity's impairment model is sensitive to small changes in the assumptions, which drives additional audit effort.

Due to the above factors, we considered this area to be a key audit matter.

- Using our knowledge of the Entity, its past performance, business and customers, and our industry experience, challenging significant forecast cash flow and growth assumptions. As part of the procedure we:
  - Applied increased skepticism to forecasts in any areas where previous year's forecasts were not achieved;
  - Challenged the discount rate used by reference to publicly available market data, adjusted by risk factors specific to the Entity and its industry;
  - Assessed reasonableness of the assumptions relating to future revenue, operating expenses and capital expenditure, by reference to market analyses and the Entity's internal documents, such as the approved budgets and strategic plan;
  - Checked the assumed growth rate by reference to the Entity's past performance, its approved plan and strategy, and our experience regarding the feasibility of these in the economic environment in which it operates.
- Considering the sensitivity of the impairment model to changes in key assumptions, such as forecast growth rates and discount rates, to identify the assumptions at higher risk of bias or inconsistency in application;
- Assessing the Entity's analysis of the market capitalisation shortfall versus the total recoverable amount of all CGU;
- Assessing impairment-related disclosures in the separate financial statements against the requirements of the financial reporting standards.

Sale of shares in Światłowód Inwestycje

As at 31 December 2021: Investment in joint venture: PLN 555 million; receivable presented within other assets: PLN 416 million; gain on partial disposal of investment in Światłowód Inwestycje for the year then ended: PLN 750 million.

We refer to the separate financial statements: notes 8.2 and 22 "Investment in joint venture", note 14 "Other assets, note 34.1 „Use of estimates and judgments".

Key audit matter	*Our response*
As discussed in Note 22, during 2021, the Entity sold 50% of shares in its then subsidiary, Światłowód Inwestycje Sp. z o.o. ("Światłowód Inwestycje", "investee"). The transaction consideration included PLN 897 million in cash as well as contingent consideration at estimated fair value of PLN 426 million, depending on the progress of the investee's network roll-out. Subsequent to the sale, based on its contractual arrangement with the buyer, the investment was accounted for as a joint venture in the accompanying separate financial statements. Accounting for the above transaction required significant judgment and material estimates from management. The following areas were associated with particular complexity: — Measuring fair value of the transaction consideration, including the estimated - fair value of contingent consideration; — In respect of the retained investment in Światłowód Inwestycje, assessment whether the arrangement with the buyer gave rise to joint control over the investee and classifying the joint arrangement as either a joint operation or a joint venture in the Entity's separate financial statements. Due to the above factors, coupled with the significance and non-routine character of the transaction, we considered the area to be associated with a significant risk of material misstatement that required our increased attention and as such was a key audit matter.	Our audit procedures in the area included, among other things: — Obtaining understanding of the Entity's process of identifying and accounting for significant unusual transactions, and also testing the design and implementation of selected related internal controls, such as those over validation and approval of the terms and conditions of the significant transactions and related accounting treatment; — Analysis of the underlying contractual terms in respect of the sale of shares; — Through inquiries of the Management Board members and inspection of underlying documentary evidence, independent assessment of the transaction consideration, including: • Challenging the appropriateness of the Entity's model applied in measurement of the fair value of contingent consideration and of the key assumptions therein, such as those in respect of alternative scenarios of future network roll-out; • Evaluating key judgements and assumptions by the Management Board in measuring fair value of contingent consideration for indicators of possible bias; — Challenging the Entity's joint control conclusion and the classification of the joint arrangement as a joint venture, by reference to our analysis of the joint arrangement's governance and decision-making set-up, legal form, and rights and obligations of the shareholders, among other things; — Evaluation of the completeness, accuracy and relevance of the disclosures in the separate financial statements related to the share sale transaction and the joint arrangement.

Other Matter

The separate financial statements of the Entity as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unqualified opinion on those financial statements on 17 February 2021.

Responsibility of the Management Board and Supervisory Board of the Entity for the Separate Financial Statements

The Management Board of the Entity is responsible for the preparation, on the basis of properly maintained accounting records, of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union, the adopted accounting policy, the applicable laws and the provisions of the Entity's articles of association and for such internal control as the Management Board of the Entity determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the Management Board of the Entity is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board of the Entity either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

According to the Accounting Act, the Management Board and members of the Supervisory Board of the Entity are required to ensure that the separate financial statements are in compliance with the requirements set forth in the Accounting Act. Members of the Supervisory Board of the Entity are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibility for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

The scope of audit does not include assurance on the future viability of the Entity or on the efficiency or effectiveness with which the Management Board of the Entity has conducted or will conduct the affairs of the Entity.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Entity;
- conclude on the appropriateness of the Management Board of the Entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may

cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report on the audit of the separate financial statements to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report on the audit of the separate financial statements. However, future events or conditions may cause the Entity to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee of the Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee of the Entity with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee of the Entity, we determine those matters that were of most significance in the audit of the separate financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditors' report on the audit of the separate financial statements unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

The other information comprise:

- the letter of the President of the Management Board;
- the selected financial data;
- the Report on the Activity of the Orange Polska Group, including Orange Polska S.A. for the year ended 31 December 2021 (the "Report on activity"), including:
  - the corporate governance statement and the statement on non-financial information referred to in art. 49b paragraph 1 of the Accounting Act, which are separate parts of the Report on activity;
  - the statement of the Management Board of the Parent Entity regarding the preparation of the separate financial statements and Report on activity;
  - the Management Board's information regarding the appointment of the audit firm;
- the statement of the Supervisory Board regarding the Audit Committee; and
- the Supervisory Board's assessment of the separate financial statements and the Report on activity;

(together the "Other information").

Responsibility of the Management Board and Supervisory Board

The Management Board of the Entity is responsible for the Other information in accordance with applicable laws.

The Management Board and members of the Supervisory Board of the Entity are required to ensure that the Report on activity and the individual parts thereof, is in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our opinion on the separate financial statements does not cover the Other information.

In connection with our audit of the separate financial statements, our responsibility was to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Other information, we are required to report that fact.

In accordance with the Act on statutory auditors our responsibility was to report if the Report on activity was prepared in accordance with applicable laws and the information given in the Report on activity is consistent with the separate financial statements.

Also, in accordance with the requirements of the Act on statutory auditors our responsibility was to report whether the Entity included in the statement on corporate governance information required by the applicable laws and regulations, and in relation to specific information indicated in these laws or regulations, to determine whether it complies with the applicable laws and whether it is consistent with the separate financial statements and to inform whether the Entity prepared a statement on non-financial information.

Opinion on the Report on Activity

Based on the work undertaken in the course of our audit of the separate financial statements, in our opinion, the accompanying Report on activity, in all material respects:

- has been prepared in accordance with applicable laws, and
- is consistent with the separate financial statements.

Opinion on the Statement on Corporate Governance

In our opinion, the corporate governance statement, which is a separate part of the Report on activity, includes the information required by paragraph 70 subparagraph 6 point 5 of the Decree of the Ministry of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent of information required by the laws of a non-member state (the "decree").

Furthermore, in our opinion, the information identified in paragraph 70 subparagraph 6 point 5 letter c-f, h and letter i of the decree, included in the corporate governance statement, in all material respects:

- has been prepared in accordance with applicable laws; and
- is consistent with the separate financial statements.

Information about the Statement on Non-financial Information

In accordance with the requirements of the Act on statutory auditors, we report that the Entity has prepared a statement on non-financial information referred to in art. 49b paragraph 1 of the Accounting Act as a separate part of the Report on activity.

We have not performed any assurance procedures in relation to the statement on non-financial information and, accordingly, we do not express any assurance conclusion thereon.

Statement on Other Information

Furthermore, based on our knowledge about the Entity and its environment obtained in the audit of the separate financial statements, we have not identified material misstatements in the Other information, including the Report on activity.

Report on Other Legal and Regulatory Requirements

Statement on Services Other than Audit of the Financial Statements

To the best of our knowledge and belief, we did not provide prohibited non-audit services referred to in Art. 5 paragraph 1 second subparagraph of the EU Regulation and Art. 136 of the act on statutory auditors.

Services other than audit of the financial statements, which were provided to the Entity in the audited period are listed in in point 8.2 of the Report on activity.

Appointment of the Audit Firm

We have been appointed for the first time to audit the annual separate financial statements of the Entity by resolution of Supervisory Board dated 19 March 2020. Our period of total uninterrupted engagement is 1 year.

On behalf of audit firm
KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546

Marek Gajdziński

Key Statutory Auditor
Registration No. 90061

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

Warsaw, 16 February 2022

ORANGE POLSKA S.A.

IFRS SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

February 16, 2022

Contents

Financial instruments excluding trade receivables and payables

Income tax

Equity and management of capital

Other explanatory notes

INCOME STATEMENT

(in PLN millions, except for earnings per share)	Note	12 months ended 31 December 2021	12 months ended 31 December 2020
Revenue	5	10,601	10,479
External purchases	6.1	(5,660)	(5,681)
Labour expense	6.2	(1,286)	(1,252)
Other operating expense	6.3	(551)	(447)
Other operating income	6.3	390	270
Impairment of receivables, contract assets and loans	18	(108)	(146)
Gain on partial disposal of investment in Światłowód Inwestycje	22	750	-
Gains on disposal of other assets	7	77	61
Employment termination expense	15	(119)	13
Depreciation and impairment of right-of-use assets	12.1	(492)	(419)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	10,11	(2,200)	(2,496)
Operating income		1,402	382
Dividend income	18	3	14
Interest income	18	33	35
Interest expense on lease liabilities	18	(53)	(61)
Other interest expense and financial charges	18	(176)	(216)
Discounting expense	18	(66)	(43)
Foreign exchange gains/(losses)	18	5	(54)
Finance costs, net		**(254)**	**(325)**
Income tax	27.1	(232)	(10)
Net income		916	47
Earnings per share (in PLN) (basic and diluted)	34.5	0.70	0.04
Weighted average number of shares (in millions)	28.1	1,312	1,312

STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)	Note	12 months ended 31 December 2021	12 months ended 31 December 2020
Net income		916	47
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on post-employment benefits	17	8	(3)
Income tax relating to items not to be reclassified		(2)	1
Items that may be reclassified subsequently to profit or loss			
Gains/(losses) on cash flow hedges	24	376	(13)
Losses on receivables at fair value through other comprehensive income		(6)	-
Income tax relating to items that may be reclassified		(69)	2
Other comprehensive income/(loss), net of tax		307	(13)
Total comprehensive income		1,223	34

STATEMENT OF FINANCIAL POSITION

(in PLN millions)	Note	At 31 December 2021	At 31 December 2020
ASSETS			
Goodwill	9	2,014	2,014
Other intangible assets	10	3,898	4,079
Property, plant and equipment	11	9,796	10,397
Right-of-use assets	12.1	2,790	2,727
Investments in subsidiaries	21	402	334
Investment in joint venture	22	555	-
Trade receivables	13.1	321	351
Contract assets	13.2	86	70
Contract costs	13.3	113	96
Loans to related parties		-	60
Derivatives	24	273	-
Other assets	14	393	38
Deferred tax asset	27.2	550	747
Total non-current assets		**21,191**	**20,913**
Inventories		217	184
Trade receivables	13.1	1,564	1,627
Contract assets	13.2	93	87
Contract costs	13.3	391	362
Loans to related parties		27	115
Derivatives	24	3	147
Income tax receivables		31	-
Other assets	14	391	139
Prepaid expenses		45	31
Cash and cash equivalents	23	885	299
Total current assets		**3,647**	**2,991**
TOTAL ASSETS		**24,838**	**23,904**
EQUITY AND LIABILITIES			
Share capital	28.1	3,937	3,937
Share premium		832	832
Other reserves		170	(122)
Retained earnings		6,828	5,886
Total equity		**11,767**	**10,533**
Trade payables	16.1	99	242
Lease liabilities	20, 26.6	2,270	2,188
Loans from related parties	19	4,938	2,406
Other financial liabilities at amortised cost		26	-
Derivatives	24	3	100
Provisions	15	717	639
Contract liabilities	13.4	968	315
Employee benefits	17	57	51
Other liabilities	16.2	1	31
Total non-current liabilities		**9,079**	**5,972**
Trade payables	16.1	2,062	2,014
Lease liabilities	20, 26.6	515	475
Loans from related parties	19	153	3,682
Other financial liabilities at amortised cost		-	4
Derivatives	24	2	32
Provisions	15	244	248
Contract liabilities	13.4	566	449
Employee benefits	17	140	166
Income tax liabilities		-	16
Other liabilities	16.2	310	313
Total current liabilities		**3,992**	**7,399**
TOTAL EQUITY AND LIABILITIES		**24,838**	**23,904**

STATEMENT OF CHANGES IN EQUITY

(in PLN millions)

	Share capital	Share premium	Other reserves				Retained earnings	Total equity
			Cash flow hedge reserve	Actuarial gains/ (losses) on post-employment benefits	Losses on receivables at fair value through other comprehensive income	Deferred tax		
Balance at 1 January 2021	**3,937**	**832**	**(89)**	**(62)**	**-**	**29**	**5,886**	**10,533**
Net income	-	-	-	-	-	-	916	916
Other comprehensive income	-	-	376	8	(6)	(71)	-	307
Total comprehensive income for the 12 months ended 31 December 2021	**-**	**-**	**376**	**8**	**(6)**	**(71)**	**916**	**1,223**
Share-based payments (transactions with the owner, see Note 28.3)	-	-	-	-	-	-	26	26
Transfer to inventories	-	-	(18)	-	-	3	-	(15)
Balance at 31 December 2021	**3,937**	**832**	**269**	**(54)**	**(6)**	**(39)**	**6,828**	**11,767**
Balance at 1 January 2020	**3,937**	**832**	**(50)**	**(59)**	**-**	**21**	**5,809**	**10,490**
Net income	-	-	-	-	-	-	47	47
Other comprehensive loss	-	-	(13)	(3)	-	3	-	(13)
Total comprehensive income for the 12 months ended 31 December 2020	**-**	**-**	**(13)**	**(3)**	**-**	**3**	**47**	**34**
Share-based payments (transactions with the owner, see Note 28.3)	-	-	-	-	-	-	3	3
Transfer to inventories	-	-	(26)	-	-	5	-	(21)
Other movements (see Note 28.4)	-	-	-	-	-	-	27	27
Balance at 31 December 2020	**3,937**	**832**	**(89)**	**(62)**	**-**	**29**	**5,886**	**10,533**

STATEMENT OF CASH FLOWS

(in PLN millions)	Note	12 months ended 31 December 2021	12 months ended 31 December 2020
OPERATING ACTIVITIES			
Net income		916	47
Adjustments to reconcile net income to cash from operating activities			
Gains on disposal of assets	7,22	(827)	(61)
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	10,11,12.1	2,692	2,915
Finance costs, net	18	254	325
Income tax	27.1	232	10
Change in provisions and allowances		32	(155)
Operating foreign exchange and derivatives (gains)/losses, net		2	(8)
Change in working capital			
(Increase)/decrease in inventories, gross		(32)	3
Decrease in trade receivables, gross	13.1	135	440
(Increase)/decrease in contract assets, gross	13.2	(23)	26
Increase in contract costs	13.3	(46)	(36)
Decrease in trade payables		(4)	(139)
Increase/(decrease) in contract liabilities	13.4	70	(3)
Increase in prepaid expenses and other assets		(113)	(24)
Increase/(decrease) in other payables		66	(43)
Dividends received		3	14
Interest received		33	35
Interest paid and interest rate effect paid on derivatives, net		(341)	(370)
Exchange rate effect received on derivatives, net		4	2
Income tax paid		(28)	(1)
Net cash provided by operating activities		**3,025**	**2,977**
INVESTING ACTIVITIES			
Payments for purchases of property, plant and equipment and intangible assets	10,11	(1,974)	(2,014)
Investment grants received	16.2	109	177
Investment grants paid to property, plant and equipment and intangible assets suppliers	16.2	(204)	(221)
Exchange rate effect received on derivatives economically hedging capital expenditures, net		7	10
Proceeds from sale of property, plant and equipment and intangible assets		196	60
Proceeds from sale of investment in Światłowód Inwestycje, net of transaction costs	22	893	-
Income tax paid in relation to sale of investment in Światłowód Inwestycje	22	(122)	-
VAT paid in relation to sale of investment in Światłowód Inwestycje	22	(157)	-
Cash paid for investments in subsidiaries		(45)	(5)
Receipts from/(payments on) loans to related parties and other financial instruments, net	22	186	(89)
Net cash used in investing activities		**(1,111)**	**(2,082)**
FINANCING ACTIVITIES			
Proceeds from long-term debt	20	26	-
Repayment of long-term loans from related party	20	(101)	-
Repayment of lease liabilities	20	(466)	(406)
Repayment of revolving credit line and other debt, net	20	(879)	(535)
Exchange rate effect received on derivatives hedging debt, net	20	91	-
Net cash used in financing activities		**(1,329)**	**(941)**
Net change in cash and cash equivalents		**585**	**(46)**
Effects of exchange rate changes on cash and cash equivalents		1	2
Cash and cash equivalents at the beginning of the period	23	299	343
Cash and cash equivalents at the end of the period	23	**885**	**299**

1. Orange Polska S.A.

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

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

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

The Company's telecommunications operations are subject to the supervision of Office of Electronic Communication ("UKE"). Under the Telecommunication Act, UKE can impose certain obligations on telecommunications companies that have a significant market power on a relevant market. Orange Polska S.A. is deemed to have a significant market power on certain relevant markets.

2. Statement of compliance and basis of preparation

These Separate Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. IFRSs comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee.

These Separate Financial Statements have been prepared in millions of Polish złoty ("PLN"). Comparative amounts for the year ended 31 December 2020 have been compiled using the same basis of preparation.

The Separate Financial Statements have been prepared under the historical cost convention, except for the fair value applied to derivative financial instruments, selected trade receivables arising from sales of mobile handsets in instalments and contingent consideration receivable from the sale of 50% stake in Światłowód Inwestycje.

The Separate Financial Statements have been prepared on the going concern basis.

Orange Polska S.A. is the parent company of the Orange Polska Group ("the Group", "OPL Group") and prepares consolidated financial statements for the year ended 31 December 2021. The Group is a part of Orange Group, based in France.

These Separate Financial Statements were authorised for issuance by the Management Board on 16 February 2022 and are subject to approval at the General Meeting of Orange Polska S.A.

The principles applied to prepare financial data relating to the year ended 31 December 2021 are described in Note 34 and are based on all standards and interpretations endorsed by the European Union and applicable to the reporting period beginning 1 January 2021.

Adoption of standards and interpretations in 2021

There were no new standards or interpretations issued from the date when the IFRS Separate Financial Statements for the year ended 31 December 2020 were published. Changes to standards and interpretations in 2021 did not result in any changes to accounting policies applied by the Company.

3. Segment information

The Orange Polska Group reports a single operating segment as decisions about resources to be allocated and assessment of performance are made on a consolidated basis. Segment information is disclosed in Note 3 to Orange Polska Group IFRS Consolidated Financial Statements for the year ended 31 December 2021.

4. Impact of COVID-19 pandemic

The situation related to the COVID-19 pandemic remained volatile, with Poland and other countries experiencing new waves of COVID-19 in 2021. The pandemic has significantly impacted the Polish economy. Poland's GDP decreased by 2.5% in 2020, by 0.8% in the first quarter of 2021 and started to grow from the second quarter of 2021 (year-on-year). Preliminary estimations of the Polish Statistical Office indicate that GDP in Poland increased by 5.7% in 2021.

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

The Company performed an impairment test of the single telecom operator Cash Generating Unit as at 31 December 2021, 30 June 2021 and 31 December 2020 (see Note 8). No impairment loss was recognised as a result of these tests.

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 an analysis of current conditions, a scenario analysis and the bad debt experience in 2011-2012 when a significant reduction in GDP growth last occurred, the Company recognised additional PLN 4 million of impairment of trade receivables in 2021 and PLN 26 million in 2020.

The impact of the COVID-19 pandemic on the Company (both direct and indirect), 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 including inflationary pressure, energy prices and supply disturbances. The Company will monitor the situation, its impact on the Polish economy and indicators more specific to the Company.

5. Revenue

Revenue is disaggregated as follows:

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

(in PLN millions)	12 months ended 31 December 2021	12 months ended 31 December 2020
Mobile only services	**2,630**	**2,552**
Fixed only services	**1,977**	**2,081**
Narrowband	682	798
Broadband	859	856
Network solutions (business market)	436	427
Convergent services (consumer market)	**2,002**	**1,741**
Equipment sales	**1,460**	**1,344**
IT and integration services	**232**	**199**
Wholesale	**2,195**	**2,422**
Mobile wholesale	1,371	1,438
Fixed wholesale	463	654
Other	361	330
Other revenue	**105**	**140**
Total revenue	**10,601**	**10,479**

IT and integration services, wholesale and other revenue for the 12 months ended 31 December 2021 and 2020 include PLN 94 million of lease revenue that is outside the scope of IFRS 15 “Revenue from Contracts with Customers”.

Revenue is generated mainly in the territory of Poland. Approximately 3.8% and 4.5% of the total revenue for the 12 months ended 31 December 2021 and 2020, respectively, was earned from entities which are not domiciled in Poland, mostly from interconnect services.

6. Operating expense and income

6.1 External purchases

(in PLN millions)	12 months ended 31 December 2021	12 months ended 31 December 2020
Commercial expenses	(2,140)	(1,964)
– cost of handsets and other equipment sold	(1,406)	(1,320)
– commissions, advertising, sponsoring costs and other	(734)	(644)
Interconnect expenses	(1,797)	(1,992)
Network and IT expenses	(683)	(666)
Other external purchases	(1,040)	(1,059)
Total external purchases	**(5,660)**	**(5,681)**

Other external purchases include mainly costs of content, real estate operating and maintenance costs, customer support and management services, costs of temporary staff, rental costs, subcontracting fees, storage and postage costs.

6.2 Labour expense

(in PLN millions)	12 months ended 31 December 2021	12 months ended 31 December 2020
Average number of active employees (full time equivalent)	9,729	10,649
Wages and salaries	(1,169)	(1,231)
Social security and other charges	(280)	(296)
Long-term employee benefits (see Note 17.1)	5	61
Capitalised personnel costs [(1)]	230	234
Other employee benefits	(72)	(20)
Total labour expense	**(1,286)**	**(1,252)**

[(1)] Costs capitalised as property, plant and equipment and other intangible assets.

6.3 Other operating expense and income

(in PLN millions)	12 months ended 31 December 2021	12 months ended 31 December 2020
Taxes other than income tax	(268)	(277)
Orange brand fee (see Note 32.2)	(135)	(116)
Expense related to sale of fibre network goods and services to joint venture	(78)	-
Other expense and changes in provisions, net	(70)	(54)
Total other operating expense	**(551)**	**(447)**
Total other operating income	**390**	**270**

Other operating income includes mainly income from sale of fibre network goods and services to joint venture, income from scrapped assets and income from related parties resulting from shared resources.

6.4 Research and development

During the 12 months ended 31 December 2021 and 2020, research and development costs expensed in the income statement mainly in labour expense and depreciation, amortisation and impairment of property, plant and equipment and intangible assets, amounted to PLN 57 million and PLN 59 million, respectively.

7. Gains on disposal of other assets

During the 12 months ended 31 December 2021 and 2020, gains on disposal of other assets amounted to PLN 77 million and PLN 61 million, respectively, and included mainly gains on disposal of real estate and fibre network assets.

8. Impairment test

8.1 Telecom operator Cash Generating Unit

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

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

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

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

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

Telecom operator CGU	At 31 December 2021	At 30 June 2021	At 31 December 2020
Basis of recoverable amount	Value in use	Value in use	Value in use
Sources used	Business plan 5 years cash flow projections	Business plan 5 years cash flow projections	Business plan 5 years cash flow projections
Perpetuity growth rate	1.5 %	1.5 %	1.5 %
Post-tax discount rate	7.25 %	7.00 %	7.25 %
Pre-tax discount rate (1)	8.49 %	8.15 %	8.47 %

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

Sensitivity of recoverable amount

The value in use of the telecom operator CGU as at 31 December 2021 exceeds its carrying value by PLN 4.7 billion. Any of the following changes in key assumptions:

- a 27% fall in projected cash flows after fifth year or
- a 1.4 p.p. decrease in growth rate to perpetuity or
- a 1.7 p.p. increase in post-tax discount rate

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

8.2 Investment in joint venture

The Company's investment in joint venture (see Note 22) is not included in the telecom operator CGU as it generates cash inflows that are largely independent of those from other Company's assets. Consequently, the investment in joint venture is analysed for impairment individually.

As at 31 December 2021, the Company has not identified any impairment indicators of the investment in joint venture. Impairment test was not performed as at 31 December 2021 and no impairment loss was recognised in 2021. Fair value of 50% stake retained in joint venture (PLN 1,323 million), observed in the sale transaction which occurred on 31 August 2021, is significantly higher than the carrying amount of the investment in joint venture amounting to PLN 555 million as at 31 December 2021.

9. Goodwill

(in PLN millions)	At 31 December 2021			At 31 December 2020		
CGU	Cost	Accumulated impairment	Net	Cost	Accumulated impairment	Net
Telecom operator	3,909	(1,895)	2,014	3,909	(1,895)	2,014
Total goodwill	**3,909**	**(1,895)**	**2,014**	**3,909**	**(1,895)**	**2,014**

The goodwill of PLN 3,909 million arose in 2005 on acquisition of the remaining 34% of non-controlling interest in the mobile business controlled by OPL S.A. through its subsidiary (PTK-Centertel Sp. z o.o.). Before 2013, when the merger with PTK-Centertel Sp. z o.o. was carried out, the goodwill was recognised only in consolidated financial statements of the Orange Polska Group.

10. Other intangible assets

(in PLN millions)	At 31 December 2021			
	Cost	Accumulated amortisation	Accumulated impairment	Net
Telecommunications licences	5,728	(3,424)	-	2,304
Software	6,293	(4,735)	-	1,558
Other intangibles	151	(104)	(11)	36
Total other intangible assets	**12,172**	**(8,263)**	**(11)**	**3,898**

(in PLN millions)	At 31 December 2020			
	Cost	Accumulated amortisation	Accumulated impairment	Net
Telecommunications licences	5,760	(3,109)	-	2,651
Software	5,862	(4,496)	-	1,366
Other intangibles	177	(104)	(11)	62
Total other intangible assets	**11,799**	**(7,709)**	**(11)**	**4,079**

Details of telecommunications licences are as follows:

(in PLN millions)	Acquisition date	Years to expiration [2]	Net book value At 31 December 2021	Net book value At 31 December 2020
800 MHz	2016	9.1	1,858	2,062
900 MHz	2014	7.5	180	204
1800 MHz	1997	5.6	-	-
1800 MHz [1]	2013	6.0	95	111
2100 MHz	2000	1.0	100	195
2600 MHz	2016	9.1	71	79
Total telecommunications licences			**2,304**	**2,651**

[1] Licence held under agreement with T-Mobile Polska S.A.
[2] Remaining useful life in years as at 31 December 2021.

Movements in the net book value of other intangible assets for the 12 months ended 31 December 2021 were as follows:

(in PLN millions)	Telecommunications licences	Software	Other intangibles	Total other intangible assets
Opening balance net of accumulated amortisation and impairment	**2,651**	**1,366**	**62**	**4,079**
Acquisitions of intangible assets	-	495	14	509
Amortisation	(347)	(325)	(12)	(684)
Impairment, net	-	-	(1)	(1)
Reclassifications and other, net	-	22	(27)	(5)
Closing balance	**2,304**	**1,558**	**36**	**3,898**

From 2021, as a result of an annual review of the estimated useful lives of fixed assets, the Company extended the estimated useful lives for certain items of software. Consequently, the amortisation expense was lower by PLN 116 million in the 12 months ended 31 December 2021 in comparison to 2020.

Movements in the net book value of other intangible assets for the 12 months ended 31 December 2020 were as follows:

(in PLN millions)	Telecommunications licences	Software	Other intangibles	Total other intangible assets
Opening balance net of accumulated amortisation and impairment	**3,010**	**1,405**	**58**	**4,473**
Acquisitions of intangible assets	-	384	18	402
Amortisation	(359)	(440)	(13)	(812)
Impairment, net	-	-	-	-
Reclassifications and other, net	-	17	(1)	16
Closing balance	**2,651**	**1,366**	**62**	**4,079**

11. Property, plant and equipment

(in PLN millions)	At 31 December 2021			
	Cost	Accumulated depreciation	Accumulated impairment	Net
Land and buildings	2,240	(1,755)	(11)	474
Network	40,340	(31,532)	(84)	8,724
Terminals	1,957	(1,666)	-	291
Other IT equipment	1,250	(1,016)	-	234
Other	253	(180)	-	73
Total property, plant and equipment	**46,040**	**(36,149)**	**(95)**	**9,796**

(in PLN millions)	At 31 December 2020			
	Cost	Accumulated depreciation	Accumulated impairment	Net
Land and buildings	2,303	(1,764)	(14)	525
Network	40,337	(31,032)	(80)	9,225
Terminals	1,987	(1,642)	-	345
Other IT equipment	1,255	(1,027)	-	228
Other	249	(175)	-	74
Total property, plant and equipment	**46,131**	**(35,640)**	**(94)**	**10,397**

As at 31 December 2021 and 2020, the amount of expenditures recognised in the carrying amount of items of property, plant and equipment in the course of their construction amounted to PLN 1,350 million and PLN 1,396 million, respectively.

Movements in the net book value of property, plant and equipment for the 12 months ended 31 December 2021 were as follows:

(in PLN millions)	Land and buildings	Network	Terminals	Other IT equipment	Other	Total property, plant and equipment
Opening balance net of accumulated depreciation and impairment	**525**	**9,225**	**345**	**228**	**74**	**10,397**
Acquisitions of property, plant and equipment	46	1,242	97	64	20	1,469
Contribution in kind to Światłowód Inwestycje (see Note 22)	-	(354)	(1)	-	-	(355)
Disposals and liquidations	(15)	(185)	(1)	-	-	(201)
Depreciation	(78)	(1,193)	(149)	(62)	(19)	(1,501)
Impairment, net	(4)	(9)	-	-	(1)	(14)
Dismantling costs, reclassifications and other, net	-	(2)	-	4	(1)	1
Closing balance	**474**	**8,724**	**291**	**234**	**73**	**9,796**

Movements in the net book value of property, plant and equipment for the 12 months ended 31 December 2020 were as follows:

(in PLN millions)	Land and buildings	Network	Terminals	Other IT equipment	Other	Total property, plant and equipment
Opening balance net of accumulated depreciation and impairment	**587**	**9,232**	**393**	**222**	**72**	**10,506**
Acquisitions of property, plant and equipment	35	1,255	112	64	25	1,491
Disposals and liquidations	(12)	(1)	-	-	(1)	(14)
Depreciation	(75)	(1,347)	(160)	(60)	(18)	(1,660)
Impairment, net	2	(26)	-	-	-	(24)
Dismantling costs, reclassifications and other, net	(12)	112	-	2	(4)	98
Closing balance	**525**	**9,225**	**345**	**228**	**74**	**10,397**

12. Leases

12.1. The Company as a lessee

The Company leases mainly land and buildings. Some of the agreements are denominated in foreign currencies and some of them are indexed with price indices applicable for a given currency. Some of the agreements include extension and termination options.

(in PLN millions)	At 31 December 2021			
	Cost	Accumulated depreciation	Accumulated impairment	Net
Land and buildings	3,448	(1,005)	(35)	2,408
Terminals	477	(193)	-	284
Other	154	(56)	-	98
Total right-of-use assets	**4,079**	**(1,254)**	**(35)**	**2,790**

(in PLN millions)	At 31 December 2020			
	Cost	Accumulated depreciation	Accumulated impairment	Net
Land and buildings	3,094	(669)	(2)	2,423
Terminals	370	(133)	-	237
Other	113	(46)	-	67
Total right-of-use assets	**3,577**	**(848)**	**(2)**	**2,727**

Movements in the net book value of right-of-use assets for the 12 months ended 31 December 2021 were as follows:

(in PLN millions)	Land and buildings	Terminals	Other	Total right-of-use assets
Opening balance net of accumulated depreciation and impairment	**2,423**	**237**	**67**	**2,727**
Additions	145	127	62	334
Modifications, terminations and disposals	224	-	1	225
Depreciation	(353)	(79)	(27)	(459)
Impairment, net	(33)	-	-	(33)
Dismantling costs, reclassifications and other, net	2	(1)	(5)	(4)
Closing balance	**2,408**	**284**	**98**	**2,790**

Movements in the net book value of right-of-use assets for the 12 months ended 31 December 2020 were as follows:

(in PLN millions)	Land and buildings	Terminals	Other	Total right-of-use assets
Opening balance net of accumulated depreciation and impairment	**2,392**	**194**	**63**	**2,649**
Additions	193	105	42	340
Modifications, terminations and disposals	139	-	(13)	126
Depreciation	(333)	(62)	(24)	(419)
Dismantling costs, reclassifications and other, net	32	-	(1)	31
Closing balance	**2,423**	**237**	**67**	**2,727**

Information on lease liabilities is disclosed in Notes 18, 20, 26.3 and 26.6.

12.2. The Company as a lessor

When considering the Company as a lessor, future minimum lease payments under non-cancellable operating leases as at 31 December 2021 and 2020 amounted to PLN 89 million and PLN 105 million, respectively, and related mainly to the lease of land and buildings.

13. Assets and liabilities relating to contracts with customers

13.1. Trade receivables

(in PLN millions)	At 31 December 2021	At 31 December 2020
Trade receivables measured at amortised cost	1,652	1,767
Trade receivables measured at fair value through other comprehensive income	233	211
Total trade receivables	**1,885**	**1,978**
Current	1,564	1,627
Non-current	321	351

Vast majority of trade receivables results from contracts with customers. Invoices are typically issued on a monthly basis, with subscription fee usually invoiced in advance and usage-based fees invoiced in arrears. The payment is due 14 days after the invoice date for most retail customers and up to 30 days for most wholesale customers. Non-current trade receivables relate mainly to sales of mobile handsets in monthly instalments.

OPL S.A. considers there is no concentration of credit risk with respect to trade receivables due to its large and diverse customer base consisting of individual and business customers. The Company's maximum exposure to credit risk at the reporting date is represented by the carrying amounts of receivables recognised in the statement of financial position.

The Company sells selected receivables arising from sales of mobile handsets in instalments on the basis of an agreement concluded with BNP Paribas S.A. Those selected trade receivables are measured at fair value through other comprehensive income as the business model is to collect contractual cash flows and sell them. Sold receivables are derecognised from the statement of financial position because the sale is without recourse. Loss on derecognition recognised in other operating expense for the 12 months ended 31 December 2021 and 2020 amounted to PLN 8 million and PLN 6 million, respectively. Part of the price paid by BNP Paribas S.A. amounting to PLN 41 million is deferred and presented as other assets as at 31 December 2021 and 2020.

The Company applies the present value valuation technique to measure selected trade receivables arising from sales of mobile handsets in instalments at fair value through other comprehensive income. The expected risk-adjusted cash flows related to the receivables are discounted using market risk-free interest rate. The nominal cash flows are decreased by the expected credit risk based on historical data. Such risk-adjusted discounted cash flows are adjusted by the margin expected to be received by the market participant buyer. The margin is determined based on the last instalment receivables sale transaction with BNP Paribas S.A.

Movements in the impairment of trade receivables during the 12 months ended 31 December 2021 and 2020 were as follows:

(in PLN millions)	12 months ended 31 December 2021	12 months ended 31 December 2020
Beginning of period	**250**	**257**
Impairment losses, net	51	128
Utilisation of impairment for receivables sold or written-off	(98)	(135)
End of period	**203**	**250**

In the 12 months ended 31 December 2021 and 2020, the Company recognised, respectively, additional PLN 4 million and PLN 26 million of impairment of trade receivables as a result of COVID-19 pandemic (see Note 4).

Information about the credit risk exposure on the Company's trade receivables as at 31 December 2021 was as follows:

(in PLN millions)		Days past due			
	Not past due	< 180 days	180-360 days	> 360 days	Total
Expected credit loss rate	4.9 %	17.9 %	54.5 %	78.1 %	
Total trade receivables, gross	1,827	145	11	105	2,088
Accumulated impairment loss	(89)	(26)	(6)	(82)	(203)
Total trade receivables, net	**1,738**	**119**	**5**	**23**	**1,885**

Information about the credit risk exposure on the Company's trade receivables as at 31 December 2020 was as follows:

(in PLN millions)		Days past due			
	Not past due	< 180 days	180-360 days	> 360 days	Total
Expected credit loss rate	4.8 %	17.4 %	72.7 %	90.3 %	
Total trade receivables, gross	1,898	184	33	113	2,228
Accumulated impairment loss	(92)	(32)	(24)	(102)	(250)
Total trade receivables, net	**1,806**	**152**	**9**	**11**	**1,978**

13.2. Contract assets

(in PLN millions)	At 31 December 2021	At 31 December 2020
Non-current contract assets	86	70
Current contract assets	93	87
Total contract assets	**179**	**157**

OPL S.A. considers there is no concentration of credit risk with respect to contract assets due to its large and diverse customer base consisting of individual and business customers. The Company's maximum exposure to credit risk at the reporting date is represented by the carrying amounts of contract assets recognised in the statement of financial position.

Movements in the contract assets balance for the 12 months ended 31 December 2021 and 2020 were as follows:

(in PLN millions)	12 months ended 31 December 2021	12 months ended 31 December 2020
Beginning of period	**157**	**182**
Additions	161	127
Invoiced amounts transferred to trade receivables	(138)	(153)
Impairment, net	(1)	1
End of period	**179**	**157**

Expected credit loss rate for contract assets as at 31 December 2021 and 2020 amounted to 2.9% and 2.7%, respectively.

13.3. Contract costs

(in PLN millions)	At 31 December 2021	At 31 December 2020
Non-current contract costs	113	96
Current contract costs	391	362
Total contract costs	**504**	**458**

Contract costs comprise mainly incremental customer acquisition and retention costs (e.g. commissions paid to retailers for acquisition or retention of contracts).

Movements in the contract costs balance for the 12 months ended 31 December 2021 and 2020 were as follows:

(in PLN millions)	12 months ended 31 December 2021	12 months ended 31 December 2020
Beginning of period	**458**	**422**
Contract costs recognised as assets	576	538
Contract costs amortised	(531)	(500)
Impairment, net	1	(2)
End of period	**504**	**458**

13.4. Contract liabilities

(in PLN millions)	At 31 December 2021	At 31 December 2020
Prepayment from joint venture for the lease and services (see below)	692	-
Upfront fee for wholesale access to fibre network (see below)	220	238
Subscription (including unused post-paid balances)	185	183
Unused pre-paid balances	163	151
Connection fees	101	100
Prepayment for national roaming	80	-
Other	93	92
Total contract liabilities	**1,534**	**764**
Current	566	449
Non-current	968	315

Approximately PLN 449 million of the contract liabilities balance as at 1 January 2021 was recognised as revenue in the 12 months ended 31 December 2021. Approximately PLN 444 million of the contract liabilities balance as at 1 January 2020 was recognised as revenue in the 12 months ended 31 December 2020.

On 1 July 2021, Orange Polska and Światłowód Inwestycje, a fully-owned subsidiary at that time, concluded agreements for the lease and services to be rendered by the Company in the future, for which Światłowód Inwestycje paid PLN 729 million upfront. The prepayment was set off against cash contribution made by Orange Polska (see Note 22). The Company recognised the prepayment received in contract liabilities in the statement of financial position.

In 2018, the Company and T-Mobile Polska signed a long term contract on telecommunications access to Orange Polska's fibre network in the form of Bitstream Access. OPL S.A. started providing services in December 2018. The fees under the contract comprise mainly a fixed upfront fee of PLN 275 million, a fixed fee for infrastructure set-up, IT systems integration and monthly fees for each customer. The revenue from the contract is recognised during 15 years which currently is the estimated term of the contract. The Company applies input method to measure revenue for the period with the application of constraint in respect to recognition of revenue to the level that is highly probable not to be reversed in the future. As a result, the fixed fee elements are evenly accounted as revenue over 15 years, while the variable fees dependent on the number of end-customers are recognised as revenue based on the actual number of customers in the period.

13.5. Performance obligations

As at 31 December 2021 and 2020, the transaction price allocated to unsatisfied performance obligations resulting from contracts with customers amounted to PLN 6,020 million and PLN 4,801 million, respectively. The following table presents the time bands in which the Company expects to satisfy those performance obligations and recognise revenue. Starting from 2021 the Company includes contract liabilities in the calculation of unsatisfied performance obligations. The comparative amounts as at 31 December 2020 were changed accordingly. More information on the nature of typical contracts with customers and related performance obligations can be found in Note 34.9.

(in PLN millions)	At 31 December 2021	At 31 December 2020
Within one year	3,179	2,805
Between one and two years	976	822
Between two and three years	351	279
Between three and four years	301	166
Between four and five years	187	149
More than five years	1,026	580
Total unsatisfied performance obligations	**6,020**	**4,801**

14. Other assets

(in PLN millions)	At 31 December 2021	At 31 December 2020
Contingent consideration receivable from sale of 50% stake in Światłowód Inwestycje (see Note 22)	416	-
Receivables from sale of fixed assets	127	64
Deferred purchase price receivables from BNP Paribas (see Note 13.1)	41	41
Other	200	72
Total other assets	**784**	**177**
Current	391	139
Non-current	393	38

The Company applies the expected present value technique to measure the fair value of the contingent consideration receivable from the sale of 50% stake in Światłowód Inwestycje. The expected cash flows have been calculated as the probability-weighted average of possible future cash inflows from the contingent consideration.

The discount rates used in the calculation of the present value of the expected cash flows range from 2.9% in 2022 to 4.0% in 2026 and are based on the market risk-free interest rates increased by the credit risk margin estimated for the APG Group. Significant inputs to the valuation technique used by the Company to measure the fair value of the contingent consideration receivable are unobservable and include the credit risk margin estimated for the APG Group and probabilities assigned to possible future cash inflows used to calculate the expected value. The Company has performed sensitivity analysis for the impact of changes in unobservable inputs and concluded that reasonably possible change in any unobservable input would not materially change the fair value of the contingent consideration receivable.

15. Provisions

Movements of provisions for the 12 months ended 31 December 2021 were as follows:

(in PLN millions)	Provisions for claims and litigation, risks and other charges	Provisions for employment termination expense	Dismantling provisions	Total provisions
At 1 January 2021	**159**	**84**	**644**	**887**
Increases	61	130	42	233
Reversals (utilisations)	(51)	(73)	(7)	(131)
Reversals (releases)	(4)	(11)	(50)	(65)
Discounting effect	3	-	34	37
At 31 December 2021	**168**	**130**	**663**	**961**
Current	167	68	9	244
Non-current	1	62	654	717

Movements of provisions for the 12 months ended 31 December 2020 were as follows:

(in PLN millions)	Provisions for claims and litigation, risks and other charges	Provisions for employment termination expense	Dismantling provisions	Total provisions
At 1 January 2020	**126**	**184**	**558**	**868**
Increases	43	-	86	129
Reversals (utilisations)	(10)	(89)	(7)	(106)
Reversals (releases)	(2)	(13)	-	(15)
Discounting effect	2	2	7	11
At 31 December 2020	**159**	**84**	**644**	**887**
Current	158	84	6	248
Non-current	1	-	638	639

<u>Provisions for claims and litigation, risks and other charges</u>
These provisions relate mainly to claims and litigation described in Note 31. As a rule, provisions are not disclosed on a case-by-case basis, as, in the opinion of the Management Board, such disclosure could prejudice the outcome of the pending cases.

<u>Provisions for employment termination expense</u>
On 7 December 2021, OPL S.A. concluded with Trade Unions the Social Agreement under which up to 1,400 employees are entitled to take advantage of the voluntary departure package in years 2022-2023. The value of voluntary departure package varies depending on individual salary, employment duration, age and year of resignation. The basis for calculation of the provision for employment termination expense is the estimated number, remuneration and service period of employees who will accept the voluntary termination until the end of 2023.

Increases of provisions for employment termination expense during 12 months ended 31 December 2021 included PLN 130 million of the estimated amount of termination benefits for employees scheduled to terminate employment in OPL S.A. under the 2022-2023 Social Agreement. Other movements of these provisions during the 12 months ended 31 December 2021 relate to termination benefits for employees scheduled to terminate employment under the 2020-2021 Social Agreement.

The discount rate used to calculate the present value of provisions for employment termination expense amounted to 1.07% as at 31 December 2021 and 0.11% as at 31 December 2020.

Dismantling provisions

The dismantling provisions relate to dismantling or removal of items of property, plant and equipment (mainly telecommunications poles and items of mobile access network) and restoring the site on which they are located.

Based on environmental regulations in Poland, items of property, plant and equipment which may contain hazardous materials should be dismantled and utilised by the end of their useful lives by entities licensed by the State for this purpose.

The amount of dismantling provisions is based on the estimated number of items that should be utilised/sites to be restored, time to their liquidation/restoration, current utilisation/restoration cost and inflation. The discount rate used to calculate the present value of provisions for dismantling amounted to 3.17% as at 31 December 2021 and 1.40% as at 31 December 2020.

16. Trade payables and other liabilities

16.1. Trade payables

(in PLN millions)	At 31 December 2021	At 31 December 2020
Trade payables	1,209	1,195
Fixed assets payables	695	671
Telecommunications licence payables	257	390
Total trade payables	**2,161**	**2,256**
Current	2,062	2,014
Non-current [(1)]	99	242

[(1)] Includes telecommunications licence payables.

As at 31 December 2021 and 2020, trade payables subject to reverse factoring amounted to PLN 155 million and PLN 106 million, respectively. 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.

16.2. Other liabilities

(in PLN millions)	At 31 December 2021	At 31 December 2020
Investment grants received	102	146
VAT payable	68	40
Other taxes payables	21	18
Contingent consideration related to acquisition of subsidiaries	10	30
Other	110	110
Total other liabilities	**311**	**344**
Current	310	313
Non-current	1	31

Operational Programme "Digital Poland"

OPL S.A. concluded agreements with the "Digital Poland" Project Centre for co-financing of investment projects under the Operational Programme "Digital Poland" ("the Programme"). The Programme aims to strengthen digital foundations for the national development including common access to high-speed Internet, effective and user-friendly public e-services and a continuously rising level of digital competences of the society. Under the second contest of the Programme, the Company's own contribution to the Programme amounts to PLN 0.3 billion and the Company was granted PLN 0.7 billion from the Programme funds for the development of the broadband telecommunications network. The funds shall be used in accordance with the rules applicable to the European Union funded projects and specific conditions resulting from the state aid regulations, such as costs eligibility.

In the 12 months ended 31 December 2021 and 2020, Orange Polska received PLN 109 million and PLN 177 million of investment grants under the Programme, respectively. In the 12 months ended 31 December 2021 and 2020, PLN 161 million and PLN 194 million was deducted from the cost of related assets as a result of the Programme and PLN 204 million and PLN 221 million, respectively, was paid to fixed assets suppliers.

Investment grants are presented separately within investing activities in the statement of cash flows. Received advances for investment grants are presented as cash and cash equivalents and other liabilities in the statement of financial position.

Grants might not be paid by the financing institution or once obtained might become repayable under certain circumstances resulting from not complying with conditions of the financing. The Company assesses that it is reasonably assured that grants corresponding to the scope of investments completed will be received and they will not become repayable.

17. Employee benefits

(in PLN millions)	At 31 December 2021	At 31 December 2020
Jubilee awards	-	18
Retirement bonuses	40	53
Salaries and other employee-related payables	157	146
Total employee benefits	**197**	**217**
Current	140	166
Non-current	57	51

On 7 December 2021, OPL S.A. concluded with Trade Unions the Social Agreement for years 2022 - 2023 (see Note 15) in which the Company, as a part of the negotiated employment optimisation programme, committed to make additional contributions in the fixed amount totalling PLN 19 million to the employee social programmes carried out by the Company. As a result, this amount was recognised as other employee-related payables as at 31 December 2021 and labour expense in the 12 months ended 31 December 2021.

17.1. Jubilee awards and retirement bonuses

Certain employees of the Company are entitled to long-term employee benefits in accordance with the Company's remuneration policy (see Note 34.22). These benefits are not funded. Changes in the present and carrying value of obligations related to long-term employee benefits for the 12 months ended 31 December 2021 and 2020 are detailed below:

(in PLN millions)	12 months ended 31 December 2021		
	Jubilee awards	Retirement bonuses	Total
Present/carrying value of obligation at the beginning of the period	**18**	**53**	**71**
Current service cost [1]	-	3	3
Past service cost [1] [4]	-	(7)	(7)
Interest cost [2]	-	1	1
Benefits paid	(17)	(2)	(19)
Actuarial gains for the period	(1) [1]	(8) [3]	(9)
Present/carrying value of obligation at the end of the period	**-**	**40**	**40**
Weighted average duration (in years)	-	12	12

[1] Recognised under labour expense in the income statement.
[2] Recognised under discounting expense in the income statement.
[3] Recognised under actuarial gains/(losses) on post-employment benefits in the statement of comprehensive income.
[4] Includes mainly impact of curtailment resulting from the Social Agreement concluded on 7 December 2021 (see Note 15).

(in PLN millions)	12 months ended 31 December 2020		
	Jubilee awards	Retirement bonuses	Total
Present/carrying value of obligation at the beginning of the period	**93**	**48**	**141**
Current service cost [1]	6	2	8
Past service cost [1] [4]	(64)	-	(64)
Interest cost [2]	1	1	2
Benefits paid	(13)	(1)	(14)
Actuarial (gains)/losses for the period	(5) [1]	3 [3]	(2)
Present/carrying value of obligation at the end of the period	**18**	**53**	**71**
Weighted average duration (in years)	1	13	10

[1] Recognised under labour expense in the income statement.
[2] Recognised under discounting expense in the income statement.
[3] Recognised under actuarial gains/(losses) on post-employment benefits in the statement of comprehensive income.
[4] Impact of the amendment to the Collective Labour Agreement signed in 2020 and described below.

In June 2020, Orange Polska signed with Trade Unions amendments to the Collective Labour Agreement. Under the applicable provisions of the Collective Labour Agreement, employees were entitled to jubilee awards upon completion of a certain number of years of service. According to the agreed changes, these rules regarding jubilee awards were cancelled from April 2021. At the same time, in the period between April and December 2021, employees with 15-30 years of service received 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 12 months ended 31 December 2020 with a corresponding decrease in liabilities relating to employee benefits.

The valuation of obligations as at 31 December 2021 and 2020 was performed using the following assumptions:

	At 31 December 2021	At 31 December 2020
Discount rate	3.8 %	1.6 %
Long-term wage increase rate	3.5 %	2.5 %

A change of the discount rate by 0.5 p.p. would increase or decrease the present/carrying value of obligations related to long-term employee benefits by PLN 2 million as at 31 December 2021.

17.2. Cash-settled share-based payment plans

On 23 July 2021 and 4 September 2017, the Supervisory Board of OPL S.A. adopted respectively LTI (Long Term Incentive) and Orange.One incentive programmes ("the programmes") for the key managers of the Orange Polska Group ("the participants"), which are based on derivative instruments ("phantom shares"), whose underlying assets are the Orange Polska S.A. shares listed on the Warsaw Stock Exchange.

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

17.2.a. LTI Programme

The terms of the programme are as follows:

a. Participation in the programme is voluntary.
b. The programme is based on 3 three-year cycles, each starting in consecutive calendar years. The phantom shares shall be purchased by the programme participants at the beginning of each cycle of the programme.
c. The participants of the first cycle of the programme for years 2021 – 2023 could purchase a total of up to 2,023,200 phantom shares for a price of PLN 0.50 per phantom share.
d. Phantom shares shall be bought back from the participants by the Company, at Orange Polska's average share price in the first quarter after the end of each cycle of the programme (first quarter of 2024 for the first cycle), only when it is not lower than the average Orange Polska's share price in the first six months of the cycle (first half of 2021 for the first cycle of the programme). Otherwise, phantom shares shall not be bought back, resulting in the loss of invested funds by the participants. The number of phantom shares bought back depends on the independent achievement of the business objectives regarding EBITDAaL, organic cash flows, reduction in CO2 emission and average price of Orange Polska shares.

The following table illustrates the number and average fair value of phantom shares granted by OPL S.A.:

(number)	Phantom shares			
	CO2 condition	EBITDAaL condition	OCF condition	share price condition
Outstanding at 1 January 2021	-	-	-	-
Granted during the year	190,620	571,860	476,550	667,170
Outstanding at 31 December 2021	**190,620**	**571,860**	**476,550**	**667,170**
Average fair value per unit (in PLN) at 31 December 2021	**6.64**	**6.64**	**6.64**	**6.33**

The following table illustrates the key assumptions used in the calculation of the fair value of phantom shares as at 31 December 2021:

At 31 December 2021	Phantom shares	
	CO2, EBITDAaL and OCF conditions	share price condition
Exercise price (in PLN)	0.50	0.50
Barrier (in PLN)	6.61	6.61 - 7.61
Expected volatility	26.95 %	26.95 %
Risk-free interest rate	4.03 %	4.03 %
Dividend yield [1]	2.70 %	2.70 %
Expiry date	1st quarter 2024	1st quarter 2024
Model used	Black-Scholes	Black-Scholes
Date of vesting period end	31 December 2023	31 December 2023

[1] Dividend yield is one of the key assumptions required in the calculation of the fair value of phantom shares. Dividend yield used in the calculation model assumes dividend payment of PLN 0.25 per share from 2022, which reflects mean expectation of market consensus for 2022 and does not constitute any guidance or commitment from the Company regarding future dividend payments.

As a result of the programme, PLN 4 million was recognised as an increase in labour expense in the 12 months ended 31 December 2021. The carrying amount of liabilities recognised as employee benefits as at 31 December 2021 amounted to PLN 4 million.

17.2.b. Orange.One Motivation Programme

a. Participation in the programme was voluntary.
b. The participants could purchase at the beginning of the programme a total of up to 2,315,000 phantom shares from the basic pool for a price of PLN 1 per phantom share.
c. In case of meeting certain criteria regarding the average price of Orange Polska shares (not fulfilled) and NPS (Net Promoter Score) (fulfilled), the participants could purchase in the fourth quarter of 2020 additional packages of up to 1,438,500 and 616,500 phantom shares, respectively, for a price of PLN 1 per phantom share.
d. In 2021 phantom shares were bought back from the participants by the Company at Orange Polska's average share price in the first quarter of 2021, as the criterion of the average share price in the first quarter of 2021 was met (not lower than the average of Orange Polska's closing share prices in the third quarter of 2017).

The following table illustrates the number and average fair value of phantom shares granted by OPL S.A.:

(number)	Phantom shares	
	Basic pool	Additional pool
Outstanding at 1 January 2021	**1,880,000**	**454,500**
Exercised during the year	(1,865,000)	(454,500)
Forfeited during the year	(15,000)	-
Outstanding at 31 December 2021	**-**	**-**
Average OPL's share price at the moment of exercise (in PLN)	**6.41**	**6.41**

(number)	Phantom shares		Options for additional phantom shares	
	Basic pool	Additional pool	NPS condition	Share price condition
Outstanding at 1 January 2020	**1,950,000**	**-**	**481,500**	**1,123,500**
Granted during the year	-	454,500 [1]	4,500	-
Exercised during the year	-	-	(454,500) [1]	-
Forfeited during the year	(70,000)	-	(31,500)	(1,123,500) [2]
Outstanding at 31 December 2020	**1,880,000**	**454,500**	**-**	**-**
Average fair value per unit (in PLN) at 31 December 2020	**5.29**	**5.29**		

[1] As a result of meeting the criterion related to NPS additional phantom shares were granted.
[2] The criterion related to OPL's share price was not met.

The following table illustrates the key assumptions used in the calculation of the fair value of phantom shares as at 31 December 2020:

At 31 December 2020	Phantom shares	
	Basic pool	Additional pool
Exercise price (in PLN)	1.00	1.00
Barrier (in PLN)	5.46	5.46
Expected volatility	25 %	25 %
Risk-free interest rate	0.11 %	0.11 %
Dividend yield [1]	0.00 %	0.00 %
Expiry date	1st quarter 2021	1st quarter 2021
Model used	Black-Scholes	Black-Scholes
Date of vesting period end	30 September 2019	1 October 2020

[1] Dividend yield assumed no dividend payment in the 1st quarter of 2021 which reflected mean expectation of market consensus and did not constitute any guidance or commitment from the Company regarding future dividend payments.

As a result of the programme, PLN 1 million was recognised as a decrease in labour expense in the 12 months ended 31 December 2020. The carrying amount of liabilities recognised as employee benefits as at 31 December 2020 amounted to PLN 12 million.

18. Finance income and expense

(in PLN millions)	12 months ended 31 December 2021								
		Financial assets				Derivatives			
	Investments in subsidiaries	At amortised cost	At fair value	Lease liabilities	Financial liabilities at amortised cost	Hedging	Held for trading [1]	Non-financial items [2]	Total
Dividend income	3	-	-	-	-	-	-	-	3
Interest income	-	28	5 [3]	-	-	-	-	-	33
Interest expense on lease liabilities	-	-	-	(53)	-	-	-	-	(53)
Other interest expense and financial charges, including:	-	-	(10) [4]	-	(97)	(71)	2	-	(176)
- interest expense	-	-	-	-	(97) [5]	(85)	2	-	(180)
- ineffectiveness on derivatives hedging interest rate risk	-	-	-	-	-	14	-	-	14
Discounting expense	-	-	-	-	(28)	-	-	(38)	(66)
Foreign exchange gains/(losses)	-	1	-	(1)	16	(16)	5	-	5
Total finance costs, net	**3**	**29**	**(5)**	**(54)**	**(109)**	**(87)**	**7**	**(38)**	**(254)**
Interest income	-	5 [6]	-	-	-	-	-	-	5
Impairment losses	-	(98) [7]	(10) [8]	-	-	-	-	-	(108)
Foreign exchange gains/(losses)	-	-	-	-	(3)	3	1	-	1
Items recognised under operating income	**-**	**(93)**	**(10)**	**-**	**(3)**	**3**	**1**	**-**	**(102)**

[1] Derivatives economically hedging commercial or financial transactions.
[2] Includes mainly provisions.
[3] Interest income on financial assets at fair value through other comprehensive income (selected trade receivables arising from sales of mobile handsets in instalments, see Note 13.1).
[4] Change in valuation of financial assets at fair value through profit or loss (contingent consideration receivable from sale of 50% stake in Światłowód Inwestycje, see Note 14).
[5] Includes mainly interest expense on loans from related party.
[6] Late payment interest on trade receivables.
[7] Includes PLN (43) million of impairment of receivables and contract assets and PLN (55) million of impairment of a loan receivable from TP TelTech Sp. z o.o.
[8] Impairment losses on financial assets at fair value through other comprehensive income.

(in PLN millions)	12 months ended 31 December 2020								
		Financial assets				Derivatives			
	Investments in subsidiaries	At amortised cost	At fair value through other comprehensive income [1]	Lease liabilities	Financial liabilities at amortised cost	Hedging	Held for trading [2]	Non-financial items [3]	Total
Dividend income	14	-	-	-	-	-	-	-	14
Interest income	-	31	4	-	-	-	-	-	35
Interest expense on lease liabilities	-	-	-	(61)	-	-	-	-	(61)
Other interest expense and financial charges, including:	-	-	-	-	(114)	(94)	(8)	-	(216)
- interest expense	-	-	-	-	(114) [4]	(92)	(8)	-	(214)
- ineffectiveness on derivatives hedging interest rate risk	-	-	-	-	-	(2)	-	-	(2)
Discounting expense	-	-	-	-	(29)	-	-	(14)	(43)
Foreign exchange gains/(losses)	-	2	-	(53)	(86)	66	17	-	(54)
Total finance costs, net	**14**	**33**	**4**	**(114)**	**(229)**	**(28)**	**9**	**(14)**	**(325)**
Interest income	-	8 [5]	-	-	-	-	-	-	8
Impairment losses	-	(137)	(9)	-	-	-	-	-	(146)
Foreign exchange gains/(losses)	-	7	-	-	(20)	(1)	24	-	10
Labour expense	-	-	-	-	-	(2)	(2)	-	(4)
Items recognised under operating income	**-**	**(122)**	**(9)**	**-**	**(20)**	**(3)**	**22**	**-**	**(132)**

[1] Selected trade receivables arising from sales of mobile handsets in instalments (see Note 13.1).
[2] Derivatives economically hedging commercial or financial transactions
[3] Includes mainly provisions and employee benefits.
[4] Includes mainly interest expense on loans from related party.
[5] Late payment interest on trade receivables.

19. Loans from related parties

(in millions of currency)		Amount outstanding at [1]			
		31 December 2021		31 December 2020	
Creditor	Repayment date	Currency	PLN	Currency	PLN
Floating rate					
Atlas Services Belgium S.A. (EUR)	20 May 2021	-	-	190	876
Atlas Services Belgium S.A. (PLN)	20 June 2021	-	-	2,700	2,700
Atlas Services Belgium S.A. (PLN) [2]	29 July 2022	-	-	159	159
Atlas Services Belgium S.A. (PLN)	20 May 2024	1,500	1,500	1,499	1,499
Atlas Services Belgium S.A. (PLN)	20 June 2026	2,693	2,693	-	-
Cash pool deposits from subsidiaries (PLN)	3 January 2022	141	141	97	97
Fixed rate					
Atlas Services Belgium S.A. (PLN)	27 March 2023	757	757	756	756
Integrated Solutions Sp. z o.o. (EUR)	7 June 2021	-	-	-	1
Total loans from related parties			**5,091**		**6,088**
Current			153		3,682
Non-current			4,938		2,406

[1] Includes accrued interest and arrangement fees.
[2] Revolving credit line.

On 29 January 2021, the Company and Atlas Services Belgium S.A., a subsidiary of Orange S.A., concluded a Loan Agreement for PLN 2,700 million with repayment date in June 2026. The new Loan Agreement, together with the

Revolving Credit Facility, provided non-cash-refinancing of loans granted by Atlas Services Belgium S.A.: EUR 190 million which expired in May 2021 and PLN 2,700 million which expired in June 2021. Additionally, on 17 June 2021, the Company and Atlas Services Belgium S.A. concluded an Annex to existing Revolving Credit Facility Agreement, extending its maturity to 29 July 2022.

The weighted average effective interest rate on loans from related parties, before and after swaps (see Note 24), amounted respectively to 3.54 and 2.90% as at 31 December 2021 (1.28% and 3.03% as at 31 December 2020). Loans from related parties are not secured.

20. Liabilities arising from financing activities

Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

The tables below present the reconciliation of the Company's liabilities arising from financing activities and derivatives (liabilities less assets) hedging these liabilities:

(in PLN millions)	Lease liabilities	Loans from related parties Note 19	Other financial liabilities at amortised cost	Derivatives hedging liabilities from financing activities [1] Note 24	Total liabilities from financing activities
Amount outstanding as at 1 January 2021	**2,663**	**6,088**	**4**	**22**	**8,777**
Net cash flows provided by:	(524)	(1,078)	23	12	(1,567)
– financing activities	(466)	(978)	24	91	(1,329)
– operating activities [2]	(58)	(100)	(1)	(79)	(238)
Non-cash changes:	646	81	(1)	(309)	417
– foreign exchange (gains)/losses	1	(16)	-	16	1
– fair value change, excluding foreign exchange losses	-	-	-	(325)	(325)
– other changes	645 [3]	97 [4]	(1) [4]	-	741
Amount outstanding as at 31 December 2021	**2,785**	**5,091**	**26**	**(275)**	**7,627**

[1] Includes derivatives economically hedging liabilities from financing activities.
[2] Includes interest paid.
[3] Includes mainly recognition of new contracts and modification of existing contracts.
[4] Includes accrued interest and arrangement fees.

(in PLN millions)	Lease liabilities	Loans from related parties Note 19	Other financial liabilities at amortised cost	Derivatives hedging liabilities from financing activities [1] Note 24	Total liabilities from financing activities
Amount outstanding as at 1 January 2020	**2,538**	**6,498**	**60**	**18**	**9,114**
Net cash flows provided by:	(473)	(591)	(57)	(79)	(1,200)
– financing activities	(406)	(479)	(56)	-	(941)
– operating activities [2]	(67)	(112)	(1)	(79)	(259)
Non-cash changes:	598	181	1	83	863
– foreign exchange (gains)/losses	53	68	-	(77)	44
– fair value change, excluding foreign exchange gains	-	-	-	160	160
– other changes	545 [3]	113 [4]	1 [4]	-	659
Amount outstanding as at 31 December 2020	**2,663**	**6,088**	**4**	**22**	**8,777**

[1] Includes derivatives economically hedging liabilities from financing activities.
[2] Includes interest paid.
[3] Includes mainly recognition of new contracts and modification of existing contracts.
[4] Includes accrued interest and arrangement fees.

21. Investments in subsidiaries

(in PLN millions)	At 31 December 2021			At 31 December 2020		
	Cost	Impairment	Net	Cost	Impairment	Net
BlueSoft Sp. z o.o.	213	-	213	168	-	168
Integrated Solutions Sp. z o.o.	20	-	20	20	-	20
TP TelTech Sp. z o.o.	107	(43)	64	41	-	41
Orange Energia Sp. z o.o.	44	-	44	44	-	44
Orange Szkolenia Sp. z o.o.	15	-	15	15	-	15
Telefony Podlaskie S.A.	20	-	20	20	-	20
Orange Retail S.A.	25	-	25	25	-	25
Other subsidiaries	1	-	1	1	-	1
Total investments in subsidiaries	**445**	**(43)**	**402**	**334**	**-**	**334**

In June 2021, the Company increased by PLN 45 million the capital of BlueSoft Sp. z o.o., a fully owned subsidiary. The capital increase was set off against the repayment of loan granted by OPL S.A. to BlueSoft.

In September 2021, the Company increased by PLN 66 million the capital of TP TelTech Sp. z o.o., a fully owned subsidiary. The capital increase was set off against the repayment of loan granted by OPL S.A. to TP TelTech. The carrying amount of investment in TP TelTech was increased by PLN 23 million net (PLN 66 million gross less PLN 43 million of accumulated impairment loss reclassified from loan receivable to investment in this subsidiary).

As at 31 December 2021 and 2020 the Company owned directly the following shares in its subsidiaries:

Entity	Location	Scope of activities	Share capital owned by OPL S.A. directly		Share capital owned by OPL S.A. directly and indirectly	
			31 December 2021	31 December 2020	31 December 2021	31 December 2020
Integrated Solutions Sp. z o.o.	Warsaw, Poland	Provision of integrated IT and network services.	100 %	100 %	100 %	100 %
TP TelTech Sp. z o.o.	Łódź, Poland	Design, development and servicing of telecommunications network, monitoring of alarm signals.	100 %	100 %	100 %	100 %
BlueSoft Sp. z o.o.	Warsaw, Poland	Provision of IT services and solutions.	100 %	100 %	100 %	100 %
Orange Energia Sp. z o.o.	Warsaw, Poland	Sale of electrical energy.	100 %	100 %	100 %	100 %
Orange Szkolenia Sp. z o.o.	Warsaw, Poland	Training and hotel services, insurance agent.	100 %	100 %	100 %	100 %
Telefony Podlaskie S.A.	Sokołów Podlaski, Poland	Local provider of fixed-line, internet and cable TV services.	89.3 %	89.3 %	89.3 %	89.3 %
Orange Retail S.A.	Modlnica, Poland	Points of sale rental.	100 %	100 %	100 %	100 %
Pracownicze Towarzystwo Emerytalne Orange Polska S.A.	Warsaw, Poland	Management of employee pension fund.	95.6 %	95.6 %	100 %	100 %
Fundacja Orange	Warsaw, Poland	Charity foundation.	100 %	100 %	100 %	100 %
Telekomunikacja Polska Sp. z o.o.	Warsaw, Poland	No operational activity.	100 %	100 %	100 %	100 %
Światłowód Inwestycje Sp. z o.o. (1)	Warsaw, Poland	Building fibre infrastructure and offering wholesale access services to other operators.	50 %	100 %	50 %	100 %

(1) 50% of stake was sold on 31 August 2021 and, as a result, Światłowód Inwestycje became a jointly controlled entity (see Note 22).

As at 31 December 2021 and 2020, the voting power held by the Company was equal to the Company's interest in the share capital of its subsidiaries.

Additionally, OPL S.A. and T-Mobile Polska S.A. hold a 50% interest each in NetWorkS! Sp. z o.o., located in Warsaw. This company was classified as a joint operation as its scope of activities comprises management, development and maintenance of networks owned by OPL S.A. and T-Mobile Polska S.A. NetWorkS! Sp. z o.o. was incorporated following the agreement on reciprocal use of mobile access networks between both operators. This agreement was signed in 2011 for 15 years with an option to extend it and is also classified as a joint operation for accounting purpose.

22. Investment in joint venture

On 1 July 2021, Orange Polska contributed to Światłowód Inwestycje Sp. z o.o., a fully-owned subsidiary at that time, PLN 355 million of property, plant and equipment and PLN 754 million of cash. The property, plant and equipment included connections to 672 thousand households. At the same time, the Company and Światłowód Inwestycje concluded agreements for the lease and maintenance of fibres, including lease and services to be rendered in the future, for which Światłowód Inwestycje paid PLN 729 million upfront. The prepayment was set off against cash contribution made by Orange Polska. Finally, on 1 July 2021, as part of the sale transaction preparation, the Company granted a loan to Światłowód Inwestycje in the amount of PLN 157 million with a final repayment date in July 2024. The loan was repaid by Światłowód Inwestycje in 2021.

On 31 August 2021, Orange Polska and the APG Group (APG's subsidiary Acari Investments Holding B.V., "APG") finalised a share sale agreement under which the Company disposed of its 50% stake in Światłowód Inwestycje Sp. z o.o., a fully-owned subsidiary whose scope of activities comprises building fibre infrastructure and offering wholesale access services to other operators. Total fair value of the consideration amounted to PLN 1,323 million and consisted of:

a. PLN 897 million received in cash and
b. PLN 426 million to be received in years 2022-2026 conditional on Orange Polska delivering on the agreed network rollout schedule (maximum contractual amount of PLN 487 million before discounting). The amount receivable from APG Group is recognised as other assets in the statement of financial position.

The Company applied the expected present value technique to measure the fair value of the contingent consideration receivable. More details on the assumptions and valuation methodology are described in the Note 14.

Gain on the sale of 50% stake in Światłowód Inwestycje recognised in the income statement amounted to PLN 750 million and consisted of:

(in PLN millions)	
Sales price for the 50% stake sold	1,323
Net book value of stake sold	(555)
Transaction costs incurred	(18)
Gain on the sale of 50% stake in Światłowód Inwestycje	**750**

As a result of the above transaction, Światłowód Inwestycje became a jointly controlled entity presented in the statement of financial position as an investment accounted for at cost.

Światłowód Inwestycje Sp. z o.o. is structured through a separate entity and there are no contractual terms or other relevant facts and circumstances which indicate that the parties retain rights to the assets and obligations for the liabilities of the joint arrangement. As a result, the Company considers that the parties which jointly control the arrangement have rights to the net assets and the Company classifies the joint arrangement as a joint venture.

Additionally, the transaction assumes equity contributions for each party of around PLN 300 million to be made in years 2023-2026. Orange Polska has an option to buy c.1% of additional stake in Światłowód Inwestycje and obtain control in years 2027-2029.

In the 12 months ended 31 December 2021, the Company paid PLN 122 million of CIT (after utilisation of tax losses from previous years) and PLN 157 million of VAT with respect to the transaction. These payments are classified as cash flows from investing activities as they can be specifically identified with the transactions resulting in sale of 50% stake in Światłowód Inwestycje. The payment occurred before the Company obtained tax ruling at the end of September 2021. Consequently, the Company recalculated the taxable gain on the sale of 50% stake in Światłowód Inwestycje and as at 31 December 2021, recognised income tax receivable of PLN 92 million related to the consideration to be received and taxed in the next years, and decreased deferred tax asset by PLN 79 million.

23. Cash and cash equivalents

(in PLN millions)	At 31 December 2021	At 31 December 2020
Current bank accounts, overnight deposits and cash on hand	58	60
Bank accounts dedicated for investment grants (see Note 16.2)	89	184
Deposits with Orange S.A.	738	55
Total cash and cash equivalents	**885**	**299**

The Company's cash surplus is invested into short-term highly-liquid financial instruments - mainly bank deposits and deposits with Orange S.A. under the Cash Management Treasury Agreement. Short-term deposits are made for varying periods of between one day and three months. The instruments earn interest which depends on the current money market rates and the term of investment.

The Company's maximum exposure to credit risk at the reporting date is represented by carrying amounts of cash and cash equivalents. The Company deposits its cash and cash equivalents with Orange S.A. and leading financial institutions with investment grade. Limits are applied to monitor the level of exposure to credit risk on the counterparties. In case the counterparty's financial soundness is deteriorating, the Company applies the appropriate measures mitigating the default risk.

24. Derivatives

As at 31 December 2021 and 2020, the Company's derivatives portfolio constituted financial instruments for which there was no active market (over-the-counter derivatives), mainly interest rate swaps, currency swaps, non-deliverable forwards, commodity swaps and stock options. To price these instruments the Company applies standard valuation techniques. The fair value of swap/forward transaction represents discounted future cash flows, where the applicable market interest rate curves constitute the base for calculation of discounting factors and amounts in foreign currencies are converted into PLN at the National Bank of Poland period-end average exchange rate. Future cash flows of commodity swaps are based on commodity prices on commodity exchange. The fair value of stock options is calculated on the basis of Black-Scholes model. Valuation of derivatives is also adjusted by counterparty (credit valuation adjustment - "CVA") or own (debit valuation adjustment - "DVA") credit risk. CVA and DVA estimates were not material compared to the total fair value of the related derivatives.

The derivative financial instruments used by the Company are presented below:

(in PLN millions)

Type of instrument [1]	Hedged item	Nominal amount	Maturity	Weighted average price or rate per unit		Fair value Financial asset	Fair value Financial liability
		At 31 December 2021					
Derivative instruments - cash flow hedge							
Interest rate risk							
IRS	Loans from related party	3,800 m PLN	2024-2026	WIBOR 3M -> 1.48 %		273	-
Currency risk							
NDF	Purchase of inventories	43 m EUR	2022	4.61		-	(1)
NDF	Purchase of inventories	3 m USD	2022	4.14		-	-
FX option	Purchase of inventories	10 m EUR	2022	4.71		-	-
Commodity risk							
Commodity swap	Sale of copper	980 T	2022	9,405	USD	-	(1)
Commodity swap	Purchase of energy	1,452,000 MWh	2035	299	PLN	-	(3)
Total cash flow hedges						273	(5)
Derivative instruments - held for trading [2]							
Interest rate risk							
IRS	Loan from related party	500 m PLN	2022	WIBOR 1M -> 2.19 %		1	-
Currency risk							
NDF	Commercial transactions	27 m EUR	2022	4.58		1	-
NDF	Lease liabilities	7 m EUR	2022	4.53		1	-
NDF	Commercial transactions	5 m USD	2022	4.14		-	-
Commodity risk							
Commodity swap	Sale of copper	277 T	2022	9,390	USD	-	-
Total derivatives held for trading						3	-
Total derivative instruments						**276**	**(5)**
Current						3	(2)
Non–current						273	(3)

[1] IRS – interest rate swap, NDF – non-deliverable forward.
[2] Derivatives economically hedging commercial or financial transactions.

(in PLN millions)

Type of instrument [1]	Hedged item	Nominal amount	Maturity	Weighted average price or rate	Fair value Financial asset	Fair value Financial liability
		At 31 December 2020				
Derivative instruments - cash flow hedge						
Currency and interest rate risk						
CCIRS	Loan from related party	187 m EUR	2021	4.05 EURIB 6M + 0.28 %-> WIBOR 6M + 0.54 %	104	-
Interest rate risk						
IRS	Loans from related party	5,450 m PLN	2021-2024	WIBOR 1/3/6M -> 2.13 %	-	(132)
Currency risk						
NDF	Purchase of inventories	141 m EUR	2021	4.44	26	-
NDF	Purchase of inventories	12 m USD	2021	3.74	-	-
Share price risk						
Stock option	Share-based payment plan (see Note 17.2.b)	2 m shares	2021	5.22	3	-
Total cash flow hedges					133	(132)
Derivative instruments - held for trading [2]						
Currency and interest rate risk						
CCIRS	Loan from related party	3 m EUR	2021	4.05 EURIB 6M + 0.28 %-> WIBOR 6M + 0.53 %	2	-
Currency risk						
NDF	2100 MHz licence payable	14 m EUR	2021	4.52	1	-
NDF	Commercial transactions	27 m EUR	2021	4.44	5	-
NDF	Lease liabilities	22 m EUR	2021	4.42	4	-
FX Swap	Cash	3 m EUR	2021	4.61	-	-
NDF	Commercial transactions	11 m USD	2021	3.71	1	-
Share price risk						
Stock option	Share-based payment plan (see Note 17.2.b)	1 m shares	2021	5.02	1	-
Total derivatives held for trading					14	-
Total derivative instruments					**147**	**(132)**
Current					147	(32)
Non–current					-	(100)

[1] CCIRS – cross currency interest rate swap, IRS – interest rate swap, NDF – non-deliverable forward.
[2] Derivatives economically hedging commercial or financial transactions.

The Company's maximum exposure to credit risk is represented by the carrying amounts of derivatives. The Company enters into derivatives contracts with Orange S.A. and leading financial institutions. Limits are applied to monitor the level of exposure to credit risk on the counterparties. Limits are based on each institution's rating. In case the counterparty's financial soundness is deteriorating, the Company applies the appropriate measures mitigating the default risk.

The change in cash flow hedge reserve is presented below:

(in PLN millions)	12 months ended 31 December 2021			12 months ended 31 December 2020		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Total cash flow hedge reserve – beginning of period	**(89)**	**16**	**(73)**	**(50)**	**9**	**(41)**
- interest rate risk	(117)	22	(95)	(43)	8	(35)
- currency risk	28	(6)	22	(7)	1	(6)
- share price risk	-	-	-	-	-	-
Effective part of gains/(losses) on hedging instrument: (1)	282	(53)	229	(33)	6	(27)
- interest rate risk	308	(59)	249	(157)	30	(127)
- currency risk	(23)	5	(18)	126	(24)	102
- share price risk	-	-	-	(2)	-	(2)
- other market risk	(3)	1	(2)	-	-	-
Reclassification to the income statement, adjusting: (1)	94	(17)	77	20	(4)	16
- interest expense presented in finance costs, net	81	(15)	66	83	(16)	67
- foreign exchange (gains)/losses presented in finance costs, net	16	(3)	13	(65)	12	(53)
- foreign exchange gains presented in operating income	(3)	1	(2)	-	-	-
- labour expenses	-	-	-	2	-	2
Foreign exchange gains transferred to inventories	(18)	3	(15)	(26)	5	(21)
Total cash flow hedge reserve – end of period	**269**	**(51)**	**218**	**(89)**	**16**	**(73)**
- interest rate risk	272	(52)	220	(117)	22	(95)
- currency risk	-	-	-	28	(6)	22
- share price risk	-	-	-	-	-	-
- other market risk	(3)	1	(2)	-	-	-

(1) Recognised under gains/losses on cash flow hedges in the statement of comprehensive income.

Gains/losses on cash flow hedges cumulated in cash flow hedge reserve as at 31 December 2021 are expected to mature and affect the income statement in years 2022 – 2035.

25. Fair value of financial instruments

25.1. Fair value measurements

For the financial instruments measured subsequent to their initial recognition at fair value, the Company classifies fair value measurements using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,
– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices),
– Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Company's financial assets and liabilities that are measured subsequent to their initial recognition at fair value comprise derivative instruments presented in Note 24, selected trade receivables arising from sales of mobile handsets in instalments described in Note 13.1 and the contingent consideration receivable arising from the sale of 50% stake in Światłowód Inwestycje described in Note 14. The Company classifies derivative instruments and selected trade receivables arising from sales of mobile handsets in instalments to Level 2 fair value measurements and the contingent consideration receivable to Level 3 fair value measurements.

25.2. Comparison of fair values and carrying amounts of financial instruments

As at 31 December 2021 and 2020, the carrying amount of the Company's financial instruments excluding lease liabilities, except for telecommunications licence payables and a loan from related party based on fixed interest rate, approximated their fair value, due to relatively short term maturity of those instruments, cash nature, variable interest rates or immaterial difference between the original effective interest rates and current market rates.

A comparison of carrying amounts and fair value of telecommunications licence payables and a loan from related party based on fixed interest rate, for which the estimated fair value differs from the book value due to significant change between the original effective interest rates and current market rates, is presented below:

(in PLN millions)		At 31 December 2021		At 31 December 2020	
	Note	Carrying amount	Estimated fair value Level 2	Carrying amount	Estimated fair value Level 2
Telecommunications licence payables	16.1	257	272	390	437
Loan from related party	19	757	750	756	801

The fair value of financial instruments is calculated by discounting contractual future cash flows at the prevailing market interest rates for a given currency. Fair value amounts are translated to PLN at the National Bank of Poland period-end average exchange rate and adjusted by own credit risk. DVA estimates were not material compared to the total fair value of the related financial instruments.

26. Objectives and policies of financial risk management

26.1. Principles of financial risk management

The Company is exposed to financial risks arising mainly from financial instruments that are issued or held as part of its operating and financing activities. That exposure can be principally classified as market risk (encompassing mainly currency risk and interest rate risk), liquidity risk and credit risk. The Company manages the financial risks with the objective to limit its exposure to adverse changes mainly in foreign exchange rates and interest rates, to stabilise cash flows and to ensure an adequate level of financial liquidity and flexibility.

The principles of the Company Financial Risk Management Policy have been approved by the Management Board. Financial risk management is conducted according to strategies developed by the Treasury Committee under the direct control of the Board Member in charge of Finance.

Financial Risk Management Policy defines principles and responsibilities within the context of an overall financial risk management and covers the following areas:

- risk measures used to identify and evaluate the exposure to financial risks,
- selection of appropriate instruments to hedge against identified risks,
- valuation methodology used to determine the fair value of financial instruments,
- transaction limits for and credit ratings of counterparties with which the Company concludes hedging transactions.

26.2. Hedge accounting

The Company has entered into numerous derivative transactions to hedge exposure to currency risk, interest rate risk and other market risk. The derivatives used by the Company include: interest rate swaps, cross currency interest rate swaps, cross currency swaps, non-deliverable forwards, currency options, currency forwards, commodity swaps and stock options.

Certain derivative instruments are classified as cash flow hedges and the Company applies hedge accounting principles as stated in IFRS 9 (see Note 34.18). The cash flow hedges are used to hedge the variability of future cash flows that is attributable to a particular risk and could affect the income statement. The terms of the hedging instruments match the terms of the hedged items. The Company has established hedge ratios at the level of 1:1 as the underlying risks of the hedging instruments are identical to the hedged risks. Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective assessment to ensure that hedge effectiveness requirements are met.

Derivatives are used for hedging activities and it is the Company's policy that derivative financial instruments are not used for trading (speculative) purposes. However, certain derivatives held by the Company are not designated as hedging instruments as set out in IFRS 9 and hedge accounting principles are not applied to those instruments. The Company considers those derivatives as economic hedges because they, in substance, protect the Company against currency risk, interest rate risk and other market risk.

Detailed information on derivative financial instruments, including hedging relationship, that are used by the Company is presented in Note 24.

26.3. Currency risk

The Company is exposed to foreign exchange risk arising from financial assets and liabilities denominated in foreign currencies, mainly lease liabilities, 2100 MHz licence payable, loans from related parties (see Note 19) and bank borrowing.

The Company's hedging strategy, minimising the impact of fluctuations in exchange rates, is reviewed on a regular basis. The acceptable exposure to a selected currency is a result of the risk analysis in relation to an open position in that currency, given the financial markets' expectations of foreign exchange rates movements during a specific time horizon.

Within the scope of the hedging policy, the Company hedges its currency exposure entering mainly into cross currency interest rate swaps, cross currency swaps and forward currency contracts, under which the Company agrees to exchange a notional amount denominated in a foreign currency into PLN or to settle in cash the difference between the contracted price and the prevailing spot price. As a result, the gains/losses generated by derivative instruments compensate the foreign exchange losses/gains on the hedged items. Therefore, the variability of the foreign exchange rates has a limited impact on the income statement.

Hedge ineffectiveness may arise from currency basis spread included in the hedging instrument that does not occur in the hedged instrument, a difference between the counterparty credit risk and the own credit risk and changes to the forecasted amount of cash flows of hedged items.

The table below presents the hedge rate of the Company's major currency exposures. The rate compares the hedged value of a currency exposure to the total value of the exposure.

	Hedge rate	
Currency exposure	At 31 December 2021	At 31 December 2020
Loans from related parties and bank borrowing	Not applicable	99.6 %
2100 MHz licence payable	0.0 %	25.6 %
Lease liabilities	4.7 %	14.2 %

The Company is also actively hedging the exposure to foreign exchange risk generated by future operating and capital expenditures.

The Company uses the sensitivity analysis described below to measure currency risk.

The Company's major exposures to foreign exchange risk (net of hedging activities) and potential foreign exchange gains/losses on these exposures resulting from a hypothetical 1% appreciation/depreciation of the PLN against other currencies are presented in the following table:

(in millions of currency)	Effective exposure after hedging				Sensitivity to a change of the PLN against other currencies impacting income statement			
	At 31 December 2021		At 31 December 2020		At 31 December 2021		At 31 December 2020	
					+1%	-1%	+1%	-1%
Currency exposure	Currency	PLN	Currency	PLN	PLN	PLN	PLN	PLN
2100 MHz licence payable (EUR)	30	136	41	188	1	(1)	2	(2)
Lease liabilities (EUR)	129	592	123	569	6	(6)	6	(6)
Lease liabilities (USD)	7	26	7	25	-	-	-	-
Total		**754**		**782**	**7**	**(7)**	**8**	**(8)**

The sensitivity analysis presented above is based on the following principles:

– unhedged portion of the discounted amount of liabilities is exposed to foreign exchange risk (effective exposure),
– derivatives designated as hedging instruments and those classified as economic hedges are treated as risk-mitigation transactions,
– cash and cash equivalents are excluded from the analysis.

The changes in fair value of derivatives classified as cash flow hedges of forecast transactions affect other reserves. The sensitivity analysis prepared by the Company indicated that the potential gains/(losses) impacting cash flow hedge reserve resulting from a hypothetical 1% depreciation/appreciation of the PLN against other currencies would amount to PLN 2/(2) million and PLN 7/(7) million as at 31 December 2021 and 2020, respectively

26.4. Interest rate risk

The interest rate risk is a risk that future cash flows of the financial instrument will change due to interest rates changes. The Company has interest bearing financial liabilities and assets consisting mainly of loans from and to related parties and bank borrowings (see Notes 19 and 32.2).

The Company's interest rate hedging strategy, limiting exposure to unfavourable movements of interest rates, is reviewed on a regular basis. The preferable split between fixed and floating rate debt is the result of the analysis indicating the impact of the potential interest rates evolution on the financial costs.

According to the hedging strategy, the Company uses interest rate swaps and cross currency interest rate swaps to hedge its interest rate risk. As a result of the hedge, the structure of the liabilities changes to the desired one, as liabilities based on the floating/fixed interest rates are effectively converted into fixed/floating obligations.

As at 31 December 2021 and 2020, the Company's proportion between fixed/floating rate debt (after hedging activities) was 89/11% and 98/2% respectively.

Hedge ineffectiveness may arise from designation of non-zero fair value derivatives in hedge relationships and a difference between the counterparty credit risk and the own credit risk.

The Company uses the sensitivity analysis described below to measure interest rate risk.

The table below provides the Company's sensitivity analysis for interest rate risk (net of hedging activities) assuming a hypothetical increase/decrease in the interest rates by 1 p.p.:

(in PLN millions)	Sensitivity to 1 p.p. change of interest rates							
	At 31 December 2021				At 31 December 2020			
	WIBOR		EURIBOR		WIBOR		EURIBOR	
	+1 p.p.	-1 p.p.	+1 p.p.	-1 p.p.	+1 p.p.	-1 p.p.	+1 p.p.	-1 p.p.
Finance costs, net	(4)	4	-	-	2	(2)	(3)	3
Other reserves	113	(118)	-	-	63	(65)	(3)	3

The sensitivity analysis presented above is based on the following principles:

- finance costs, net include the following items exposed to interest rate risk: a) interest cost on financial debt based on floating rate (after hedging), b) the change in the fair value of derivatives not designated as hedging instruments and classified as held for trading (see Note 24),
- other reserves include the change in the fair value of derivatives that is determined as effective cash flow hedge (see Note 24),
- as at 31 December 2021, the gross financial debt based on floating rate (after hedging) amounted to PLN 546 million (as at 31 December 2020, PLN 117 million).

26.5. Other market risks

The Company is exposed to other market risks including commodity risk (energy price risk and copper price risk arising from sale of copper) and share price risk arising from cash-settled share-based payment plans (see Note 17.2). The Company hedges its exposure entering into commodity swaps and stock options, under which the Company sets the price of energy and copper and has right to receive cash if OPL S.A. share price exceeds certain level. As a result, the gains/losses generated by derivative instruments compensate the losses/gains on the hedged item.

There are no sources of hedge ineffectiveness that are expected to affect significantly hedging relationships.

The sensitivity analysis prepared by the Company indicated that a hypothetical increase/decrease of 10% in the base energy prices used in the valuation of commodity swaps would change the fair value of these instruments and affect other reserves respectively by PLN 34/(34) million as at 31 December 2021. The potential gains/losses resulting from a reasonably possible change of copper price and OPL S.A. share price would have an insignificant impact on the income statement and other reserves as at 31 December 2021 and 2020.

26.6. Liquidity risk

The liquidity risk is a risk of encountering difficulties in meeting obligations associated with financial liabilities. The Company's liquidity risk management involves forecasting future cash flows, analysing the level of liquid assets in relation to cash flows, monitoring liquidity ratios and maintaining a diverse range of funding sources including back-up credit facilities.

In order to increase efficiency, the liquidity management process is optimised through a centralised treasury function of the Company, as liquid asset surpluses generated by the Company and its subsidiaries are invested and managed by the central treasury. The Cash Management Treasury Agreement with Orange S.A. enables the Company to deposit its cash surpluses with Orange S.A. The Company's cash surplus is also invested into short-term highly-liquid financial instruments – bank deposits.

The Company also manages liquidity risk by maintaining committed, unused credit facilities, which create a liquidity reserve to secure solvency and financial flexibility. The above-mentioned Cash Management Treasury Agreement with Orange S.A. gives the Company access to back-up liquidity funding with headroom of up to PLN 500 million. In 2021, the Company and Orange S.A. updated the Cash Management Treasury Agreement, extending access to back-up liquidity funding to 28 February 2023. No drawdown was made on this facility as at 31 December 2021. The Company also has a revolving credit line from the Orange Group for up to PLN 1,500 million and other credit lines for up to PLN 160 million, of which PLN 26 million was used as at 31 December 2021. Therefore, as at 31 December 2021, the Company had unused credit facilities amounting to PLN 2,134 million (as at 31 December 2020, PLN 1,955 million).

Liquidity risk is measured by applying following ratios calculated and monitored by the Company regularly:
- liquidity ratios,
- maturity analysis of undiscounted contractual cash flows resulting from the Company's financial liabilities,
- average debt duration.

The liquidity ratio (representing the relation between available financing sources, i.e. cash and cash equivalents and credit facilities, and debt repayments during next 12 and 18 months) and current liquidity ratio (representing the relation between unused credit facilities, current assets and current liabilities) are presented in the following table:

(in PLN millions)	Liquidity ratios	
	At 31 December 2021	At 31 December 2020
Liquidity ratio (incl. derivatives) - next 12 months [1]	486 %	59 %
Unused credit facilities (excluding short term)	519	1,840
Cash and cash equivalents	885	299
Debt repayments [2]	368	3,733
Derivatives repayments [3]	(79)	(79)
Liquidity ratio (incl. derivatives) - next 18 months [1]	126 %	56 %
Unused credit facilities (excluding short term)	519	1,840
Cash and cash equivalents	885	299
Debt repayments [2]	1,241	3,914
Derivatives repayments [3]	(130)	(60)
Current liquidity ratio (incl. unused credit facilities)	104 %	65 %
Unused credit facilities (excluding short term)	519	1,840
Total current assets	3,647	2,991
Total current liabilities	3,992	7,399
Current liquidity ratio (incl. unused credit facilities and new loan agreement) [4]	Not applicable	103 %
Unused credit facilities (excluding short term)	Not applicable	1,840
Total current assets	Not applicable	2,991
Total current liabilities [4]	Not applicable	4,699

[1] The ratio does not include future cash flows from operating or investing activities, nor debt refinancing.
[2] Undiscounted contractual cash flows on loans from related party, cash pool deposits from subsidiaries and bank borrowings.
[3] Undiscounted contractual cash flows on derivatives.
[4] As a result of the new loan agreement concluded on 29 January 2021, the amount of current liabilities would decrease to PLN 4,699 million and current liquidity ratio would increase to 103%.

The maturity analysis for the contractual undiscounted cash flows resulting from the Company's financial liabilities as at 31 December 2021 and 2020 is presented below.

As at 31 December 2021 and 2020, amounts in foreign currency were translated at the National Bank of Poland period-end average exchange rates. The variable interest payments arising from the financial instruments were calculated using the interest rates applicable as at 31 December 2021 and 2020, respectively.

(in PLN millions)	At 31 December 2021										
			Undiscounted contractual cash flows (1)								
				Non-current							
	Note	Carrying amount	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total non-current	Total
Loans from related parties	19	5,091	368	977	1,661	108	2,758	-	5,504	5,872
Other financial liabilities at amortised cost		26	1	4	4	4	4	14	30	31
Derivative assets	24	(276)	(84)	(93)	(69)	(58)	(29)	-	(249)	(333)
Derivative liabilities	24	5	5	-	(20)	(26)	(5)	10	(41)	(36)
Gross financial debt after derivatives		**4,846**	**290**	**888**	**1,576**	**28**	**2,728**	**24**	**5,244**	**5,534**
Trade payables	16.1	2,161	2,069	24	24	24	24	26	122	2,191
Lease liabilities	20	2,785	524	412	360	300	247	1,684	3,003	3,527
Financial guarantees	30.2	-	87	-	-	-	-	-	-	87
Total financial liabilities (including derivative assets)		**9,792**	**2,970**	**1,324**	**1,960**	**352**	**2,999**	**1,734**	**8,369**	**11,339**

(1) Includes both nominal and interest payments.

(in PLN millions)	At 31 December 2020									
			Undiscounted contractual cash flows (1)							
				Non-current						
	Note	Carrying amount	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total non-current	Total
Loans from related parties	19	6,088	3,731	203	784	1,510	-	-	2,497	6,228
Other financial liabilities at amortised cost		4	4	-	-	-	-	-	-	4
Derivative assets	24	(147)	(143)	-	-	-	-	-	-	(143)
Derivative liabilities	24	132	64	31	25	8	-	-	64	128
Gross financial debt after derivatives		**6,077**	**3,656**	**234**	**809**	**1,518**	**-**	**-**	**2,561**	**6,217**
Trade payables	16.1	2,256	2,020	166	24	24	24	49	287	2,307
Lease liabilities	20	2,663	482	425	333	289	234	1,718	2,999	3,481
Financial guarantees	30.2	-	68	-	-	-	-	-	-	68
Total financial liabilities (including derivative assets)		**10,996**	**6,226**	**825**	**1,166**	**1,831**	**258**	**1,767**	**5,847**	**12,073**

(1) Includes both nominal and interest payments.

The average duration for the existing debt portfolio as at 31 December 2021 was 3.2 years (1.4 years as at 31 December 2020).

26.7. Credit risk

The Company's credit risk management objective is defined as supporting business growth while minimising financial risks by ensuring that customers and partners are always in a position to pay amounts due to the Company.

The main function of the Credit Committee under the control of the Board Member in charge of Finance is to coordinate and consolidate credit risk management activities across OPL Group, which involve:
- clients' risk assessment,
- monitoring clients' business and financial standing,
- managing accounts receivable and bad debts.

The policies and rules regarding consolidated credit risk management for the Group were approved by the Credit Committee.

There is no significant concentration of credit risk within the Company. Further information on credit risk is discussed in Notes 13.1, 13.2, 23 and 24.

27. Income tax

27.1. Income tax

(in PLN millions)	12 months ended 31 December 2021	12 months ended 31 December 2020
Current income tax	(103)	5
Deferred tax	(129)	(15)
Total income tax	**(232)**	**(10)**

The reconciliation between the income tax expense and the theoretical tax calculated based on the Polish statutory tax rate was as follows:

(in PLN millions)	12 months ended 31 December 2021	12 months ended 31 December 2020
Income before tax	**1,148**	**57**
Statutory tax rate	19 %	19 %
Theoretical tax	**(218)**	**(11)**
Impairment of a loan granted to a subsidiary	(11)	-
Tax relief on research and development	6	5
Dividend income	-	3
Unrecognised deferred tax asset	11	(1)
Expenses of share-based payment plans	(5)	-
Other expenses not deductible for tax purposes	(15)	(6)
Total income tax	**(232)**	**(10)**

Expenses not deductible for tax purposes consist of cost items, which, under Polish tax law, are specifically determined as non-deductible.

27.2. Deferred tax

(in PLN millions)	Statement of financial position		Income statement	
	At 31 December 2021	At 31 December 2020	12 months ended 31 December 2021	12 months ended 31 December 2020
Property, plant and equipment, intangible assets and right-of-use assets, net	362	383	(21)	7
Unused tax losses	5	28	(23)	(9)
Receivables and payables	35	138	(104)	14
Contract assets and contract costs	(130)	(117)	(13)	(2)
Contract liabilities	127	111	16	(2)
Employee benefits	35	34	2	(19)
Provisions	170	153	17	-
Net financial debt	(51)	20	(3)	(4)
Other	(3)	(3)	-	-
Deferred tax asset, net (1)	**550**	**747**		
Total deferred tax			**(129)**	**(15)**

(1) During the 12 months ended 31 December 2021 and 2020, PLN (71) million and PLN 3 million of change in deferred tax asset was recognised in the statement of comprehensive income, respectively. During the 12 months ended 31 December 2021 and 2020, PLN 3 million and PLN (1) million of change in deferred tax asset was recognised directly in equity, respectively.

Deferred tax asset is recognised in the amount which is expected to be utilised using future taxable profits estimated on the basis of the business plan approved by the Management Board of Orange Polska and used to determine the value in use of the telecom operator CGU (key assumptions are described in Note 8), which are considered as a positive evidence supporting the recognition of deferred tax asset.

Significant amount of the Company's deferred tax asset relates to property, plant and equipment and intangible assets and has been recognised on temporary differences arising mainly from different tax and accounting depreciation rates used by the Company. As a result, the estimated period required to utilise this deferred tax asset is dependent on useful lives of items of property, plant and equipment and intangible assets estimated for accounting and tax purposes. The majority of deferred tax asset relating to property, plant and equipment and intangible assets is expected to be utilised after year 2025.

Unrecognised deferred tax assets relate to those incurred tax losses on capital activities, which are expected to expire rather than to be realised. As at 31 December 2020, incurred tax losses, for which no deferred tax asset was recognised, amounted to PLN 56 million gross. As at 31 December 2021, there were no tax losses for which no deferred tax asset was recognised.

28. Equity

28.1. Share capital

As at 31 December 2021 and 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 as at 31 December 2021 and 2020 was as follows:

(in PLN millions)	At 31 December 2021			At 31 December 2020		
	% of votes	% of shares	Nominal value	% of votes	% of shares	Nominal value
Orange S.A.	50.67	50.67	1,995	50.67	50.67	1,995
Nationale-Nederlanden Open Pension Fund	5.01 [1]	5.01 [1]	197	n/a	n/a	n/a
Other shareholders	44.32	44.32	1,745	49.33	49.33	1,942
Total	**100.00**	**100.00**	**3,937**	**100.00**	**100.00**	**3,937**

[1] To the best of the Company's knowledge as at 31 December 2021, i.e. according to the notice from Nationale-Nederlanden Open Pension Fund of 3 August 2021.

On 3 August 2021 the Company received from Nationale-Nederlanden Open Pension Fund a notice on increasing its ownership of Orange Polska shares from 4.96% to 5.01%. Before that day, Nationale-Nederlanden Open Pension Fund owned less than 5% of Orange Polska shares and according to the Polish law was not obliged to notify the Company of the number of shares held. Consequently, any shares held by Nationale-Nederlanden Open Pension Fund as at 31 December 2020 are included in "other shareholders". Between 3 August 2021 and 31 December 2021 Nationale-Nederlanden Open Pension Fund did not notify the Company of any changes in its ownership of Orange Polska shares.

28.2. Dividend

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

Retained earnings available for dividend payments amounted to PLN 5.0 billion as at 31 December 2021. The remaining balance of the Company's retained earnings is unavailable for dividend payments due to restrictions of the Polish commercial law.

28.3. Equity-settled share-based payment plans

28.3.a. Together 2021 plan

On 21 April 2021, Orange S.A. approved the implementation of a share ownership plan for the Orange Group's employees: Together 2021. The plan was launched on 15 September 2021 in 37 countries, including Poland. The purpose of Together 2021 is to increase employee shareholding and the involvement of all employees in the growth of the Orange Group.

The terms of Together 2021 are as follows:

a. Participation in the plan was voluntary.
b. All employees of the Orange Group with at least 3 months of employment as at 8 November 2021 (the grant date) could subscribe to the plan.
c. Under the plan employees were entitled to acquire Orange S.A.'s shares under preferential terms, i.e. with a 30% discount on the reference price of the shares. The reference price was calculated as the average of daily Orange S.A. share prices on the Euronext Paris market over the 20 trading sessions from 5 October to 1 November 2021 and amounted to EUR 9.48.
d. In addition to shares subscribed, employees received also a contribution from Orange S.A. in the form of bonus shares in the amount of up to EUR 2,600 depending on the amount of personal investment of each employee.
e. The subscription price was set at EUR 6.64 per share (EUR 9.48 after 30% discount).
f. The maximum amount of a participant's investment could not exceed 25% of their 2021 gross annual remuneration.
g. The shares were delivered on 1 December 2021 and are locked-up until 1 June 2026.
h. Participants of the plan are entitled to dividends paid by Orange S.A.

Orange Polska's employees purchased 360,765 shares and received free of charge additional 468,491 bonus shares, making a total of 829,256 shares.

The value of the benefits granted to employees under Together 2021 plan in exchange for their work for Orange Polska, amounted to PLN 24 million and was recognised in labour expense and equity in 2021.

The following table illustrates the key assumptions used in calculation of the value of the benefits granted by Orange S.A. to the Company's employees:

Key assumptions	Together 2021 plan
Reference price at the grant date (in EUR)	9.48
Subscription price for shares purchased (in EUR)	6.64
Subscription price for bonus shares (in EUR)	0.00
Risk-free interest rate	(0.425) %
Lending borrowing rate (1)	4.7 %
Lock-up period	4.5 years
Date of lock-up period end	1 June 2026

(1) Corresponds to Orange S.A. lending-borrowing rate used to calculate the non-transferability costs.

28.3.b. Long term incentive plan of Orange S.A.

Orange S.A. operates a long term incentive plan ("LTIP"), under which key managers of Orange Polska are awarded a defined number of free shares of Orange S.A., subject to performance conditions and continuous service in the Orange Group. The value of services rendered by managers for granting equity instruments of Orange S.A. recognised in labour expense in 2021 and 2020 amounted to PLN 2 million and PLN 3 million, respectively.

28.4. Other movements in retained earnings

Corrections resulting from immaterial errors in prior periods were recognised by the Company directly in retained earnings and presented as other movements in the statement of changes in equity for the 12 months ended 31 December 2020. The corrections of PLN 27 million, net (after PLN (6) million of tax impact) relate to capitalisation of some indirect employee benefits as property, plant and equipment and other intangible assets (PLN 48 million) and write-off of other non-current assets (PLN (21) million).

29. Management of capital

Capital management strategy is developed at the Group level. Capital management policy is described in Note 30 to Orange Polska Group IFRS Consolidated Financial Statements for the year ended 31 December 2021.

30. Unrecognised contractual obligations

30.1. Investment commitments

Investment commitments contracted for at the end of the reporting period but not recognised in the financial statements were as follows:

(in PLN millions)	At 31 December 2021	At 31 December 2020
Property, plant and equipment	463	827
Intangibles	99	88
Total investment commitments	**562**	**915**
Amounts contracted to be payable within 12 months after the end of the reporting period	505	828

Investment commitments relate mainly to development of telecommunications network, purchases of telecommunications network equipment, IT systems and other software.

As at 31 December 2021 and 2020, the Company's commitments for the purchase of property, plant and equipment and intangible assets under the Operational Programme "Digital Poland" (see Note 16.2), contracted for at the end of the reporting period but not recognised in the financial statements amounted to PLN 182 million and PLN 440 million, respectively.

30.2. Guarantees

As at 31 December 2021 and 2020, OPL S.A. granted to its subsidiaries guarantees in the amount of PLN 138 million and PLN 113 million, respectively, of which PLN 87 million and PLN 68 million constituted financial guarantee contracts.

31. Litigation, claims and contingent liabilities

As at 31 December 2021, the Company recognised provisions for known and quantifiable risks related to various current or potential claims and proceedings, which represent the Company's best estimate of the amounts, which are more likely than not to be paid. As a rule, provisions are not disclosed on a case-by-case basis, as, in the opinion of the Management Board, such disclosure could prejudice the outcome of the pending cases.

a. Proceedings by UOKiK and UKE and claims connected with them

According to the Act on Competition and Consumer Protection, in case of non-compliance with its regulations, the President of the Office of Competition and Consumer Protection ("UOKiK") is empowered to impose on an entity penalties of up to a maximum amount of EUR 50 million for refusal to provide requested information or up to a maximum amount of 10% of an entity's revenue for the year prior to the year of fine imposition for a breach of the law. According to the Telecommunications Act, the President of UKE may impose on a telecommunications operator a penalty of up to a maximum amount of 3% of the operator's prior year's tax revenue, if the operator does not fulfil certain requirements of the Telecommunications Act.

<u>Proceedings by UOKiK related to retail prices of calls to Play</u>
In 2013, UOKiK commenced competition proceedings against Orange Polska, Polkomtel Sp. z o.o. and T-Mobile Polska S.A. UOKiK alleged that they abused collective dominant position and the abuse consisted in the fact that the retail prices of calls made by individual users from the network of each of the three operators to the network of P4 Sp. z o.o. ("P4"), operator Play, were relatively higher than the prices for such calls to the networks of the three operators.

On 2 January 2018, UOKiK discontinued the competition proceedings. UOKiK stated that there was no basis to determine that Orange Polska, Polkomtel Sp. z o.o. and T-Mobile Polska S.A. acted in breach of the competition law.

In September 2015, Orange Polska received a lawsuit filed by P4 with the Court under which P4 claims for damages, in the amount of PLN 316 million (PLN 231 million and PLN 85 million of interest) relating to the retail mobile prices for a period between July 2009 and March 2012. P4 originally claimed jointly and severally towards Orange Polska, Polkomtel Sp. z o.o. and T-Mobile Polska S.A. but subsequently the proceedings against T-Mobile was discontinued due to a settlement concluded by the latter with P4.

On 2 July 2018, P4 extended its claim by the amount of PLN 314 million (PLN 258 million and PLN 56 million of capitalised interest). The factual basis for both claims is the same (retail price difference) but as regards the claim extension the period for which damages are calculated is different i.e. from April 2012 to December 2014.

On 29 November 2018 the court excluded P4's claim for PLN 314 million to separate court proceedings.

On 27 December 2018 the court of first instance dismissed P4's claim for PLN 316 million in its entirety as time barred. P4 appealed that verdict to the Appeal Court and, on 28 December 2020, the Appeal Court repealed the verdict and remanded the case back to the court of first instance on the basis that the court did not sufficiently explain the reasons for the claim being time barred. No other arguments were assessed by the Court of Appeal.

<u>Proceedings by UOKiK related to activation of certain additional services</u>
On 14 May and 23 July 2021, UOKiK instituted proceedings regarding practices violating collective interests of consumers in the provision of certain additional services by Orange Polska alleging, among others, insufficient information for consumers in activating the service, lack of information on a durable medium and insufficient replies to customer complaints. On 14 December 2021, UOKiK issued a commitment decision (without imposing a fine) concluding the proceedings instituted on 14 May 2021.

<u>Other proceedings by UOKiK and UKE</u>
As at 31 December 2021, the Company recognised provisions for known and quantifiable risks related to proceedings against OPL S.A. initiated by UOKiK and UKE, which represent the Company's best estimate of the amounts, which are more likely than not to be paid. The actual amounts of penalties, if any, are dependent on future events the outcome of which is uncertain, and, as a consequence, the amount of the provision may change at a future date.

b. Tax settlements

Tax settlements are subject to review and investigation by a number of authorities, which are entitled to impose fines, penalties and interest charges. Value added tax, corporate income tax, personal income tax, real estate tax, other taxes and the general anti-avoidance rules or social security regulations are subject to frequent changes. These changes contribute to the lack of system stability and tax disputes. Frequent contradictions and inconsistencies in legal interpretations both within government bodies and between companies and government bodies create uncertainties and conflicts. These uncertainties result in higher risk in the area of tax settlements, which may require recognition of liabilities for uncertain tax positions and provisions resulting from differences of interpretation of the tax law.

Tax authorities may examine accounting records up to five years following the end of the year in which the tax becomes due. Consequently, the Company may be subject to additional tax liabilities, which may arise as a result of additional tax audits.

In 2018, the Tax Office finalised a tax audit relating to OPL S.A.'s corporate income tax settlements for the fiscal year ended 31 December 2016. Based on the findings of the audit, tax proceedings were launched against the Company in 2019. The Company does not agree with the findings and believes that the issues raised in the tax audit protocol are without merit and the possibility of ultimate outflow of resources in the ongoing proceedings is low.

The Company is also involved in other proceedings and litigations in respect to various taxes, including PIT, CIT, VAT, real estate tax and other taxes. Some of these proceedings and litigations may result in future cash outflows. The possible outcomes of these proceedings and litigations are assessed by OPL on a regular basis and quantifiable risks related to them that are probable to result in future cash outflows are adequately reflected as income tax liabilities or provisions in the statement of financial position.

c. Issues related to the incorporation of Orange Polska

Orange Polska was established as a result of the transformation of the state-owned organisation Poczta Polska Telegraf i Telefon ("PPTiT") into two entities – the Polish Post Office and Orange Polska S.A. The share premium in the equity of Orange Polska includes an amount of PLN 713 million which, in accordance with the Notary Deed dated 4 December 1991, relates to the contribution of the telecommunication business of PPTiT to the Company. During the transformation process and transfer of ownership rights to the new entities, certain properties and other assets that are currently under Orange Polska's control were omitted from the documentation recording the transfer and the documentation relating to the transformation process is incomplete in this respect. This means that Orange Polska's rights to certain properties and other non-current assets may be questioned and, as a result, the share premium balance may be subject to changes.

d. Other contingent liabilities and provisions

Operational activities of the Company are subject to legal, social and administrative regulations a breach of which, even unintentional, may result in sanctions imposed on the Company. In addition to fines which may be imposed by UOKiK and UKE described in Note 31.a also the President of Energy Regulatory Office may impose a penalty of up to a maximum amount of 15% of the revenues gained in the previous tax year among others for an infringement of certain provisions of Energy Law, a failure in fulfilment of obligations determined by the concession, a refusal to provide information.

The Company is a party to a number of legal 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 claims for damages, contractual penalties or remuneration raised by counterparties to commercial contracts, or claims for other payments resulting from breach of law which may result in cash outflows.

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

Some of the above determined matters may be complex in nature and there are many scenarios for final settlement and potential financial impact for the Company. The Company monitors the risks on a regular basis and the Management Board believes that adequate provisions have been recorded for known and quantifiable risks. Information regarding the range of potential outcomes has not been separately disclosed as, in the opinion of the Company's Management, such disclosure could prejudice the outcome of the pending cases.

32. Related party transactions

32.1. Management Board and Supervisory Board compensation

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 is presented below. Additionally, the President of OPL S.A.'s Management Board is employed by Orange Global International Mobility S.A., a subsidiary of Orange S.A., and posted to Orange Polska since September 2020. The amount incurred by Orange Polska S.A. for the reimbursement of key management personnel costs from the Orange Group is presented separately in the table below.

(in PLN thousands)	12 months ended 31 December 2021	12 months ended 31 December 2020
Short-term benefits excluding employer social security payments	15,040	17,005
Post-employment benefits	1,060	5,378
Share-based payment plans	1,243	57
Total compensation	**17,343**	**22,440**
Reimbursement of the key management personnel costs	5,382	1,339
Total	**22,725**	**23,779**

Additionally, Section 9.3 of the Management Board's Report on the Activity of the Orange Polska Group and Orange Polska S.A. for the year ended 31 December 2021 includes the information on the Remuneration Policy of Orange Polska, where more details on Management Board and Supervisory Board compensation can be found.

32.2. Related party transactions

As at 31 December 2021, Orange S.A. owned 50.67% of shares of the Company. Orange S.A. has majority of the total number of votes at the General Meeting of OPL S.A. which appoints OPL S.A.'s Supervisory Board Members. The Supervisory Board decides about the composition of the Management Board. According to the Company's Articles of Association, at least 4 Members of the Supervisory Board must be independent. The majority of Members of the Audit Committee of the Supervisory Board are independent.

OPL S.A.'s income earned from its subsidiaries comprises mainly sale of fixed assets, telecommunications equipment sales and IT services. The purchases from the subsidiaries comprise mainly network development and maintenance. Costs incurred by the Company in transactions with its subsidiaries also comprise donations to Fundacja Orange and impairment of loan (see Note 18).

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

Orange Polska S.A. operates under the Orange brand pursuant to a licence agreement concluded with Orange S.A. and Orange Brand Services Limited (hereinafter referred to as "OBSL"). The brand licence agreement provides that OBSL receives a fee of up to 1.6% of the Company's operating revenue earned under the Orange brand.

In 2021, Orange S.A. granted benefits to OPL S.A.'s employees under Together 2021 share ownership plan in exchange for their work for the Company in the amount of PLN 24 million (see Note 28.3).

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

Until 31 December 2021, the Company and Atlas Services Belgium S.A., a subsidiary of Orange S.A., concluded loan agreements for PLN 4,950 million and Revolving Credit Facility Agreement for up to PLN 1,500 million (see Note 19). Additionally, the Company concluded an agreement with Orange S.A. concerning derivative transactions to hedge exposure to interest rate risk and foreign currency risk related to the financing from Atlas Services Belgium S.A. The nominal amount of derivative transactions outstanding under the agreement as at 31 December 2021 was PLN 4,300 million with a total fair value of PLN 274 million (as at 31 December 2020, nominal amount of PLN 5,450 million and EUR 190 million, respectively, with a total negative fair value of PLN 26 million).

Financial receivables, payables, financial expense and other comprehensive income/loss concerning transactions with the Orange Group relate to the above-mentioned agreements. Financial income from Orange S.A. and cash and cash equivalents deposited with Orange S.A. relate to the Cash Management Treasury Agreement (see Note 26.6).

The Company's transactions with joint venture relate to transactions with Światłowód Inwestycje Sp. z o.o. (see Note 22). OPL S.A.'s income and receivables from joint venture relate mainly to sale of fibre network assets. Liabilities to joint venture relate mainly to agreements for the lease and services to be rendered in the future, for which joint venture paid upfront.

(in PLN millions)	12 months ended 31 December 2021	12 months ended 31 December 2020
Sales of goods and services and other income:	**756**	**324**
Orange Polska Group (subsidiaries)	173	109
Orange Group	242	215
- Orange S.A. (parent)	166	138
- Orange Group (excluding parent)	76	77
Joint venture	341	-
Purchases of goods (including inventories, tangible and intangible assets), services and other costs:	**(674)**	**(510)**
Orange Polska Group (subsidiaries)	(383)	(292)
Orange Group	(260)	(218)
- Orange S.A. (parent)	(78)	(58)
- Orange Group (excluding parent)	(182)	(160)
- including Orange Brand Services Limited (brand licence agreement)	(135)	(116)
Joint venture	(31)	-
Financial income:	**8**	**16**
Orange Polska Group (subsidiaries)	6	16
Orange S.A. (parent)	2	-
Financial expense, net:	**(158)**	**(198)**
Orange Group	(158)	(198)
- Orange S.A. (parent)	(78)	(17)
- Orange Group (excluding parent)	(80)	(181)
Other comprehensive income/(loss):	**389**	**(74)**
Orange S.A. (parent)	389	(74)

(in PLN millions)	At 31 December 2021	At 31 December 2020
Receivables and contract costs:	**378**	**118**
Orange Polska Group (subsidiaries)	22	33
Orange Group	97	85
- Orange S.A. (parent)	67	51
- Orange Group (excluding parent)	30	34
Joint venture	259	-
Liabilities:	**900**	**182**
Orange Polska Group (subsidiaries)	100	98
Orange Group	105	84
- Orange S.A. (parent)	44	31
- Orange Group (excluding parent)	61	53
Joint venture	695	-
Financial receivables:	**301**	**281**
Orange Polska Group (subsidiaries)	27	175
Orange S.A. (parent)	274	106
Cash and cash equivalents deposited with:	**738**	**55**
Orange S.A. (parent)	738	55
Financial liabilities:	**5,091**	**6,220**
Orange Polska Group (subsidiaries) (see Note 19)	141	98
Orange Group	4,950	6,122
- Orange S.A. (parent)	-	132
- Orange Group (excluding parent) (see Note 19)	4,950	5,990
Guarantees granted:	**138**	**113**
Orange Polska Group (subsidiaries)	138	113

33. Subsequent events

On the basis of an annual review of estimated useful lives of fixed assets, the Company decided to extend useful lives for certain network assets and items of software from 2022. As a result, depreciation and amortisation expense in 2022 relating to these assets is expected to be lower by approximately PLN 38 million.

34. Significant accounting policies

In addition to the statement of compliance included in Note 2, this note describes the accounting principles applied to prepare the Separate Financial Statements for the year ended 31 December 2021.

34.1. Use of estimates and judgement

In preparing the Company's accounts, the Company's Management Board is required to make estimates Management Board reviews these estimates if the circumstances on which they were based evolve or in the light of new information or experience. Consequently, estimates made as at 31 December 2021 may be subsequently changed. The main estimates and judgements made are described in the following notes:

Note		Estimates and judgements
5, 34.9	Revenue	Allocation of transaction price to each performance obligation based on stand-alone selling price. Estimating stand-alone selling prices of performance obligations. Straight-line recognition of revenue relating to service connection fees. Reporting revenue on a net versus gross basis (analysis of Company's involvement acting as principal versus agent). Estimation of early termination fees charged to customers.
8, 34.17	Impairment of cash generating unit and individual tangible and intangible assets	Key assumptions used to determine CGU and recoverable amounts: impairment indicators, models, discount rates, growth rates.
12, 34.15	Leases	Key assumptions used to measure the lease liability and the right of use assets: lease term, discount rate and usage of options. Application of portfolio approach to certain leases.
10, 11, 34.13, 34.14	Useful lives of tangible and intangible assets (excluding goodwill)	The useful lives and the method of depreciation and amortisation.
11, 16.2, 34.14	Property, plant and equipment - investment grants	The assumptions underlying the measurement and recognition of investment grants obtained, i.e. when meeting grant criteria is considered reasonably assured.
13.1, 13.2, 34.18	Impairment of financial assets	Key assumptions used to determine impairment of financial assets: expected credit loss rate (including incorporation of forward looking information), grouping of financial assets.
15, 31, 34.21	Provisions	The assumptions underlying the measurement of provisions for claims and litigation. Provisions for employment termination expense: discount rates, number of employees, employment duration, individual salary and other assumptions.
15	Dismantling costs	The assumptions underlying the measurement of provision for the estimated costs for dismantling and removing the asset and restoring the site on which it is located.
16	Reverse factoring	Reverse factoring: distinguishing operating debt and financial debt
17, 34.22, 34.23	Employee benefits	Discount rates, salary increases, retirement age, staff turnover rates and other. Model and assumptions underlying the measurement of fair values of share-based payment plan.
22	Co-control	Judgment with respect to the existence or not of the co-control.
24, 25, 34.18	Fair value of derivatives and other financial instruments	Model and assumptions underlying the measurement of fair values.
27, 34.20	Income tax	Assumptions used for recognition of deferred tax assets. Assumptions used to determine taxable results and tax bases for uncertain tax treatments.
34.19	Allowance for slow moving and obsolete inventories	Methodology used to determine net realisable value of inventories.

The Company considers that the most significant adjustments to the carrying amounts of assets and liabilities could result from changes in estimates and judgements relating to impairment (see Note 8), provisions for claims, litigation and risks (see Notes 15 and 31), leases (see Note 12), useful lives of tangible and intangible assets (see Notes 10, 11, 34.13 and 34.14) and co-control over Światłowód Inwestycje (see Note 22).

Where a specific transaction is not dealt with in any standard or interpretation, Management Board uses its judgment in developing and applying an accounting policy that results in information that is relevant and reliable, in that the financial statements:

- represent faithfully the Company's financial position, financial performance and cash flows,
- reflect the economic substance of transactions,
- are neutral and
- are complete in all material respects.

Consideration of climate change

The Company has analysed the impact of climate change on the Separate Financial Statements and concluded that there is no impact on the carrying amounts of assets and liabilities as at 31 December 2021. The Company has specifically considered the impact of climate change on the estimates and judgments made, including impairment assessment of the telecom operator cash generating unit as well as useful lives of tangible and intangible assets.

34.2. Standards and interpretations issued but not yet adopted

IFRS 17 "Insurance Contracts". This standard was issued on 18 May 2017 and will be effective for annual periods beginning on or after 1 January 2023. This standard has not yet been endorsed by the European Union. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The Company does not act as a principal in case of insurance contracts and this standard will have no impact on financial statements.

34.3. Accounting positions adopted by the Company in accordance with paragraphs 10 to 12 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

The accounting position described below is not specifically (or is only partially) dealt with by any IFRS standards or interpretations endorsed by the European Union. The Company has adopted accounting policies which it believes best reflect the substance of the transactions concerned.

Business Combination under Common Control

When accounting for merger of the parent with its subsidiary (i.e. business combination under common control) the Company has adopted in 2013 the provisions of the Generally Accepted Accounting Principles in the United States, Accounting Standards Codifications 805-50 "Business Combinations – Related Issues" (see Note 34.7 "Legal merger of the parent with its subsidiary").

34.4. Options available under IFRSs and used by the Company

Certain IFRSs offer alternative methods of measuring and recognising assets and liabilities. In this respect, the Company has chosen:

Standards		Option used
IAS 2	Inventories	The cost of inventories is determined by the weighted average unit cost method.
IAS 16	Property, plant and equipment	Property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.
IAS 20	Government grants and disclosure of government assistance	Non-repayable government grants related to assets decrease the carrying amount of the assets. Government grants related to income are deducted from the related expenses.
IAS 27	Separate financial statements	Investments in subsidiaries, associates and joint venture are accounted at cost.
IFRS 9	Financial Instruments	Recognition of the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets that contain a significant financing component.
IFRS 16	Leases	Right of use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right of use assets are presented separately from other assets in the statement of financial position. The Company elected to apply the short term exemption and the exemption for low value leases, as described in IFRS 16. The Company does not apply IFRS 16 to leases of intangible assets.

34.5. Presentation of the financial statements

<u>Presentation of the statement of financial position</u>

In accordance with IAS 1 “Presentation of financial statements”, assets and liabilities are presented in the statement of financial position as current and non-current.

<u>Presentation of the income statement</u>

As allowed by IAS 1 “Presentation of financial statements” expenses are presented by nature in the income statement.

<u>Earnings/loss per share</u>

The net income/loss per share for each period is calculated by dividing the net income/loss for the period by the weighted average number of shares outstanding during that period. The weighted average number of shares outstanding is after taking account of treasury shares, if any.

34.6. Investments in joint arrangements

A joint arrangement is either a joint venture or a joint operation. The Company is involved in both a joint operation (NetWorkS! Sp. z o.o., see Note 21) and a joint venture (Światłowód Inwestycje Sp. z o.o., see Note 22).

The Company recognises in relation to its interests in a joint operation its assets, liabilities, revenue and expenses, including its respective shares in the above.

The Company recognises its interest in a joint venture at cost.

34.7. Legal merger of the parent with its subsidiary

The legal merger of the parent with its subsidiary is accounted for using the subsidiary's values from the consolidated financial statements of the parent entity ('predecessor value method'); these amounts include any goodwill recognised in the consolidated financial statements of the parent on acquisition of the subsidiary.

The subsidiary's results and statement of financial position are incorporated prospectively from the date on which the legal merger occurred.

34.8. Effect of changes in foreign exchange rates

The functional currency of Orange Polska is the Polish złoty.

Transactions in foreign currencies

Transactions in foreign currencies are translated into Polish złoty at the spot exchange rate prevailing as at the transaction date. Monetary assets and liabilities which are denominated in foreign currencies are translated at the end of the reporting period using the period-end exchange rate quoted by National Bank of Poland and the resulting translation differences are recorded in the income statement:

- in other operating income and expense for commercial transactions,
- in financial income or finance costs for financial transactions and lease contracts.

34.9. Revenue

Separable components of bundled offers

For the sale of multiple products or services (e.g. offers including a handset and a telecommunications service contract), the Company evaluates all promises in the arrangement to determine whether they represent distinct performance obligations i.e. obligations not dependent on each other. Sale of mobile handsets and sale of services in bundled offers are distinct goods or services.

The consideration for the bundled package (i.e. transaction price) is allocated to the distinct performance obligations (e.g. sale of a handset and sale of a service) and recognised as revenue when the performance obligation is satisfied (i.e. when the control over good or service is transferred to a customer).

In general, the transaction price is the amount of consideration (usually the cash) to which the Company expects to be entitled during the contract term, including up-front fees. The contract term is the period that is made enforceable through contractual terms or business practices i.e. the enforceable period length is impacted by practices e.g. when the Company creates or accepts a valid expectation to free the customer from certain commitments before the end of the contract by allowing commencement of a new contract. The transaction price does not include the effect of time value of money (except payments by instalments models which, by nature, meet the definition of a financial receivable) unless the effect of financing component, in comparison to the transaction price, is significant at a contract level.

The allocation of the transaction price between various performance obligations is made to estimate the amount to which the Company is expected to be entitled in exchange for transferring a promised good or service to the customer.

The Company is a service company and achieves the vast majority of its margin by selling telecommunication services. The sale of subsidised handsets (i.e. when an invoice amount for a handset is lower than the cost of a handset) is a tool to promote the Company's services and to attract customers. Therefore, in case of services sold with subsidised handsets, the Company allocates the subsidy to the service revenues. The Company estimates the amount of revenue that it expects to earn while pricing the service offer. Based on rationale described above, the stand-alone selling price (i.e. the price at which the Company would sell a promised good or service separately to the customer) of subsidised handsets is estimated by their cost plus margin to cover additional costs connected with the sale of handsets, such as e.g. transport costs or logistic costs. The estimated margin is insignificant. Therefore, it is disregarded from the cost plus margin formula for the sake of the practicality.

If the Company is able to sell a handset with a profit (i.e. when an invoice amount for a handset is higher than the cost of a handset in bundled offer), it allocates the handset profit to the handset revenue.

While defining the stand-alone selling price of any performance obligation, firstly, the Company's observable price should be identified i.e. the price of good or service when the Company sells that good or service separately in similar circumstances and to similar customers. In case of the lack of an entity observable price, other methods of valuation of an obligation should be used. The stand-alone selling prices of a service are defined per different categories of customers, they are dependent on the service content, commitment period and consumption profile. Therefore, the SIMO price (the price of a service sold stand-alone i.e. not in a bundle with a handset) is not treated as a good proxy of the stand-alone selling price of a specific service sold in a bundled offer. Consequently, the stand-alone selling price of the telecommunication service sold in a bundled offer is determined by using an adjusted-market assessment approach and corresponds to the service price in the bundle adjusted by the handset subsidy recovered over the enforceable period.

The Company accounts for contract balances if the right to a payment differs from timing when performance obligation is satisfied. A contract asset corresponds to OPL S.A.'s right to a payment in exchange for goods or services that have been transferred to OPL S.A.'s customers. A contract asset, if any, is recognised at inception of the contract. It is typically measured as the sum of the monthly subsidy recovery over the remaining enforceable period of the contract. Contract liabilities represent amounts billed to customers by OPL S.A. before receiving the goods and/or services promised in the contract. This is typically the case for advances received from customers or amounts invoiced for goods or services not yet transferred, such as contracts payable in advance or prepaid packages.

Equipment sales

Revenue from an equipment sales is recognised when the control over the equipment is transferred to the buyer (see also paragraph "Separable components of bundled offers").

Equipment/dark fibres' leases

Equipment/dark fibres' lease revenue is recognised on a straight-line basis over the life of the lease agreement in case of an operating lease. In case of a finance lease revenue/income from sale of equipment/dark fibres is considered as a sale on credit.

Revenues from the sale or supply of content and third party licences

Depending on the substance of a transaction and the Company's role in the transaction, the Company can act as a principal and recognise revenue at the gross amount, separately from costs, or as an agent and recognise revenue in the amount net of costs. The assessment of the role of the Company is based on the notion of the control and the indicators of the control. The Company is treated as a principal if it controls a good or a service before the good or service is transferred to a customer.

The Company is considered as an agent if the Company's performance obligation is to arrange for the provision of a good or a service to the client by another party, i.e. when it does not control the specified good or service provided by another party before that good or service is transferred to the customer.

Service revenue

Telephone service and Internet access subscription fees are recognised in revenue on a straight-line basis over the service period because of the continuous transfer of control over the service to the customer. Charges for incoming and outgoing telephone calls are recognised in revenue when the service is rendered. Revenue from the sale of phone cards in mobile telephony systems is recognised when they are used or expire.

Installation fees are recognised when the service is rendered.

Promotional offers

For certain commercial offers where customers do not pay for services over a certain period in exchange for signing up for a fixed period (time-based incentives), the total revenue generated under the contract is spread over the enforceable period.

Material rights

Material right is an option to purchase additional goods or services with a discount that is incremental to discounts typically given for those goods or services. The Company has not identified any material rights in the contracts with customers which would need to be treated as separate performance obligations.

34.10. Subscriber acquisition costs, costs to fulfil a contract, advertising and related costs

Incremental acquisition and retention costs (e.g. commissions paid to retailers for acquisition or retention of contracts), as well as costs that are directly incurred for the purpose to fulfil a certain contract are expensed as costs over the enforceable period of contracts on a straight-line basis as these costs are directly associated with the contracts with customers and are expected to be recoverable. Advertising, promotion, sponsoring, communication and brand marketing costs are expensed as incurred.

34.11. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. In the Company's assessment, the network roll-out does not generally require a substantial period of time.

34.12. Goodwill

Goodwill equals to the difference between the cost of acquisition of the non-controlling interest in the mobile business in 2005 and the non-controlling interest in the net book value of the underlying net assets.

Goodwill represents a payment made in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised.

34.13. Intangible assets (excluding goodwill)

Intangible assets, consisting mainly of telecommunications licences, software and development costs, are initially stated at acquisition or production cost comprising its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable costs of preparing the assets for their intended use and, if applicable, attributable borrowing costs.

Internally developed trademarks and subscriber bases are not recognised as intangible assets.

Telecommunications licences

Expenditures regarding telecommunications licences are amortised on a straight-line basis over the reservation period from the date when the network is technically ready and the service can be marketed.

Research and development costs

Development costs are recognised as an intangible asset if and only if the following can be demonstrated:
- the technical feasibility of completing the intangible asset so that it will be available for use,
- the intention to complete the intangible asset and use or sell it and the availability of adequate technical, financial and other resources for this purpose,
- the ability to use or sell the intangible asset,
- how the intangible asset will generate probable future economic benefits for the Company,
- the Company's ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs not fulfilling the above criteria and research costs are expensed as incurred. The Company's research and development projects mainly concern:
- upgrading the network architecture or functionality;
- developing service platforms aimed at offering new services to the Company's customers.

Development costs recognised as an intangible asset are amortised on a straight-line basis over their estimated useful life, generally not exceeding three years.

Software

Software is amortised on a straight-line basis over the expected useful life (approx. 9 years).

Useful lives of intangible assets are reviewed annually and are adjusted if current estimated useful lives are different from previous estimates. These changes in accounting estimates are recognised prospectively.

34.14. Property, plant and equipment

The cost of tangible assets corresponds to their purchase or production cost or price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, as well as including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including labour costs, and, if applicable, attributable borrowing costs.

The cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, representing the obligation incurred by the Company.

The cost of network includes design and construction costs, as well as capacity improvement costs. The total cost of an asset is allocated among its different components and each component is accounted for separately when the components have different useful lives or when the pattern in which their future economic benefits are expected to be consumed by the entity varies. Depreciation is established for each component accordingly.

Maintenance and repair costs (day to day costs of servicing) are expensed as incurred.

Investment grants

The Company may receive grants from the government or the European Union for funding of capital projects. These grants are deducted from the cost of the related assets and recognised in the income statement, as a reduction of depreciation, based on the pattern in which the related asset's expected future economic benefits are consumed. Grants are not recognised until there is a reasonable assurance that the Company will comply with the conditions attached to them and that the grant will be received. Grants received before the conditions are met are presented as other liabilities.

Derecognition

An item of property, plant and equipment is derecognised on its disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is recognised in operating income/loss and equals the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Depreciation

Items of property, plant and equipment are depreciated to write-off their cost, less any estimated residual value on a basis that reflects the pattern in which their future economic benefits are expected to be consumed. Therefore, the straight-line basis is usually applied over the following estimated useful lives:

Buildings	10 to 30 years
Network	3 to 40 years
Terminals	2 to 10 years
Other IT equipment	3 to 5 years
Other	2 to 10 years

Land is not depreciated.
These useful lives are reviewed annually and are adjusted if current estimated useful lives are different from previous estimates. These changes in accounting estimates are recognised prospectively.

34.15. Leases

IFRS 16 "Leases" establishes the principles for recognition, measurement, presentation and disclosure of lease contracts. A single lease accounting model was adopted if the Company acts as a lessee. If the Company acts as a lessor then it continues to classify its leases as operating leases or finance leases, and accounts for those two types of leases differently.

The Company qualifies a contract as a lease as long as it gives the lessee the right to control the use of a particular asset. In order to qualify a contract as a lease, three main conditions shall be met:

- the contract shall convey the right to use an identified asset;
- the lessee shall obtain the economic benefits from use of this asset;
- the lessee obtains the right to direct the use of this asset throughout the period of the contract.

The Company has defined four major categories of lease contracts:

- real estate: points of sale, offices, perpetual usufruct of land;
- mobile network: land, technical premises, space on towers, chimneys, rooftops;
- fixed network: technical premises, limited property rights, access to the local loop, collocation, dark fibre contracts, subsurface rights, ground easements;
- other rentals: vehicles, technical equipment, data centre.

The accounting presentation of lease contracts in the statement of financial position depends mainly on:

- the scope of contracts qualified as leases,
- the duration adopted for certain types of contracts,

which require significant judgment from the Company's Management Board. The Management Board reviews these estimates if the circumstances on which they were based evolve or in the light of new information or established market practice.

Company as a lessee

On the lessee's side the Company uses a single accounting model, in which the lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Company has chosen to apply two exemptions proposed by the standard and expense as external purchases the following contracts:

- all contracts, except for contracts for vehicles, whose lease term is less than 12 months;
- contracts where the value of the underlying asset is less than USD 5,000.

The lease duration corresponds to the non-cancellable period of the lease, periods covered by extension options that the Company is reasonably certain to exercise and termination options that the Company is reasonably certain not to exercise. In case of indefinite period leases the Company estimates the reasonably certain lease term to determine the lease term. 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. For easements in buildings, where the Company located its telecommunication infrastructure, a lease duration is assessed as an average useful life of buildings in the Company. Subsurface contracts and land easements are measured basing on the portfolio approach due to significant number of homogenous contracts.

At the lease commencement date, the Company recognises a right-of-use asset and a lease liability.

The right-of-use asset is measured at cost which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, the Company measures the right-of-use asset applying a cost model, less any accumulated depreciation and any accumulated impairment losses, as well as any adjustments resulting from remeasurement of the lease liability.

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the incremental borrowing rates as the rates implicit in the lease are not easily determinable. Discount rates adopted are based on Polish state bond yield, adjusted by credit spread observable for entities with similar credit rating. Discount rates are differentiated by duration and by currency, and not by class of assets.

The lease liability comprises the following payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the lease liability is increased to reflect interest on the lease liability and reduced to reflect the lease payments made, as well remeasured to reflect any reassessment or lease modification. Only the lease component is taken into account in the measurement of the right-of-use asset and of the lease liability.

Other non-lease components, like payments for utilities, are accounted for separately in accordance with other applicable accounting standards.

Company as a lessor

The Company continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Examples of situations that individually or in combination would lead to a lease being classified as a finance lease are as follows:
- the lease transfers ownership of the underlying asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the underlying asset at a price significantly lower than the fair value;
- the lease term is for the major part of the economic life of the underlying asset;
- at the inception date, the present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset; and
- the underlying asset is of such a specialised nature that only the lessee can use it without major modifications.

34.16. Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. Those assets are available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets and the sale is highly probable.

Non-current assets held for sale are measured at the lower of carrying amount and estimated fair value less costs to sell and are presented in a separate line in the statement of financial position if IFRS 5 requirements are met.

Those assets are no longer depreciated. If fair value less costs to sell is less than its carrying amount, an impairment loss is recognised in the amount of the difference. In subsequent periods, if fair value less costs to sell increases the impairment loss is reversed up to the amount of losses previously recognised.

34.17. Impairment tests of non-financial assets and Cash Generating Units

Given the nature of Company's assets and operations, most of its individual assets do not generate cash inflows independently from other assets. The Company identifies a single major CGU (see Note 8). For the purpose of impairment testing the Company allocates the whole goodwill to this CGU.

In accordance with IFRS 3 "Business Combinations", goodwill is not amortised but is tested for impairment at least once a year or more frequently when there is an indication that it may be impaired. IAS 36 "Impairment of Assets" requires these tests to be performed at the level of the cash generating unit (CGU).

Recoverable amount

To determine whether an impairment loss should be recognised, the carrying value of the assets and liabilities of the CGU, including allocated goodwill, is compared to its recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use.

Fair value less costs to sell is the best estimate of the amount realisable from the sale of a CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. This estimate is determined on the basis of available market information taking into account specific circumstances.

Value in use is the present value of the future cash flows expected to be derived from the CGU, including goodwill. Cash flow projections are based on economic and regulatory assumptions, telecommunications licences renewal assumptions and forecast trading conditions drawn up by the Company management, as follows:

- cash flow projections are based on the business plan and its extrapolation to perpetuity by applying a growth rate reflecting the expected long-term trend in the market,
- the cash flows obtained are discounted using appropriate rates for the type of business concerned.

If the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised in the amount of the difference. The impairment loss is firstly allocated to reduce the carrying amount of goodwill and then to the other assets of CGUs.

Goodwill impairment losses are recorded in the income statement as a deduction from operating income/loss and are not reversed.

34.18. Financial assets and liabilities

Financial assets are classified in the following measurement categories – depending on the business model in which assets are managed and their cash flow characteristics:

- assets subsequently measured at amortised cost - if the financial assets are held within a business model whose objective is to collect contractual cash flows, and the contractual terms of these financial assets give rise to cash flows that are solely payments of principal and interest;
- assets subsequently measured at fair value through other comprehensive income - if the financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of these financial assets give rise to cash flows that are solely payments of principal and interest;
- hedging derivative instruments;
- assets at fair value through profit or loss - all other financial assets.

Financial liabilities are classified as financial liabilities at amortised cost, liabilities at fair value through profit or loss and hedging derivative instruments.

Recognition and measurement of financial assets

When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Trade receivables that do not have a significant financial component are initially measured at their transaction price.

A regular way purchase or sale of financial assets is recognised using settlement date accounting.

- Assets subsequently measured at amortised cost

Assets subsequently measured at amortised cost include “Trade receivables” (excluding trade receivables measured at fair value through other comprehensive income), “Loans to related parties” and “Cash and cash equivalents”. Interest income from these financial assets is calculated using the effective interest rate method and is presented within finance costs, net.

Cash and cash equivalents consist of cash in bank, cash deposits with Orange S.A. under the Cash Management Treasury Agreement and other highly-liquid instruments that are readily convertible into known amounts of cash and are subject to insignificant changes in value.

- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include derivative assets not designated as hedging instruments as set out in IFRS 9 and contingent consideration receivable related to sale of 50% stake in Światłowód Inwestycje.

- Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include selected receivables arising from sales of mobile handsets in instalments which are subject to the factoring agreement.

- Impairment

The Company measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, lease receivables, other financial receivables, cash and cash equivalents and contract assets.

Trade receivables that are homogenous and share similar credit risk characteristics (e.g. separately for B2C and B2B) are tested for impairment collectively. When estimating the lifetime expected credit loss the Company uses historical data as a measure for expected credit losses.

In calculating the recoverable amount of receivables that are individually material and not homogenous, the Company assess expected credit losses on individual basis taking into account significant financial difficulties of the debtor or probability that the debtor will enter bankruptcy or financial reorganisation. This method is mainly used for carrier customers (national and international), administrations and public authorities.

As soon as information about deteriorating standing of the customer is available (e.g. clients in bankruptcy or subject to equivalent judicial proceedings), these receivables are excluded from the statistical impairment database and individually impaired.

IFRS 9 requires recognition of expected losses on receivables immediately upon recognition of the financial instruments. The Company applies a simplified approach of anticipated impairment at the time the asset is recognised. The approach establishes the rate of expected losses by comparing bad debt to revenue.The Company considers a financial asset to be credit-impaired when events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, for example significant financial difficulty of the debtor or a breach of contract, such as a default or past due event.

The Company considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Recognition and measurement of financial liabilities

- Financial liabilities at amortised cost

Financial liabilities measured at amortised cost include borrowings, trade payables and fixed assets payables including the telecommunications licence payables and are presented in the statement of financial position as “Trade payables”, “Loans from related parties” and “Other financial liabilities at amortised cost”.

Trade payables include those that are subject to reverse factoring. OPL S.A. considers that these financial liabilities carry the characteristics of trade payables, in particular as the payment schedules are within the range of ordinary payment terms for a telecommunications operator and as no additional collateral was required.

Borrowings and other financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

- Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivative liabilities not designated as hedging instruments as set out in IFRS 9.

Recognition and measurement of derivative instruments

Derivative instruments are measured at fair value and presented in the statement of financial position as current or non-current according to their maturity. Derivatives are classified as financial assets and liabilities at fair value through profit or loss or as hedging derivatives.

- Derivatives classified as financial assets and liabilities at fair value through profit or loss

Except for gains and losses on hedging instruments (as explained below), gains and losses arising from changes in fair value of derivatives are immediately recognised in the income statement. The change in fair value (excluding interest rate component and credit risk adjustment) of derivatives held for trading is presented in operating income/loss or finance costs, net, depending on the nature of the economically hedged transaction. The interest rate component and credit risk adjustment of derivatives held for trading are presented under other interest expense and financial charges within finance costs, net.

- Hedging derivatives

Derivative instruments may be designated as cash flow hedges. A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (such as a future purchase or sale) and could affect profit or loss.

The effects of applying hedge accounting are as follows: the portion of the gain or loss on the hedging instrument that is determined to be an effective cash flow hedge is recognised directly in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss. Amounts recognised in cash flow hedge reserve are subsequently recognised in profit or loss in the same period or periods during which the hedged item affects profit or loss. If a hedge of a forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses accumulated in equity are removed from the cash flow hedge reserve and included in the initial measurement of the cost of the asset or liability. This is not a reclassification adjustment and is not recognised in other comprehensive income.

34.19. Inventories

Inventories, mainly handsets, are stated at the lower of cost and net realisable value. The Company provides allowance for slow-moving or obsolete inventories based on inventory turnover ratios and current marketing plans. Change in allowance is presented in the income statement in “External purchases”.

Cost corresponds to purchase or production cost determined by the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

34.20. Income tax

The tax expense comprises current and deferred tax.

Current tax

The current income tax charge is determined in accordance with the relevant tax law regulations in respect of the taxable profit. Income tax liabilities/assets represent the amounts expected to be paid to/received from the tax authorities at the end of the reporting period.

Deferred taxes

Deferred taxes are recognised for temporary differences, as well as for unused tax losses. Deferred tax assets are recognised only when their recovery is considered probable. At the end of the reporting period unrecognised deferred tax assets are re-assessed. A previously unrecognised deferred tax asset is recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit nor loss.

Deferred tax assets and liabilities are not discounted. Deferred income tax is calculated using the enacted or substantially enacted tax rates at the end of the reporting period.

34.21. Provisions

A provision is recognised when the Company has a present obligation towards a third party, which amount can be reliably estimated and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The obligation may be legal, regulatory or contractual or it may represent a constructive obligation deriving from the Company's actions.

The estimate of the amount of the provision corresponds to the expenditure likely to be incurred by the Company to settle its obligation. If a reliable estimate cannot be made of the amount of the obligation, no provision is recorded and the obligation is deemed to be a "contingent liability".

Contingent liabilities – corresponding to (i) possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Company's control or (ii) to present obligations arising from past events that for which it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability – are not recognised but disclosed where appropriate in the notes to the Separate Financial Statements.

<u>Provisions for dismantling and restoring sites</u>

The Company is required to dismantle equipment and restore sites. In accordance with paragraphs 36 and 37 of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the provision is based on the best estimate of the amount required to settle the obligation. It is discounted by applying a discount rate that reflects the passage of time and the risk specific to the liability. The amount of the provision is revised periodically and adjusted where appropriate, with a corresponding entry to the asset to which it relates.

34.22. Pensions and other employee benefits

Certain employees of the Company are entitled to jubilee awards and retirement bonuses. Jubilee awards are paid to employees upon completion of a certain number of years of service whereas retirement bonuses represent one-off payments paid upon retirement in accordance with the Company's remuneration policies. Both items vary according to the employee's average remuneration and length of service. Jubilee awards and retirement bonuses are not funded.

The cost of providing benefits mentioned above is determined separately for each plan using the projected unit credit actuarial valuation method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation which is then discounted. The calculation is based on demographic assumptions concerning retirement age, staff turnover rates and financial assumptions concerning rates of future salary increases, future interest rates (to determine the discount rate).

Actuarial gains and losses on jubilee awards plans are recognised as income or expense when they occur. Actuarial gains and losses on post-employment benefits are recognised immediately in their total amount in the other comprehensive income. The present value of the defined benefit obligations is verified at least annually by an independent actuary. The demographic and attrition profiles are based on historical data.

Benefits falling due more than 12 months after the end of the reporting period are discounted using a discount rate determined by reference to market yields on Polish government bonds.

The Company recognises termination benefits, which are provided in exchange for the termination of an employee's employment as a result of either:

- the Company's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept an offer of benefits in exchange for the voluntary termination of employment.

Termination benefits are provided for when the Company terminates the employment or when the Company has offered to its employees benefits in exchange for voluntary termination of employment. Based on the past practice such offers are considered as constructive obligations and accounted for if it is probable that benefits will be paid out and they might be reliably measured. The basis for calculation of the provision for voluntary employment termination is expected payment dates and the estimated number, remuneration and service period of employees who will accept the voluntary termination. Provision for employment termination benefits is presented in the statement of financial position in "Provisions".

In addition to post-employment and other long-term employee benefits, the Company also provides to its current and retired employees certain non-monetary benefits, including subsidised telecommunication services. In absence of specific guidance under IFRS, the Company's policy is to value such employee benefits at their incremental cost net of related revenue generated from the service.

34.23. Share-based payments

In 2017 and 2021 OPL S.A. launched a cash-settled share-based payment plan under which employees render services to the Company in exchange for its obligation to transfer cash for amount that is based on the price of equity instruments of the Company. The value of the services rendered by employees (determined with reference to fair value of Orange Polska shares) for granting share appreciation rights is recognised as an expense with a corresponding entry to employee benefits liabilities over the vesting period. At the end of the reporting period the liability is re-measured until the date of settlement with any changes in value recognised in profit or loss for the period.

In years 2017-2021 Orange S.A. launched equity-settled share-based payment plans under which employees render services to the Company in exchange for equity instruments of Orange S.A. The value of the services rendered by employees (determined with reference to fair value of Orange S.A. shares) for granting equity instruments of Orange S.A. is recognised as an expense with a corresponding increase in equity over the vesting period.

ORANGE POLSKA GROUP
AND ORANGE POLSKA S.A.

MANAGEMENT BOARD'S REPORT ON THE ACTIVITY

FOR THE YEAR ENDED 31 DECEMBER 2021

This Report on the Activity of the Orange Polska Group ("the Group" or "Orange Polska"), including Orange Polska S.A. ("the Company" or "OPL"), in 2021 has been drawn up in compliance with Articles 70 and 71 of the Decree 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).

Disclosures on performance measures are presented in the Note 3 to the IFRS Consolidated Financial Statements of the Orange Polska Group for the 12 months ended 31 December 2021.

In the most important aspects, this Report on the Activity of the Orange Polska Group contains also the data referring to the standalone financial statements of Orange Polska S.A. (sections 1.1, 1.2 and 1.4 below). However, owing to the fact that the differences between the basic/main standalone and consolidated data with respect to operating activities do not have any material impact on the assessment of the activity of both Orange Polska S.A. and the whole Orange Polska Group, the information presented in other sections will refer exclusively to the consolidated data.

February 16, 2022

CHAPTER I
HIGHLIGHTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2021 and for the twelve-month period ended thereon

1 SUMMARISED FINANCIAL STATEMENTS

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

	For 12 months ended 31 December				
	2021 in PLN mn	2021 in EUR[1] mn	2020 in PLN mn	2020 in EUR[2] mn	Change (%)
Consolidated Income Statement					
Revenue	11,928	2,606	11,508	2,572	3.6%
EBITDAaL*	2,963	647	2,797	625	5.9%
EBITDAaL margin	24.8 %		24.3 %		0.5pp
Operating income	2,211	483	404	90	447%
Operating margin	18.5 %		3.5 %		15.0pp
Net income	1,672	365	46	10	3,535%
Net income attributable to owners of Orange Polska S.A.	1,672	365	46	10	3,535%
Weighted average number of shares (in millions)**	1,312	1,312	1,312	1,312	
Earnings per share (in PLN/EUR)	1.27	0,28	0.04	0.01	3,075%
Consolidated Statement of Cash Flows					
Net cash provided by operating activities	3,101	677	3,005	672	3.2%
Net cash used in investing activities	(1,156)	(253)	(2,064)	(461)	(44.0)%
Net cash used in financing activities	(1,371)	(299)	(989)	(221)	38.6%
Net change in cash and cash equivalents	574	125	(48)	(11)	(1,296)%
eCapex*	1,737	379	1,801	403	(3.6)%
Organic cash flow*	867	189	642	143	35%
	As of 31 December				
	2021 in PLN mn	**2021 in EUR[3] mn**	**2020 in PLN mn**	**2020 in EUR[4] mn**	**Change (%)**
Consolidated Statement of Financial Position					
Cash and cash equivalents	933	203	358	78	160.6%
Other intangible assets	3,984	866	4,184	907	(4.8)%
Property, plant and equipment	9,728	2,115	10,301	2,232	(5.6)%
Total assets	26,157	5,687	24,300	5,266	7.6%
Financial liabilities at amortised cost, of which:	7,841	1,705	8,715	1,889	(10.0)%
Current	573	125	4,091	887	(86.0)%
Non-current	7,268	1,580	4,624	1,002	57.2%
Other liabilities, current and non-current	5,705	1,240	4,986	1,080	14.4%
Total equity	12,611	2,742	10,599	2,297	19.0%

Notes on data conversion:
1 – PLN/EUR fx rate of 4.5775 applied *3 – PLN/EUR fx rate of 4.5994 applied*
2 – PLN/EUR fx rate of 4.4742 applied *4 – PLN/EUR fx rate of 4.6148 applied*
** Definitions please see Note 3 to the IFRS Consolidated Financial Statements of the Orange Polska Group for 2021.*
*** Weighted average number of shares in 12 months ended December 31, 2021 and December 31, 2020, respectively.*

SUMMARISED STANDALONE FINANCIAL STATEMENTS

	For 12 months ended 31 December				
	2021 in PLN mn	2021 in EUR[1] mn	2020 in PLN mn	2020 in EUR[2] mn	Change (%)
Income Statement					
Revenue	10,601	2,316	10,479	2,342	1.2%
Operating income	1,402	306	382	85	267%
Operating margin	13.2%		3.6%		9.6pp
Net income	916	200	47	11	1,849%
Weighted average number of shares (in millions)*	1,312	1,312	1,312	1,312	
Earnings per share (in PLN/EUR)	0.70	0.15	0.04	0.01	1,650%
Statement of Cash Flows					
Net cash provided by operating activities	3,025	661	2,977	665	1.6%
Net cash used in investing activities	(1,111)	(243)	(2,082)	(465)	(46.6)%
Net cash used in financing activities	(1,329)	(290)	(941)	(210)	41.2%
Net change in cash and cash equivalents	585	128	(46)	(10)	(1,372)%
	As of 31 December				
	2021 in PLN mn	2021 in EUR[3] mn	2020 in PLN mn	2020 in EUR[4] mn	Change (%)
Statement of Financial Position					
Cash and cash equivalents	885	192	299	65	196.0%
Other intangible assets	3,898	848	4,079	884	(4.4)%
Property, plant and equipment	9,796	2,130	10,397	2,253	(5.8)%
Total assets	24,838	5,400	23,904	5,180	3.9%
Financial liabilities at amortised cost, of which:	7,902	1,718	8,755	1,898	(9.7)%
Current	668	145	4,161	902	(83.9)%
Non-current	7,234	1,573	4,594	996	57.5%
Other liabilities, current and non-current	5,169	1,124	4,616	1,000	12.0%
Total equity	11,767	2,558	10,533	2,282	11.7%

Notes on data conversion:
1 – PLN/EUR fx rate of 4.5775 applied *3 – PLN/EUR fx rate of 4.5994 applied*
2 – PLN/EUR fx rate of 4.4742 applied *4 – PLN/EUR fx rate of 4.6148 applied*
** Weighted average number of shares in 12 months ended December 31, 2021 and December 31, 2020, respectively.*

1.1 Comments on the Consolidated Income Statement and the Standalone Income Statement

Comments on the Consolidated Income Statement of the Group

Consolidated revenue amounted to PLN 11,928 million in 2021 and was higher by PLN 420 million compared to 2020. Firstly, combined revenues of convergence, mobile-only and fixed broadband-only (which we consider our core telecom services) were up 6.7% year-on-year. This growth rate was twice as high as in 2020, when it amounted to 2.9%. This much better performance was a consequence of a successful combination of strong growth of customer volumes and improving trends of average revenue that they generate (ARPO) for each of the aforementioned services. Improving ARPO is a consequence of our value pricing strategy, growing share of fibre and gradual recovery of roaming revenues after the pandemic in 2020. Secondly, despite disturbances in global supply chains, IT and integration services recorded another strong year with revenues growing 19% year-on-year, partially owing to the contribution of Craftware acquired at the end of 2020. Thirdly, mobile wholesale revenues were down 10% year-on-year, mainly due to regulatory cuts in mobile and fixed termination rates. Fourthly, other revenues were up 33% year-on-year, benefiting from improved market conditions for energy resale compared to 2020. Finally, top line continued to be affected by structural decline in legacy fixed-voice revenues, which were down 14% year-on-year.

EBITDAaL (EBITDA after Leases) amounted to PLN 2,963 million and was higher by PLN 166 million year-on-year. EBITDAaL benefitted mainly from strong performance of core telecom services, which was reflected in an increase of more than 4% in direct margin. Despite the continued cost transformation, indirect costs were 3% higher year-on-year, mainly as a result of curtailment of jubilee provisions in 2020 (which reduced the comparable cost base by PLN 64 million) and an increase in costs of advertising and promotion (after pandemic-related slowdown in 2020).

Operating income (EBIT) surged to PLN 2,211 million versus PLN 404 million in 2020. It was boosted by PLN 1,543 million gain related to the sale of a 50% stake in Światłowód Inwestycje. Excluding this one-off development, the improvement (by PLN 264 million yoy) resulted from growth of EBITDAaL and an 11% decrease in depreciation (mainly owing to extension of economic useful life of certain assets).

Net finance costs amounted to PLN 281 million in 2021 and were down PLN 61 million year-on-year, which mainly reflected unfavourable movements in foreign exchange rates (relating to long term lease liabilities) which increased these costs in 2020.

As a result, consolidated net income amounted to PLN 1,672 million in 2021 compared to PLN 46 million in 2020.

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

Comments on the Income Statement of Orange Polska S.A.

Net income of Orange Polska S.A. amounted to PLN 916 million in 2021 and was significantly lower than that of the Group, mainly as a result of a difference between accounting for the result on the sale of a 50% stake in Światłowód Inwestycje in the standalone statements and accounting for the result on the loss of control of Światłowód Inwestycje in the consolidated statements.

1.2 Comments on the Consolidated Statement of Cash Flows and the Standalone Statement of Cash Flows

Comments on the Consolidated Statement of Cash Flows of the Group

Net cash from operating activities amounted to PLN 3,101 million in 2021 and was PLN 96 million higher year-on-year. Higher EBITDAaL and lower interest expense were partially offset by lower decrease of working capital requirement in comparison to its steep reduction in 2020.

Net cash used in investing activities amounted to PLN 1,156 million in 2021 compared to PLN 2,064 million in 2020. This change resulted mainly from cash flows related to the sale of a 50% stake in Światłowód Inwestycje and higher proceeds from real estate disposal.

Net cash outflows from financing activities amounted to PLN 1,371 million compared to PLN 989 million in 2020. This change was mainly attributable to cash flows from related party loans and bank overdrafts.

Comments on the Statement of Cash Flows of Orange Polska S.A.

Net cash inflow in Orange Polska S.A. in 2021 amounted to PLN 585 million and was at a comparable level to that of the Group.

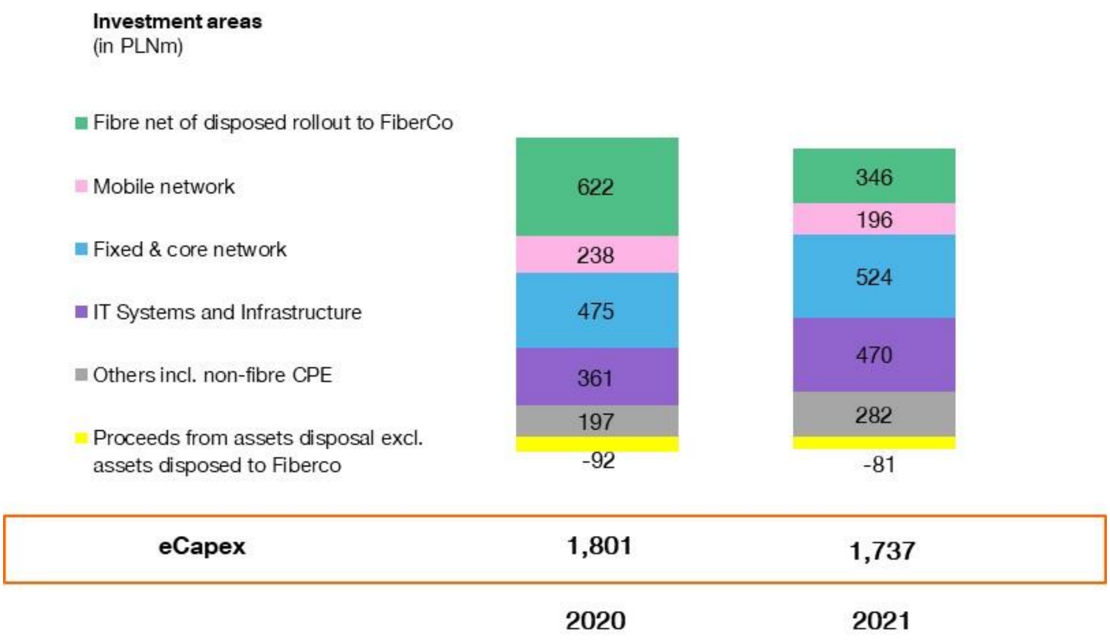
1.3 Economic Capital Expenditures (eCAPEX)

Group's economic capital expenditures (starting from 2020, this measure includes accrued proceeds from asset disposals) in 2021 amounted to PLN 1,737 million and were lower by PLN 64 million year-on-year.

These included mainly the following:

- Investments in our fibre network, which included roll-out of the fibre access network, mainly to cover the rollout agreement with Światłowód Inwestycje (these assets were subsequently sold to the latter), further commercialisation of the constructed network (including customer premises equipment and service delivery), and fibre rollout to dedicated business customers;
- 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, sales and customer service processes as well as the modernisation and enhancement of the IT technical infrastructure; and
- Excluding sale of fibre network assets to Światłowód Inwestycje, proceeds from sale of assets were slightly lower year-on-year and reflected ongoing difficult situation of the real estate office market related to the pandemic.

Split of economic CAPEX



1.4 Comments on the Consolidated Statement of Financial Position and the Standalone Statement of Financial Position

Comments on the Consolidated Statement of Financial Position

Total assets were higher by PLN 1,857 million than at December 31, 2020. This change resulted mainly from recognition of an investment in Światłowód Inwestycje, an increase in other receivables (mainly attributable to the sale of shares in Światłowód Inwestycje) and an increase in cash and cash equivalents, which was partially offset by a decrease in the balance-sheet value of property, plant and equipment as well as intangible assets.

Total liabilities were lower by PLN 155 million than at December 31, 2020. This change resulted mainly from a decrease in debt, which was partially offset by an increase in contract liabilities, attributable to a prepayment made by Światłowód Inwestycje for lease and services to be rendered in the future by Orange Polska S.A.

Comments on the Statement of Financial Position of Orange Polska S.A.

Total assets of Orange Polska S.A. amounted to PLN 24,838 million as at December 31, 2021 and were lower by PLN 1,319 million than total assets of the Group. This difference resulted mainly from different valuation of a 50% stake in Światłowód Inwestycje applied in the consolidated and standalone statements as well as lower goodwill and trade receivables, which was partially offset by the value of investments in subsidiaries included in the statement of financial position of Orange Polska S.A. and eliminated on consolidation.

Total liabilities of Orange Polska S.A.as at December 31, 2021 amounted to PLN 13,071 million and were lower by PLN 475 million than total liabilities of the Group, mainly owing to lower trade payables.

1.5 Related Parties Transactions

Please see Note 33 to the Consolidated Full-Year Financial Statements about Group's transactions with related entities.

1.6 Description of Significant Agreements

Please see section 1.11.2 and 4.6 below for information on significant agreements concluded by the Group in 2021.

1.7 Unrecognised Contractual Obligations

Please see Note 31 to the Consolidated Full-Year Financial Statements for information about unrecognised contractual obligations.

1.8 Subsequent Events

Please see Note 34 to the Consolidated Full-Year Financial Statements for information on subsequent events.

1.9 Scope of Consolidation within the Group

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

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

In the twelve months ended December 31, 2021, neither the Company nor its subsidiaries granted guarantees or collateral of loans or borrowings to any entity or a subsidiary with a total value representing the equivalent of at least 10% of Orange Polska S.A.'s shareholders equity. Please see section 1.11.5 below for additional information.

1.11 Management of Financial Resources and Liquidity of the Group

In the reported period, the Group financed its activities by cash from operating activities, loans provided by the Orange S.A. Group (at market conditions), current account overdraft facilities, sale of receivables in a securitisation programme, and the sale of a 50% stake in Światłowód Inwestycje to APG.

In 2021, the Group repaid long-term bank loans of PLN 3,564 million and a revolving loan of PLN 920 million provided by the Orange S.A. Group.

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

As of December 31, 2021, Group's interest-bearing liabilities (before derivatives) totalled PLN 5,011 million, which is a decrease of PLN 1,000 million compared to December 31, 2020. Debt to the Orange S.A. Group accounted for 98.8% of this amount.

In 2021, the Group continued to sell receivables related to handsets instalment sales under a programme between the Group, BNP Paribas S.A. as the buyer and Eurotitrisation as the settlement agent, which was set up in 2019 and amended in 2020. The Group raised PLN 13 million from the sale of receivables under the programme in 2021.

In 2021, under a cash-pooling agreement concluded by the parent company with selected subsidiaries from the Group and Bank Handlowy w Warszawie S.A., acting as the pool leader, the process of the Group's liquidity management was continued with subsidiaries investing their surplus cash in the parent company's account.

Group's liquidity remained solid, owing to strong cash position, amounting to PLN 933 million at December 31, 2021, and available credit facilities totalling the equivalent of PLN 2,155 million.

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

At December 31, 2021, Group's liquidity ratios increased as compared to the end of 2020. The Group's higher financial liquidity reflected repayment of a loan of €190 million in May 2021 and refinancing of a loan of PLN 2,700 million in June 2021. This resulted in a decrease of PLN 3,419 million in current liabilities (less provisions and contract liabilities).

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

	December 31, 2021	December 31, 2020
Current ratio Current assets / current liabilities*	1.19	0.49
Quick ratio Total current assets – inventories / current liabilities*	1.11	0.45
Super-quick ratio Total current assets – inventories – receivables / current liabilities*	0.57	0.19

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

Group's net financial debt (after valuation of derivatives) decreased to PLN 4,076 million at December 31, 2021 (from PLN 5,549 million at the end of 2020).

1.11.1 Bonds

As part of the Group's liquidity management, in 2021 the parent company did not issue or redeem short-term bonds acquired by its subsidiaries.

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

1.11.2 Loan and Borrowings Agreements

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

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

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

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

In the reported period, the Group concluded annexes to current account overdraft agreements with the following banks:

- with the Polish Branch of Societe Generale S.A., for an amount PLN 95 million, extending the maturity to May 31, 2022, and
- with Bank Handlowy w Warszawie S.A., for an amount PLN 20 million, extending the maturity to August 5, 2022.

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

On 1 July 2021, the parent company granted a loan to its subsidiary Światłowód Inwestycje sp. z o.o. in the amount of PLN 157 million with a repayment period of up to July 1, 2024. It was repaid on November 12, 2021. The loan was related to preparation of the transaction of sale of a 50% stake in Światłowód Inwestycje to APG.

On July 14, 2021, Orange Polska's subsidiary Światłowód Inwestycje sp. z o.o. concluded a loan agreement with BNP Paribas, ING Bank N.V., Santander Bank Polska S.A. and Société Générale and a financial agreement with the European Investment Bank for the rollout of the fibre network in Poland. Under these agreements, Światłowód Inwestycje will get access to debt facilities of PLN 3,150 million for the purpose of financing of the construction and wholesale of fibre-to-the-home (FTTH) network in Poland. Financing was provided for seven years. This was contingent on, *inter alia*, the conclusion of the final agreement for the sale of a 50% stake in Światłowód Inwestycje to APG, which took place on August 31, 2021. From that date Światłowód Inwestycje is a jointly controlled entity and not a subsidiary of Orange Polska which means that its debt is not on the balance sheet of Orange Polska. Also, financing provided to Światłowód Inwestycje is not guaranteed by Orange Polska S.A.

Furthermore, on November 11, 2021, the parent company and its subsidiary Orange Energia sp. z o.o. concluded a loan agreement for PLN 10 million. The loan, maturing one year after the date of the agreement, will be used for financing of the current operations of Orange Energia sp. z o.o.

1.11.3 Unused Credit Facilities

As of December 31, 2021, the Group had outstanding general-purpose credit facilities amounting to the equivalent of PLN 1,655 million.

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

1.11.4 Loan Covenants

Agreements to which the Group is a party do not impose any obligations on the Group to meet any financial ratios. For informational purposes, the ratio of net debt to EBITDAaL was 1.4 on December 31, 2021.

1.11.5 Guarantees and Collaterals

In 2021, Orange Polska S.A. requested banks to issue bank guarantees with respect to liabilities of its subsidiary TP Teltech sp. z o.o. towards its business partners, while promising to cover any claims related to payments under the guarantee. As of December 31, 2021, these guarantees totalled PLN 8.0 million.

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

As of December 31, 2021, a collateral of up to PLN 20 million granted by Orange Polska S.A. to Santander Factoring sp z o.o. to secure a facility provided by the latter to its subsidiary TP Teltech sp. z o.o. under a confirming agreement for payment management was still valid.

In 2021, Orange Polska S.A. requested banks to issue bank guarantees with respect to liabilities of its subsidiary Orange Retail S.A. on the account of lease of premises for Orange sales outlets, while promising to cover any claims related to payments under the guarantees. As of December 31, 2021, these guarantees totalled PLN 1.2 million.

In the reported period, Orange Polska S.A. requested banks to issue bank guarantees with respect to liabilities of its subsidiary Orange Energia sp. z o.o. towards its business partners, while promising to cover any claims related to payments under the guarantees. As of December 31, 2021, these guarantees totalled PLN 18.4 million.

As of December 31, 2021, a collateral of up to PLN 38 million granted by Orange Polska S.A. to Bank Handlowy w Warszawie S.A. to secure liabilities of its subsidiary Orange Energia sp. z o.o. on the account of a current account overdraft facility provided by the bank was still valid.

As of December 31, 2021, a bank guarantee of PLN 3.8 million issued by BNP Paribas Bank Polska S.A. upon request of Orange Polska S.A. with respect to liabilities of its subsidiary Fundacja Orange [Orange Foundation] on the account of an agreement concluded by the latter with the Digital Poland Project Centre was still valid.

As of December 31, 2021, a collateral of up to PLN 5 million granted by Orange Polska S.A. to PKO Bank Polski S.A. to secure liabilities of its subsidiary Essembli sp z o.o. with respect to a multi-purpose credit facility dedicated to bank guarantees.

Furthermore, as of December 31, 2021, the collaterals granted by Orange Polska S.A. to BNP Paribas Bank Polska S.A. and PKO Bank Polski S.A. to secure liabilities of its subsidiary BlueSoft sp z o.o. on the account of a current account overdraft facility and a multi-purpose credit facility dedicated to bank guarantees totalled PLN 15 million.

1.11.6 Hedging Transactions

In 2021, the Group continued to minimise its exposure to foreign exchange and interest rate volatility by concluding and maintaining cross currency swaps, interest rate swaps, currency options, cross currency interest rate swaps and non-deliverable forward contracts.

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

As of December 31, 2021, the Group's proportion between fixed/floating rate debt (after hedging) was 91/9% as compared to 99/1% on December 31, 2020. Owing to such a high level of hedging, changes in interest rates in the market will have significantly limited impact on the Group's debt cost until 2025.

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

in 2021

2 OPERATING AND FINANCIAL PERFORMANCE OF THE GROUP

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

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

Starting from 2021, the Group has a joint venture accounted for using the equity method and definitions of performance measures have been supplemented taking into account the impact of the joint venture on the Group performance: share of profits/losses of joint venture and elimination of margin earned on asset related transactions with joint venture are excluded from EBITDAaL calculation.

Additionally, the Group has clarified a treatment of the rights of perpetual usufruct of land in calculation of performance measures. The rights of perpetual usufruct of land which on initial recognition were classified as property, plant and equipment and were subsequently, on adoption of IFRS 16, reclassified to right-of-use assets, are treated similarly to property, plant and equipment in business decisions made by the Management Board. Consequently, impairment and result on disposal of these rights is excluded from EBITDAaL calculation, while proceeds accrued on their disposal offset capital expenditures. The clarifications of definitions described above do not require any restatements in calculation of performance measures for the comparative period.

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, impairment of the rights of perpetual usufruct of land historically recognised as property, plant and equipment and subsequently reclassified to right-of-use assets and share of profits/losses of associates and joint ventures, decreased by interest expense on lease liabilities and adjusted for the impact of deconsolidation of subsidiaries, costs related to acquisition, disposal and integration of businesses, employment termination programs, restructuring costs, elimination of margin earned on asset related transactions with joint ventures and associates accounted for using the equity method, significant claims, litigation and other risks as well as other significant non-recurring items.

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

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

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

Reconciliation of operating performance measure to financial statements

in PLN mn	2021	2020
Operating income	**2,211**	**404**
Less gain on the loss of control of Światłowód Inwestycje	(1,543)	-
Less gains on disposal of assets	(52)	(61)
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets (1)	2,255	2,511
Less share of profit of joint venture adjusted for elimination of margin earned on asset related transactions with joint venture	(9)	-
Less interest expense on lease liabilities	(53)	(62)
Adjustment for the impact of employment termination programs	129	(22)
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries	25	27
EBITDAaL (EBITDA after Leases)	**2,963**	**2,797**

(1) Includes impairment of rights of perpetual usufruct of land historically recognised as property, plant and equipment, subsequently reclassified to right-of-use assets (PLN 34 million in 2021).

Key figures (PLN million)	2021*	2020*	Change
Revenue	11,928	11,508	3.6%
EBITDAaL*	2,963	2,797	5.9%
EBITDAaL margin	24.8%	24.3%	0.5pp
Operating income*	2,211	404	447%
Net income*	1,672	46	3,535%
eCapex*	1,737	1,801	(3.6%)
Organic cash flow*	867	642	35%

* Disclosures on performance measures are presented in the Note 3 to IFRS Consolidated Financial Statements of the Orange Polska Group for the 12 months ended 31 December 2021.

In 2018, we changed the layout of our revenue reporting to better reflect 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 11,928 million in 2021, up PLN 420 million or 3.6% year-on-year. Revenue growth considerably accelerated over 2020, when it was 0.9% year-on-year.

Our core telecom services, that is convergence and mobile-only and fixed broadband-only services, remain the key growth engine. Combined revenues of these three categories were up 6.7% year-on-year (versus a 2.9% increase in 2020), improving in each category. The main growth driver was convergence with revenue growth of 15%, fuelled by steadily growing customer base and ARPO improvement, mainly as a result of price increases and a growing share of fibre customers, who generate the highest revenue. Mobile-only revenues achieved growth for the first time as a category in this reporting layout and were up 3.1%. This resulted mainly from a growing post-paid customer base and an increase in ARPO. The customer base is expanding, despite partial migration from mobile-only to convergent services, owing to B2B customers as well as Nju and Flex brands. Post-paid ARPO increased by more than 1%, following its earlier decline, under the positive influence of our value strategy and partial recovery of roaming revenues following a slump amid the COVID-19 pandemic.

Revenues from IT and integration services maintained their very strong growth rate (up 19% year-on-year), benefitting from both organic growth and the consolidation of Craftware acquired at the end of 2020.

In the second half of the year, revenue evolution was negatively impacted by regulatory cuts in both fixed and mobile termination rates (FTR and MTR). A decrease of approximately 60% and 30% in FTR and MTR, respectively led to revenue erosion of approximately PLN 170 million, which contributed to a 10% decrease in all-year wholesale revenue.

Revenue evolution in 2021 was also influenced by the following factors:

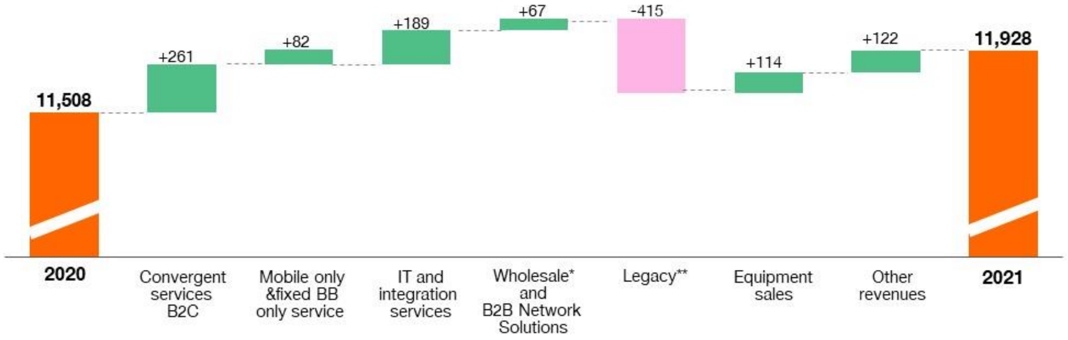
- An almost 34% increase in other revenues owing to a higher volume of energy resale versus 2020;
- A further structural decline in fixed voice telephony legacy revenues (by 15% year-on-year);
- An 8% increase in equipment sales, as demand for smartphones partially recovered.

EBITDAaL for 2021 was PLN 2,963 million and increased PLN 166 million or 5.9% year-on-year. Operating margin (ratio of EBITDAaL to revenues) increased to 24.8% (from 24.3% in 2020). EBITDAaL growth accelerated from 2020, when it was 2.9%, and, what is equally important, its structure changed. Last year, EBITDAaL growth was generated by improving direct margin, that is revenue growth fuelled mainly by the successful implementation of our value strategy in core telecommunication services (especially convergence) and the ICT sector. In previous years, the turnaround after years of decline was driven by cost savings. This change, aligned with the goals of our new strategy, makes our growth structure healthier and based on solid foundations.

Cost evolution can be attributed mainly to the following factors:

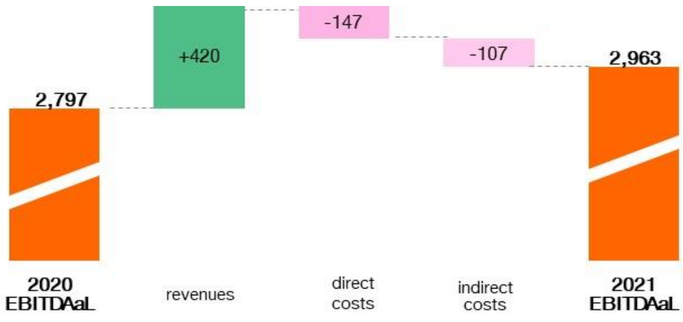
- A decrease of 10% in interconnect expenses, resulting mainly from cuts in both fixed and mobile termination rates and reflecting a decrease in wholesale revenue;
- An increase of 8% in commercial expenses, driven by growth in smartphone and ICT equipment sales;
- An increase of 17% in other external purchases, resulting mainly from higher costs of energy for resale (related to higher revenues in this segment) and higher costs of ICT services (partially due to the acquisition of Craftware at the end of 2020);
- A decrease of over 50% in costs of impairment of trade receivables and contract assets, mainly because provisions for bad debts due to the impact of the pandemic were recorded in 2020.

Revenue evolution
(yoy change in PLN m)



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

EBITDAaL evolution
(yoy change in PLN m)



2.1 Convergent Services

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

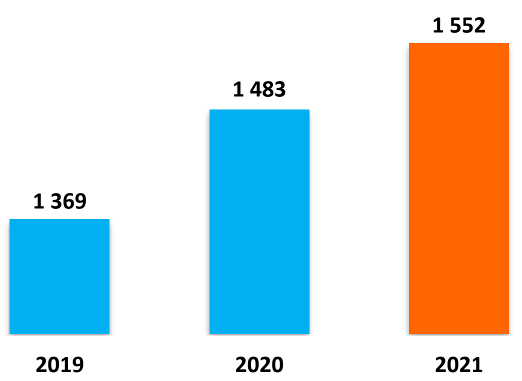
In 2021, there were no significant changes in our flagship convergent offer, Orange Love. After a surge in sales in the second half of 2020 as a result of the pandemic, customer additions slowed down in 2021. Our B2C convergent customer base increased by 69 thousand (or almost 5%), reaching 1.55 million. It needs to be noted that saturation of our broadband customer base with convergent services has already reached a significant level (67%). The majority of new mobile and fixed broadband acquisitions are still effected in the convergent bundle formula. Our convergent offer is a major competitive advantage over CATV operators, as they provide no or very limited mobile services. The total number of services provided in the convergence scheme among B2C customers reached 6.2 million, which means that, on average, each convergent residential customer uses more than four Orange services.

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

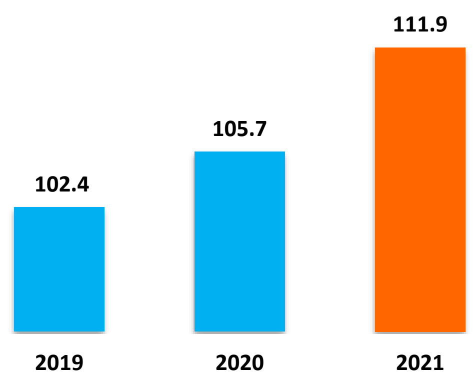
	For 12 months ended		Change
	31 Dec 2021	31 Dec 2020	
Convergence revenues (PLN mn)	2,002	1,741	15.0%
Convergence ARPO (PLN)	111.9	105.7	5.9%

In 2021, revenues from convergent services totalled PLN 2,002 million and were up 15% year-on-year. The growth accelerated over 2020, which resulted from high customer additions in 2021 and higher dynamics in ARPO. Convergent ARPO grew by over 5% year-on-year, mainly as a result of price increases and a growing share of fibre customers, who generate the highest revenue.

B2C convergent customer base (in '000)



B2C convergent ARPO (in PLN)



2.2 Mobile-only Services

Revenues (*PLN million*)	For 12 months ended		Change
	31 Dec 2021	31 Dec 2020	
Mobile-only services	2,636	2,557	3.1%

Key performance indicators (number of services) (*'000*)	31 Dec 2021	31 Dec 2020	31 Dec 2019	Change 31 Dec 2021/ 31 Dec 2020	Change 31 Dec 2020/ 31 Dec 2019
Post-paid mobile services	11,847	10,892	10,237	8.8%	6.4%
convergent	2,900	2,787	2,589	4.1%	7.6%
mobile-only	8,947	8,105	7,648	10.4%	6.0%
Pre-paid mobile services	4,953	4,860	5,047	1.9%	(3.7)%
Total mobile services	16,800	15,752	15,284	6.7%	3.1%

Key performance indicators (*PLN*)	2021	2020	2019	Change 2021/2020	Change 2020/2019
Monthly blended retail ARPO from mobile-only services	20.2	19.6	20.1	3.1%	(2.5)%
post-paid (excluding M2M)	26.2	25.8	26.9	1.6%	(4.1)%
pre-paid	12.6	12.2	11.8	3.3%	3.4%

As at the end of 2021, Orange Polska had a mobile services base of almost 16.8 million, which is an increase of 6.7% year-on-year. The growth was generated mainly in the post-paid segment, while the number of pre-paid services increased slightly.

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

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

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

The number of pre-paid services was up 1.4% in 2021, after a decline throughout 2020, which had resulted mainly from lower activations of new pre-paid cards as a consequence of pandemic-related factors, including a decrease in the activity of small businesses, much lower sales to foreign residents and reduced tourism during the summer season.

Blended ARPO (from mobile-only services) amounted to PLN 20.2 in 2021 and was up 3.1% year-on-year. The growth was generated by both post-paid and pre-paid services.

The post-paid ARPO grew 1.6% after a decrease of over 4% in 2020. 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 May 2021) and the business market (introduced to SOHO customers in November 2018 and February 2020);
- Lower penetration of mobile broadband in the mobile customer base; as a result, post-paid ARPO is less affected by substantial declines in mobile broadband ARPO (reflecting much lower take-up of this service);
- Significant recovery of roaming revenues following a slump in 2020 due to pandemic-related restrictions regarding people’s mobility.

2.2.1 Market and Competition[1]

The estimated number of SIM cards (58.3 million) increased by 4.5% compared to the end of December 2020, driving the mobile penetration rate (among population) to 153% at the end of 2021. Despite high saturation, mobile voice still maintained a positive growth rate. In the post-paid segment, sales of M2M cards also rapidly increased year-on-year, whereas sales of mobile broadband SIM cards decreased (largely due to migration to fixed broadband services and usage of data pools embedded in voice tariffs).

In 2021, Poland’s mobile market was still partially impacted by the COVID-19 pandemic, though some negative trends from 2020 gradually reversed. In particular, fewer mobility restrictions were reflected in recovery of international roaming, especially in the summer season, though it remained below the level of 2019. Equipment sales also rebounded despite temporary supply problems due to disturbances in global supply chains. The pre-paid segment also markedly rebounded year-on-year.

The mature mobile market in Poland is characterised by low prices compared to other EU countries. Operators maintained the ‘more-for-more’ approach in their pricing strategies. This approach leads to offers with value-added services and larger data packages (GB) embedded in subscription, to address current customer

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

expectations resulting from increased data consumption within mobile plans, in return for a higher price. Due to high inflationary pressure, this strategy is likely to be continued by mobile operators in the future. A powerful driver for data consumption growth was the outbreak of the COVID-19 pandemic and the resulting need for remote working and learning, higher consumption of digital services (e.g. content streaming and gaming) and a shift in daily activities from offline to online. Increased data consumption is thus inextricably linked to digital acceleration. We also expect the trend of enlarging data packages within mobile plans to continue, as mobile service bundles will be expanded to include value-added services and 5G tariffs will gain a growing share of the sales mix. Our strategy of selling convergent packages (bundling mobile and fixed services), followed by Orange Polska for years, has been imitated by market followers. All MNOs have decided to expand their product portfolio to include fixed line services, while increasing the reach of fixed networks through acquisitions (e.g. of UPC by Play), wholesale agreements or partnerships.

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

According to Orange Polska's own estimates, the four leading operators' aggregated market share remained at 98% as of the end of December 2021, with Orange Polska's estimated market share of 28.8%.

2.2.2 Mobile Voice and Data Services

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

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

In the mobile market, 2021 saw operators increase prices of tariff plans (Play, Plus) on the one hand, and launch promotions, particularly for post-paid customers porting their numbers (e.g. doubling data pools or offering free subscription periods), on the other. Owing to the latter, tariff plans of various operators have become considerably more extensive. The majority of operators offer 5G technology in high-end tariff plans only.

2.3 Fixed-only Services

Revenues (*PLN million*)	**For 12 months ended**		**Change**
	31 Dec 2021	**31 Dec 2020**	
Fixed-only services	1,968	2,081	(5.4)%
narrowband	682	798	(14.5)%
broadband	859	856	0.4%
B2B network solutions	427	427	-

Key performance indicators (number of services) (*'000*)	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2019**	**Change 31 Dec 2021/ 31 Dec 2020**	**Change 31 Dec 2020/ 31 Dec 2019**
Fixed voice services (retail: PSTN and VoIP)	2,660	2,899	3,109	(8.2)%	(6.8)%
convergent	845	855	825	(1.2)%	3.6%
fixed voice-only	1,815	2,044	2,284	(11.2)%	(10.5)%
Fixed broadband accesses (retail)	2,746	2,702	2,607	1.6%	3.6%
convergent	1,552	1,483	1,369	4.7%	8.3%
fixed broadband-only	1,194	1,219	1,238	(2.1)%	(1.5)%

Key performance indicators (*PLN*)	**2021**	**2020**	**2019**	**Change 2021/2020**	**Change 2020/2019**
ARPO from fixed narrowband-only (PSTN) services	36.9	37.0	36.3	(0.3)%	1.9%
ARPO from fixed broadband-only services	59.5	58.0	55.4	2.6%	4.7%

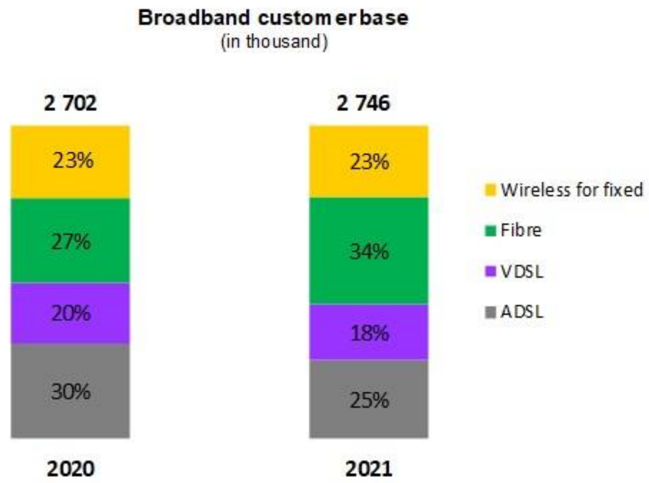
Total fixed broadband customer base increased by 44 thousand (or almost 2%) in 2021. It was slower growth than in 2020, particularly its second half, which saw an explosion of demand, as the pandemic and the resulting remote work and learning made high-speed Internet access a basic necessity for a great number of households. Fixed broadband growth was driven exclusively by fibre, and our fibre customer base increased by over 220,000, that is more than in 2020.

The strong growth in fibre is driving the technological transformation of our broadband customer base. The share of fibre in the total broadband customer base increased to 34% at the end of 2021 from 27% a year earlier, leaving behind the share of mostly non-competitive ADSL technology, which fell from 30% to 25%.

In line with the revenue reporting layout introduced in 2018, we separate convergent broadband customers (their number equals to that of convergent customers) from non-convergent broadband customers. Our non-convergent broadband customer base has continued to shrink as a result of migration to convergence but also due to churn, though at a relatively slow pace since the beginning of 2020. This can be attributed mainly to the roll-out of our fibre network and higher demand for fixed broadband during the COVID-19 pandemic.

Despite a slight decline in customer base, revenues from fixed broadband-only services remained almost flat year-on-year. It is a consequence of an increase of over 2% in broadband ARPO, which rebounded in 2020 after years of decline. This can be attributed to the following factors:

- Price increases introduced in 2019; and
- Growing share of fibre customers, who generate much higher average revenue per user owing to higher penetration of a TV service, growing share of customers from single-family houses (where the service price is higher), and growing share of customers using high-speed options (600 Mbps and 1 Gbps), which are more expensive.



Erosion of the fixed voice customer base (excluding VoIP) totalled 248 thousand in 2021 and was similar to that in 2020. The decline in these services can be attributed mainly to structural demographic factors and the popularity of mobile services with unlimited calls to all networks. It is also a result of our convergence strategy, which stimulates partial migration of customers to VoIP. Average revenue per user was flat at about PLN 37.

2.3.1 Market and Competition

Fixed Voice Market

The Group estimates that the fixed line penetration rate was at 15% of Poland's population at the end of December 2021, as compared to 16% at the end of 2020. The decline is still attributable mainly to growing popularity of mobile technologies. In countries like Poland, where the fixed line penetration was low at the time of introduction of mobile technology, mobile telephony is largely a substitute to fixed line telephony. The aforementioned downward trend has been also affecting regulated fixed wholesale products based on traditional infrastructure (WLR and LLU).

Fixed Broadband Market

According to Group's estimates, the total number of fixed broadband accesses, including wireless for fixed technology, increased in 2021 by 0.3 million versus the end of December2020. This can be attributed mainly to intensive roll-out of fibre infrastructure. After the breakdown of the COVID-19 pandemic, access to high-speed broadband became even more necessary for both businesses, owing to the need to quickly shift a significant portion of operations from offline to online, and households, as for many people their homes became a working or learning place (as a result of remote work or education).

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

Orange Polska's increased activity in the high-speed broadband segment has stimulated the already highly competitive market environment and forced CATV operators to upgrade and enhance their offer even more quickly. As a result of such efforts, the position of CATV operators remains strong. According to our estimates, CATV operators' aggregate share in Poland's fixed broadband market stood at 32% by volume or 22% by value at the end of December 2021.

Another factor increasing the competitiveness of cable fixed broadband is the expansion of service portfolio by mobile operators (Play, T-Mobile and Plus) pursuant to wholesale agreements with infrastructure-based operators. This commercial co-operation extends to both networks developed with EU funding and the own networks of fixed-line operators, such as Inea, Vectra, Nexera (offering wholesale services only) as well as the FTTH infrastructure of non-telecom companies, such as Tauron. A new player in the wholesale infrastructure-based broadband market is Światłowód Inwestycje, a joint venture of Orange Polska and APG, which aims to provide fibre to 2.4 million households by 2025.

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

Fixed broadband market – key performance indicators

	31 December 2021 (estimate)	31 December 2020
Market penetration rate – broadband lines (in total population)	25.8%	24.9%
Total number of broadband lines in Poland ('000)	9,815	9,539
Orange Polska's market share by volume	28.0%	28.3%

Orange Polska's fixed voice market share

	31 December 2021 (estimate)	31 December 2020
Retail local access*	46.5%	47.5%

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

2.3.2 Fixed Line Data Services

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

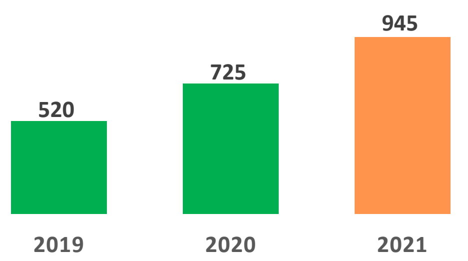
As at the end of 2021, more than 5.9 million households were connectable with our fibre network, which is an increase of almost 900,000 compared to the end of 2020. Our fibre services are available in 211 cities in Poland. Since 2020, we have focused more on developing our network in smaller towns, where some districts are dominated by single-family houses. On one hand, it involves much higher investments, but on the other hand, we expect much higher demand for our services in single-family residential districts, despite the fact that fibre broadband is more expensive for such customers. There is also lower competition from other fixed-line operators than in big cities. The vast majority of the increase in the network reach in 2021 resulted from wholesale partnerships, which is in line with our .Grow strategy. In particular, as a part of the transaction of the sale of 50% stake in Światłowód Inwestycje, we transferred fibre footprint of 672,000 households to the latter. At the end of 2021, networks of other operators, including Światłowód Inwestycje, Inea, Nexera and a number of others, accounted for 2.2 million out of our total footprint of 5.9 million households.

Our retail fibre customer base reached 945 thousand at the end of 2021, growing by 30% (or 220 thousand) year-on-year. Demand for fibre remained high. The service adoption rate (including both our own retail customers and those of other operators selling their services on our fibre network) continued to grow, reaching almost 17% (vs. 15% at the end of 2020). Notably, approximately 70% of fibre activations are new broadband customers for Orange, which means that our market share is increasing. It is specific to the Polish market that customers sign two-year loyalty agreements, which is a factor slowing down customer migration from cable networks to our fibre network. The basic speed of our fibre service is 300 Mbps. Our portfolio includes also higher speeds of 600 Mbps or 1 Gbps for an extra fee. Their share in new acquisitions has been steadily growing, which contributes to an increase in average revenue per user.

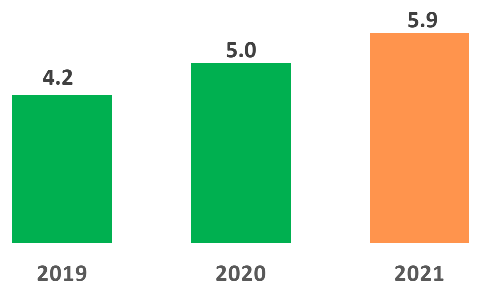
A major factor in competing for fixed broadband customers is the quality of the TV offer. Notably, the Polish market is characterised by very little exclusive content. Even expensive TV content (such as rights to broadcast sports events), which in Poland is acquired mainly by satellite platforms, is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

In rural areas, mobile technologies are the primary broadband access solution and constitute the basis for our wireless for fixed offers. Our fixed broadband customer base has been subject to thorough transformation. The non-competitive ADSL technology has been increasingly replaced by growth technologies, mainly fibre and wireless broadband for fixed, which is possible owing to our investments in network connectivity.

Fibre customer base (retail)
(in ‘000)



Fibre network rollout
HHC (in mn)



3 OUTLOOK FOR THE DEVELOPMENT OF ORANGE POLSKA

3.1 Market Outlook

The telecommunications market declined in 2020 due to the impact of the COVID-19 pandemic. In 2021 the market rebounded, and Orange Polska anticipates further growth thereof in the coming years. In a short-term perspective, the market in Poland will be driven especially by the following two factors: (i) rapid expansion of very high-speed broadband access (above 30 Mbps), owing to fibre infrastructure investments (including those in the Operational Programme Digital Poland) and inflow of EU funds, and (ii) growing post-paid customer base with ARPU supported by the 'more for more' approach in the mobile market. This is also seen on the demand side as the increased need for connectivity, which the pandemic has highlighted. According to macroeconomic forecasts, economic recovery will drive growth in demand from both residential and business customers in the coming years. However, regarding the market evolution characteristics, the telecom market growth will be hampered by continuing fixed-to-mobile substitution, both in fixed telephony and traditional fixed broadband (based mainly on copper lines, below 30 Mbps).

In the long run, the market growth will be stimulated by the development of 5G services owing to its higher speed and low latency, which are required by autonomous services and the Internet of Things (IoT). We expect also growing penetration of fixed broadband in the coming years, driven by the ongoing digitisation of the society and economy, including development of remote working and learning, e-commerce, IoT, e-administration, e-health, etc. Growing demand will be satisfied by increased supply of fixed broadband owing to investment projects carried out by Orange Polska or co-financed by the EU (aiming to reach over 2 million households and implemented by Orange or alternative operators), fixed line investments by other telecom operators, and constant improvements in mobile connectivity. The activity of operators as well as agreements between them, such as the one between Orange Polska and T-Mobile on using the constructed infrastructure to provide access to households in multi-family houses in deregulated areas, or new investments, like Światłowód Inwestycje (a joint venture of Orange Polska and APG), whose infrastructure will be used to provide fixed broadband access by T-Mobile and the Polsat Plus Group in addition to Orange Polska, will bring Poland closer to meeting the European Digital Agenda objectives.

As for the mobile services market, we predict positive effects of the changes introduced by the key players, which involved offering larger data packages in return for a slightly higher price, as well as a further shift in the competitive struggle towards quality-based competition. Market growth will still be driven by bundled and convergent offers, combining mobile services with fixed broadband access, as demonstrated by the launch of fixed broadband sales by Play on Vectra's network, conclusion by the Polsat Plus Group and UPC of agreements to use the Nexera network, or agreements providing for T-Mobile and Play's access to the Fiber host network. Furthermore, Play's portfolio transformation towards fixed-mobile convergence and potential investments in fixed infrastructure have been announced by Iliad, the new owner of this operator; this has been confirmed by the acquisition of the cable operator UPC, which is pending approval by the market regulator. Once this transaction is finalised we will monitor direction of the strategy of the newly emerged convergent operator.

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

In 2021, mobile operators continued to launch 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 has not been held yet.

The development of Poland's telecommunications market is also driven by subsequent acquisitions. In July 2021, the Polsat Plus Group finalised the acquisition of Premium Mobile, an MVNO hosted on its network. In September, Play announced its intention to buy UPC, Poland's biggest CATV operator, for PLN 7 billion; the transaction is expected to close in the first half of 2022 upon the relevant regulatory approvals.

Furthermore, there is an emerging trend in the market of selling infrastructure to separate companies, which are operators dedicated to infrastructure management. An example is the acquisition of mobile infrastructure by Cellnex from Play in March/April and from Polkomtel in July for PLN 7 billion. Regarding fixed line infrastructure, Orange Polska sold to APG, for PLN 1.4 billion, a 50% stake in Światłowód Inwestycje, which aims to have 2.4 million households connectable with fibre by 2025.

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

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

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

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

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

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

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

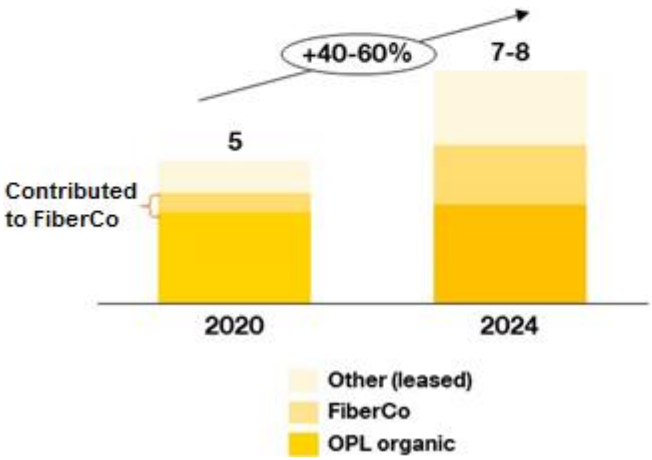
Last and certainly not least, we want to grow in social responsibility. Orange Polska has set ambitious ESG goals for itself and is ideally placed with its services both to help others reduce their own environment footprint and to ensure that no one is left behind.

Consumer Market: Convergence to Remain a Key Growth Lever

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

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

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



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

Business Market: ICT-centred Strategy

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

We want to maintain dynamic growth of ICT revenues, at around 10% annually by 2024. We will achieve it by leveraging on our key resources, that is mobile and fibre networks, enhanced by a broad portfolio of services comprising the entire value chain of digital transformation. The key role in this process will be played by further stable growth of our subsidiary Integrated Solutions, the third largest integrator in the Polish market. And we will achieve acceleration in ICT by monetising our investments in new areas and competences, that is in BlueSoft and Craftware. The highest growth is to be achieved in the areas of cybersecurity and software & applications, based on both the expertise of our subsidiaries and the competence developed for internal needs.

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

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

Responsibility: Clear Environmental and Social Targets

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

Our primary goal is to be climate-neutral and achieve Net Zero Carbon by 2040, ten years ahead of the EU climate goals. Net Zero covers the entire emissions of OPL: Scopes 1 and 2 (own direct and indirect emissions) and Scope 3 (emission in entire value chain – suppliers, employees, customers). In the first period of action, by 2025, we will reduce our CO_2 emissions in Scopes 1 and 2 by as much as 65% compared to 2015. We want to achieve it primarily through increasing the share of renewable energy in the energy mix to at least 60% by 2025 from 0% in 2020. This means that we have to proactively search and support new projects in this area. We will also continue to optimise energy consumption: we have been reducing consumed energy volumes each of the past few years despite constant increase of data volumes on our networks. Deployment of new much more efficient technologies, such as fibre and 5G, will also contribute here. Average electricity consumption per customer of fibre is around 80% lower compared to copper.

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

Digital inclusion has a particularly important social dimension today. This means dissemination of high-speed Internet access on the one hand, and education and development of digital competences on the other. We are active in both of these fields. We invest in optical fibre, also by using public funds, so as to reach also the areas more distant from major cities. These areas often lack infrastructure and access to modern services. In addition, we have been supporting the digital education of Poles for over 15 years through our Orange Foundation. The Orange Foundation is committed to this and implements digital education programmes in schools. Over 5,000 children take part in such programmes each year. Along with our social partners, we also train teachers as part of the project called Lesson: Enter, which is co-financed by the European Union. This is the largest initiative of this type in Poland. In total, 75,000 teachers will benefit from this programme.

Financial Ambition: Growth of Results and Return to Dividend Payments

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

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

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

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

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

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

Medium-term financial guidance

	2021-2024[1]
Revenue growth	Low single-digit CAGR[2]
EBITDAaL growth	Low-to-mid single-digit CAGR[2]
eCapex (PLN bn)	1.7 to 1.9 annual average
ROCE[3]	Increase 3–4x (from 1.6% in 2020)
Dividends[4]	Return to dividends from 2021 results (payable in 2022)[5] PLN 0.25 per share as sustainable floor
Net debt / EBITDAaL	Range of 1.7–2.2x in the long term

[1] Subject to final provisions of cybersecurity law and excludes major non-organic changes to Orange Polska's structure; CAGR vs. 2020.
[2] Compound annual growth rate
[3] Return on capital employed
[4] Please refer to section 4.2 below for the description of dividend approach.
[5] Provided that net debt/EBITDAaL ratio will not exceed 2.1x. including the result of the 5G spectrum auction; subject to approval by the General Meeting of Shareholders.

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

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

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

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

In 2021, Orange Polska S.A. was once again included in a prestigious group of listed, socially responsible companies. The portfolio of the WIG ESG Index announced by the Warsaw Stock Exchange comprises 60 companies. Orange Polska S.A. has been present in the index portfolio since its first edition. The WIG ESG Index has been increasingly popular among companies and investors, who have noticed a link between consideration for social and environmental impact and financial performance.

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

2021 brought gains in the indices on the Warsaw Stock Exchange (WSE). Orange Polska shares were up 28%, while the large-cap index, WIG20, gained 14% in the period.

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

Name of the Institution
Barclays
Citigroup
Dom Maklerski Banku Ochrony Środowiska
Dom Maklerski mBanku
Dom Maklerski PKO Bank Polski
Dom Maklerski Santander
Erste Bank Investment
Goldman Sachs
Haitong Bank
Ipopema Securities
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, 2021 to December 31, 2021

3.3.1 Orange Polska's Investor Relations

Orange Polska's activity in the area of investor relations focuses primarily on ensuring transparent and proactive communication with capital markets through active co-operation with investors and analysts, as well as performance of disclosure obligations under the existing legal framework. Orange Polska's Investor Relations together with Company's representatives regularly meet with investors and analysts, both Polish and international, and participate in the majority of regional and telecom industry investor conferences.

Orange Polska Group's financial results are quarterly presented during conferences, which are available also via a live webcast. In 2021, the Company held four results presentations. The most important development was the presentation of our new .Grow strategy, which was held as a separate special event in June 2021.

Orange Polska's activity and performance are monitored by analysts representing both Polish and international financial institutions on a current basis. In 2021, a dozen or so financial institutions published their reports and recommendations concerning the Company.

In March and September, Jacek Kunicki, CFO of Orange Polska presented the Company's operations and answered retail investors' questions during online conferences organised by the Association of Individual Investors.

The key purpose of all efforts of the Investor Relations towards investors is to enable a reliable assessment of the Company's financial standing, its market position and the effectiveness of its business model, taking into account the strategic development priorities in the context of the telecom market and the Polish and international macroeconomic environment.

In 2021, Orange Polska published its fifth integrated annual report. It covers both financial and non-financial aspects of the Company's business. The report presents the Company's business model, value creation story, the economic and social context of its operations, strategy implementation, governance model, corporate governance, risk management and environmental impact. The content and layout of the report are based on the International Integrated Reporting Council (IIRC) guidelines, the Global Reporting Initiative (GRI) Standards, ISO 26000 and the Sustained Development Goals.

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

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

4.1 Implementation of the .Grow Strategy

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

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

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

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

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

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

The consumer price index (CPI) in Poland was 5.1% in 2021, and according to the market consensus it will exceed 7% in 2022 (with an upward trend in expectations). Electricity price inflation has greatly outpaced CPI. According to the Polish Power Exchange data, the weighted average price of a yearly contract with base load delivery in 2022 was PLN 384/MWh in 2021, which was an approximately 65% increase (versus the price of a yearly contract for 2021 in 2020). The average price of such a contract in December 2021 alone was as high as PLN 722/MWh, while the average price of electricity in the spot market was PLN 830/MWh in the same month, even reaching levels of more than PLN 2,000/MWh. The surge in electricity prices in 2021 was driven by an increase in the price of CO_2 emission allowances from EUR 30/t to EUR 90/t, rising gas prices in the second half of the year (the weighted average gas price of a yearly contract with base load delivery for another year was up 155% year-on-year) coupled with post-pandemic rebound on the demand side.

The inflationary environment will significant affect our operating expenses in 2022 and the following years. The impact of inflation is principally seen in electricity prices, as well as prices of lease. We expect that our energy costs may increase very significantly in 2022 (from about PLN 250 million in 2021). The average realised price of energy was around PLN 300/MWh in 2021. By the end of 2021, we had secured about 50% of our energy consumption for 2022 at much higher prices than realised in 2021, yet much lower than in the spot market at the end of the year. The average energy price we pay is positively affected by much cheaper energy from renewable sources, which we expect to provide about 10% of our energy mix in 2022. The majority of our contracts of lease of telecommunication infrastructure, sales outlets and office space are indexed to the previous year's inflation rate, which will further contribute to higher costs in 2022. Similarly, the costs of outsourced consulting, technical assistance and customer care services will be subject to inflationary pressure.

For years, we have focused on value generation in our commercial strategy, changing the tariffs for our core services in the 'more for more' formula. However, as the great majority of our contracts with customers are signed for two years, our ability to pass higher costs onto customers is limited in the short term. Inflation coupled with weakening of the Polish zloty result also in the higher prices of mobile handsets. However in this case we are able to quickly react and adjust our prices to pass higher costs to our customers.

As a consequence of growing inflation interest rates in Poland are on the steep rise. As around 90% of our debt is effectively based on fixed interest rate until mid-2024, we expect that rising interest rates will not have a meaningful impact on our interest expenses until that time.

4.3 Expected Return to Dividend Payments

Considering the success of the concluded Orange.one strategy as well as the new strategic plan, .Grow, which assumes stable growth of Company's financial results, the Management Board is convinced that Orange Polska is on the right track to resume sustainable shareholder remuneration. In June 2021 the Management Board committed to propose PLN 0.25 per share dividend payment in 2022 from 2021 profits, provided that Company's net debt/EBITDAaL ratio will not exceed 2.1x, including the result of the 5G spectrum auction.

Furthermore, the Management Board considers PLN 0.25 per share cash dividend as sustainable floor for the future. In the future, further changes to dividends will be conducted on yearly basis taking into account projections of underlying financial results and long-term financial leverage (net debt/EBITDAaL) forecast versus 1.7x to 2.2x leverage corridor.

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

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

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

The transaction valued Światłowód Inwestycje at PLN 2,748 million (on a debt-free, cash-free basis). Orange Polska sold a 50% stake in the joint venture to APG for a total consideration of PLN 1,374 million. Out of that amount PLN 897 million was paid in August 2021, while the remaining PLN 487 million will be payable in 2022–2026 and will be conditional on Orange Polska delivering on agreed network rollout schedule. The transaction assumes equity contributions by each party of around PLN 300 million to be made in 2023–2026.

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

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

4.5 New Opportunities in the Wholesale Market

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

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

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

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

4.6 5G Launch by Orange Polska

Auction Procedure for Frequencies in the 3480–3800 MHz Band

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

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

Commercial 5G Services in the 2100 MHz Band

Orange Polska maintains its position that only quick allocation of frequencies in the 3400–3800 MHz spectrum band will enable the launch of full-fledged 5G services of adequate parameters for customers in Poland. However, due to the auction annulment, the Company implemented and expanded Dynamic Spectrum Sharing (DSS) in the 2100 MHz band, which allows dynamic allocation of spectrum resources to 4G or 5G as required. As at the end of 2021, Orange Polska offered commercial 5G services via a network of 1,727 base stations.

Further Preparations for the 5G Network Implementation in Poland

It is Orange Polska's ambition to actively participate in the implementation of the 5G network in Poland in order to provide our customers with access to this network and modern services based on it. The on-going roll-out of our fibre network is a precondition for the efficient operation of the future 5G mobile network. In December 2020, we signed an agreement with the Łódź Special Economic Zone for the development of an internal 5G network on the 3.6 GHz band. At the end of May, 5G LAB was launched in the Zone. It is Poland's first 5G campus for startups and a space for testing innovative projects using exactly the same 5G infrastructure which is to be deployed in Poland in the future. In addition, as a result of our co-operation with Miele, which has its factory in Ksawerów near the city of Łódź, we developed another 5G campus network on the 3.6 GHz band. With this network, Miele can deploy innovative digital solutions to automate production and quality control processes for manufactured products and conduct virtual reality-based training for employees on a wide scale. Furthermore, in mid-December we announced the launch of a 4G and 5G campus network at Nokia factory in Bydgoszcz. The network developed for Nokia is an R&D base for implementing production process optimisation projects for industry 4.0.

During the implementation of the aforementioned projects, Orange Polska collected unique experience on the Polish market, which we believe will pay off in subsequent implementations, especially that private 5G networks are undoubtedly one of the elements of the future of an effective industry.

4.7 Acquisitions of BlueSoft and Craftware to Strengthen Operations to Business Customers

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

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

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

4.8 Infrastructure Development

Fixed Line Network

Since 2015, in line with the previous strategy, we have focused on massive development of FTTH lines. By the end of 2020, we had delivered on our strategic ambition to deploy fibre to 5 million households, that is almost one third of all households in Poland. At the end of 2021, over 5.9 million households in 211 Polish cities were connectable with fibre.

We also use the infrastructure of other operators to expand the reach of our fibre services. Where it is technically possible and economically viable, we enter into wholesale agreements with other fibre network operators for the efficient use of the existing infrastructure in the relevant locations. The main benefit is quicker access to the FTTH network. This is in line with the aims of the Cost Directive of the European Commission, which recommends avoiding duplication of the existing facilities. At the end of 2021, we used the infrastructure of over 50 operators for 2.2 million households.

In our new .Grow strategy framework, we will further significantly increase the reach of our fibre, which is one of the key drivers of value creation and expansion of convergent services. However, contrary to previous years, we will be more reliant on partnerships, while our own network rollout will be limited to projects implemented within the Digital Poland Operational Programme. One of the key partnerships is the one with Światłowód Inwestycje, which is expected over the next few year to deploy fibre network in low or mid competition areas to 1.7 million households.

Orange Polska is Poland's largest wholesale service provider. The demand for transmission bandwidth is growing, especially for n×1 and n×10 Gbps lines. To meet these needs, Orange Polska has continued to expand nationwide OTN (Optical Transport Network) trunk lines. In 2021, we increased the number of OTN transport nodes, thus expanding the aggregate network capacity from 7 Tbps at the end of 2020 to 10 Tbps at the end of 2021.

Orange Polska is Poland's sole operator of a network to which all the Emergency Communication Centres (ECCs), answering calls to the emergency numbers 112, 997, 998, 999 and eCall, are connected. About 90% of all emergency numbers in Poland (over 500 locations) are connected to Orange Polska's network. This provides the Company with revenue from alternative operators for emergency call termination on the Orange network, as well as subscription revenue.

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

Mobile Network

In response to rapid growth in data traffic volume, we have steadily increased the number of our base stations and enhanced their capacity. In 2021, our customers got access to a further 219 base stations. LTE coverage for all bands was 99.89% of the population on 98.50% of Poland's territory at the end of December 2021. Orange Polska provided 4G services via 11,844 base stations. This included 10,220 base stations enabling spectrum aggregation (compared to 9,831 at the end of December 2020).

In January 2021, Orange Polska launched its 5G service in the Dynamic Spectrum Sharing (DSS) mode in the 2100 MHz band in Tricity; subsequently, it was made available in Lublin in June and in Konin in November. it was made. Thus, Tricity, Lublin and Konin joined Łódź, Cracow, the Upper Silesian conurbation, Poznań, Wrocław, Opole, Częstochowa, Rzeszów, Kielce, Bielsko-Biała and Tychy, where our customers can use 5G. The number of our 5G DSS base stations stood at 1,727 at the end of 2021.

We are gradually implementing the LTE-M technology on the 800 MHz band for Internet of Things. LTE-M is currently available nationwide on 10,400 base stations. In the areas where the use of this band is excluded (i.e. in the border areas that require international co-ordination), we use 1800 MHz frequencies.

In order to boost the use of the latest technologies we intensively expand our portfolio of 4G/5G mobile terminals at the expense of 2G/3G ones. In 2021, we technically validated the following devices for use on the Orange network: 111 models of VoLTE terminals (255 in total), 55 models of VoWiFi terminals (193 in total) and 46 models of 5G terminals (79 in total).

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

In the second quarter of 2020, Play also expanded its mobile portfolio to include fixed broadband service pursuant to wholesale co-operation with Vectra, a cable TV operator. In line with the convergence strategy announced by Iliad in Poland, Play announced the acquisition of UPC Polska from Liberty Global Group for PLN 7 billion in 2021. The transaction further confirms that fixed-mobile convergence is accelerating in the Polish market. Furthermore, Play signed a wholesale agreement with Fiberhost in 2021, thus expanding the reach of its fixed broadband service into new areas.

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

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

In 2021, investments in the fibre infrastructure based on EU funds continued to play a major role in the market. Owing to EU co-financing, such projects are possible even in non-urban areas, where investments in fibre had not been economically viable before. Such investments are carried out by Orange Polska and other market players, including Fiberhost and Nexera.

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

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

4.10 Evolution of the Group's Distribution Network

2021 saw a gradual return to normal in various aspects of life, including telecommunication service purchases. Customers largely returned to physical points of sale (POSs), which are still the biggest sales channel.

As at the end of 2021, Orange Polska had a chain of 653 POSs all over Poland. Our sales network is subject to continuous modernisation and optimisation. This involves on the one hand a reduction in the number of outlets (there were 687 of them at the end of 2020), but on the other hand transformation to better suit customers' needs. Our 'Best Retail Network' project is underway. Solutions that were previously only implemented in large Smart Stores, such as intuitive and functional interiors, are also being implemented in smaller outlets. By the end of December 2021, 369 of our outlets had been modernised in a new visualisation (compared to 317 at the end of 2020). The changes introduced are appreciated by our customers, as confirmed by a Kantar poll which indicates that another year in a row we are the #1 network in terms of transactional NPS for our outlets (i.e. customers visiting Orange outlets declare that they would recommend a visit there to others more frequently than customers of alternative operators do that with respect to their outlets).

2021 brought further growth of sales in digital channels by both volume and value. Customers are using available tools and platforms more easily, and the digital transformation has been additionally stimulated by the pandemic situation, which has accelerated educational processes in all social groups. From Orange Polska's perspective, 2021 saw strong expansion in sales and customer service with My Orange app, which provides access to the key information about the customer's account, presents our offers and supports customer service processes. High effectiveness of our online sales was supported by marketing campaigns based on current events as well as behavioural customer profiles. With marketing automation and artificial intelligence tools, we are able to recommend offers to customers that might interest them most. In order to provide benefits to customers for making online purchases, at the end of the first half of 2021 we introduced a dedicated online offer with a free month extra. The growth in online channels is driven by traditional offline channels, which we use to promote the My Orange application. We also intensively educate customers in the use of self-service channels. As a result of these efforts, sales via digital channels further increased to 16%, which is in line with our strategic goal to reach 25% by 2024.

The Telesales channel, which is operated by our external partners and our own call centre, also performed well in the reported period. In this channel we concentrate on dedicated campaigns accounting for customer profiles and behavioural patterns to ensure best offer customisation. Owing to specialisation and development of competencies of our consultants, we are highly effective in our operations, while great focus on retention campaigns enables us to effectively secure our customer base and mitigate churn. In 2021 we significantly improved upselling of additional products, including smartphones, accessories and Orange Energy.

We are also working on a hybrid work model for our telesalesforce, which will involve remote work after the end of the pandemic. It will increase the competitiveness of our agents on local labour markets by adapting to the market expectations.

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

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

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

Our pre-paid top-ups are available in over 80,000 retail POSs (grocery stores, kiosks and petrol stations). Consumer behaviour with respect to topping-up has been evolving, and the COVID-19 pandemic reinforced this process. Our customers increasingly recharge their pre-paid accounts in remote channels (through online banking portals, orange.pl website and My Orange mobile app). We actively support these channels, while promoting the #OrangeGoesGreen approach: paperless top-ups without scratch cards. In 2021, there was an increase of 17% year-on-year in top-up sales through all online channels.

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

4.11 Regulatory Environment

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

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

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

Regulatory Obligations

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

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

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

In 2021, Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. and Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością Consulting sp.k. conducted an audit of Orange Polska S.A.’s annual regulatory accounting statements for 2020 and the results of service cost calculation for 2022 on the market for provision of wholesale (physical) access to network infrastructure, including shared or fully unbundled access, in a fixed location (LLU) and the market for wholesale broadband access (BSA) services ("the 2021 audit"). The audit ended on August 23, 2021 by issuing a positive opinion. The opinion includes an explanation related to the non-issuance by the President of UKE of the final decision on determining the rate of weighted average capital cost (WACC).

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

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

Access to Orange Polska's Fixed Network

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

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

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

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

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

Call Termination on Fixed and Mobile Networks

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

- The single EU-wide maximum rate for mobile voice termination will be 0.2 eurocent per minute (ec/min) from January 1, 2024. The glide path to reach this level is as follows:
  - 0.0317 PLN /min – from July 1, 2021;
  - 0.55 ec/min – from January 1, 2022 to December 31, 2022;
  - 0.4 ec/min – from January 1, 2023 to December 31, 2023.
- The single EU-wide maximum rate for fixed voice termination is 0.07 ec/min from January 1, 2022. From July 1, 2021, a transitional rate of 0.005 PLN/min applied.

Access to POPC Networks

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

Potential Regulatory Changes

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

New Regulated Offers for Access to Orange Polska's Network

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

Amendment to the Telecommunication Law

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

New Roaming Regulation

A new Roaming Regulation, regulating the terms of provision of roaming services, is set to come into force on July 1, 2022. Pursuant to a political agreement on the EU level, the following provisions of the new Regulation may be expected:

- The 'fair use' policy, which aims to prevent permanent roaming, will continue.
- Service quality: There will be an obligation to ensure the same quality of service as at home; for example, consumers that usually have 5G services at home will also be able to enjoy 5G roaming services wherever available. If specific factors could impact the quality of the roaming experience, operators will be required to promptly inform their customers.
- Additional information obligations preventing unexpectedly high charges in roaming: Operators will be obliged to adequately inform their customers about numbers that bring additional costs.
- Emergency communications: Citizens will have access to emergency communications, including caller location, free of charge. Operators will ensure that citizens are informed of the possibility to access emergency services through the 112 number and other alternative means of access, such as SMS or available applications for people with disabilities.
- The regulations concerning roaming prices within the Union for customers will not change.
- New caps for wholesale prices charged between operators in roaming will be introduced:
    - For voice: 0.022 €/min in 2022–2024 and 0.019 €/min from 2025 onwards (compared to 0.032 €/min until June 30, 2022).
    - For SMS: 0.004 €/SMS in 2022–2024 and 0.003 €/SMS from 2025 onwards (compared to 0.01 €/min until June 30, 2022).
    - For data services (compared to 2.5 €/GB until June 30, 2022):

2022	2023	2024	2025	2026	2027
2 €/GB	1.8 €/GB	1.55 €/GB	1.3 €/GB	1.1 €/GB	1 €/GB

Compensation for Universal Service Costs

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

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

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

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

In April 2021, an individual decision for additional compensation for 2006 was issued. Similar procedures regarding additional compensation for 2007–2010 are still pending. Out of the initial compensation granted for 2006–2011, Orange Polska S.A. received PLN 223 thousand in 2021, while PLN 1.04 million is still due. Out of the additional compensation granted for 2006, Orange Polska S.A. received PLN 7.9 million in 2021, while PLN 0.15 million is still due.

Major Changes in Legislation

In 2021, there was a number of changes in legal environment with respect to both general law and provisions specific to the telecom sector. Such modification of legal environment entails constant and diligent monitoring and may require allocation of resources to implement new regulations.

National Law

- On February 18, 2021, the Regulation of the Minister of Digital Affairs of January 28, 2021 amending the Regulation of the Minister of Digital Affairs of July 8, 2019 on the time schedule of assignment of certain spectrum resources used for civilian or civilian-government purposes came into force. It set a new deadline for the 3.7 GHz bandwidth distribution on August 27, 2021. However, the bandwidth had not been distributed by this deadline. The Regulation has not been amended again to set yet another deadline.
- In connection with the spread of COVID-19, there has been the state of epidemic in Poland since March 20, 2020 (pursuant to the Regulation of the Minister of Health of March 20, 2020 on declaring the state of epidemic in the territory of the Republic of Poland). Under the Regulation, depending on the epidemic situation, subsequent changes in legislation have been introduced, providing for various restrictions, orders and prohibitions related to the state of epidemic for both natural persons and enterprises.
- On October 29, 2021, a package of tax regulations under the so-called ‘Polish Deal’ was passed. In particular, it increased the personal income tax-free allowance to about PLN 30,000; raised the threshold for entering the highest personal income tax bracket from PLN 85,000 to PLN 120,000; introduced the minimum corporate income tax rate of 10% of the tax base; changed the health insurance premium accounting basis; excluded ‘hidden dividends’; and extended the ‘tax relief for middle class’ to include the self-employed taxed according to the tax scale. In general, the bill entered into force on January 1, 2022.
- On November 1, 2021, the Regulation amending the Regulation on the amount, terms and manner of payment of fees for the use of numbering resources came into force. It decreased fees for numbering codes used in machine-to-machine communications on mobile public telecommunication networks. As a result, the annual fee for an M2M number was reduced from PLN 0.204 to PLN 0.12.
- On November 5, 2021, in line with the schedule, Orange Polska ended forwarding calls made to the 998 emergency number to the relevant underlying numbers handled by Emergency Call Centres. The 998 number is still used, but emergency calls are answered at a different place and the information is received directly by the relevant departments of Emergency Call Centres.

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

- Draft Electronic Communication Law and draft Act introducing the Electronic Communication Law;
- Draft Act amending the act on the national cybersecurity system and the Telecommunications Law. It provides for a mechanism of hardware or software vendor evaluation and determines the consequences of recognising a particular entity as a high risk vendor. The draft also includes provisions regarding the establishment of the Strategic Security Network Operator and the company Polskie 5G [Polish 5G] as well as the spectrum allocation method;
- Draft Act amending the act on competition and consumer protection and certain other acts, implementing the Directive (EU) 2019/1 of the European Parliament and of the Council of 11 December 2018 (“ECN+ Directive”);
- Draft Act amending the act on competition and consumer protection, implementing the Regulation 2017/2394 of 12 December 2017 on cooperation between national authorities responsible for the enforcement of consumer protection laws (“CPC Regulation”);
- Draft Act amending the act on consumer rights and the Civil Code, implementing two Directives (EU): Directive 2019/771 on certain aspects concerning contracts for the sale of goods (“SGD”) and Directive 2019/770 on certain aspects concerning contracts for the supply of digital content and digital services (“DCD”);
- Draft Act amending the act on consumer rights and certain other acts, implementing the Directive (EU) 2019/2161 of 27 November 2019 as regards the better enforcement and modernisation of Union consumer protection rules (“the Omnibus Directive”);
- Draft Act on the protection of persons who report breaches of law, implementing the Directive (EU) 2019/1937 on the protection of persons who report breaches of Union law;
- Draft Act amending the Labour Code and certain other acts regarding remote work regulations as well as preventive testing for sobriety and controlling for the presence of substances acting similarly to alcohol;
- Draft Act amending the act on copyright and neighbouring rights and certain other acts;
- Draft Act on the status of a professional artist (reprographic fee).

EU Law

- Since 2017, EU institutions have continued work on the Regulation on privacy and electronic communications (ePrivacy), and in 2021 they entered the phase of interinstitutional (trilogue) negotiations;
- On September 18, 2020, the European Commission issued the Recommendation on a common Union toolbox for reducing the cost of deploying very high capacity networks and ensuring timely and investment-friendly access to 5G radio spectrum, to foster connectivity in support of economic recovery from the COVID-19 crisis in the Union. Pursuant to the Recommendation, Member States and the Commission developed a set of best practices ("Connectivity Toolbox" published in March 2021), which are to be implemented by Member States (report on the implementation to be submitted by April 30, 2022);
- In 2021, the European Commission continued work on revision of Directive 2014/61/EU of the European Parliament and of the Council of 15 May 2014 on measures to reduce the cost of deploying high-speed electronic communications networks. The work will be continued in 2022;
- In 2021, the legislative process continued on two proposals presented by the European Commission on December 16, 2020 for changes to cybersecurity laws: Directive on measures for a high common level of cybersecurity across the Union, repealing Directive (EU) 2016/1148, and Directive on the resilience of critical entities. The process is expected to be completed in 2022;
- Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility was adopted (OJ L 57, 18.2.2021). In particular, it provides for funding of the Polish National Recovery and Resilience Plan;
- The EU cohesion policy legislative package 2021–2027 was adopted, which determines the general framework for national operational programmes. It is a package of five regulations, including the Common Provisions Regulation (CPR) and the Regulation (on the European Regional Development Fund (ERDF) and on the Cohesion Fund (CF);
- The Commission Regulation (EU) 2021/1237 of 23 July 2021 amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty was adopted. In particular, it determines the modified rules for providing public funding for telecommunication infrastructure and services;
- On April 21, 2021, the European Commission adopted a proposal for the first ever legal framework on artificial intelligence: Regulation laying down harmonised rules on artificial intelligence (Artificial Intelligence Act);
- On June 3, 2021, the European Commission adopted a proposal for establishing a framework for a trusted and secure European e-ID: Regulation on a European Digital Identity ("digital wallet");
- On July 14, 2021, the Commission presented the Fit for 55 package, containing a set of legislative and programme proposals. Their overall objective is to reduce the carbon footprint of the European economy. In particular, the package intends to modify energy efficiency requirements for enterprises.

4.12 Claims and Disputes, Fines and Proceedings

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

5 MAJOR ACHIEVEMENTS IN RESEARCH AND DEVELOPMENT

Orange Labs Poland is a member of the international Orange Labs network, which consists of Orange R&D units and laboratories.

Orange Labs Poland is responsible for determining and managing the development of the architecture of fixed and mobile networks and selected IT systems, as well as defining network development plans and the relevant technological concepts. Another major element of its operations is a process of development, selection and implementation of innovations, which involves co-operation with external partners and performance of research and development tasks for both Orange Polska and the Orange Group.

Major Achievements of Orange Labs Poland in 2021, Including Projects for Orange S.A.

- **AI for Network Management (AIEN)** – Implementation and deployment of the AI-based Load Balancing System on International Peering Interfaces. The system is now used by the engineering teams of the Transport Network Development Unit and the Global Network Operations Center Europe (GNOCe). It continuously monitors traffic on international lines, and both reactively and proactively recommends network reconfiguration to prevent congestion and degradation of the quality of the international traffic transfer to Orange network users. Proactive recommendations for network reconfiguration are determined on the basis of regular traffic predictions, which are developed using artificial intelligence methods (for time series prediction) and meta-learning methods. The system has been developed for the Orange Group in the AI-Empowered Networks programme.
- **Cloud-Native Operator (PIKEO)** – Automating the orchestration of containerized network functions (CNFs) using the Open Network Automation Platform (ONAP) in the PIKEO programme. With ONAP, the operation of instantiating CASA 5G Core, HPE and Mavenir network functions is dynamically parameterised based on a configuration defined in dedicated GitLab repositories. The implemented mechanisms enable the automation of the (re)configuration of orchestrated network services. The tasks carried out by Orange Labs Poland make it possible to identify the needed functionalities and determine the priorities in the development of the CNF orchestration process within the ONAP platform.
- **WiFi Boost** – Development of a machine learning model to support the process of recommending a Smart WiFi Box to improve the quality of the customer's WiFi network. The model was developed in the Data@Home project carried out together with Orange Innovation and local functions based on the historical data collected at Data Lake Baikal from agents installed on FunBox devices. The solution was implemented in the production environment in Q4 2021.
- **ML on Edge** – The personality profile of a smartphone user automatically determined on the basis of the data available on the phone from the Android level. The profile is determined on the terminal device using the ML on Edge algorithm. The algorithm calculates probabilities for 3 levels of each of the following traits: Extraversion, Agreeableness, Conscientiousness, Emotional Stability and Openness; then, it identifies approximately 30% of users with extreme levels (either low or high) of personality traits, that is people with special needs who are very likely to be dissatisfied with a typical service. As a result, it is possible to automatically personalise an application or any service with an application without having to transfer the customer's data outside the terminal device. It is an innovative solution owing to a short time to obtain a profile (2 seconds on average) and a small amount of data required to determine it. There is no need to collect or store service logs. Personalisation can be activated from the very first use, during the application onboarding process; this is of key importance, for example, in preventing product rejection upon initial poor impression from using the service.
- **Security for Verticals in the Network Edge/MEC** (within Trust&Security, EU Inspire-5Gplus and FCB/Edge Computing research domain) – Research on the technical and business opportunities of safe hosting of verticals in the 5G Network Edge (MEC). Development. Development of the 'Security by Orchestration – isolation constraint' and 'Customized ML/AI-based detection service' concept proposals in the MEC environment. Initial identification of the security needs of verticals (publication in *IEEE Access*); delivery of recommendations for secure MEC infrastructure; initial design of the '5G Edge-based security for IoT devices' service and participation in the development of the MEC Enabler concept proposal (Warsaw University of Technology; a publication in *Electronics Journal*).
- **Edge IoT solutions** – Research and development related to the extension of the Orange Node-RED platform dedicated to IoT data processing in the Software as a Service (SaaS) model. Development of new modules enabling simple integration of IoT devices with the Live Objects platform; development of advanced mechanisms and data analysis scenarios that enable using machine learning algorithms in line with customers' needs; development of a web portal containing examples of data processing logics that can be used by customers.

CHAPTER III
ORGANISATION AND CORPORATE STRUCTURE

6 ORGANISATIONAL CHANGES IN 2021

6.1 Group's Structure as of December 31, 2021

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

6.2 Changes in the Corporate Structure of Orange Polska S.A.

In 2021, there were changes in the corporate structure of the following functions: Network and Technology, Carriers Market and Real Estate Sales, IT, Human Capital, Consumer Market, Business Market, and Transformation and Effectiveness. The changes aimed at improving the efficiency of these functions and addressing business needs.

6.2.1 Management Board of Orange Polska S.A.

The composition of Orange Polska Management Board did not change in 2021. As of December 31, 2021, the Management Board was composed of eight Members, who have been assigned the direct supervision over the following Company's matters:

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

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

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

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

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

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

6.2.2 Business Units of Orange Polska S.A.

In 2021, the number of business units was reduced from 77 to 75, namely the number of business units decreased in the functions Network and Technology (-1), Carriers Market and Real Estate Sales (-2), and Human Capital (-1), while it increased in the functions Business Market (+1), and Transformation and Effectiveness (+1).

The function of the Management Board in charge of Customer Experience ceased to exist on July 1, 2021, and the units reporting to the latter were transferred to the functions Consumer Market, Business Market, and Digitisation.

As of December 31, 2021, Orange Polska had 75 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: 8 business units;
3) Vice President of the Management Board in charge of Consumer Market: 10 business units;
4) Management Board Member in charge of Networks and Technology: 12 business units;
5) Management Board Member in charge of Strategy and Corporate Affairs: 5 business units;
6) Management Board Member in charge of Human Capital: 10 business units;
7) Management Board Member in charge of Wholesale Market and Real Estate Sales: 6 business units;
8) Management Board Member in charge of Finance: 7 business units;
9) Executive Director in charge of IT: 8 business units;

10) Executive Director in charge of Transformation and Effectiveness: 3 business units; and
11) Executive Director in charge of Digitisation: 5 business units.

6.2.3 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 2021.

6.3 Ownership Changes in the Group in 2021

Apart from signing on April 11, 2021 an agreement to sell to APG a 50% stake in Światłowód Inwestycje sp. z o.o., which is described in section 4.4. above, the Group effected no significant ownership changes in 2021.

6.4 Orange Polska Shareholders

As of December 31, 2021, the share capital of the Company amounted to PLN 3,937 million and was divided into 1,312 million fully paid ordinary bearer shares of nominal value of PLN 3 each.

The ownership structure of the share capital based on information available on February 16, 2022 was as follows:

Shareholder	Number of shares held	Number of votes at the General Meeting of Orange Polska S.A.	Percentage of the total voting power at the General Meeting of Orange Polska S.A.	Nominal value of shares held (in PLN)	Interest in the Share Capital
Orange S.A.	664,999,999	664,999,999	50.67%	1,994,999,997	50.67%
Nationale-Nederlanden Open Pension Fund	65,781,918	65,781,918	5.01%	197,345,754	5.01%
Other shareholders	581,575,562	581,575,562	44.32%	1,744,726,686	44.32%
TOTAL	**1,312,357,479**	**1,312,357,479**	**100.00%**	**3,937,072,437**	**100.00%**

As of February 16, 2022, Orange S.A. held a 50.67% stake in the Company.

In 2020, Orange S.A. was present in 26 countries for consumer services and had a global presence with Orange Business Services. Orange S.A. operates in 8 countries in Europe, namely Belgium, France, Luxembourg, Moldova, Poland, Romania, Slovakia and Spain, and is present in 18 countries in Africa and the Middle East.

Orange's business activities focus on five categories of services: enhanced connectivity (retail and business customers), business IT support services, wholesale services, cybersecurity and financial services.

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

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

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

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

Orange Group employs 142,000 people worldwide.

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

As of December 31, 2021, 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 2021.

6.5 Corporate Governance Bodies of the Parent Company

For detailed information about the Management Board and Supervisory Board of Orange Polska please see section 9 below.

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

Managing Persons

As of February 16, 2022:

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

Other Members of the Management Board did not hold any shares of Orange Polska S.A. as of February 16, 2022.

Shares held in related entities:

Julien Ducarroz	1,003 shares of Orange S.A. of par value of EUR 4 each
Jolanta Dudek	2,800 shares of Orange S.A. of par value of EUR 4 each
Bożena Leśniewska	2,800 shares of Orange S.A. of par value of EUR 4 each
Witold Drożdż	2,324 shares of Orange S.A. of par value of EUR 4 each
Piotr Jaworski	2,970 shares of Orange S.A. of par value of EUR 4 each
Jacek Kowalski	3,070 shares of Orange S.A. of par value of EUR 4 each
Jacek Kunicki	1,559 shares of Orange S.A. of par value of EUR 4 each
Maciej Nowohoński	2,324 shares of Orange S.A. of par value of EUR 4 each

Supervising Persons

As of February 16, 2022, no persons supervising Orange Polska S.A. held any shares in the Company.

Shares held in related entities:

Ramon Fernandez	35,420 shares of Orange S.A. of par value of EUR 4 each
Marc Ricau	1,163 shares of Orange S.A. of par value of EUR 4 each
Bénédicte David	2,024 shares of Orange S.A. of par value of EUR 4 each
Marie-Noëlle Jégo-Laveissière	13,224 shares of Orange S.A. of par value of EUR 4 each

6.5.2 General Meeting

On June25, 2021, the Annual General Meeting among others:

- approved the Management Board's Report on the activity of Orange Polska Group and Orange Polska S.A. in the 2020 financial year;
- approved Orange Polska S.A.'s financial statements for 2020;
- approved the consolidated financial statements for 2020;
- granted approval of the performance of their duties by members of Orange Polska S.A.'s governing bodies in the 2020 financial year;
- adopted a resolution on distribution of Orange Polska S.A.'s profit for the 2020 financial year, pursuant to which Orange Polska S.A.'s profit of PLN 46,754,503.75 disclosed in the Company's financial statements for 2020 was allocated as follows:
  - PLN 935,090.08 to the reserve capital, and
  - PLN 45,819,413.67 to the reserve capital, which may be distributed as a dividend;
- adopted a resolution on distribution of Orange Polska S.A.'s profit from previous years, pursuant to which Orange Polska S.A.'s profit of PLN 18,055,143.94 disclosed in the Company's financial statements for 2020 was allocated as follows:
  - PLN 361,102.88 to the reserve capital, and
  - PLN 17,694,041.06 to the reserve capital, which may be distributed as a dividend;
- approved the Supervisory Board's Report for the 2020 financial year;
- expressed a positive opinion on the annual report on remuneration prepared by the Supervisory Board.

6.6 Workforce

As of December 31, 2021, the Orange Polska Group employed 10,452 people (in full-time equivalents), which is a decrease of 8% compared to the end of December 2020.

Orange Polska's workforce reduction was mainly a result of the implementation of the Social Agreement for the years 2020–2021. Pursuant to the Social Agreement, 885 employees left the Company in 2021. Severance pay in Orange Polska S.A. averaged PLN 93.6 thousand per employee in 2021.

In 2021, external recruitment in Orange Polska totalled 430 positions. It was related mainly to sale and customer service positions in Orange Polska S.A., as well as an increase in workforce of its subsidiaries, mainly BlueSoft, Craftware and TP Teltech.

6.6.1 Social Agreement

On December 7, 2021, the Management Board of Orange Polska concluded negotiations with the Social Partners on the terms of a new Social Agreement that will remain in force in 2022–2023. In parallel to negotiating the Social Agreement, Orange Polska completed negotiations on a Settlement for 2022 under the Act on special rules on termination of employment for reasons not attributable to employees.

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

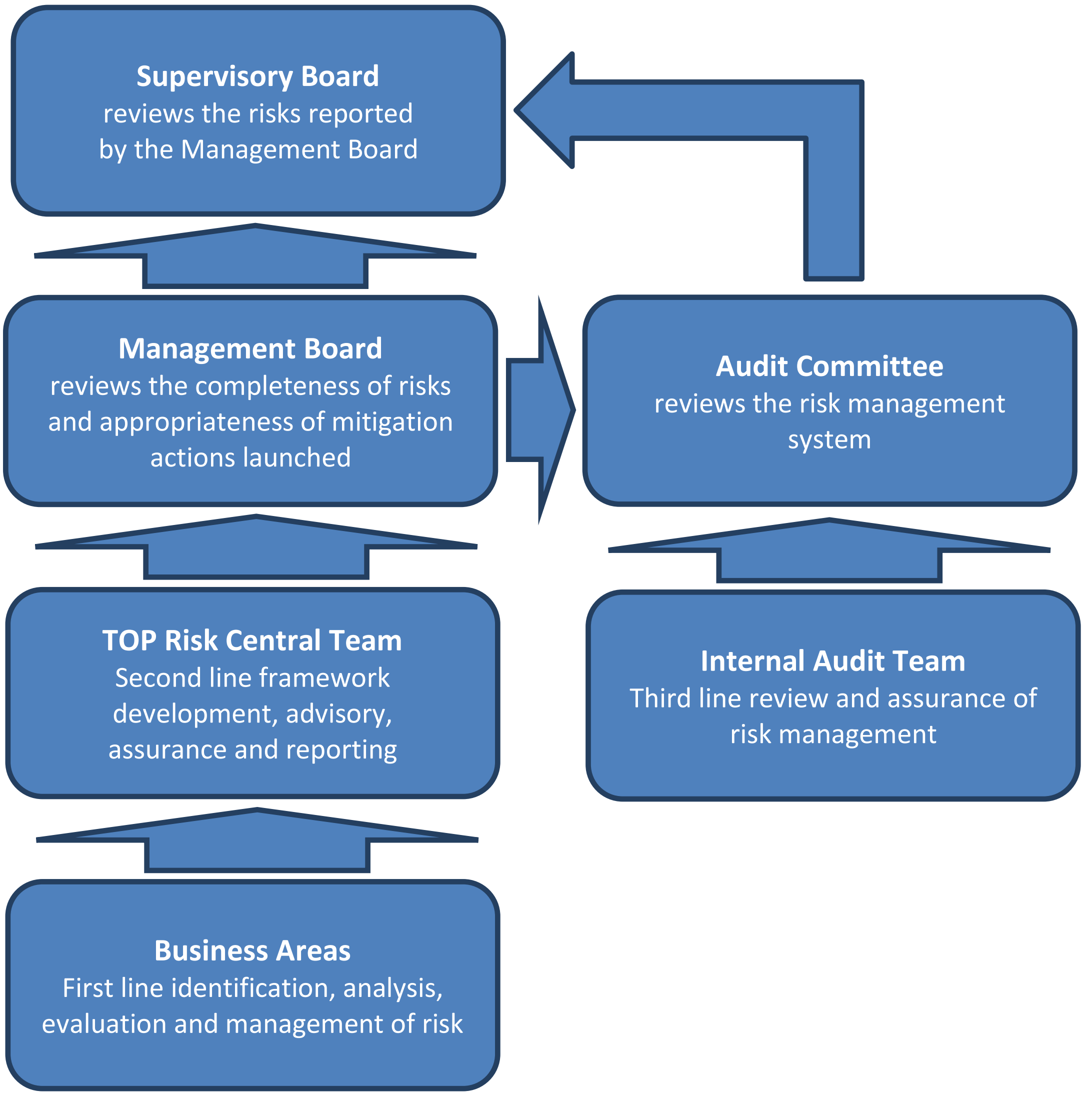
The negotiated Settlement sets the quota of departures in 2022 at 760, and determines the terms of voluntary departures as well as the amount of severance pay and additional compensation for employees leaving Orange Polska in 2022. The Settlement also specifies the principles and criteria to be applied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

CHAPTER IV
KEY RISK FACTORS

7 RISK MANAGEMENT FRAMEWORK IN ORANGE POLSKA

Orange Polska is exposed to a range of external and internal risks of varying types which can impact the achievement of its objectives. Therefore, the Group maintains a risk management framework to identify, assess and manage risks. This framework has been based on the ISO 31000:2018 standard and ISO 27005 (for Information Security Management System only). Leaders within the Group's individual business areas and functions are responsible for the assessment and management of risks, including the identification and escalation of new/emerging circumstances, as well as monitoring and reporting on both the risks themselves and the effectiveness of control measures. Events are considered in the context of their potential impact on the delivery of our business objectives.

Fig.1. Orange Polska's governance and reporting structure for risk management.

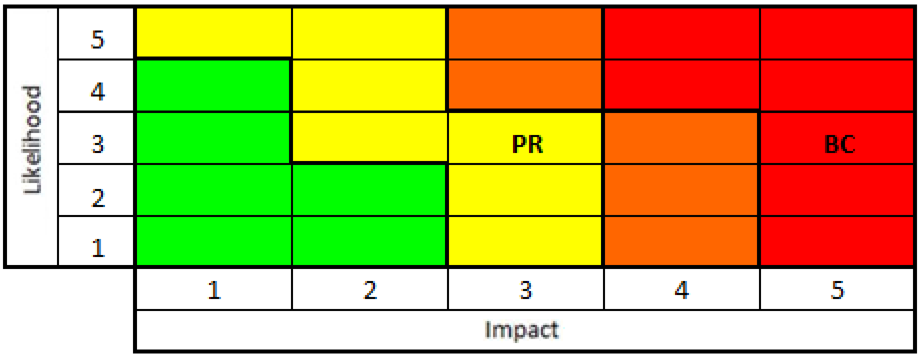


Event-based risks are subject to assessment according to their likelihood and impact in terms of financial, reputational, business continuity and human loss. If risk consequences are, for example, both financial and reputational, the risk is assessed according to the most negative consequence.

In addition, the identified similar risks are grouped into clusters to ensure consistent and effective risk management across the Orange Polska Group. The risk assessment process, illustrated in Fig. 2 below, is managed by domain co-ordinators. The division of risks into the domains of operating risks, loss of information, business continuity, compliance, fraud and social risks ensures a uniform and objective approach to the assessment of risks of similar consequences (cause and effect analysis).

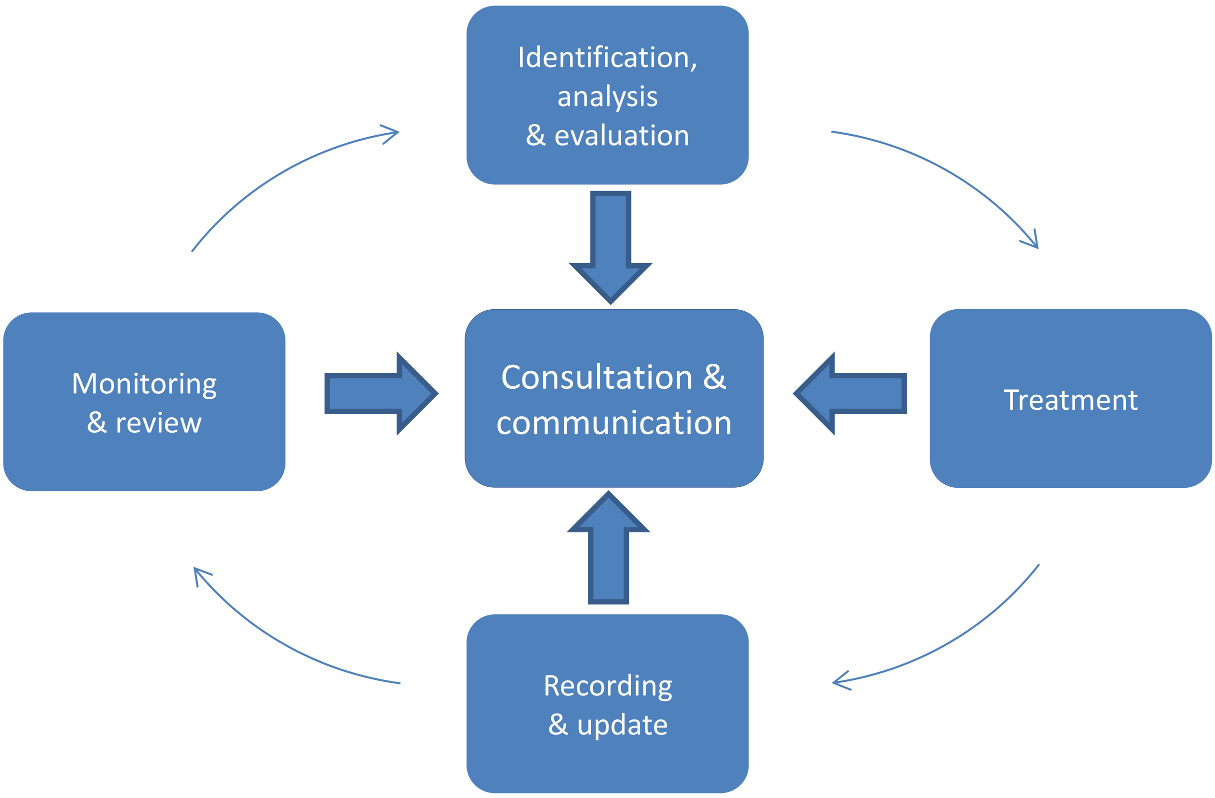
The key risks, which have potentially the worst negative impact on the Group, are assigned mitigation measures in order to prevent or minimise losses. The effectiveness of such measures is verified on an on-going basis, and they are adjusted as required. The risks and the mitigation measures assigned to them constitute an input for the development of the Annual Internal Audit Plan. Indicative heat maps are used to report and evaluate risks. The Audit Committee evaluates the effectiveness of the risk management system on a regular basis. The results of assessment of top risks are reported to the Supervisory Board annually. In 2021, the Supervisory Board received such a report in April.

Sample heat map used as one of communication tools is presented below. The example presents a risk that has moderate reputational impact, but critical impact in terms of business continuity. Therefore, the overall assessment of the risk would be very high.



FN - financial;
HR - human resources;
PR - reputational;
BC - business continuity;

Fig.2. The risk management process at Orange Polska is shown in the diagram below.



7.1 Risk factors affecting the operating activities of Orange Polska

7.1.1 Increasing Competitive Pressure

The main telecommunications markets in which Orange Polska operates are mature or even saturated. It therefore faces tough competition, which initially was mainly on price, but presently focuses on the quality of products and customer care. In response, Orange Polska has chosen to make significant investments in fibre, pursue a convergence strategy and continue with transformation and efficiency gains. The Group is also committed to developing new business activities, such as ICT services and electricity supply. If Orange Polska is unable to successfully implement its strategy, it could suffer a loss of market share and/or shrinking margins. The same could occur in the event of consolidation of other players in one of the markets where it operates.

For more information on the competition, please see section 7.3.

7.1.2 Loss of a Part of the Market Due to Introduction of New Services and Technologies

The constant growth in both fixed and mobile broadband accesses and use, and the emergence of new technologies allow global players in the Internet sector to establish a direct link with customers of telecom operators, thus depriving the latter, including Orange Polska, of a portion of their revenues and margins. If this process continues or intensifies, it could seriously impair the financial position and outlook of operators.

The increased use of networks for value-added services has led to the emergence of new powerful players, the Over-The-Top (OTT) providers, who offer video content, TV and voice services via the Internet. Competition with these players to control customer relations is growing and could erode the market position of operators like Orange Polska or hinder their access to various video content or digital services. This direct relationship with customers and access to content are a source of value for operators, and losing part or all of it to new entrants could affect revenues, margins, the financial position and outlook of telecommunications operators, including Orange Polska.

7.1.3 Breach of Security of Information, Including Personal Data

Orange Polska constantly undertakes actions aimed to ensure protection of personal data (particularly from its extensive customer database), and proprietary information constituting telecommunication or corporate secrets. The Company holds a certificate of compliance of its Information Security Management System with ISO/IEC 27001:2013 for the following scope of services: ICT, hosting, collocation, cloud computing, cybersecurity and personal data processing in cloud computing. In addition, Orange Polska holds a certificate of compliance with ISO/IEC 27018:2019 *Code of practice for protection of personally identifiable information (PII) in public clouds acting as PII processors* for the personal data processing services in cloud computing: UCaaS (Unified Communication as a Service), ICS (Integrated Computing Standard), ICM (Integrated Computing Managed) and smart CCaaS (smart Contact Center as a Service). Furthermore, the Company holds and maintains the FIRST and the Trusted Introducer certificates for CERT Orange Polska. Despite all the precautions taken, considering the modern threats related to information technologies used for processing of information, including personal data, it is not possible to fully exclude the risk of infringement of the security thereof.

Orange Polska's activities may trigger the loss, disclosure, unauthorised communication to the general public or third parties, or inappropriate modification of the data of its customers. Such losses could arise from (i) implementation of new services or applications, for example those related to billing and customer relationship management, (ii) launch of new initiatives, particularly in the field of Internet of Things (IoT), (iii) malicious acts (including cyber-attacks), particularly aimed at theft of personal data, or (iv) negligence on behalf of the Group or its business partners.

Since May 25, 2018, Orange Polska has complied with the General Data Protection Regulation (GDPR). For infringement of GDPR protection rules, administrative fines of up to 4% of the annual global turnover may be imposed. Such incidents could have a considerable negative impact on the Orange brand reputation and a heavy impact on the Group's liability, potentially including criminal liability, and hence have an adverse impact on Orange Polska's future financial performance.

Like in case of personal data, Orange Polska faces a risk of unauthorised disclosure, publication or communication to unauthorised entities of proprietary information constituting corporate secrets, particularly the details of intended initiatives, marketing campaigns, new offers or sales packages. The premature disclosure thereof could result in Orange Polska's failure to achieve its sales objectives and loss of its market shares. The main causes of this risk include: (i) industrial (corporate) espionage, (ii) malicious acts (including cyber-attacks), particularly aimed at theft of proprietary information, or (iii) potential negligence on behalf of the Group or its business partners.

7.1.4 Increase in the Number and Duration of Service Interruptions Due to Orange Polska's IT&N Infrastructure Outage

Services provided by Orange Polska are directly dependent on the functioning of its IT and network infrastructure. Service disruption or interruption may occur following cyber-attacks (on the IT&N infrastructure), outages (of hardware or software), energy blackout, human errors, acts of terrorism or sabotage of critical hardware or software, failure of a critical supplier, or if the network in question does not have sufficient capacity to meet the growing usage needs, or during implementation of new applications or software. Among these risks of interruption, telecommunications operators are particularly exposed to attempts to breach security, cyber-attacks, and terrorist and sabotage attacks on sites and staff because of the vital nature of telecommunications in the functioning of the economy. Despite the precautions taken by Orange Polska to protect its network, the growing frequency of attempted attacks increases the risk of interruption to its services.

The current epidemic situation poses a new risk which may affect the duration of service disruption or interruption. However, a threat of technical teams of Orange Polska or its technical partners being infected, which could affect the timeliness of their efforts to remove failures and restore services, has been successfully minimised by the implementation of proper protective measures and safety procedures.

The impact of such incidents could seriously damage Orange Polska's reputation and result in revenue erosion, affecting its profits and market position. Nationwide service disruption or interruption might also create a crisis potentially affecting the national security.

This risk is mitigated in Orange Polska by proper planning for the network and ICT systems development and modernisation, investments in the development of disaster recovery solutions, insurance schemes (covering cyber and terrorism risks) as well as implementation of business continuity and crisis management plans. Orange Polska holds the ISO 22301:2012 Certificate for its Business Continuity Management System with respect to provision of telecommunication, ICT and cybersecurity services. Another major factor in mitigating this risk is continuous training of the employees of Orange Polska and its technical partners in the newly implemented or modernised technologies.

7.1.5 Potential Consequences of Discussions on 5G Network Security

Discussion on 5G network security, in particular in terms of the use of devices offered by Chinese suppliers, is an important factor related to the implementation of the new generation of wireless networks. Key players in the global arena are involved, in particular the USA, China as well as the European Commission and European Union Member States.

At EU level, work was undertaken in 2019 to define a common approach to 5G network security, including a 5G risk assessment process and major risks identified in the 5G network. These works were concluded with the publication on January 29, 2020 of the document entitled *Cybersecurity of 5G networks – EU Toolbox of risk mitigating measures*. It does not explicitly exclude or prohibit any supplier, however the dependence on one supplier, as well as a risk associated with the supply chain, including the activities of other countries, were considered a significant risk. It is also foreseen for Member States to carry out risk profile analysis and to introduce possible restrictions and exclusions especially for high-risk suppliers of key resources. On December 14, 2020, the European Union Agency for Network and Information Security (ENISA) published *ENISA Threat Landscape for 5G Networks Report*, an update of the first edition presented in 2019. It aims to support the implementation of *Cybersecurity of 5G networks – EU Toolbox of risk mitigating measures*. Simultaneously, with the adoption of the EU Cybersecurity Act, work has begun on defining European cybersecurity certification schemes, and issues related to the certification of 5G network elements are being considered as candidates for such certification.

Work in this area is also carried out at national level, which is reflected, among others, in the following developments:

- On May 16, 2020, the 'Anti-Crisis Shield 3.0' (i.e. 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. In terms of 5G network security, it provides for adding the requirements concerning the security and integrity of telecommunication infrastructure and services, determined by the President of UKE in line with ENISA's recommendations and guidelines upon consultation with the Cybersecurity Committee, as an obligatory element of frequency allotment. However, an official public consultation of the auction dossier with the relevant provisions, which is required by law, has not been held yet.
- On September 8, 2020, the Minister of Digital Affairs released for consultation the draft Act amending the act on the national cybersecurity system and the public procurement law. In October 2021, the new versions of the draft Act on the national cybersecurity system was published and then in January 2022 accepted by the Committee for National Security and Defense Affairs. Both the initial draft and its version modified in 2021 provide for a mechanism of hardware and software vendor evaluation, and determine the consequences of recognising a particular entity as a high risk vendor. However, the draft bill is still pending approval by the Council of Ministers.
- On December 30, 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 telecommunications operators to ensure security or integrity of networks or services came into force. Regarding 5G, the regulation indicates the need to follow the recommendations of the Government Plenipotentiary for Cybersecurity issued pursuant to the Article 33 of the Act of July 5, 2018 on the national cybersecurity system (there are no such recommendations as yet) and to implement strategies avoiding the dependence on one supplier.

Thus, currently no legal regulations or other binding decisions have been adopted in Poland that would restrict co-operation with specific suppliers in the 5G network implementation. The sole requirement in force is the obligation to apply strategies avoiding the dependence on one supplier.

The potential introduction of more extensive restrictions in the future would involve the risk of limiting the pool of telecommunications equipment suppliers, and thus could affect the maintenance as well as plans for the construction and development of network infrastructure (including 5G). This may affect the time schedule and/or costs of implementing the 5G network.

7.1.6 Decrease in Quality or Non-performance of Services Due to Dependence on External Partners

Orange Polska concludes contracts with external partners, particularly for sales agency, as well as development and maintenance of its networks, ICT infrastructure and IT systems.

The Group has partially outsourced operation and supervision of its telecommunications networks, as well as IT systems and processes to external suppliers. These processes are monitored on a regular basis in order to assure their optimum operation and take effective corrective actions, if required.

Although adequate safeguard and protection clauses are included in contracts, there is still a risk of non-performance by Orange Polska's partners, resulting in delays, a decrease in quality or non-performance of Orange Polska's services. Materialisation of this risk may have a direct impact on Orange Polska's financial performance.

Also the risk of corruption is increased due to a number of partners engaged and complex processes involved. Such incidents could have an adverse impact, particularly on Orange Polska's reputation. The Group has taken a number of actions to effectively prevent corruption in terms of both internal regulations and the relevant clauses in contracts with external partners.

7.1.7 Emergence of New Types of Fraud with New Technologies

Owing to its scope of activities, Orange Polska is highly exposed to the risk of fraud. Like all telecom operators, Orange Polska is subject to various fraud issues which can affect the Company or its customers. Moreover, with growing complexity of technologies and networks and accelerated implementation of new applications and services, particularly related to interconnection and customer relationship management, new types of fraud which are more difficult to detect or combat could also emerge. This may result in a loss of revenues.

7.1.8 Climate risks in Orange Polska's Operations

Impact of Orange Polska's operations on climate

There is growing awareness of climate change among our customers, investors and other stakeholders, accompanied by growing regulatory pressure related to climate neutrality goals adopted by the EU and its member states. Simultaneously, the roll-out of network infrastructure and the growing volume of data traffic are contributing to increased consumption of electricity, which in Poland is produced mainly from fossil fuels, in the telecommunications sector. This generates greenhouse gas emissions.

In order to co-ordinate and accelerate its efforts to reduce the climate impact, Orange Polska has developed and implemented the #OrangeGoesGreen programme. It concerns the climate goals for 2025 and 2040, particularly regarding a reduction in greenhouse gas emissions (primarily by increasing the share of renewable energy in our energy mix) and the implementation of the principles of circular economy.

The Programme is led by the climate officer and sponsored by the President of the Management Board.

Should the aforementioned initiatives to reduce our negative impact on the climate be unsuccessful, Orange Polska, as a socially responsible company, would be exposed to reputational losses. Furthermore, Orange Polska's failure to achieve the intended share of energy from renewable sources could result in higher than expected electricity costs and, consequently, have a negative impact on its financial performance.

Impact of climate change on Orange Polska's operations

Climate change can also have impact Orange Polska's operations both globally (disruption of supply chains, potential socio-economic disturbances) and locally (increase in average and maximum temperatures affecting infrastructure, the prices and continuity of supply of energy, risk of infrastructure damage due to extreme weather events). It is estimated that these risks might materialise mainly in the medium and long term.

The analysis of the impact of climate change on Orange Polska has indicated four significant areas of negative influence, namely:

- Infrastructure damage or malfunctioning due to climate change;
- Impact of climate change on energy supply, consumption and costs;

- Supply chain disruption due to issues related to climate change;
- Negative regulatory and socio-economic effects of climate change.

For the detailed description of these issues please see the section with non-financial information on section 10 below.

7.1.9 Exposure to Electromagnetic Fields

Exposure to electromagnetic fields (EMF) from radio equipment (used mainly on mobile, but also fixed, networks) might raise concerns for their possible adverse effects on human health. Since January 1, 2020, the EMF limits in Poland have been consistent with the Council Recommendation 1999/519/EC. Consequently, they are currently similar to the limits adopted in most European countries.

Negative changes in perception of the EMF impact on human health would have a deleterious effect on the business and results of operators such as Orange Polska. If the aforementioned health risks were scientifically confirmed to a certain extent in the future, this would likely result in a decline in use of mobile telecommunications services, difficulties and additional expense in rolling out base stations and other wireless equipment, and an increase in litigation.

In 2019, the Polish government decided to harmonize the obligations related to electromagnetic fields from telecommunications equipment with the European and global regulations. So far, the national provisions setting acceptable electromagnetic field levels have been harmonised. Furthermore, a new regulation on the means of verifying compliance with the acceptable electromagnetic field levels in the environment, which determines the methodology for measuring EMF emissions also by telecommunication systems, came into force on February 19, 2020. Currently, the issue of EMF exposure is particularly relevant owing to the intended legislation on the 5G network deployment, including new regulations on testing 5G systems for EMF compliance, on which legislative work is pending. Although Orange Polska has made its best efforts to test 5G technology, even compliance with the applicable regulations and the strictest environmental standards may not be sufficient to prevent negative sentiment of the social partners. Similar developments have been observed in other countries.

Furthermore, the government, taking into account the strategic objectives related to the development of modern communications on both the national and EU level, has taken initiatives to cut red tape on the investment process, particularly related to 5G deployment. Simultaneously, addressing social concerns and the need for education, it has introduced additional control mechanisms, such as the public System of Information on EMF-emitting Facilities (SI2PEM).

7.1.10 Human Resources Risks and Alignment of Organisation Structure

Orange Polska and its managers continue transforming the Group’s internal culture in order to motivate the employees and drive the performance culture, as well as streamlining the organisation and infrastructure in order to confront the competition and implement new technologies and new, more efficient business models through the transformation programme. The current epidemic situation in Poland may on the one hand hinder the process of change, but on the other hand provide an opportunity owing to the resulting digitisation of processes, communications and training, and widespread use of remote working tools in the hybrid work model. If Orange Polska fails to complete these transformations successfully, its operating margins, financial position and results could be adversely impacted. Orange Polska has continued a voluntary departure programme and the workforce optimisation process. Regular staff satisfaction surveys are conducted by an external consultant.

7.2 Regulatory, legal and tax risks

7.2.1 Regulatory Risks

The Group must comply with various regulatory obligations governing the provision of services and products, particularly related to obtaining and renewing licences for using the spectrum. The regulatory obligations result from either legislation changes or administrative decisions. Currently, work is in progress on transposing the European Electronic Communications Code into Polish legislation. As the legislative process is pending, the ultimate provisions for the telecommunication market and the costs of their implementation have not been disclosed yet. Regulatory decisions and changes in the regulatory environment may have an adverse effect on the Group.

7.2.2 Risk Related to Acquisition of New Spectrum for High-tech Telecommunications Services

Growing demand for data services and future development of 5G systems will necessitate the allocation of new bandwidth both below and above 6 GHz.

The primary pioneer band used for the development of 5G networks in Europe is 3400–3800 MHz. In March 2020, the Office of Electronic Communications announced an auction for these frequencies. However, due to the COVID-19 pandemic, the auction was first suspended by the President of UKE, then annulled as a result of an amendment to the Telecommunication Law, which introduced new requirements related to cybersecurity and 5G network deployment. Furthermore, a legislation was passed to shorten the term of office of the then President of UKE. The new President of UKE took up his duties in September. On February 18, 2021, the Regulation of the Minister of Digital Affairs of January 28, 2021 amending the Regulation of the Minister of Digital Affairs of July 8, 2019 on the time schedule of assignment of certain spectrum resources used for civilian or civilian-government purposes came into force. It set a new deadline for the 3.7 GHz bandwidth distribution on August 27, 2021. However, the bandwidth had not been distributed by this deadline. The Regulation has not been amended again to set yet another deadline.

The auction dossier which was presented in March 2020 included provisions ensuring that only responsible and financially reliable operators would participate in the bandwidth distribution process. This was guaranteed by the requirement to hold a nationwide frequency licence and have a documented record of investments of at least PLN 1 billion in the preceding three years. A high bid bond and the deposit mechanism were to prevent the process from artificial price increasing by entities participating in the auction without the intent to buy the spectrum.

The main risks related to the 3400–3800 MHz bandwidth distribution are related to potential further delays in this process as well as the terms thereof. The new auction documentation is to include requirements related to 5G network cybersecurity for the first time. These requirements are to reflect the provisions of a new bill on the national cybersecurity system, but its legislative process has been protracted. If a new auction process is announced, its terms and conditions may be subject to various discussions and consultation, which may further impact the time to distribute the bandwidth. On the other hand, the risk of delays due to the ongoing pandemic situation in Poland seems limited at the moment. Another area of discussion concerns the method of distribution of the so-called ‘block 0’ in the 3400–3800 MHz band, particularly whether it could be effectively used by non-telecom companies for the purpose of private 5G networks. Currently, the process of the block 0 distribution is subject of public consultation.

Another uncertainty area is related to the distribution of the second digital dividend, that is 700 MHz spectrum. Pursuant to the European Commission’s decision, all Member States should allow the use of this band for mobile services by June 30, 2020 (or June 2022 at the latest). In December 2018, Poland applied to the Commission for extending the deadline for releasing the 700 MHz band until June 2022. In July 2019, the Ministry of Digital Affairs published the updated *National Plan for 700 MHz Spectrum Reallocation in Poland*. It indicates that a number of international agreements, particularly with the Russian Federation, need to be signed in order to enable the spectrum refarming for the purpose of mobile communication systems. It is of a high probability that such agreements will not be signed in specified deadliness so the frequency will not be fully available for telecommunication services.

Another risk is related to the way and the purpose of distribution of the 700 MHz spectrum. The new idea of 700Mhz usage is described in a draft act amending the act on the national cybersecurity system published in October 2021. It includes provisions regarding the establishment of the Strategic Security Network Operator (OSBB) and the company Polskie 5G [Polish 5G] as well as the related 700 MHz spectrum allocation method (via a tender method). Under the proposed scheme, frequencies in this bandwidth would be allocated in part to OSSB and in part to a telecommunications operator or a consortium of operators. The frequencies would be subsequently used for a single telecommunication network, that is a nationwide wholesale 5G network operated by Polskie 5G. The relevant legislative process is of particular interest to the Company.

7.2.3 Proceedings by UOKiK and European Commission Concerning Network Sharing

In 2014,Polkomtel sent a letter to the European Commission informing about a potential breach by Orange Polska S.A. and T-Mobile Polska of the Treaty provisions prohibiting agreements which may distort competition within the internal market (Article 101(1) of the Treaty). The letter also indicated a potential breach of the jurisdiction provisions contained in the Council Regulation 139/2004 on the control of concentrations between undertakings. Polkomtel claimed that the establishment of NetWorkS! should have been, allegedly, subject to approval by the European Commission rather than by UOKiK. In the ensuing proceedings, Orange Polska S.A. submitted the information and documents requested by the Commission.

UOKiK, which in 2014–2016 investigated the co-operation between T-Mobile and Orange Polska S.A. within their joint venture Networks!, completed the proceedings and announced that, if needed, it would submit its findings to the European Commission.

7.2.4 Increased Tax Burden Resulting from Changes in Legislation

Polish tax laws and regulations, in particular regarding value added tax and income tax, are complex and subject to frequent changes and contradictory interpretations by tax authorities. Changes in regulations, leading to lack of reasonable certainty of the tax system, may adversely affect the legal, business and financial situation of the Group. Recently, the Ministry of Finance has not indicated any plans to change VAT rates applicable to the services rendered by the Company; in particular, return to VAT rates of 22% and 7% is not intended. Furthermore, there has been a clear tendency of the Ministry of Finance to tighten up the tax system by eliminating solutions which used to enable lawful tax optimisation, imposing additional disclosure obligations, and introducing additional charges or taxes (e.g. retail sales tax or the minimum CIT). Other examples of such activities include the introduction of new obligations related to transfer prices or withholding tax (WHT), which considerably increase the administrative burden on the Company.

At the end of October 2021, a package of tax regulations under the so-called 'Polish Deal' was passed. In particular, it increased the personal income tax-free allowance to about PLN 30,000; raised the threshold for entering the highest personal income tax bracket from PLN 85,000 to PLN 120,000; introduced the minimum corporate income tax rate of 10% of the tax base; changed the health insurance premium accounting basis; excluded 'hidden dividends'; and extended the ' tax relief for middle class' to include the self-employed taxed according to the tax scale. Most changes entered into force on January 1, 2022.

Owing to the scale of the Company's operations, legislation changes in other areas, e.g. spatial planning, may also in the future negatively affect the amount of tax obligations of an infrastructure-based operator such as Orange Polska. Unclear provisions or unfavourable interpretations may result in increased tax burden.

7.2.5 Increase in Fees for the Use of Third Parties' Land for the Purpose of Development and Maintenance of Orange Polska's Infrastructure

Infrastructure of Orange Polska S.A. is built on land owned by third parties, and in some cases the Company does not possess, or has difficulties to identify, evidence that such third parties have agreed to the infrastructure being located on their land. In particular, this is the case for the old infrastructure used for fixed line services. In principle, the Company has the right to demand that its infrastructure remains where it has been originally located, though it has to pay for this. Also new investments are done on third parties' land and the Company has to pay for the right to use that land. The Company cannot exclude that payments for the use of third parties' land may increase.

7.3 Competitive risks

7.3.1 The risk of increasing competition on the market of convergent offers and sale of fiber services

In big cities, where cable TV (CATV) operators have an established position, Orange Polska has demonstrated that it can effectively compete with their comprehensive offer with its convergent service portfolio (Orange Love) and the growing reach of its fibre network. However, gradual expansion of CATV operators in local markets, where Orange Polska S.A. has had an established position hitherto, through organic growth or acquisitions, poses a risk for the Group. Therefore, Orange Polska S.A.'s FTTH investment programme covers also smaller towns, where CATV operators have not consolidated their presence yet.

In 2019, the Cyfrowy Polsat Group (currently Polsat Plus Group), strengthened by the acquisition of Netia, launched sales of convergent services based on a fixed network. Furthermore, Play concluded a co-operation agreement with Vectra (second largest cable television operator in Poland), which provides for sales of Vectra's fixed line services to Play's mobile customers. In 2020, Play was acquired by Iliad, a French-based operator, which may lead to transforming the former into a fully fixed-mobile provider of competitive convergent services. In 2021, Iliad announced its intention to acquire UPC Polska. All these developments may in the long run increase the risk to Orange Polska's strategic objectives in the convergent market.

In its strategy, Orange Polska intends to further increase the reach of its fibre services, which constitute the main basis for offering convergent services. However, unlike in previous years, this will be effected mainly through wholesale partnerships with other operators rather than construction of its own network. On the other hand, Orange Polska has declared that its own network will become more open to other operators. Consequently, we will compete for retail customers in an environment populated by more operators than hitherto. If the trends of opening fibre networks to wholesale agreements continue, it may result in the alignment of the reach of fibre services offered by various operators, and more intensified competition for retail customers in the future.

7.3.2 Further Fixed Line Customer Base Erosion Due to Fixed/Mobile Voice Substitution

For years, fixed/mobile substitution has been one of the major challenges for telecom operators, particularly in Central and Eastern Europe, where the fixed line penetration at the time of popularisation of mobile telephony was significantly lower than in West European countries.

The fixed/mobile substitution in Poland, like in other CEE countries, has a greater extent than in the majority of West European countries and the ratio of 'only-mobile' users is generally higher.

Offers in which a fixed voice service is an added value to a broadband or mobile service as the equivalent of a 'traditional' fixed line have been markedly gaining popularity. Such services dedicated to fixed applications (at home or office) but based on mobile infrastructure are generally offered by mobile operators; yet, also the mobile virtual network operator (MVNO) model has been increasingly used for this purpose, recently. Such operators as Netia, Novum or Telestrada gradually migrate their fixed-line customers to mobile networks.

7.3.3 Potential Limitation of Sales of Services Offered by Mobile Operators Due to Actions of the State Administration

The actions undertaken by public authorities in the telecommunication market may in the long run limit the possibility for Orange Polska to offer its services directly to state administration entities, which could have an adverse impact on the Company's revenues and financial result.

7.4 Risks related to macroeconomic environment and financial markets

Macroeconomic Factors

7.4.1 Disturbances in Global Supply Chains

One of the effects of the pandemic, in its early stage, was temporary suspension of production of electronic components by some manufacturers, mainly in East Asia, who closed their factories due to pandemic restrictions as well as the anticipated decrease in demand of consumers. A reduction in the manufacturing potential coupled with rapid growth in orders placed by the telecommunications industry (as well as car industry, etc.) in the months after the reopening of the economy led to a significant increase in the waiting time for displays, integrated circuits or semiconductor elements, which are major components of network equipment and electronic appliances (IoT and customer devices, such as set-top boxes, modems, handsets and accessories, as well as their parts). The problem of non-availability is worsened by the constantly insufficient capacity of the transport industry, which is under pressure of the overwhelming volume of orders, labour and container shortages and one-off issues, such as the blockade of the Suez Canal, an important trade route between Asia and Europe. Restrictions on the use of electricity in China add to the current difficult situation in global markets, as they may result in production downtime and consequently exacerbate the problem of non-availability in subsequent months. Finally, the effects of the disruption of trade between the United States and China are still experienced.

Although Orange Polska uses services of a number of reliable suppliers, the fact that a considerable proportion of electronics manufacturers are located within a single region geographically distant from the EU may cause delays in the delivery of orders and temporary non-availability of customer devices, but also delays in infrastructural investment projects.

7.4.2 Risk of Lower Than Expected Economic Growth Due to Negative Internal and External Factors

The uncertainty which began almost two years ago with the outbreak of the COVID-19 pandemic is still reflected in the macroeconomic forecasts. In 2020, Poland, compared to other EU countries, experienced a relatively mild decline in GDP (-2.5% in 2020 vs. 4.7% growth in 2019). Subsequent waves of the pandemic did not hit the economy as hard as had been initially expected. And 2021 brought an economic recovery driven by private consumption expenditure in the context of low interest rates in the market. According to the consensus forecast, GDP growth will be around 5.1% in 2021 and slightly lower, 4.8%, in 2022.

Poland’s economic growth in 2022 will be influenced by both internal and external factors. The internal factors include the impact of the pandemic on the domestic market, domestic demand, National Bank of Poland’s monetary policy (expected further increases in the reference rate) and the situation in the labour market with continued pressure of wages. Growing percentage of vaccinated population in Poland coupled with lack of lockdowns and the lifting of key restrictions on business positively influenced consumption expenditure and Poland’s economic growth in the first three quarters of 2021. However, analysis of the pandemic situation indicates that Poland has one of the lowest vaccination rates and, in the fourth quarter, one of the highest COVID-19 mortality rates among the EU countries. Poland, unlike West European countries, has not introduced preventive measures in the form of the so-called ‘COVID passports’ to mitigate the spread of the pandemic. In consideration of the above and the spread of the Omicron variant of the virus, the impact of the pandemic on Poland’s economy in 2022 remains uncertain.

The external factors to have the greatest influence on the economic growth in Poland include raw material prices in international markets (with huge impact on the inflation rate in Poland in 2021 and its expected level in 2022), access to European funds (due to the ongoing dispute with EU institutions over the rule of law in Poland) and geopolitical risk (due to the policy pursued by Belarus and Russia on the eastern border of Poland).

Prospects of Poland’s economic growth depend also on the condition of other European economies and the economic climate in global markets. Problems in supply chains in global markets and the uncertainty regarding the development of other economies may have adverse effects on Poland’s GDP growth rate.

7.4.3 Reduced Profitability of the Telecommunications Sector Due to Growing Inflationary Pressure

Average annual CPI reached 3.4% in 2020 and was significantly above the National Bank of Poland’s inflation target (2.5%). High inflationary pressure is expected to continue in the next year, mainly due to a rise in raw material prices (gas, energy) and problems with global supply chains. According to the current consensus forecast of the average annual inflation rate, inflation will accelerate in 2022 versus 2021, namely to 6% versus. 5.1%, respectively.

Despite continued inflationary pressure, the Monetary Policy Council in the face of the pandemic maintained the reference rate at 0.10% in 2020. In the fourth quarter of 2021, the Council raised the reference rate three times, taking it to 1.75% at the end of the year. As the growth of inflation is expected to continue in 2022, further increases in the reference rate cannot be ruled out.

Continued uncertainty of the future accompanied by high inflation rate may result in reduced demand for telecommunication services. Furthermore, growing competition in the telecom market, including the convergent segment, may intensify pressure on service prices.

Furthermore, prices of telecommunication services are very low in Poland compared to other EU countries, and with high inflation 24-month subscriber agreements may pose a risk to future profitability. High inflation also affects other operating and financing activities of the Company (including purchases, wages and profitability of the undertaken projects).

One of the drivers of inflation are electrical energy prices. According to the Polish Power Exchange data, the weighted average price of a yearly contract with base load delivery in 2022 was PLN 384/MWh in 2021, which was an approximately 65% increase (versus the price of a yearly contract for 2021 in 2020). The average price of such a contract in December 2021 alone was as high as PLN 722/MWh, while the average price of electricity in the spot market was PLN 830/MWh in the same month, even reaching levels of more than PLN 2,000/MWh. The surge in electricity prices in 2021 was driven by an increase in the price of CO_2 emission allowances from 30 EUR 30/t to EUR 90/t, rising gas prices in the second half of the year (the weighted average gas price of a yearly contract with base load delivery for another year was up 155% year-on-year) coupled with post-pandemic rebound on the demand side. We expect that our energy costs may significantly increase this year fro PLN 250 million in 2021 putting significant pressure on our profitability.

7.4.4 Intensification of Negative Trends in the Labour Market

The impact of the outbreak of the COVID-19 pandemic on Poland's labour market was limited. With the economic recovery after the end of the lockdown period and partial lifting of restrictions in 2020, the demand for labour increased. In 2021, the continued economic recovery coupled with rapidly growing private consumption expenditure resulted in a further increase in the demand for employees; furthermore, workforce shortages and rapidly growing inflation in Poland led to growing pressure on wages. In 2022, in the context of continued economic growth, these trends are expected to continue. According to the consensus forecast, the unemployment rate in Poland will fall in the next few years, oscillating around 5.9% in 2021 and reaching an estimated level of 5.4% in 2022.

7.4.5 Risk of Reduced Influx of EU Funds for Infrastructure Investments

A potential decrease in influx of EU funds, which are of key importance for the development of the telecommunications infrastructure, poses a risk to the entire Polish economy, including the telecom market. This risk may result from linking the distribution of resources from the new framework (2021–2027) to the respect for the principles of the rule of law in Poland.

Factors Related to Financial Markets

7.4.6 Increase of Interest Rates

In 2020, in the face of the pandemic, the Polish central bank lowered the reference rate to its historic low of 0.10%. This low interest rate was maintained throughout the first three quarters of 2021. In the fourth quarter, due to rapidly growing inflation, the Monetary Policy Council raised the reference rate to 1.75%. The prospects of the continued economic growth in 2022 and the projected higher inflation compared to 2021 are likely to result in further interest rate increases. However, higher interest rates should not have any material impact on liabilities of Orange Polska owing to a hedging portfolio it maintains.

7.4.7 Depreciation of the Local Currency

Foreign exchange rate fluctuations affect Orange Polska's liabilities denominated in foreign currencies and settlements with foreign operators. However, this influence is greatly contained by a portfolio of hedging instruments held by Orange Polska. In 2021, the Polish zloty lost 1.1% against the euro and 9.7% against the US dollar. Any potential depreciation of the Polish zloty should not influence Orange Polska's liabilities denominated in foreign currencies or settlements with foreign operators owing to a high hedging ratio.

7.4.8 Risk of Asset Impairment

The recoverable amounts of enterprises, which affect the accounting value of fixed assets, including goodwill, are sensitive to valuation methods and model assumptions, as well as to any changes in the business environment contrary to the assumptions made. For more information about goodwill impairment and recoverable amounts please see notes to the Consolidated Full-Year Financial Statements.

7.4.9 Factors That May Influence the Price of Orange Polska Shares

Other than major factors already mentioned earlier in this document, the following may also result in changes in Orange Polska share price:

- Implementation of the new strategy;
- Change in the outlook for dividend payments;
- Change in the Group's debt;
- Sale or purchase of significant assets by the Group;

- Significant changes in the shareholder structure; and
- Changes in the capital market analysts' forecasts and recommendations concerning the Group, its competitors and partners, or business sectors in which the Group operates.

CHAPTER V
STATEMENTS

8 STATEMENTS OF THE MANAGEMENT BOARD

8.1 Statement on Adopted Accounting Principles

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

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

hereby confirms that according to its best knowledge the annual consolidated financial statements and annual standalone financial statements of Orange Polska S.A. as well as comparable data have been drawn up in compliance with the accounting regulations in force and reflect the property, financial standing and financial result of Orange Polska S.A. and its Group 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.

8.2 Agreement with the Licensed Auditor

On March 19, 2020, the Supervisory Board of Orange Polska S.A. passed a resolution on selecting KPMG Audyt spółka z ograniczoną odpowiedzialnością sp. k. to audit financial statements of Orange Polska S.A. and the Orange Polska Group for 2021 to 2025 and to review the relevant interim six-month financial statements of Orange Polska S.A. and the Orange Polska Group.

On October 5, 2020, Orange Polska S.A. concluded an agreement for 2021–2025 with an entity licensed to audit financial statements, pursuant to which KPMG Audyt spółka z ograniczoną odpowiedzialnością sp. k. performed the following:

- reviews of the standalone financial statements of the Company and the consolidated financial statements of the Group for the first six months of 2021 prepared in accordance with IFRS; and
- an audit of the standalone financial statements of the Company and the consolidated financial statements of the Group for 2021 prepared in accordance with IFRS; and
- procedures regarding the Magnitude reporting package of Orange Polska S.A.

Audits of financial statements of subsidiaries have been performed under separate agreements between KPMG Audyt spółka z ograniczoną odpowiedzialnością sp. k. and each subsidiary.

The aggregate remuneration payable for auditing and reviewing the above-mentioned financial statements and other services rendered by KPMG Audyt spółka z ograniczoną odpowiedzialnością sp. k. for 2021 is presented below (in PLN '000):

	2021
Audit of the consolidated financial statements of the Group, the standalone financial statements of Orange Polska S.A. and financial statements of its subsidiaries for the year 2021, as well as review of the consolidated financial statements of the Group and the standalone financial statements of Orange Polska S.A. as of June 30, 2021	2,715
Other services	531
Total amount payable by the Group	3,246

Audit of the standalone financial statements of Orange Polska S.A. and the consolidated financial statements of the Group for the year 2020 and reviews of the standalone financial statements of Orange Polska S.A.and the consolidated financial statements of the Group for the first six months of 2020 have been performed by Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. In 2020, the aggregate remuneration for auditing and reviewing the above-mentioned financial statements and other services rendered by Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. was as follows: PLN 2,660 thousand for audit of financial statements of the Group, Orange Polska S.A. and its subsidiaries as well as review of financial statements of the Group and Orange Polska S.A.; PLN 405 thousand for other services to Orange Polska S.A.; and PLN 1,168 thousand for audit of annual regulatory statements of Orange Polska S.A. in line with the Telecommunication Law.

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

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

The forecast was met, as EBITDAaL was PLN 2,963 million in 2021, which is a 5.9% increase year-on-year.

The growth of EBITDAaL was mainly a result of very strong results in core telecom services and ICT services as well as the continued cost transformation.

8.4 Information on the Audit Firm Selection Policy

1) On March 19, 2020, it passed a resolution on selecting KPMG Audyt spółka z ograniczoną odpowiedzialnością sp. k. to audit financial statements of Orange Polska S.A. and the Orange Polska Group for 2021 to 2025 and to review the relevant interim six-month financial statements of Orange Polska S.A. and the Orange Polska Group;
2) Both the audit firm and the audit team members met the conditions to develop an impartial and independent report on the audit of annual financial statements in line with the mandatory legal provisions, standards of profession and rules of professional ethics;
3) Orange Polska complies with the provisions on the rotation of the audit firm and the key auditor as well as mandatory cooling-off periods;
4) Orange Polska has adopted the audit firm selection policy and the policy for provision of authorised non-audit services by an audit firm conducting the audit, entities affiliated with that audit firm or a member of their networks, including services exempted conditionally from the ban on provision of services by an audit company;
5) Orange Polska complies with the requirements for the establishment, composition and functioning of the Audit Committee, particularly the independence criteria for the majority of its members and the requirements for their qualifications and knowledge of the industry in which Orange Polska operates, as well as accounting or audit;
6) The Audit Committee has performed the tasks set forth in the mandatory legal provisions.

9 CORPORATE GOVERNANCE STATEMENT

(a) Company's corporate governance policy

Pursuant to the resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange dated 13 October 2015, the Company, as an issuer of securities listed on the Warsaw Stock Exchange (WSE), was obliged to comply with the corporate governance practices set out in the *Best Practice for WSE Listed Companies 2016*, which remained in force until June 30, 2021. Since July 1, 2021, pursuant to the resolution 13/1834/2021 of the Supervisory Board of the Warsaw Stock Exchange dated March 29, 2021, the Company has been obliged to comply with the corporate governance practices set out in the *Best Practice for GPW Listed Companies 2021*.

The latter in is available at http://corp-gov.gpw.pl.

(b) Corporate governance compliance

In 2021, the Company complied with the corporate governance best practice referred to above except for the principle 2.1 in its part regarding a separate diversity policy for the Supervisory Board, and principle 2.2 in its part regarding diversity in the composition of the Management Board.

Orange Polska intends to develop and adopt a Diversity Policy for the Supervisory Board at the nearest General Meeting.

Furthermore, pursuant to the Diversity Management Policy applicable to the Management Board adopted on November 3, 2021, with regard to gender diversity, in the process of appointment of the Members of the Management Board of Orange Polska the Supervisory Board will strive to achieve the minimum participation of women of at least 30%. As of December 31, 2021, the participation of women in the Supervisory Board and the Management Board is 36% and 25%, respectively.

(c) Description of major features of Orange Polska's internal control and risk management systems with respect to the process of development of standalone and consolidated financial statements (please see chapter IV for additional information on key risk factors)

The system of internal control and risk management in Orange Polska S.A. has been designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Code of Ethics encompasses relations with customers, shareholders, employees, suppliers, competition and also with respect to the environment in which the Group operates. A whistleblowing system, which has been used effectively for years, is co-ordinated by the Ethics Committee of Orange Polska, which was established in 2007. The process enables problem identification through a number of communication channels for employees, associates and external partners, such as emails to the dedicated mailbox, letters to the Chairman of the Ethics Committee, contact with the Chairman of the Audit Committee of the Supervisory Board, anonymous reports on the dedicated intranet website or the Orange Group website. Regular training on ethics is provided to employees, which is confirmed by certification.

In accordance with the approach adopted by the Orange Group assuming gradual implementation of subsequent elements of the Compliance Programme, the Anti-Corruption Policy and Guidelines have been introduced in Orange Polska. These regulations contain detailed rules and standards as well as references to specific conditions and circumstances relating to the identification and mitigation of the risk of corruption. They are regularly reviewed and updated, if required. In addition, a number of information and training actions are carried out in order to raise employees' awareness of anti-corruption laws and rules. The Compliance Programme encompasses a mechanism for reporting cases of corruption, influence peddling and actual or suspected infringement of legal regulations. These may be reported through the same channels which are used for reporting unethical conduct. Reports are confidential and are examined with proper care. The Programme and the Policy are also supported by a due diligence process for screening business partners as well as a cyclic review of corruption risks. The mechanisms functioning within the Company comply with the *Standards recommended for the compliance management system on counteracting corruption and the whistleblower protection system* adopted by the Warsaw Stock Exchange in October 2018. In order to comply with the current legal requirements regarding whistleblowing systems, Orange Polska closely monitors its legal environment and adjusts its internal procedures to the relevant legal regulations.

The Group is diligent in its approach to reporting financial results and its ongoing communication with the Polish and international investment community, as well as fulfilling its disclosure obligations. Key managers responsible for the financial, legal, regulatory and internal control functions review financial statements and make comments thereto at the Disclosure Committee. The purpose of the Committee's meetings is to ensure that financial disclosures are timely, exact, transparent, complete, and presented in accordance with all relevant laws, applicable regulations and recognised practices, as well as being properly representative of the financial and operational condition of both the Company and the Orange Polska Group. In 2021, the Disclosure Committee had four meetings. In addition, the Audit Committee reviews the financial disclosures of the Company and the Group before they are published.

The key elements of Orange Polska S.A.'s internal control and risk management system include the following procedures:

(1) An internal audit function, which functionally reports to the President of the Management Board. The internal audit programme is developed on the basis of, *inter alia*, the Company's key risks, and annually reviewed by the Audit Committee, which also analyses the Group's Internal Audit reports. In order to promote an appropriate independent outlook for the Internal Audit, decisions regarding the conclusion and termination of an employment contract with the Group Internal Audit Director as well as his evaluation and remuneration require an opinion of the Audit and Remuneration Committees. The Group Internal Audit Director attends all meetings of the Audit Committee.

(2) The Company conducts ongoing assessments of the quality of the risk management system and internal controls. This process includes identification and classification of Orange Polska S.A.'s financial and non-financial risks as well as verification of the effectiveness of the risk management system – please see Chapter IV, section 7 above.

(3) Procedures were implemented in order to identify, report and monitor significant risks (i.e. legal, regulatory, environmental, financial reporting and operational) effectively on an ongoing basis. It provides a framework for ongoing risk-controlling activities.

In 2021, the Management Board again completed a comprehensive assessment of the Group's internal controls over financial reporting. Any identified weaknesses were corrected. As a result of the assessment, the Management Board concluded that there were no weaknesses that would materially impact the internal control over the financial reporting at December 31, 2021.

(d) Indication of shareholders holding, directly or indirectly, significant batches of shares, including the number of shares held, the interest in the Share Capital, the corresponding number of votes and the percentage of the total voting power at the General Meeting

Please see section 6.4 above for the information about major shareholders.

(e) Indication of holders of any securities granting special control rights and description of such rights

The Company has not issued any securities granting any special control rights to shareholders or other entities.

(f) Indication of any restrictions concerning the exercise of the voting rights on shares, such as restriction of the voting rights to a certain percentage or number of votes or temporary restriction of the voting rights, or regulations according to which, in conjunction with the Company, the rights on securities are separated from the ownership of securities

The Company has not introduced any specific restrictions concerning the exercise of the voting rights on shares.

(g) Indication of any restrictions concerning transfer of ownership of the securities issued by Orange Polska S.A.

The transfer of ownership of the securities issued by the Company is not subject to any restrictions.

(h) Description of procedures for appointment and removal of managing persons as well as their rights, particularly the right to make decisions regarding the issuance or redemption of shares

Under the Articles of Association of the Company, the Management Board shall consist of between three and ten Members, including the President. They are appointed and removed by the Supervisory Board by a simple majority of the votes cast. Recommendations on the appointment of the new Members of the Management Board are made to the Supervisory Board by the Remuneration Committee thereof. Currently, the Management Board consists of eight Members, including the President. The term of office for the Member of the Management Board is three years. The Management Board's remit comprises the management of all aspects of the Company's affairs, with the exception of the matters which under the Polish Commercial Companies Code or the Articles of Association shall be within the competence of the General Meeting or the Supervisory Board. In particular, the powers of the Management Board include development of the Group's strategy and budget; establishment, transformation and liquidation of the Company's business units; and governance of the Group subsidiaries. Any decisions regarding the issuance or redemption of the Company's shares are exclusively within the competence of the General Meeting.

The powers of the Management Board are detailed in the Management Board by-laws, available at www.orange-ir.pl.

(i) Description of procedures for amending the Articles of Association or the deed of the company

Any amendment to the Articles of Association shall require a resolution of the General Meeting adopted by a majority of the three quarters of votes. Such amendments shall be presented to the Supervisory Board for its opinion and shall be submitted to the shareholders no later than 26 days before the date of the General Meeting. There were no amendments to the Articles of Association in 2021.

(j) Rules of operation of the General Meeting and its major responsibilities, and description of the shareholders' rights and the way of exercise thereof, particularly the rules resulting from the General

Meeting by-laws, if any, unless the information in this respect results directly from mandatory regulations

I. The General Meeting shall be convened by the Management Board or by the Supervisory Board, if the Management Board fails to convene it within the period set out by the law. The Annual General Meeting shall be held not later than six months after the end of each financial year.

An Extraordinary General Meeting shall be convened by:

(1) the Management Board upon its own initiative or upon a written motion of the Supervisory Board or shareholder(s) representing at least 5% of the share capital; or

(2) the Supervisory Board, if it is necessary in its opinion; or

(3) shareholder(s) representing at least half of the share capital or at least half of total votes in the Company.

An Extraordinary General Meeting convened upon a motion of the Supervisory Board or the shareholders representing at least 5% of the share capital shall be convened within two weeks from the date of the motion.

General Meetings shall be held in Warsaw. The General Meeting shall be valid irrespective of the number of shares represented.

The agenda of the General Meeting shall be determined by the body or entity that had convened the General Meeting. If the General Meeting is convened upon a motion of the Supervisory Board or shareholder(s), the Management Board shall include on the agenda the matters indicated by the party submitting the motion.

The Supervisory Board or the shareholders representing at least 5% of the share capital may request that particular matters be included on the agenda of the next General Meeting. The request shall be submitted to the Management Board in writing or by electronic means at least 21 days prior to the General Meeting. The request shall be accompanied by a justification or a draft resolution regarding the proposed point.

Any matters to be resolved by the General Meeting shall first be presented by the Management Board to the Supervisory Board for its opinion.

The following matters shall in particular be within the competence of the General Meeting:

(1) review and approval of the financial statement and report on the Company's activity in the previous financial year;

(2) distribution of profits or coverage of losses;

(3) confirming proper execution of duties by the members of the Boards of the Company;

(4) change of the objects of the Company;

(5) amendment to the Articles of Association, including an increase or reduction of the share capital;

(6) merger or change of the legal form of the Company;

(7) dissolution and winding-up of the Company;

(8) issuance of convertible bonds or first option bonds;

(9) appointment and removal of the members of the Supervisory Board;

(10) any decision on claims for compensation of damages suffered in the course of the Company's establishment or during the execution of managerial or supervisory functions;

(11) transfer or lease of the Company's business or its organised part or the grant of usufruct thereon;

(12) other matters set out in the Commercial Companies Code, other mandatory provisions or herein, excluding purchase and acquisition of real estate, the right of perpetual usufruct or a share in real estate, which lie within the competence of the Management Board and do not require passing a resolution by the General Meeting of Shareholders.

The resolutions of the General Meeting shall be adopted by a simple majority of votes cast unless the Commercial Companies Code or the Articles of Association provide otherwise.

The voting at the General Meeting shall be open. A secret ballot shall be used at elections or upon motions for removal of the members of the Company's Boards or liquidators, for calling them to account for their actions or in personal matters. A secret ballot shall also be used whenever requested by at least one of the shareholders or their representatives present at the General Meeting.

According to the adopted by-laws, the General Meeting shall be opened by the Chairman of the Supervisory Board or his deputy, or, in case of their absence, by the President of the Management Board or a person designated by the Management Board. Thereafter, the Chairman of the General Meeting shall be elected from among the persons entitled to take part in the General Meeting. After each subsequent matter on the agenda has been presented, the Chairman shall open a discussion giving floor to speakers in the sequence in which they have declared their willingness to speak. Upon the consent of the General Meeting, several items of the agenda may be discussed jointly. The participants may speak only on the matters which have been put on the agenda and are being considered at that moment.

II. Pursuant to the Regulations of the General Meeting of Orange Polska S.A., the shareholders have the following rights:

(1) The shareholders may take part in the General Meeting and exercise the right to vote in person, by a proxy holder (other representatives) or by means of electronic communication, provided that such a possibility has been specified in the announcement convening the General Meeting.

(2) Each shareholder entitled to participate in the General Meeting has the right to stand as a candidate for the Chairman of the General Meeting or to put forward one candidate for the position of the Chairman of the General Meeting to the minutes.

(3) When every point on the agenda is considered each shareholder has the right to one speech of 5 minutes and a reply of 5 minutes.

(4) Each shareholder has the right to ask questions on any matters on the agenda.

(5) The shareholder has the right to object a decision of the Chairman of the General Meeting. The General Meeting shall decide in a resolution whether the decision of the Chairman be upheld or reversed.

(6) Each shareholder has the right to suggest amendments or additions to draft resolutions, which are covered by the agenda of the General Meeting, by the time of closing the discussion over the item on the agenda referring to the draft resolution to which the suggestion is related.

(k) Composition and changes thereof in the last financial year, and description of bodies that manage, supervise or administer Orange Polska S.A. and any committees thereof

I. Composition of the Management Board in 2021

Composition on January 1, 2021:

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

The following changes took place in 2021:

On July 1, 2021, Jolanta Dudek, previously in charge of Customer Experience, became the Vice President of the Management Board in charge of Consumer Market.

Composition on December 31, 2021:

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

Profiles of Management Board Members:

Mr. Julien Ducarroz (born 1975), CEO and President of the Management Board of Orange Polska since September 1, 2020. Between 2016 and 2020 he was the CEO of Orange Moldova, the country's largest convergent operator. His achievements included the launch of convergent services with the acquisition of major cable operators, cultural transformation to implement entrepreneurial mindset and adopt agile ways of working across the organisation, and preparation for the introduction of mobile financial services.

Julien Ducarroz has extensive experience in the telecom industry, with more than 10 years on executive positions, gained in different countries in a number of areas, including strategy and commercial functions. He joined the Orange Group in 2002 in the International Division, then continued as the Business Intelligence and Value-based Marketing Manager in Orange Group Marketing in London (2003-2004). Subsequently, he became the Deputy Chief Marketing Officer in Orange Nederland (2006-2007). In 2007 he joined Orange Romania as the Strategy Director, and from May 2009 to May 2016 he managed sales, marketing and marketing communication as the Chief Commercial Officer. He has graduated from Swiss Federal Institute of Technology of Lausanne and Zurich.

Ms. Jolanta Dudek (born 1964), Vice-President of the Management Board of Orange Polska in charge of Consumer Market since July 1,2021. She began her career in telecommunications at PTK Centertel in 2000, holding management positions related to mass customer care and taking part in the development of customer service for the Idea mobile network. Between 2004 and 2010, she served as Director of Business Customer Service for the Orange network. In October 2010, she was appointed Director of Mobile Business Customer Service in Orange Customer Service. From November 2013, she was the Executive Director in charge of Customer Care in Orange Polska. Until incorporation of Orange Customer Service into Orange Polska's main structure in 2016, she served as CEO of Orange Customer Service. She was responsible for the area of Customer Care and Customer Excellence in Orange Polska from 2014. In 2015, she was appointed the Management Board Member in charge of Customer Experience.

She is a graduate of the Faculty of Philology at the University of Silesia and postgraduate studies in European Economy Management with a diploma from French Ecole des Hautes Etudes Commerciales (HEC) and the Warsaw School of Economics (SGH). She is also a graduate of postgraduate studies at the Academy of Leadership Psychology at Warsaw University of Technology Business School. She is also an experienced Lead Auditor of Quality Management System ISO 2002 and Customer Operations Performance Center (COPC®) Co-ordinator.

Ms. Bożena Leśniewska (born 1965), Vice-President of the Management Board in charge of Business Market, including the entire area of IT services. She has over twenty years' experience in management and technology. She consistently moved up the ladder, from a sales representative (DHL), manager and regional director (Polkomtel) and HQ department director (Polkomtel, PTK Centertel, Telekomunikacja Polska S.A.) to Executive Director and Management Board Member at Orange Polska.

She is a graduate of the Jagiellonian University, the Academy of Leadership Psychology at Warsaw University of Technology Business School, and AMP at INSEAD. She is a member of the Responsible Leadership Council of the Responsible Business Forum, a member of the Professional Women Network and the President of LiderShe. Furthermore, she has been an active mentor in mentoring programmes held by Vital Voices, Perspektywy Education Foundation and others.

Mr. Witold Drożdż (born 1974), Management Board Member in charge of Strategy and Corporate Affairs since November 2018. Previously, he served as Executive Director in charge of Corporate Affairs from 2012 to 2018. He sits on the Orange Foundation Board and the Supervisory Board of Orange Energia sp. z o.o.

From 2010 to 2012, he was the Vice-President of the Management Board and then acting President of the Management Board of PGE Energia Jądrowa S.A. Between 2007 and 2010, he served as Deputy Minister of Interior and Administration, responsible for the development of information society and public records, as well as Chairman of the government Digital Poland Committee and a member of the government Committee for Energy Security and the inter-ministerial Committee for Digital TV and Radio Broadcasting.

He was awarded Info-Star (2009), INFOSTAT (2009) and Electronic Economy Ambassador (2008) awards. He sits on the Orange Foundation Board and the dialogue and the University of Warsaw Co-operation and Dialogue Council. He is a member of the Employers of Poland Board.

He is a graduate of Law and International Relations at the University of Warsaw and has completed the Stanford Executive Program at Stanford University.

Mr. Piotr Tadeusz Jaworski (born 1961), Management Board Member in charge of Network and Technology since November 2018. From September 2016 he held the position of Executive Director in charge of Network and Technology in Orange Polska. He is a member of the Orange Network Experts Committee. He is also the Chairman of the Supervisory Boards of TP Teltech, NetWorkS! and Światłowód Inwestycje.

Piotr Jaworski has been working at Orange Polska (formerly Telekomunikacja Polska) since 1991, initially as the Technical Manager in the Białystok Technical Unit, then, in the Company's headquarters, as the Director of the Business Customer Relations Department and Regional Executive Director (for South and Central Regions). Between 2007 and 2013, he was the Technical Customer Service Director. Then, until 2016, he worked as the Service Delivery and Maintenance Director, responsible for technical processes of service provision and maintenance (for both Orange customers and alternative operators), network investments (including VHBB FTTH roll-out) and active network maintenance. He has been the leader of several projects in customer experience development. He has been involved in charity work for years.

He graduated in electronic engineering from the Warsaw University of Technology and holds MBA qualifications from the University of Gdańsk and the University of Strathclyde in Glasgow.

Mr. Jacek Kowalski (born 1964), the Management Board Member in charge of Human Capital since January 2011. Previously, from 2009 he was the Executive Director in charge of Human Resources at Telekomunikacja Polska (now Orange Polska). He has worked for the Company for over ten years. He started his career in the Group in 2001 as the Manager of Human Resources in Sales & Marketing at PTK Centertel. From 2005, he was the Branch Director for Employee Competence and Development Management. Prior to that, he worked as the Director of the Entrepreneurship and Human Resources School in Infor Training (an Infor Media Group company) and the Director of the National In-Service Teacher Training Centre, responsible for the implementation of training programmes supporting the development of education in Poland.

He graduated from the Faculty of History at the University of Warsaw (1989) and completed postgraduate studies in local government and non-governmental organisation management also at the University of Warsaw (1996). He is a member of the Advisory Board of the Polish Human Resources Management Association.

Mr. Jacek Kunicki (born 1979) has worked at Orange Polska since 2003, holding a number of managerial positions of growing responsibility within the finance area. In particular, he was the Director of Investor Relations from 2010 to 2014 and Orange Polska Group Chief Controller from 2014. Jacek Kunicki has held the position of Orange Polska Chief Financial Officer as the Executive Director in charge of Finance from March 31, 2020 and as the Management Board Member in charge of Finance from July 21, 2020.

Jacek Kunicki is a Member of the Supervisory Boards of several Orange Polska Group companies: TP Teltech, NetWorkS!, Światłowód Inwestycje and BlueSoft. Prior to Before joining Orange, he worked in the finance team of the telecom operator Energis Polska. He graduated from the Higher School of Management in Warsaw and holds an MBA from the Oxford Brookes University.

Mr. Maciej Nowohoński (born 1973), Management Board Member in charge of Carriers Market and Real Estate Sales (previously in charge of Finance from March 2014). He has been with Orange Polska since 2003 and has held several positions of growing responsibility in finance, including Orange Polska Group Controller in 2006–2014. He was a Member of the Management Board of Emitel from 2010 to 2011 and the Chief Financial Officer of PTK Centertel between 2011 and 2013. Since January 2020, he has been responsible also for the carriers market. Furthermore, he sits on Supervisory Boards of selected Orange Polska Group companies. Prior to joining the Orange team, he worked for Arthur Andersen and Andersen Business Consulting.

He is a graduate of the Foreign Trade Faculty of the Economic University of Poznań and the Dutch HAN University of Applied Sciences in Nijmegen (the Netherlands).

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

Composition of the Supervisory Board on January 1, 2021:

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

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

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

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

Composition on December 31, 2021:

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

13. Jean-Michel Thibaud – Board Member
14. Jean-Marc Vignolles – Board Member and Chairman of the Strategy Committee

As at December 31, 2021, Orange Polska had five independent Members on the Supervisory Board, namely John Russell Houlden, Prof. Michał Kleiber, Monika Nachyła, Maria Pasło-Wiśniewska PhD and Wioletta Rosołowska.

Composition of the Committees of the Supervisory Board on December 31, 2021:

The Audit Committee

1. John Russell Houlden – Chairman
2. Monika Nachyła
3. Maria Pasło-Wiśniewska PhD
4. Marc Ricau
5. Jean-Michel Thibaud

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

The Remuneration Committee

1. Maria Pasło-Wiśniewska PhD – Chairwoman
2. Prof. Michał Kleiber
3. Marc Ricau
4. Jean-Marc Vignolles

The Strategy Committee

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

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

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

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

Supervisory Board	**Year of AGM**
Maciej Witucki – Chairman	2022
Ramon Fernandez – Deputy Chairman	2024
Marc Ricau – Secretary	2022
Philippe Béguin	2024

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

III. Operations of the Management Board

The Management Board shall manage the Company's affairs, administer its assets and represent the Company towards third parties. The members of the Management Board shall perform their duties in person. The operations of the Management Board shall be managed by its President. Meetings of the Management Board shall be chaired by the President of the Management Board or, in case of his absence, another member of the Management Board designated by the President. Resolutions may be adopted if all members of the Management Board have been duly notified about the meeting. Resolutions of the Management Board shall be adopted by an absolute majority of votes of all appointed members of the Management Board. Individual members of the Management Board shall manage the areas of the Company's operations assigned to them.

In particular, Management Board's resolutions are required in the following affairs of the Company:

(1) formulation of the Company's strategies and approval of multiannual plans for development of its individual activity areas;
(2) approval and update of the budget of the Company;
(3) determining amounts of capital expenditures and sources of their financing;
(4) contracting loans and other financial liabilities;
(5) granting collaterals and guarantees;
(6) Organisational Regulations of Orange Polska S.A.;
(7) establishment, transformation and liquidation of the Company's organisational units as defined in the Organisational Regulations of Orange Polska S.A.;
(8) rules for granting powers of attorney;
(9) formulation of human resources and remuneration policies within the Company;
(10) proposing motions to the Company's governing bodies in the situations set out in the Commercial Companies Code or the Company's Articles of Association;
(11) adoption of annual standalone and consolidated financial statements and the Management Board's reports on the activity of the Company's and the Group and submitting those documents to the Supervisory Board within the required time limits;
(12) proposing resolutions on distribution of profits or coverage of losses to the General Meeting;
(13) formulation of rules of assets disposal;
(14) the Company's property transformation and public trading in the Company's securities;
(15) exercising corporate oversight over Orange Polska S.A.'s subsidiaries;
(16) participation in other companies or legal entities, except for economic organisations and associations;
(17) concluding and implementing agreements between the Company and the trade unions operating within it, except for the matters which fall within the competence of the managers of the Company's business entities;
(18) negotiating and settling labour disputes;
(19) rules for the appointment to top management positions, including terms of employment and amount of remuneration.

The President of the Management Board acting jointly with another member of the Management Board shall be empowered to represent the Company.

The responsibilities and obligations of the Management Board are detailed in the Management Board by-laws, available at www.orange-ir.pl.

IV. Operations of the Supervisory Board

The Supervisory Board shall consist of between nine and sixteen Members, including at least four independent Members. The Supervisory Board currently consists of fourteen Members, including five independent Members. The independent Members of the Supervisory Board shall meet the criteria set out for independent members of audit committees in the Act on statutory auditors, audit firms and public oversight and the conditions set out in the Articles of Association. The independent Supervisory Board Members shall submit quarterly statements to confirm meeting the aforementioned criteria and conditions of independence. The Supervisory Board Members shall be appointed by the General Meeting (or, in exceptional cases specified in the Articles of Association, by the Supervisory Board). The term of office for the Member of the Supervisory Board is three years.

The work of the Supervisory Board shall be co-ordinated by the Board Chairman with the assistance of the Board Secretary. The Chairman of the Supervisory Board shall convene the meetings of the Supervisory Board and shall chair such meetings. The Supervisory Board shall hold a meeting at least once a quarter. The Management Board or a member of the Supervisory Board may demand convening a meeting, specifying the suggested agenda thereof. The Chairman of the Supervisory Board shall call a meeting within two weeks of the receipt of the aforementioned motion. In case the Chairman of the Supervisory Board fails to call a meeting within two weeks, the applicant may call it on his own, specifying the date, place and suggested agenda of the meeting. The Supervisory Board shall adopt resolutions by a simple majority of the votes cast and in the presence of at least half of all Members of the Supervisory Board. In case of equal votes, the Chairman of the Supervisory Board shall have the decisive vote.

Although the Board performs its tasks collectively, it delegates some of the work. The committees to which these tasks are delegated are described in subsequent paragraphs.

The Supervisory Board by-laws and the Terms of Reference of the Committees of the Supervisory Board are available at www.orange-ir.pl.

In particular, the Supervisory Board shall be responsible for the appointment of the Members of the Management Board and determining the terms and amount of their remuneration, the appointment of the Company's independent auditors, and the supervision of the Group's business. As part of its supervisory responsibilities, the Supervisory Board shall examine the Group's strategic plan and annual budget; monitor the Group's operating and financial performance; formulate opinions on incurring liabilities that exceed the equivalent of €100,000,000; formulate opinions on disposal of the Group's assets that exceed the equivalent of €100,000,000; evaluate annual financial statements of the Company, the Management Board's report on the activities of the Company and the Orange Polska Group, and motions of the Management Board regarding distribution of profits or covering of losses; state an opinion on motions submitted by or via the Management Board to the General Meeting; and submit to the General Meeting for approval an annual report, containing assessment of the company's standing on a consolidated basis, including assessment of the internal control, risk management and compliance systems and the internal audit function, as well as assessment of the company's compliance with the corporate governance principles and the manner of compliance with the related disclosure obligations. The Supervisory Board shall also submit to the General Meeting the Report on the Remuneration of the Members of the Management Board and Supervisory Board in compliance with the Act on public offering and the conditions for introducing financial instruments to the organised trading system and on public companies. In considering these matters, the Board takes into account the social, environmental and ethical considerations that relate to the Group's business.

Unless the Articles of Association provide otherwise, the Supervisory Board shall pass its resolutions by a simple majority of the votes cast, provided that at least one-half of the total number of Members are present at the meeting. In the case of a tied vote, the Chairman shall have a casting vote. Members of the Supervisory Board may participate in adopting resolutions of the Supervisory Board by casting a vote in writing via another Member of the Supervisory Board. The Supervisory Board may adopt resolutions in a written form or by using means of direct remote communication. Such resolution shall be valid if all members of the Supervisory Board have been informed about the content of a draft resolution and at least half of the Members of the Supervisory Board took part in the adoption of the resolution.

Furthermore, the Polish Accounting Act determines the responsibility of the Members of the Supervisory Board regarding the reliability and fair presentation of the Company's financial reporting.

V. Operations of the Committees of the Supervisory Board

(A) The Audit Committee

The Audit Committee was established by a resolution of the Supervisory Board of June 14, 2002 as an advisory body to the Supervisory Board. The majority of the Audit Committee members, including its Chairman, meet the independence criteria set out in the Act on statutory auditors, audit firms and public oversight and the conditions set out in the Articles of Association. The Audit Committee shall meet at least on a quarterly basis before the publication of the Company's financial statements.

The key functions of the Audit Committee are specified in its Terms of Reference attached to the Regulations of the Supervisory Board and include but are not limited to:

(1) monitoring the integrity of the financial information reported externally,

(2) reviewing the Group's internal control and risk management systems,

(3) reviewing plans for internal audit and internal audit reports,

(4) reviewing and giving opinions on significant transactions with related parties,

(5) recommending the selection and re-appointment of the audit firm,

(6) monitoring the independence and objectivity of the Company's external auditors, the nature and scope of the audit, and the auditors' work,

(7) giving the Supervisory Board recommendations to ensure the faithful representation and relevance of the financial reporting process in the Company and the Group.

(B) The Remuneration Committee

The Remuneration Committee was established by a resolution of the Supervisory Board of June 16, 2004 as an advisory body to the Supervisory Board. A half of the Remuneration Committee members, including its Chairwoman, meet the independence criteria set out in the Act on statutory auditors, audit firms and public oversight and the conditions set out in the Articles of Association. The Remuneration Committee shall meet according to its preferences at least four times a year.

The Remuneration Committee's task is to advise the Supervisory Board and Management Board on the general remuneration and nomination policy of the Group, determining the terms of employment and remuneration (including the setting of objectives) of the Members of the Management Board and giving recommendations to the Supervisory Board regarding salaries and the amounts of variable pay for the Members of the Management Board.

(C) The Strategy Committee

The Strategy Committee was established by a resolution of the Supervisory Board of June 15, 2005 as an advisory body to the Supervisory Board. The Strategy Committee shall meet according to its schedule at least twice a year.

The tasks of the Strategy Committee include:

(1) giving its opinions and recommendations to the Supervisory Board on the strategic plans set out by the Management Board, as well as on any further suggestions to strategic plans made by the Supervisory Board, in particular concerning key strategic decisions involved; and

(2) consulting on all strategic projects related to the development of the Group, monitoring of the evolution of industrial partnerships within the Group and projects involving strategic agreements for the Group. It then reports and makes recommendations on each of these projects to the Supervisory Board.

In particular, the Committee is invited to consider projects such as:

(1) strategic agreements, alliances, and technological and industrial co-operation agreements, including aspects of the Group's strategic partnership with Orange S.A.; and

(2) significant acquisitions and sales of assets.

(I) Regarding the Audit Committee of the Orange Polska Supervisory Board

(1) The following persons have stated that they meet the statutory criteria of independence: John Russell Houlden, Monika Nachyła and Maria Pasło-Wiśniewska PhD.

(2) Regarding knowledge and skills in the area of accounting or auditing of financial statements, the following persons have stated as follows:

John Russell Houlden has stated that he has knowledge and skills in the area of accounting and auditing of financial statements. He holds a first class honours degree from Warwick Business School and has completed executive programmes at INSEAD, Stanford and London Business School. He has qualifications in accounting and corporate treasury management and is a Fellow of the Chartered Institute of Management Accountants (CIMA), a Chartered Global Management Accountant (CGMA) and a Fellow of the Association of Corporate Treasurers (ACT). He gained extensive experience in accounting and audit in a variety of financial roles in Spicer & Oppenheim (now part of Deloitte), ICI and BT. Next, he served as Finance Director of Lovells (2002 to 2008), Chief Financial Officer of Telecom New Zealand (2008 to 2010) and Chief Financial Officer of the United Utilities Group (2010 to 2020). From 2014 to 2020 he was also a Member of the Main Committee and the Chairman of the Financial Reporting Committee of the '100 Group' (which represents he collective views of FTSE 100 companies to the International Accounting Standards Board, the European Securities and Markets Authority and other regulatory bodies) and from 2020 to date he has also been the Chairman of the Audit Committee of Babcock International Group (a FTSE 250 company).

Monika Nachyła is a non-executive director with many years of international, C-suite experience in the areas of private equity, investor relations, banking, operational financial management and strategy development. She is a graduate of the Warsaw School of Economics. She started her professional career as an auditor at Arthur Andersen in Warsaw and Salustro Reydel in Paris. Between 1995 and 2000, she held a position of CFO at Sanofi-Synthélabo. From 2000 to 2011, she was active in the private equity sector. As the Vice President for Portfolio & Fund Operations of Innova Capital she supervised its portfolio companies. Subsequently, as the Partner in charge of Investor Relations at Enterprise Investors, she was responsible for fundraising and investor relations. In 2011, she joined one of the leading Polish banks: BGŻ (currently controlled by BNP Paribas) as a non-executive director of the Supervisory Board and the Audit Committee. From 2013 to 2015, she served as the Vice President of the BGŻ Management Board. Since May 2017, she has been a Partner at Abris Capital Partners, a private equity fund manager investing in Central Europe, where she has been responsible for investor relations, public relations, ESG (responsible investing standards) and supervision of selected portfolio companies. She is also a member of the Abris Management Committee.

Maria Pasło-Wiśniewska has stated that she has knowledge in the area of accounting and auditing of financial statements. She is an economist and has Ph.D. in sociology; she graduated from the University of Economics in Poznań and the Kellogg School of Management, Northwestern University in Chicago. She gained knowledge of accounting and audit throughout her long management practice, during which the banks, financial institutions and corporations she managed successfully implemented their strategies and achieved, or even exceeded, the intended goals and the expected value for shareholders. She started her professional career at the National Bank of Poland (NBP). Between 1988 and 1996 she worked in Wielkopolski Bank Kredytowy in Poznań, reaching the position of Vice-President of the Management Board. In 1997 she was the CEO of SKARBIEC Investment Fund Company. In 1998–2003, as the President of the Management Board of Pekao S.A., she effected a merger of four banks from the Pekao Group.

Jean-Michel Thibaud is the Orange Group Deputy CFO in charge of controlling. He is a graduate of the Centrale-Supélec engineer school and Sciences Po Paris. He started his career working seven years in the banking sector in the areas of export and structured and project finance. He joined Orange as a manager, then head of project finance, and became the Orange Group Treasurer in 2008 until 2012, covering debt raising (bonds, corporate, project, structured finance), relationship with rating agencies and equity capital markets, as well as cash management and customer financing. Between 2013 and 2019, he acted as CFO and Senior VP, Strategy, Transformation & General Services at Orange Business Services. Orange Business Services is a worldwide provider of IT and telecom services for large corporations.

(3) The following persons have stated that they have knowledge and skills in the field in which Orange Polska operates, indicating the respective ways in which they have acquired such knowledge and skills as described below: John Russell Houlden, Monika Nachyła, Maria Pasło-Wiśniewska PhD, Marc Ricau and Jean-Michel Thibaud.

John Russell Houlden holds a first class honours degree from Warwick Business School and has completed executive programmes at INSEAD, Stanford and London Business School. He is a Fellow of the Chartered Institute of Management Accountants (CIMA), a Chartered Global Management Accountant (CGMA) and a Fellow of the Association of Corporate Treasurers (ACT). Prior to joining the Supervisory Board of Orange Polska, his knowledge of telecommunications was largely based on his experience as Finance Director of BT Networks & Information Services, Finance Director of BT Wholesale and Chief Financial Officer of Telecom New Zealand whilst his broader strategic, operational, commercial and transformational capabilities were also based on his experience in a variety of financial roles in ICI and as Chief Financial Officer of United Utilities Group.

Monika Nachyła is a non-executive director with many years of international, C-suite experience in the areas of private equity, investor relations, banking, operational financial management and strategy development. She is a graduate of the Warsaw School of Economics. She holds also post-graduate diplomas in social psychology and agriculture. She started her professional career as an auditor at Arthur Andersen in Warsaw and Salustro Reydel in Paris. Between 1995 and 2000, she held a position of CFO at Sanofi-Synthélabo. From 2000 to 2011, she was active in the private equity sector. As the Vice President for Portfolio & Fund Operations of Innova Capital she supervised its portfolio companies. Subsequently, as the Partner in charge of Investor Relations at Enterprise Investors, she was responsible for fundraising and investor relations. In 2011, she joined one of the leading Polish banks: BGŻ (currently controlled by BNP Paribas) as a non-executive director of the Supervisory Board and the Audit Committee. From 2013 to 2015, she served as the Vice President of the BGŻ Management Board responsible for strategy and development, as well as the bank’s strategic agribusiness division. Since May 2017, she has been a Partner at Abris Capital Partners, a private equity fund manager investing in Central Europe, where she has been responsible for investor relations, public relations, ESG (responsible investing standards) and supervision of selected portfolio companies. She is also a member of the Abris Management Committee.

Maria Pasło-Wiśniewska is an economist and has Ph.D. in sociology; she graduated from the University of Economics in Poznań and the Kellogg School of Management, Northwestern University in Chicago. She began her professional career at the National Bank of Poland (NBP). Between 1988 and 1996 she worked in Wielkopolski Bank Kredytowy in Poznań, reaching the position of Vice-President of the Management Board. In 1997 she was the CEO of SKARBIEC Investment Fund Company. In 1998–2003, as the President of the Management Board of Pekao S.A., she effected a merger of four banks from the Pekao Group, followed by privatisation and restructuring of the bank. Between 2008 and 2012, she served as the President of the Management Board of the Corporation of European Pharmaceutical Distributors NV in Amsterdam.

Marc Ricau has been working in the France Telecom (Orange) Group since 1986. He is a graduate of IEP (Sciences Po Paris) and ENSPTT School, and has a master degree in statistical and software techniques. During his professional career in telecommunications he served in various positions both abroad and in France, mainly in sales and customer service, but also finance and network management. He joined Orange AMEA (Africa, Middle East and Asia) in 2009 as Country and Partnerships Vice-President for the zone. He served as a Member of Supervisory Boards of several subsidiaries in Africa (Orange Mali, Orange Guinea, Orange Niger, Orange Bissau and Sonatel Multimedia) until early 2013. In October 2012, Marc Ricau joined the Orange Europe Division as Vice-President of Poland Operations. In July 2015 he was appointed a Member of the Management Board of Orange Slovensko a.s., and in June 2017 he was appointed a Member of the Supervisory Board of this company. He is also a Member of the Board of Directors of Nadacia Orange (Orange Foundation) in Slovakia.

Jean-Michel Thibaud is the Orange Group Deputy CFO in charge of controlling. He is a graduate of the Centrale-Supélec engineer school and Sciences Po Paris. He started his career working seven years in the banking sector in the areas of export and structured and project finance. He joined Orange as a manager, then head of project finance, and became the Orange Group Treasurer in 2008 until 2012, covering debt raising (bonds, corporate, project, structured finance), relationship with rating agencies and equity capital markets, as well as cash management and customer financing. Between 2013 and 2019, he acted as CFO and Senior VP, Strategy, Transformation & General Services at Orange Business Services. Orange Business Services is a worldwide provider of IT and telecom services for large corporations.

(4) An audit firm auditing the financial statements of Orange Polska, i.e. KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k., provided authorised non-audit services to the Company. Therefore, Orange Polska assessed the independence of the audit firm and the Audit Committee approved the provision of the services.

(5) The key elements of the audit firm selection policy and the policy for provision of authorised non-audit services by an audit firm conducting the audit, entities affiliated with that audit firm or a member of their networks:

1. The body authorised to select an audit firm is the Supervisory Board of Orange Polska. The Supervisory Board shall make the selection based on a prior recommendation of the Audit Committee.
2. The Audit Committee in its recommendation shall:
   - indicate the audit firm which it proposes to entrust with the audit;
   - state that the recommendation is free from third party influence;
   - state that the Company has not entered into any agreements containing clauses that restrict the ability of the Supervisory Board to select an audit firm for the purposes of the statutory audit of the Company's financial statements to certain categories or lists of audit firms.
3. Where the selection of an audit firm does not concern the extension of an audit agreement, the recommendation of the Audit Committee shall:
   - contain at least two options for selecting an audit firm with justification, indicating the Audit Committee's justified preference for one of them;
   - be drawn up according to the selection procedure specified below.
4. Selection Procedure

   4.1. The Company shall invite any audit firms to submit proposals for provision of the audit service, provided that:
   - it does not infringe the principle that after the expiry of the maximum duration of engagement, neither the statutory auditor or the audit firm nor, where applicable, any members of their networks within the European Union shall undertake the audit of the Company within the following four-year period;
   - the organisation of the tender procedure does not preclude the participation in the selection procedure of firms which received less than 15% of the total audit fees from public-interest entities in the Member State of the European Union concerned in the previous calendar year, included in the list of audit firms that carried out statutory audits in public-interest entities during the preceding year.

   4.2. The Company shall prepare the tender dossier for the attention of the invited audit firms, which shall contain transparent and non-discriminatory selection criteria to be used by the Company to evaluate the proposals made by audit firms.

   4.3. The Company shall evaluate the proposals made by audit firms in accordance with the selection criteria defined in the tender dossier.

4.4. The Audit Committee shall discuss with the audit firm, upon its request, the threats to its independence and the safeguards to mitigate those threats, as documented by the audit firm. The audit firm shall confirm annually in writing to the Audit Committee that the statutory auditor, the audit firm as well as its partners, senior managers and managers conducting the statutory audit are independent from the audited company.

5. The Company has the right to grant a further engagement referred to in Article 17(6) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 – based on the consent of the Financial Supervisory Authority.
6. In the course of the selection procedure, the Supervisory Board shall account for the experience of the audit team in auditing financial statements of companies, including those listed on the stock exchange, as well as competences and financial criteria.
7. The selection decision shall be taken with the consideration of the principles of impartiality and independence of the audit firm as well as the analysis of the work performed by the latter in the Company that go beyond the scope of the audit in order to avoid any conflict of interest.
8. If the decision of the Supervisory Board regarding the selection of an audit firm departs from the recommendation of the Audit Committee, the Supervisory Board shall justify in writing the reasons for not following the recommendation of the Audit Committee and submit such justification to the General Meeting.

(6) The recommendation for selecting KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k. to audit financial statements complied with the mandatory legal provisions and the audit firm selection policy and procedures at Orange Polska.

(7) The Audit Committee held seven meetings in 2021.

9.1 Information about Sponsorship Policy

Orange Polska has adopted a sponsorship policy (pursuant to the Decision No. 49/16 of the Executive Director in charge of Corporate Affairs dated 17 November 2016). Orange Polska's approach reflects the global sponsorship strategy of the Orange Group. In the strategic field, which is music now, Orange Polska develops long-term, comprehensive, nationwide projects addressed to a large group of its existing or prospective customers. Orange Polska sponsors various initiatives on a long-term rather than one-off basis.

The implementation of our sponsorship policy is a responsibility of the Corporate Communication and CSR Director, to whom the CSR, Analysis & Events Department reports. Key sponsorship projects are subject to approval by the Management Board of Orange Polska S.A. Each sponsorship project has its own target Key Performance Indicators (KPIs), such as attendance, advertising value equivalent (AVE), number of publications, etc. Upon completion of a project, it is evaluated by the Management Board. We have established the Sponsorship Committee to centralise sponsorship project management in the Orange Polska Group.

Furthermore, Orange Polska carries out its charitable activities through a dedicated corporate foundation, the Orange Foundation, and the Donation Fund.

As part of its donation policy, Orange Polska has adopted formal rules for using the Donation Fund. These are specified in the Decision no. 4/21 of the Board Member in charge of Strategy and Corporate Affairs dated January 26, 2021.

Orange Polska S.A. follows clear and transparent rules in making donations:

- Any donation requires analysis and recommendation;
- Any donation is subject to approval by the President of the Management Board of Orange Polska;
- Any donation is made under a written donation agreement;
- All donations are effected by transfers and registered in the accounting systems of Orange Polska;
- Each agreement includes a requirement to confirm that the donation has been used in line with its purpose.

The Orange Foundation, which carries out charitable activities on behalf of Orange Polska, has adopted its own strategy. The Foundation works towards modern education of children and youth, carrying out its own nationwide educational and social programmes to support the comprehensive development of young people. All its programmes and projects are based on the results of research and implemented in consultation with renowned experts in specific fields. At least twice a year, the Foundation submits reports on its activities to the Foundation Board, which includes representatives of the Founder, i.e. Orange Polska S.A. Furthermore, on an annual basis the Foundation submits a report on its activities to the competent ministry and draws up a financial report, which is subject to an audit. Reports of the Foundation are publicly displayed on its website.

The Foundation's policy fits into Orange Polska's social responsibility strategy, which is part of the business strategy of the Company. Our corporate social responsibility (CSR) strategy focuses on the areas which are of key importance with respect to our sector and our activities on the Polish market: efforts for digital inclusion, security on the network, environmental and climate protection, and building a good workplace. The conclusions from a dialogue with stakeholders as well as market trends and social challenges for our industry in Poland and abroad have been an important road sign in its development. Responsibility for the implementation of the strategy lies with the CSR Steering Committee, which is made up of managers from different areas within the organisation. Our CSR initiatives are presented annually in the Orange Polska's Integrated Report, which is developed in compliance with the Global Reporting Initiative (GRI) international non-financial reporting standards and the International Integrated Reporting Framework (IIRC). Each Report is subject to internal approval by the Disclosure Committee and an external audit by independent auditors.

9.2 Description of the Diversity Policy

Orange Polska has adopted the Diversity Management Policy, which was determined in the Decision no. 36/16 of the President of the Management Board dated September 19, 2016.

Our Diversity Management Policy aims to bolster the pursuit of our business objectives and support compliance with the values enshrined in the Code of Ethics, CSR goals and the obligations under the Diversity Charter, of which Orange Polska is a signatory. In addition, the Policy refers to the Global Diversity Management and Inclusion Policy in Orange.

The key diversity dimensions in Orange Polska identified in its Diversity Management Policy are as follows:

- gender;
- age;
- competence / expertise / experience / way of thinking;
- psychophysical skills – (dis)abilities;
- parental status.

Other diagnosed dimensions include: religion / beliefs, workplace location (HQ vs. region), type of employment, and nationality / ethnic origin.

The implementation of our Diversity Management Policy is supported by the Committee for Gender Equality and Diversity in the Workplace (Decision no. 28/2020 of the President of the Management Board dated June 30, 2020). The quality of our diversity management has been confirmed by the Gender Equality European and International Standard (GEEIS) certificate.

The Diversity Management Policy applicable to the Management Board was adopted in 2021 (Resolution No. 47/21 of November 3, 2021).

In the process of recruitment of the Members of the Management Board of Orange Polska, the Supervisory Board:

- shall be guided by the transparency of the candidate selection rules and criteria;
- shall make decisions on the appointment of the Management Board Members based on the adequate knowledge, skills, education, competence and professional experience of candidates;
- shall ensure that the composition of the Management Board is diverse in terms of gender, age, expertise, education and professional experience;
- with regard to gender diversity, shall strive to achieve the minimum participation of women of at least 30%.

Furthermore, the duties and responsibilities, as well as the requirements related to qualifications, expertise and competence of the Supervisory Board Members are specified in the Company's Articles of Association. In addition, Orange Polska applies the provisions of the *Best Practice for WSE Listed Companies 2021*.

The Supervisory Board currently consists of fourteen Members, including five independent Members. They are appointed by the General Meeting (or, in exceptional cases, by the Supervisory Board). The term of office for the Member of the Supervisory Board is three years. There are five women on the Supervisory Board.

The Management Board currently consists of eight members, including the President. They are appointed by the Supervisory Board. The term of office for the member of the Management Board is three years. There are two women on the Management Board (as of December 31, 2021).

Orange Polska develops on an annual basis the detailed analysis of the ratio of remuneration of women to men based on comparable groups of employees (i.e. employees performing similar and comparable work). The results and trends thereof are monitored and discussed at internal meetings. The data for 2021 indicate a gap in remuneration between women and men of 3.1% at specialist positions and 3.4% at management positions. No major deviation of the ratio in relation to previous years has been observed.

9.3 Information on the Remuneration Policy of Orange Polska

Remuneration Policy of Orange Polska S.A.

The strategy of Orange Polska S.A. is based on building and maintaining high customer satisfaction, while providing a full range of the best quality telecommunication, multimedia and specialised ICT services fitting both household and business needs, as well as offering extensive connectivity and high customer relationship standards.

The Remuneration Policy contributes to implementing the Company's comprehensive strategy. By enabling the recruitment, retention and motivation of the best managers and professionals in the specialised areas existing in Orange Polska S.A. it provides people prepared to achieve the strategic goals of the Company.

While recognising that employees are a key asset of the Company, the Policy supports the creation of favourable conditions in the digital work environment by stimulating the commitment to the Company's objectives, employee development and use of flexible work methods.

Remunerations within Orange Polska S.A. are compared to those offered by peer companies in the market. The managers' remuneration level depends on the Company's financial results, and on one's individual contribution and performance.

Our Remuneration Policy complies with the labour law and corporate governance regulations.

The remuneration system consists of the following components:

1. Base salary;
2. Performance bonus;
3. Discretionary bonuses;
4. Benefits.

Due to the need to adjust the Company's workforce structure to the changing market conditions, Orange Polska S.A. carries out a voluntary departure programme. Employees who depart the Company voluntarily are offered severance pay in excess of statutory amounts due to them under the relevant regulations. The terms of severance pay for employees are determined in separate arrangements with trade unions, whereas the terms of severance pay for managers excluded from the Intragroup Collective Labour Agreement are settled in individual agreements and codified in their employment contracts.

1. Base salary

The base salary level takes into account the scope of duties assigned to a particular job position as well as the market value of the work performed.

Orange Polska S.A. monitors the remuneration market by comparing, at least annually, the Company's salaries and remuneration practices to those adopted by the Polish market leaders, particularly ICT companies.

Orange Polska S.A. ensures the consistency of remuneration between different positions, taking into account their grade in the internal pay scale of job positions.

Orange Polska S.A. develops remuneration terms based on principles of equality, particularly with respect to gender, age, disability, race, religion, nationality, political opinion, trade union membership, ethnic origin and sexual orientation.

Individual base salaries are determined within the following framework:

- Annual remuneration reviews, taking into account the evolving work standards of various professional groups and each employee's contribution to the achievement of goals;
- Promotions;
- Recruitment arrangements for candidates assuming their duties in a new professional area;
- Management of the risk of attrition of the most qualified employees leaving for the competition.

2. Performance bonus

The purpose of the bonus system is to motivate employees to achieve high performance by attaining the predefined and agreed objectives which support the implementation of the Company's strategy and growth of customer satisfaction. In addition, the system of objectives stimulates co-operation among employees and business units by setting some solidarity objectives in addition to individual ones.

Orange Polska S.A.'s bonus system is aligned with the specifics of the tasks performed by particular functions. Consequently, it encompasses three groups of employees:

- Managers – they are covered by a bonus system with a uniform structure but different bonus rates, ranging from 12.5% to 50% of one's base salary (for achieving objectives in 100%) depending on a professional group;
- Employees with sales targets – they have different models of bonuses or commissions, ranging from 30% to 50% of one's base salary (for achieving objectives in 100%) depending on a professional group;
- Non-managers without sales targets – they are not covered by a bonus system.

The bonus systems provide for higher bonuses for achieving above 100% of the objectives set at the beginning of the settlement period.

For key managers, bonus is more related to the Company's performance, and depends more on the achievement of solidarity objectives shared by all, whereas for line managers, bonus is related to their individual performance and depends less on the solidarity components shared by the particular function or the entire Company.

The objectives and bonuses are set for periods closely linked to the budgeting cycle.

All senior managers and line managers in support functions receive bonuses on a semi-annual basis. Front-line sales managers and sales employees receive bonuses/commissions on a quarterly or monthly basis.

The detailed bonus terms are defined in the relevant Bonus Regulations.

3. Discretionary bonuses

The Company's long-term strategy is based on innovation and commitment to outstanding performance.

Discretionary bonuses encourage employees to get involved in the development of innovative solutions, implementation of strategic projects and cross-functional co-operation. Owing to this scheme, employees can be rewarded for achievements which exceed the expectations defined in their periodic objectives.

Discretionary bonuses are awarded as follows:

- Line managers, middle managers and employees without sales targets may be rewarded at any time of the year, directly after an event or a combination of events for which, in their superior's opinion, they deserve a reward;
- Distinguished sales employees and top managers are rewarded on an annual basis upon highlighting the Company's greatest achievements over the past calendar year.

4. Benefits

In order to improve the quality of life and promote employee integration, Orange Polska S.A. provides a broad package of market-competitive benefits to its employees, building a valuable offer which supports employee recruitment and retention.

Employees are eligible to join the Employee Pension Fund, to which basic contributions are financed by Orange Polska S.A.

The key areas influenced by Orange Polska S.A. through benefit schemes are as follows:

- health and physical activity;
- financial stability;
- improved quality of life;
- employee development.

Orange Polska S.A. wants all its employees to be the ambassadors of the Orange brand; therefore, it provides them with access to its own products and services.

The terms of remuneration of the Members of the Management Board and Supervisory Board have been set out in the Remuneration Policy for Members of the Management Board and Supervisory Board of Orange Polska S.A. adopted at the Extraordinary General Meeting on August 27, 2020.

Management Board and Supervisory Board Remuneration

Persons that were Members of the Management Board of the Company as at 31 December 2021

The President of the Management Board of Orange Polska S.A. is employed by Orange Global International Mobility S.A. (OGIM S.A.), an Orange Group company, and performs his duties as the CEO based on posting to Orange Polska S.A.

The amounts paid by Orange Polska S.A. on account of the reimbursement of the costs of employment related to posting of the President of the Management Board are presented in the table below:

(PLN '000)	*12 months ended 31 December 2021*			
	Fixed cost of services purchased from the Orange Group in 2021	*Variable cost of services purchased from the Orange Group in 2021*[1]	*Total cost of services purchased from the Orange Group in 2021*	*Additionally: Variable cost of services purchased from the Orange Group in 2020 and paid in 2021*
Julien Ducarroz	3,554	1,828	5,382	303
Total	**3,554**	**1,828**	**5,382**	**303**

[1] Includes bonuses accrued in 2021 to be paid in 2022, excludes bonuses accrued in 2020 and paid in 2021.

The remuneration of the Management Board Members employed by Orange Polska S.A. was as follows:

(PLN '000)	*12 months ended 31 December 2021*			
	Fixed remuneration expense in 2021	*Variable remuneration expense in 2021*[1]	**Total remuneration expense in 2021**	*Additionally: Variable remuneration expense in 2020 and paid in 2021*
Jolanta Dudek	1,160	743	1,903	261
Bożena Leśniewska	1,565	1,003	2,568	373
Witold Drożdż	1,050	650	1,700	244
Piotr Jaworski	1,089	668	1,757	251
Jacek Kowalski	1,338	828	2,166	322
Jacek Kunicki[2]	1,130	683	1,813	206
Maciej Nowohoński	1,373	830	2,203	322
Total	**8,705**	**5,405**	**14,110**	**1,979**

[1] Includes bonuses accrued in 2021 to be paid in 2022, excludes bonuses accrued in 2020 and paid in 2021.
[2] From the date of appointment as the Member of the Management Board of Orange Polska S.A.

Persons that were Members of the Management Board of the Company as at 31 December 2020

The amounts paid by Orange Polska S.A. on account of the reimbursement of the costs of employment related to posting of the President of the Management Board are presented in the table below:

(PLN '000)	*12 months ended 31 December 2020*			
	Fixed cost of services purchased from the Orange Group in 2020	*Variable cost of services purchased from the Orange Group in 2020*[1]	*Total cost of services purchased from the Orange Group in 2020*	*Additionally: Variable cost of services purchased from the Orange Group in 2019 and paid in 2020*
Julien Ducarroz[2]	1,036	303	1,339	–
Total	**1,036**	**303**	**1,339**	**–**

[1] Includes bonuses accrued in 2020 and paid in 2021.
[2] From the date of appointment as the President of the Management Board of Orange Polska S.A.

The remuneration of the Management Board Members employed by Orange Polska S.A. was as follows:

(PLN '000)	*12 months ended 31 December 2020*			
	Fixed remuneration expense in 2020	*Variable remuneration expense in 2020*[1]	**Total remuneration expense in 2020**	*Additionally: Variable remuneration expense in 2019 and paid in 2020*
Jolanta Dudek	1,104	520	1,624	298
Jacek Kowalski	1,287	648	1,935	338
Bożena Leśniewska	1,496	752	2,248	437
Maciej Nowohoński	1,326	646	1,972	348
Witold Drożdż	992	495	1,487	282
Piotr Jaworski	1,000	504	1,504	289
Jacek Kunicki[2]	408	206	614	–
Total	**7,613**	**3,771**	**11,384**	**1,992**

[1] Includes bonuses accrued in 2020 and paid in 2021, excludes bonuses accrued in 2019 and paid in 2020.
[2] From the date of appointment as the Member of the Management Board of Orange Polska S.A.

Persons that were Members of the Management Board of the Company in 2020 and previous years

The remuneration of the Management Board Members employed by Orange Polska S.A. was as follows:

(PLN '000)	*12 months ended 31 December 2020*			
	Fixed remuneration expense in 2020	*Variable remuneration expense in 2020*[1]	**Total remuneration expense in 2020**	*Additionally: Variable remuneration expense in 2019 and paid in 2020*
Jean-François Fallacher[2]	4,407	670	5,077	961
Mariusz Gatza (Gaca)[2]	3,193	736	3,929	489
Total	**7,600**	**1,406**	**9,006**	**1,450**

[1] Includes bonuses accrued and paid in 2020, excludes bonuses accrued in 2019 and paid in 2020.
[2] To the date of termination of employment (including benefits payable thereafter).

The Supervisory Board remuneration was as follows:

(PLN '000)	*12 months ended 31 December 2021*	*12 months ended 31 December 2020*
Maciej Witucki	434	422
Ramon Fernandez[(1)]	–	–
Marc Ricau[(1)]	–	–
Henryka Bochniarz, PhD[(2)]	108	217
Philippe Béguin[(1)]	–	–
Thierry Bonhomme[(2)]	102	210
Bénédicte David[(1)]	–	–
Eric Debroeck[(2)]	102	–
John Russell Houlden	394	394
Marie-Noëlle Jégo-Laveissière[(1)]	–	–
Prof. Michał Kleiber	214	218
Patrice Lambert-de Diesbach[(1)]	–	–
Monika Nachyła	210	215
Maria Pasło-Wiśniewska, PhD	317	317
Monika Rosołowska	109	–
Jean-Michel Thibaud[(1)]	–	–
Jean Marc Vignolles[(3)]	–	–
Total	**1,990**	**1,993**

[(1)]Persons appointed to the Supervisory Board of the Company employed by Orange S.A. do not receive remuneration for the function performed.
[(2)]Persons that were not Members of the Supervisory Board of the Company as at 31 December 2021, but were Members of the Supervisory Board of Orange Polska S.A. in 2020 and the previous period.
[(3)]A person employed by Orange S.A. to June 30, 2021, who did not receive remuneration for the function performed.

The Management Board Members and Executive Directors are entitled to a variable part of remuneration equal to 50% of their annual base remuneration if the objectives have been achieved in 100%. In some cases, if performance is higher than 100%, the variable part of remuneration may exceed 50% of the annual base remuneration. The variable part of remuneration is calculated on the achievement by Orange Polska of certain indicators: Revenues, EBITDAaL, Organic Cash Flow (OCF), NPS and specific telco indicators.

In case of termination of employment, a notice period for the Management Board Members is up to 6 months and they receive base remuneration during that period.

In addition, the Management Board Members are entitled to one-off severance pay in the amount of 6-month base remuneration upon meeting some conditions specified in their employment contracts. All Members of the Management Board shall refrain from engaging in competitive activities for 12 months after the termination of employment, and in return for refraining from competitive activities they are entitled to receive compensation in the amount of 6-month base remuneration.

A notice period for termination of an employment contract of a Member of the Management Board posted to Orange Polska S.A. and an amount of potential severance pay are individually determined taking into account the labour law in the posting country. In each case, these terms are approved by the Supervisory Board after obtaining a recommendation of the Supervisory Board's Remuneration Committee.

The President of the Management Board of Orange Polska S.A. is subject to the same rules for determining the variable part of remuneration as other Members of the Management Board, and additionally is entitled to the Stretch Bonus if the Company achieves EBITDAaL and eCAPEX at a higher level. The terms of payment of the

Stretch Bonus are each time determined by the Supervisory Board based on the recommendation of the Supervisory Board's Remuneration Committee.

Furthermore, those Management Board Members and Executive Directors who are expatriates are eligible for benefits connected with staying in Poland as foreigners, which are included in the Orange Group International Mobility Policy package and payable on a one-off basis or throughout the year. These include housing allowance, plane tickets, French social insurance premiums, etc.

Orange Polska S.A. Incentive Programme in the form of phantom shares settled in cash

On September 4, 2017, the Supervisory Board of Orange Polska S.A. adopted the Incentive Programme for the key executives of Orange Polska S.A. based on derivatives (phantom shares), where the underlying instrument is the price of Orange Polska S.A. shares listed on the Warsaw Stock Exchange (WSE).

According to the Programme Regulations, each programme participant was eligible to purchase 70,000 phantom shares (President of the Management Board), 50,000 phantom shares (Management Board Members and Executive Directors) or 10,000/15,000 phantom shares (other participants, at their discretion). The participants voluntarily purchased phantom shares from the basic pool for a price of PLN 1 per phantom share, and they had the right to purchase additional packages of phantom shares if the conditions for the average price of Orange Polska shares and the NPS ranking would have been met. Phantom shares were bought back from the programme participants by the Company at the average Orange Polska share price in the first quarter of 2021.

In 2020, the condition of the minimum Orange Polska share price on the WSE, obligating the participants to purchase additional packages of phantom shares, was not met. However, the condition of the number one position in the NPS ranking on the telecommunications market was met at the end of the first half of 2020. Consequently, each Management Board Member and Executive Director purchased 9,000 additional phantom shares, while other programme participants purchased 4,500 additional phantom shares each. The price per phantom share was PLN 1.

On April 1, 2021, the average Orange Polska share price in the first quarter of 2021 was determined. It was higher than the arithmetic mean of share closing prices of Orange Polska in the third quarter of 2017. On April 30, 2021, the Incentive Programme was completed and the phantom prices were bought back from the programme participants by the Company.

The table below presents the number and value of the phantom shares bought back by Orange Polska S.A. and the amount of phantom share-based payments recognised as costs.

	Options for additional phantom shares			*Payments upon completion of the Programme in April 2021 (PLN '000)*[4,5]	*Share-based payments recognised as costs for 12 months ended on 31 December 2021 (PLN '000)*[1]	*Share-based payments recognised as costs for 12 months ended on 31 December 2020 (PLN '000)*[1]
	Phantom shares – initial pool (number)	*Share price condition (number)*	*NPS condition (number)*			
Jolanta Dudek	50,000	–	9,000	319	7	(7)
Bożena Leśniewska	50,000	–	9,000	319	7	(7)
Witold Drożdż	50,000	–	9,000	319	7	(5)
Piotr Jaworski	50,000	–	9,000	319	7	(5)
Jacek Kowalski	50,000	–	9,000	319	7	(7)
Jacek Kunicki[4,5]	15,000	–	9,000	130	3	30
Maciej Nowohoński	50,000	–	9,000	319	7	(7)
Jean-François Fallacher[2]	–	–	–	–	-	(423)
Mariusz Gatza (Gaca)[3]	50,000	–	9,000	319	-	(94)
Total	**365,000**	**–**	**72,000**	**2,363**	**45**	**(525)**

[1] For cost calculation assumptions please see Note 19.2 to the Orange Polska Group IFRS Consolidated Financial Statements for 2020.

[2] On August 31, 2020, Jean-François Fallacher ceased to be the President of the Management Board of Orange Polska and withdrew from further participation in the Programme; the Company redeemed his phantom shares and returned the amount of PLN 70 000 which had been paid for them.

[3] Costs presented to the end of tenure as the Member of the Management Board of Orange Polska S.A.

[4] Costs presented from the date of appointment as the Member of the Management Board of Orange Polska S.A.

[5] Payment upon completion of the Programme accounts also for a period of employment on a different position in Orange Polska S.A. than a Member of the Management Board of the Company.

Long Term Incentive Programme for the key executives of Orange Polska S.A. based on derivatives (phantom shares; LTI 2021–2023)

On July 23, 2021, the Supervisory Board of Orange Polska S.A. adopted the Long Term Incentive Programme for the key executives of Orange Polska S.A. based on derivatives (phantom shares), where the underlying instrument is the price of Orange Polska S.A. shares listed on the Warsaw Stock Exchange (WSE). The Programme is based on three-year cycles (Programme Series), beginning in consecutive calendar years. The Programme consists of two series: 2021–2023 and 2022–2024.

According to the Programme Regulations, each programme participant is eligible to purchase 43,200 phantom shares (President of the Management Board, Management Board Members and Executive Directors) or 18,000/9,000 phantom shares (other participants, at their discretion). The participants have voluntarily purchased phantom shares for a price of PLN 0.50 per phantom share. A necessary pre-condition for buy-out by Orange Polska S.A. of the phantom shares allocated to various success indicators – KPIs (EBITDAaL, Organic Cash Flow, reduction of CO_2 emissions, and achieving at least one of two targets: (i) average share price in 1Q 2024, or (ii) Orange Polska S.A. shares outperforming the WIG20 Index) is achieving the business objectives defined for the particular success indicator. An additional pre-condition for buy-out of the phantom shares, in the number reflecting the results in KPIs, from the Programme participants by the Company is that the average Orange Polska S.A. share price in the first quarter after the end of the Programme series is not lower than the average price in the first six months of the Programme series.

Otherwise, the phantom shares will not be bought back and the participants will lose the invested funds.

The value of phantom share-based payments in the Long Term Incentive Programme:

	LTI 2021-2023	
	Number of purchased phantom shares	*Value of share-based payments recognised as Company costs for 12 months ended on 31 December 2021 (PLN '000)**
Julien Ducarroz	43 200	92
Jolanta Dudek	43 200	92
Bożena Leśniewska	43 200	92
Witold Drożdż	43 200	92
Piotr Jaworski	43 200	92
Jacek Kowalski	43 200	92
Jacek Kunicki	43 200	92
Maciej Nowohoński	43 200	92

*number of shares x valuation of share options as of December 31, 2021

Long Term Incentive Plan (LTIP) of the Orange Group

The Long Term Incentive Plan includes key managers in the Orange Group and is conjuncted with the Essentials 2020 strategic plan. Selected Executives and Leaders are awarded a defined number of free shares of Orange S.A. under the following conditions: continuous service in the Orange Group throughout the three-year edition of the plan and some performance-based criteria.

The aim of the programme is to recognise the engagement of the Group's key Executives and Leaders, to share the value created by the Essentials 2020 strategic plan, to achieve a balance between short-term and long-term remuneration and to rely on well-known, monitored performance indicators.

In April 2021, the second edition of the group-wise three-year Long Term Incentive Plan (LTIP) made available for 2018–2020 was settled, and Orange S.A. granted disposable shares to the participants.

The table below presents the number of disposable shares granted to the individual Members of the Management Board in 2018–2020 and settled in 2021:

	Disposable shares granted upon the completion of the LTIP edition (number)	*Value of share-based payments recognised as costs for 12 months ended on 31 December 2021 (PLN '000)*	*Value of share-based payments recognised as costs for 12 months ended on 31 December 2020 (PLN '000)*
Julien Ducarroz[1]	607	–	11
Jolanta Dudek	607	–	33
Bożena Leśniewska	607	–	33
Witold Drożdż	607	–	33
Piotr Jaworski	607	–	33
Jacek Kowalski	607	–	33
Jacek Kunicki[1]	304	–	7
Maciej Nowohoński	607	–	33
Jean-François Fallacher[2]	607	–	22
Mariusz Gatza (Gaca)[2]	607	–	28
Total	**5,767**	**–**	**266**

[1] Costs presented from the date of appointment as the Member of the Management Board of Orange Polska S.A.
[2] Costs presented to the end of tenure as the Member of the Management Board of Orange Polska S.A.

In October 2019, another edition of the Long-term Incentive Plan of the Orange Group for 2019–2021 was made available, in which the individual Members of the Management Board of Orange Polska S.A. could receive the following number of Orange S.A. shares:

	Shares (number)	*Value of share-based payments recognised as costs for 12 months ended on 31 December 2021 (PLN '000)*	*Value of share-based payments recognised as costs for 12 months ended on 31 December 2020 (PLN '000)*
Julien Ducarroz[1]	2,000	27	9
Jolanta Dudek	2,000	27	27
Bożena Leśniewska	2,000	27	27
Witold Drożdż	2,000	27	27
Piotr Jaworski	2,000	27	27
Jacek Kowalski	2,000	27	27
Jacek Kunicki[1]	1,000	14	6
Maciej Nowohoński	2,000	27	27
Jean-François Fallacher[2]	2,000	-	18
Mariusz Gatza (Gaca)[2]	2,000	-	23
Total	**19,000**	**203**	**218**

[1] Costs presented from the date of appointment as the Member of the Management Board of Orange Polska S.A.
[2] Costs presented to the end of tenure as the Member of the Management Board of Orange Polska S.A.

In July 2020, another edition of the Long-term Incentive Plan of the Orange Group for 2020–2022, integrated with the Essentials 2020–2025 strategic plan, was made available, in which the individual Members of the Management Board of Orange Polska S.A. may receive the following number of Orange S.A. shares:

	Shares (number)	*Value of share-based payments recognised as costs for 12 months ended on 31 December 2021 (PLN '000)*	*Value of share-based payments recognised as costs for 12 months ended on 31 December 2020 (PLN '000)*
Julien Ducarroz[1]	2,000	19	10
Jolanta Dudek	2,000	19	12
Bożena Leśniewska	2,000	19	12
Witold Drożdż	2,000	19	12
Piotr Jaworski	2,000	19	12
Jacek Kowalski	2,000	19	12
Jacek Kunicki[1]	1,000	10	6
Maciej Nowohoński	2,000	19	12
Jean-François Fallacher[2]	2,000	-	3
Mariusz Gatza (Gaca)[2]	2,000	-	7
Total	**19,000**	**143**	**98**

[1] Costs presented from the date of appointment as the Member of the Management Board of Orange Polska S.A.
[2] Costs presented to the end of tenure as the Member of the Management Board of Orange Polska S.A.

In July 2021, another edition of the Long-term Incentive Plan of the Orange Group for 2021–2023, integrated with the Essentials 2020–2025 strategic plan, was made available, in which the individual Members of the Management Board of Orange Polska S.A. may receive the following number of Orange S.A. shares:

	Shares (number)	*Value of share-based payments recognised as costs for 12 months ended on 31 December 2021 (PLN '000)*
Julien Ducarroz	2,000	10
Jolanta Dudek	2,000	10
Bożena Leśniewska	2,000	10
Witold Drożdż	2,000	10
Piotr Jaworski	2,000	10
Jacek Kowalski	2,000	10
Jacek Kunicki	2,000	10
Maciej Nowohoński	2,000	10
Total	**16,000**	**80**

Together 2021 – employee shareholding scheme of the Orange Group

In March 2021, the Board of Directors of Orange S.A. decided to launch Together 2021, an employee shareholding scheme, to increase the capital of the Orange Group held by its employees. The scheme based on existing shares was offered to eligible employees at the Group's French and international entities who are members of the Group Savings Plan (*Plan d'Epargne Groupe* – PEG) and International Group Savings Plan (*Plan d'Epargne Groupe International* – PEGI) respectively. Orange Polska S.A. joined the scheme, enabling its full-time employees to purchase, on a voluntary basis, Orange S.A. shares at a 30% discount and receive the Company's matching contribution in the form of bonus shares. The shares purchased under Together 2021 will be locked-in until June 1, 2026 unless early release conditions set out in the regulations apply. As a result of massive interest in the offering, the maximum amount of investment per employee was reduced; consequently, each employee could purchase up to 177 shares and receive up to 219 bonus shares.

Together 2021 – employee shareholding scheme of the Orange Group:

	Shares acquired for own contribution (number)	*Bonus shares (number)*	*Own contribution* (PLN '000)*	*Value of bonus shares* (PLN '000)*
Julien Ducarroz	177	219	5	6
Jolanta Dudek	177	219	5	6
Bożena Leśniewska	177	219	5	6
Piotr Jaworski	177	219	5	6
Jacek Kowalski	177	219	5	6
Jacek Kunicki	177	219	5	6
Total	**1,062**	**1,314**	**30**	**36**

*Converted according to the National Bank of Poland's EUR exchange rate as of November 8, 2021.

Non-financial Remuneration Components for Management Board Members and Key Managers

The Management Board Members and Executive Directors are entitled to the following non-financial remuneration components: health care package, life insurance in Orange Polska, legal indemnity in the event of personal liability, and access to Orange services in line with the relevant Company's policies. In addition, the Management Board Members and Executive Directors, having worked at Orange Polska for more than six months, are eligible to join the Employee Pension Programme (PPE).

Key managers other than Executive Directors are entitled to health care package, company car, and access to Orange services in line with the relevant Company's policies. In addition, all key managers, having worked at Orange Polska for more than six months, are eligible to join the Employee Pension Programme (PPE).

After enrolment to the Employee Pension Programme (PPE), the PPE contribution for all participants is paid by Orange Polska S.A.

In addition, expatriate key managers are eligible for benefits connected with staying in Poland, which are included in the Orange Group International Mobility Policy package and payable on a one-off basis or throughout the year. These include housing allowance, plane tickets, French social insurance premiums, etc.

If the President of the Management Board is posted by the Orange Global International Mobility S.A., they shall not receive the benefits provided to other Members of the Management Board (i.e. PPE contributions, life insurance, health care package).

Assessment of the Remuneration Policy and Description of Changes Thereto in 2021

As the Company offers market-competitive remuneration, the employee fluctuation rate remains relatively low.

Like in previous years, variable remuneration systems in Orange Polska S.A. directly support the pursuit of the Company's strategic goals. In particular they offer reward for EBITDAaL, NPS, transformation projects and sales targets for convergent offers and fibre services. The bonus model applied funnels employees' efforts into improving EBITDAaL.

Simultaneously, we observe a growing pressure on wage increases related to the increased demand for labour in the market, especially in new technologies and customer-facing positions. Regular remuneration reviews based on wage comparison within the Company enable us to respond in a flexible manner to market developments.

Throughout the pandemic Orange Polska S.A. has actively participated in the communities of HR managers from various companies in order to share experience and discuss adjustment plans in the face of changing market and legal environment. In addition, Orange Polska S.A., as a telecommunications company, attends meetings of the community of employers offering ICT positions.

10 ORANGE POLSKA GROUP AND ORANGE POLSKA S.A.'S STATEMENT ON NON-FINANCIAL INFORMATION

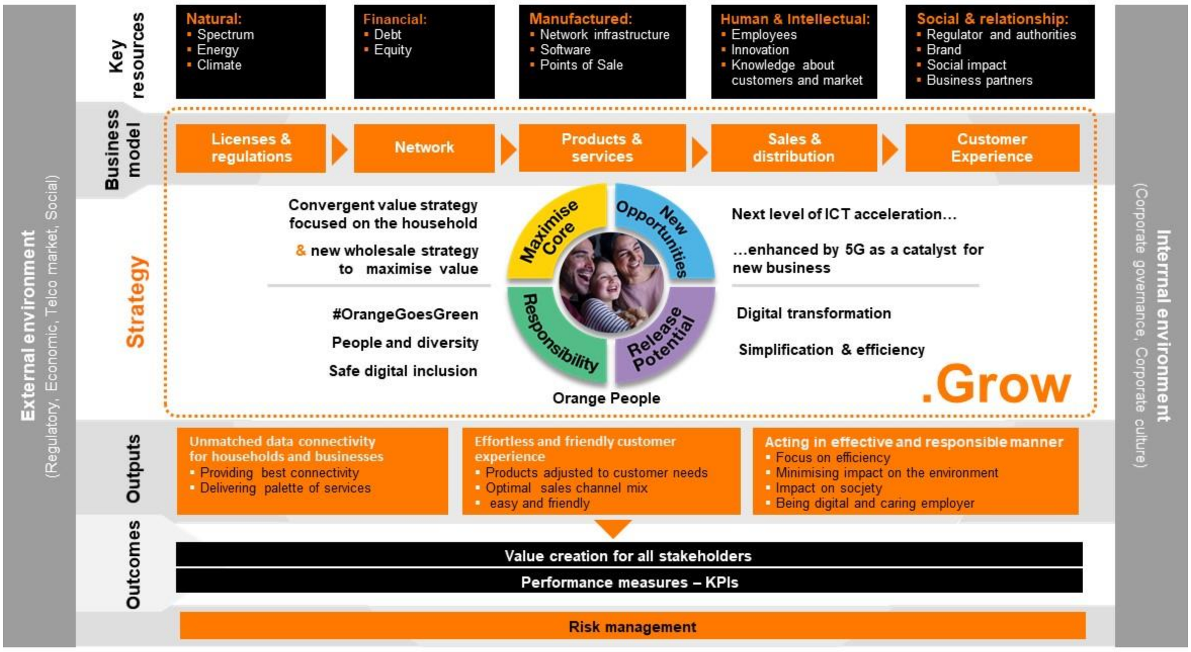
The key content, scope of information, as well as commitments and indicators have been defined using the PN/ISO 26000 standard and GRI Standards. A complete GRI-compliant report is prepared separately by the Company in the form of an integrated report.

The presented data covers the entire Orange Polska Group with separate presentation of Orange Polska S.A. The Orange Polska Group is comprised of the following companies: Orange Polska S.A., Integrated Solutions sp. z o.o., TP Teltech sp. z o.o., BlueSoft sp. z o.o., Essembli sp. z o.o., Telefony Podlaskie S.A., Orange Retail S.A., Orange Energia sp. z o.o., Orange Szkolenia sp. z o.o., Pracownicze Towarzystwo Emerytalne Orange Polska S.A., Fundacja Orange, Telekomunikacja Polska sp. z o.o. and Craftware sp. z o.o.[2]

This Statement presents the non-financial data identified during our dialogue with stakeholders and included in the Orange Polska Group's corporate social responsibility strategy and other strategic documents. The content of this document reflects the importance of particular issues for our stakeholders.

1. Governance Area

Business Model



The Orange Polska Group's business model consists of the following components:

Licences and Regulations

To be able to render mobile telecom services the Group needs access to radio spectrum. The Company holds licences for 800 MHz, 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz frequencies. The amount of spectrum that is at our disposal influences the competitiveness and quality of the services we render.

Network

We have the largest network infrastructure in Poland. Network topology consists of fibre backbone and aggregation networks, and access network. This constitutes the basis for rendering fixed and mobile services. To increase the efficiency of our infrastructure, legacy technologies and solutions, which are mainly voice-oriented, are being replaced with a converged network capable of handling all types of traffic: voice, data and video.

[2] The Group and T-Mobile Polska hold a 50% stake each in NetWorkS! sp. z o.o., and the Group and APG hold a 50% stake each in Światłowód Inwestycje. These companies have been classified as joint operations and are not covered by this Statement.

Products and Services

We offer a broad portfolio of telecommunication products and services for residential, business and wholesale customers. We combine fixed line and mobile services, offering consistent connectivity based on different technologies.

Sales and Distribution

We ensure easy access to our products and services, using different channels to connect with customers, including traditional points of sale (our own or our agents'), independent distribution chain outlets (e.g. consumer electronics stores), on-line, telesales and door-to-door.

Customer Care

We deliver customer care across all channels of communication adjusted to customer needs, from traditional (points of sale, Contact Center, face to face, field technicians, delivery couriers) and automated (USSD, IVR, SMS) to modern digital channels (mobile apps, social media, chat, email).

- **Corporate Governance**

Orange Polska S.A., as an issuer of securities listed on the Warsaw Stock Exchange (WSE), follows corporate governance rules, complying with Polish and international standards of proper governance. The corporate governance framework in the Company is regulated by a number of internal documents, including Articles of Association of Orange Polska, Regulations of the Management Board, Regulations of the Supervisory Board and Regulations of the General Assembly. The Company also complies with the Best Practice for Warsaw Stock Exchange (WSE) Listed Companies and the Code of Ethics.

The Management Board provides the leadership and introduces policies and rules for maintaining the internal cohesiveness of the organisation. All Members of the Management Board act as executives, while the Members of the Supervisory Board play an oversight role. These two roles are separable and strictly assigned to these governing bodies. The Supervisory Board consists of shareholders' representatives, elected by the General Assembly. In order to ensure quality decision-making, the Supervisory Board uses its committees as advisory bodies. These include. the Audit Committee, the Remuneration Committee and the Strategy Committee. Such a corporate governance model ensures proper distribution of responsibilities within the Company and establishment of the roles of the key governing bodies, which in turn enhances the decision-making process.

Our values are enshrined in the Orange Polska Code of Ethics. The Code's principles are consistent with such fundamental acts as the Universal Declaration of Human Rights and the recommendations of the International Labour Organization. Adherence to ethical standards is scrutinised by the Ethics Committee, which submits reports to employees as well as the President of Orange Polska and the Audit Committee of the Supervisory Board.

To safeguard the ethical standards in the development of new technologies, Orange Polska appointed the Data Ethics and Artificial Intelligence Officer in 2021. His tasks include undertaking initiatives aimed at raising the awareness across the organisation of the need to account for ethical issues in any data or AI solutions, as well as providing support and developing guidelines in this area.

The Company has adopted and maintained certified management systems and an internal control system. Orange Polska S.A.'s management system has been certified for compliance with the following international standards: ISO 9001, 27001, 27018, 22301:2019 and 14001. Compliance with procedures and international standards is regularly audited internally and confirmed through external oversight audits conducted by authorised independent entities. Orange Polska also holds the COPC (Customer Operations Performance Center) certificate.

Orange Polska S.A. maintains a risk management framework based on the ISO 31000:2018 standard. In addition, the identified similar risks are grouped into clusters to ensure consistent and effective risk management across the Orange Polska Group. In particular, this includes a cluster of social risks related to human health and safety, natural environment, human rights and fundamental freedoms, and climate risks.

- **Attitude to Corporate Social Responsibility**

In the Orange Polska Group, we have been successfully implementing a policy of corporate business responsibility (CSR) in all areas of our business for several years now. In its new business strategy, .Grow, the responsibility for the climate and the environment as well as socio-digital inclusion have become important areas of activity of Orange Polska. The conclusions from a dialogue with stakeholders, as well as market trends and social challenges for our industry in Poland and abroad have been key elements in the development of the CSR strategy.

A strong foundation of this strategy is:

– **responsible management**: values, ethics, human rights, compliance, dialogue with stakeholders, supply chain, corporate culture and responsible communications.

On this foundation are based four pillars of our CSR strategy:

- Social and digital development.
- Safe network
- Clean environment
- Engaged team

Responsible management and actions within these four pillars account for the maximisation of our positive impact and minimisation of our negative impact on the society, which is analysed in six areas: economy, innovations, customers, environment, communities, and employees.

2. Employment Area

The employment area in Orange Polska is regulated mainly by the following documents: Staff Regulations; policies on mobility, training and development, remuneration, diversity, health and well-being investments, and occupational safety and health; and the Intragroup Collective Labour Agreement and the Social Agreement.

- **Staff Regulations**

The organisation and order of work in Orange Polska, as well as the rights and obligations of its employees are regulated by the Staff Regulations, which in particular address the following:

- work organisation and equipping employees with tools and materials;
- working time systems and schedules, as well as adopted working time settlement periods;
- date, place, time and frequency of remuneration payments;
- list of works prohibited to young persons and women;
- types of works and list of positions allowed to young persons for the purpose of occupational training;
- obligations related to occupational health and safety and fire safety, including a procedure for informing employees about occupational risks;
- procedures for confirming the arrival and presence at work, as well as justifying absence by employees.

The Staff Regulations and any amendments thereto are consulted by the employer with trade unions.

Key workforce indicators

Workforce	Orange Polska S.A.		Orange Polska Group	
	2020	2021	2020	2021
Workforce	10,221	9,249	10,967	10,144
Full-time positions	10,211	9,239	10,952	10,125
Full-time employees	10,176	9,211	10,912	10,087
Part-time employees	45	38	55	57
Outsourced employees (full-time positions)*	2,514	2,199	2,534	2,219
Employees in management positions	1,194	1,137	1,339	1,275

* Outsourced FTPs are reported on an annual average basis.

- **Mobility Policy**

The Mobility Policy effectively supports the pursuit of Orange Polska's business objectives through HR processes, such as recruitment, carrier management, as well as identification and development of employees with high professional potential.

This policy is implemented through:

- counselling on employees' development paths;
- training programmes supporting competence development in various professional roles;
- trainship and development programmes within the Group.

Key mobility indicators

Mobility	Orange Polska S.A.		Orange Polska Group	
	2020	2021	2020	2021
Total number of new employee hires	239	228	311	421
Departures*	1,149	930	1,218	1,056
Turnover**	2.1%	2.6%	2.4%	3.1%

* Total number of employees leaving, including voluntary departures (for reasons unrelated to the employee) and departures at the employer's initiative, but excluding intra-group transfers (e.g. an Orange Polska's employee departing for TP Teltech)

** Rate of turnover, excluding voluntary departures (for reasons unrelated to the employee) and departures at the employer's initiative, as well as intra-group transfers

- **Development and Training**

Orange Polska, as a technology company, focuses on employee development adapted to the challenges of the evolving world. Human development, especially in the area of specialist competencies, is the foundation of our .Grow strategy 2021–2024. In order to meet the new ambitions, we have defined the key competence areas which have the greatest influence on the achievement of business objectives. These include: data management and artificial intelligence, virtualisation and cloud solutions, programming, cybersecurity, network technologies, digital sales and customer service, agile methodologies and project management, as well as ecology and corporate social responsibility. The employee development aims at both upskilling and reskilling. Our approach to development is based on the assumption that it is a long-term process, which involves a range of methods of different levels of complexity: training, online courses, educational platforms, films, knowledge sharing in the Experts for Experts programme, peer mentoring, and initiatives within educational communities. In the context of the pandemic, in 2021, like in the previous year, we focused particularly on training which supported remote work and hybrid work model.

Development of managers is based on the leadership model which comprises 10 Leader-in-Action rules. We offer dedicated development paths based on these rules to our managers. We will also support the of leaders community. The right identification of development goals and the right choice of development activities are supported by the feedback culture we build in the organisation and the relevant tools:360 Feedback and Pulse Meter, i.e. a quick monthly opinion poll on achievement of objectives and atmosphere within teams.

We also train outsourced staff in knowledge specific to Orange Polska and necessary to perform their duties.

Key development and education indicators

Development and education*	Orange Polska S.A.		Orange Polska Group	
	2020	2021	2020	2021
Total number of employees trained (in ‘000)	11	10	11	10
Total number of partners trained (in ‘000)	18	18	18	18
Total hours of employee training (in ‘000)	272	253	273	255
Total hours of partner training (in ‘000)	197	126	197	126
Employee assessment**				
% of regularly evaluated employees	97.0%	97.0%	97.0%	97.0%
% of employees with individual development plans	52.7%	57.7%	52.7%	54.0%
% of regularly evaluated outsourced staff	43.8%	43.8%	43.8%	43.8%
% of outsourced staff with individual development plans	25.4%	30.9%	25.4%	30.9%

* The education data for the Orange Polska Group cover the following entities: Orange Polska S.A., TP Teltech, Integrated Solutions, Orange Foundation, Orange Szkolenia and PTE Orange.
** The assessment of employees and managers is based on 360 Feedback, and the related development plans are implemented on a two-year basis. The feedback process was completed in 2020. Only with front-line employees (responsible for customer care), development conversations are carried out annually. The uniform assessment process covers the following entities: Orange Polska S.A., TP Teltech, Integrated Solutions, Orange Energia and Orange Foundation.

- **Remuneration**

The Remuneration Policy regulates the main guidelines and principles for remuneration in Orange Polska, supporting the recruitment, retention and motivation of the best managers and professionals. Remuneration is determined in a manner ensuring balance and consistency across the Orange Group.

Our Remuneration Policy complies with the labour law and corporate governance regulations. Terms of remuneration for Orange Polska’s employees covered by the Intragroup Collective Labour Agreement are determined in co-operation with trade unions.

The remuneration system consists of the following components:

– Basic salary – this takes into account the market remuneration standards for various positions and individual competence and contribution of employees, as well as non-discrimination principles;
– Performance bonus – the bonus system is dedicated to specialist sales positions and all managers, and its purpose is to motivate employees to achieve high performance by attaining the predefined and agreed goals which support the implementation of the Company’s strategy;
– Discretionary bonuses;
– Benefits; and
– Contribution to the Employee Retirement Plan – in Orange Polska, the contribution is 7%.

Key remuneration indicators

Wages	Orange Polska S.A.		Orange Polska Group	
	2020	2021	2020	2021
Average basic salary (in PLN)	8,093	8,578	8,070	8,535
Ratio of wages at the lowest positions to the legal minimum wage	130%	165%	131%	164%

- **Diversity Management in Orange Polska**

Orange Polska has adopted the Diversity Management Policy, which covers the following areas:

– Creating a working environment open to diverse mindsets;
– Building a corporate culture which derives from diversity;
– Providing adequate conditions for employee development;
– Supporting involvement of all employees;
– Increasing the quality of human capital management in the organisation.

The implementation of this policy in Orange Polska is supported by the Committee for Gender Equality and Diversity in the Workplace.

Furthermore, we hold the Gender Equality European and International Standard (GEEIS) certificate and we are a signatory to and a guardian of the Diversity Charter in Poland.

Key diversity indicators

Diversity	Orange Polska S.A.		Orange Polska Group	
	2020	2021	2020	2021
Access to positions				
% of women	38.9%	38.4%	38.2%	38.0%
% of women in management positions	34.8%	35.3%	33.1%	34.4%
% of women in the Management Board	33.3%	30.0%	18.2%	17.4%
Ratio of basic salary of women to men by positions (men's salary = 100%)*				
General	80.2%	80.6%	81.0%	80.2%
Non-management positions	81.4%	81.0%	81.7%	80.5%
Management positions	85.8%	83.5%	85.8%	83.3%
Ratio of salary of women to men within the same pay grades (men's salary = 100%)	97.2%	96.1%	97.0%	96.0%
People with disabilities				
% of employees with disabilities	2%	2%	2%	1.9%

* In order to better account for differences in salaries between men and women, we have introduced an additional indicator for individual pay grades. This shows a lower gender pay gap. It means that the differences between men's and women's salaries result from a different structure of positions, as more women hold low-wage positions (call center and outlet staff), while technical positions (network engineers, IT specialists) are held chiefly by men.

- **Working Environment**

We ensure safe and friendly working conditions for our employees, promoting integration and making them feel better in their workplace. We have implemented a competitive package of initiatives to support health and well-being of our employees, creating conditions for development, increased creativeness and commitment to the assigned tasks. This in turn enables building a valuable offer which supports employee recruitment and retention.

The goals set in the Policy for Investing in Health Quality and Well-being of Orange Polska's Employees are pursued through a comprehensive approach to:

– Physical well-being – we provide comprehensive health care to our employees, support their physical activity, including operation of sports clubs, promote a healthy lifestyle, and create safe and friendly work environment, particularly during the coronavirus pandemic;
– Mental well-being – we educate employees in stress reduction techniques, take initiatives to support balance between professional and personal life, strive for healthy workplace relations, implement culture of feedback and appreciation, and provide psychological support in difficult situations; and
– Social well-being – we build culture of co-operation in which all employees feel respected and can freely pursue their professional goals and life passions, and we support their involvement in social initiatives in the corporate volunteering programme.

Orange Polska's employees are eligible for the following benefits:

- Comprehensive medical services at clinics of PZU Zdrowie, as well as partner medical facilities nationwide;
- Employee Retirement Plan;
- Company Social Benefits Fund, as a means of social welfare addressed to employees and retired employees in need;
- Central Housing Fund and Central Welfare Fund;
- Discounts by the Group's partners and for Orange products and services in the 'Offer for You' programme;
- Sports, tourist and cultural events, as well as FitProfit cards;
- Tele- or remote work;
- Healthy lifestyle promotional initiatives: webinars, challenges and expert consultations;
- Psychological support by an internal team of psychologists and external specialists.

Both full-time and part-time employees are eligible for all the aforementioned benefits. Employees working under a fixed-term employment contract are eligible for health care and promotional offers, but are not eligible for benefits that require long-term commitments, such as the Central Welfare Fund or the Employee Retirement Plan.

In connection with the continued pandemic situation, Orange Polska's employees performed work remotely throughout most of the year. First-line employees (technical staff, sales outlet personnel), who could not adopt this model of work, were provided with personal protective equipment or were allowed to start work from home (technicians). In addition, we introduced the special rules of safe work. Employees who for different reasons could not perform remote work were given access to some of our locations, while maintaining safety precautions, that is distancing, hand disinfection, face masks and compliance with the requirements for in-person meetings. The Crisis Situation Monitoring Team was established in the Company. It monitors the sanitary and legal situation in Poland, takes preventive actions in case of reported coronavirus infections or suspected infections, and determines the safety rules. Furthermore, employees were invited to online meetings with experts who provided information about the latest results of COVID-19 studies and explained issues related to the safety of vaccines. We also organised a campaign encouraging our employees to vaccinate.

Key working environment indicators

Working Conditions	Orange Polska S.A.		Orange Polska Group	
	2020	2021	2020	2021
% of employees eligible for health care	100%	100%	100%	100%
% of employees covered by the Employee Retirement Plan*	86.0%	87.7%	84.1%	84.0%

* The Employee Retirement Plan has been expanded to include additional companies. Now, employees of Orange Polska, Telefony Podlaskie, Orange Szkolenia, TP Teltech, Pracownicze Towarzystwo Emerytalne Orange Polska S.A., Fundacja Orange [Orange Foundation] and Integrated Solutions sp. z o.o. are eligible for participation.

- **Occupational Health and Safety**

Both labour law and internal regulations provide for the activities aimed to ensure work safety, health protection and constant improvement in working conditions to all employees. We aim to incorporate OHS elements into all activities of Orange Polska and on all management levels in order to ensure safe working conditions, so that all our employees can actively perform their day-to-day duties in a friendly working environment.

In 2021, our efforts in the occupational health and safety area focused primarily on ensuring safety at work to all employees and protecting their health during the pandemic. We provided disinfectants and personal protective equipment. We analysed and co-ordinated work processes for compliance with the safety rules adopted in the time of the pandemic. We applied special operating procedures in case of suspected or confirmed COVID-19 infections.

Key OSH indicators

Occupational Health and Safety	Orange Polska S.A.		Orange Polska Group	
	2020	2021	2020	2021
Number of accidents	26	13	31	17
Accident frequency rate*	2.4	1.4	*n/a*	*n/a*
Days off due to work-related accidents	859	836	1,076	925
Accident severity rate**	33	64.3	*n/a*	*n/a*
Fatal accidents	0	0	0	0
Serious accidents	1	0	1	0
Other accidents	25	13	30	17
% of employees represented in OSH Committees pursuant to agreements with trade unions***	100%	100%	100%	100%
Employees in positions with high risk of occupational diseases	No such positions			

* Number of persons injured in work-related accidents per 1,000 employees. This ratio is determined separately for each company, as the aggregate figure for the Group does not adequately reflect vulnerability to accidents.

** Number of days off per accident. This ratio is determined separately for each company, as the aggregate figure for the Group does not adequately reflect vulnerability to accidents.

*** Pursuant to mandatory legal provisions, there are OSH Committees in Orange Polska and TP Teltech owing to their workforce size.

- **Social Dialogue**

We respect the employees' right to associate and we run continuous dialogue with our Social Partners. As part of this dialogue, we negotiate settlements, agreements or other documents with trade unions in Orange Polska S.A. There is also the Employee Council in the Company, which pursuant to mandatory regulations is consulted on matters related to the level, structure and intended changes of workforce, actions aimed at maintaining the workforce level, as well as any significant changes in work organisation or employment terms.

The Intragroup Collective Labour Agreement has been concluded with Social Partners in Orange Polska S.A., which regulates, inter alia, the rules for concluding and terminating employment contracts, working hours, holiday entitlement, rules of remuneration and obtaining extra benefits connected with work, occupational safety and health issues, training, social care and health care.

Furthermore, the Management Board of Orange Polska S.A. concludes Social Agreements with its Social Partners. The current Social Agreement was concluded on December 7, 2021 for the years 2022–2023. In particular, it sets the number of voluntary departures, determines a financial package for employees leaving the Company under the voluntary departure scheme, provides for potential basic salary rises 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. In addition, the Social Agreement for 2022–2023 provides for initiatives for friendly work environment and continuation of medical coverage. Orange Polska S.A. also declared that in 2022–2023 it would maintain the training budget at the previous year's level.

Furthermore, the Settlement with the Social Partners was concluded on December 7, 2021, determining the detailed procedures for the implementation of the Social Agreement for 2022–2023 in 2022. The Settlement set the number of employees to leave Orange Polska S.A. in 2022 at 760 and determined the terms of voluntary departures, the amount of severance pay and additional compensation for employees departing in 2022. The Settlement also specified the principles and criteria to be applied by the employer in the process of selecting employees whose employment is to be terminated through no fault of the employee.

In addition, there is a Collective Labour Agreement at TP Teltech sp. z o.o.

Key social dialogue indicators

Social Dialogue	Orange Polska S.A.		Orange Polska Group	
	2020	2021	2020	2021
Number of trade unions	17	16	18*	17*
% of employees in trade unions	32.4%	29.7%	31.1%	28.1%
% of employees covered by the Intragroup Collective Labour Agreement	97.0%	96.9%	94.0%	92.1%

* Based on figures for Orange Polska S.A. and TP Teltech sp. z o.o.

Key employment commitments and their delivery

Key commitments related to employment defined in the Orange Polska CSR strategy:

Commitments in the employment area by 2025	Delivery in 2021
Development and Education	
No disparity in access to training on account of gender or age	No disparity
Diversity Policy	
40% of women in management positions	35.3%
2% of people with disabilities	2%

Reference to the Key Risks in the Employment Area

Risk of physical or mental harm

Working in Orange Polska involves a low risk of work-related accidents, as confirmed by the relevant statistics. Relatively few accidents are typically minor. Hence, the risk related to the traditionally understood health and safety can be deemed rather law.

The Company has implemented the Health, Safety and Quality of Life Policy. All employees undergo regular and mandatory training in occupational health and safety, and work-related accidences and absence from work are monitored and analysed. We provide our employees with medical care, physical activity co-financing, and the additional health-promoting programme 'Yes to Health', which is dedicated particularly to employees with disabilities. During the pandemic, we offered our employees additional training and support related to remote work organisation, mental and physical condition, healthy lifestyle, and personal relationship and emotion management during the pandemic.

Human health and safety issues are also addressed in contracts with suppliers through CSR clauses and the Supplier Code of Conduct.

Risks related to human resources and alignment of organisational structure

Orange Polska and its managers continue transforming its internal culture in order to motivate employees and drive the performance culture, while streamlining the organisation and infrastructure in order to confront the competition and implement new technologies and new, more efficient business models through the transformation programme. If Orange Polska fails to complete these transformations successfully, its operating margins, financial position and results could be adversely impacted. Therefore, the Company carries out a voluntary departure programme and the workforce optimisation process. Regular staff satisfaction surveys are conducted by an external consultant. The Policy of Investing in Health Quality and Well-being of Employees of Orange Polska has been adopted by the Company. Employees are offered a broad range of health services, including psychological care, in PZU Zdrowie medical centres. For employees leaving the Company, we have developed an outplacement programme.

3. Social Area

The activity of the Orange Foundation, which pursues social goals on behalf of the Orange Polska Group, has been defined in its Strategy for 2021–2023. It provides for the pursuit of digital education and digital inclusion goals through long-term social programmes based on accurate identification of social needs and expectations. The Orange Foundation's key initiatives include *MegaMission*, *#SuperCoders* and *Orange Studios*, which are complemented by the corporate volunteering programme and activities for the safe use of new technologies by children and young people. The strategy is a follow-up of the long-term programmes implemented in previous years.

- **Safe use of new technologies**

One of the most important issues for us is the safety of children and young people on the internet and preparing young people to use new media in a conscious way. These goals are pursued through educational activities of the Orange Foundation and the Group's services related to customer safety. We support education on children's on-line safety in schools and kindergartens all around Poland. The Orange Foundation, in co-operation with the Empowering Children Foundation, offers a range of educational tools and materials, such as e-learning and educational websites, on-line brochures and guidelines for pupils, parents and teachers. Adults (especially educators and specialists) can participate in conferences, seminars and workshops, as well as use an on-line interactive course for parents and guardians teaching them how to protect their children on-line.

Furthermore, the 'Protect your child's brain!' campaign, promoting screen rules for kids and carried out by the Empowering Children Foundation, continued in 2021. In November 2021, 'A Body Does Not Define You' awareness campaign was launched. The campaigns, to which the Orange Foundation was a partner, reached more than 9,168,300 people.

Key indicators and goals

Safe Use of New Technologies	**2020**	**2021**
Parents and guardians using the educational materials	174,917	255,868
Children involved in the educational initiatives	984,029	522,505
Schools participating in the initiatives	4,600	4,960

- ***MegaMission***

MegaMission is a nationwide educational programme for primary schools. It can be carried out during lessons, additional classes or in after-school clubs. It is addressed to kids of grades 1 to 3 and their teachers. We aim to enhance knowledge and digital competence of teachers and after-school educators and their pupils. We want children to be safe and conscious multimedia users, and we want their teachers to have access to proven materials which they can use to deliver modern classes. *MegaMission* provides a solid basis for wisely and safely navigating the world in which we can no longer function without technology. Due to the closure of schools and the need to support teachers, the programme was modified to include a number of additional webinars for teachers to assist them in coping with the remote education challenges.

Key indicators and goals of the *MegaMission* programme

MegaMission	**2020**	**2021**
Children trained in the programme	3,000	4,000
Teachers trained in the programme	150	150

- ***#SuperCoders***

#SuperCoders is a nationwide educational programme aimed at primary school students of grades 4 to 8. Its key element is learning the skill of programming in an innovative manner, as it takes place during science, mathematics, history, music or Polish language classes rather than IT classes. All teaching materials have been based on the Polish school curriculum. Young *#SuperCoders* develop teamwork skills, creativity and logical thinking. A separate path has been launched for children with special educational needs. The teachers participating in the programme are offered professional training and technical support by expert educators. Due to the closure of schools, an additional series of remote classes for children, 'Mornings with #*SuperCoders*', was introduced.

Key indicators and goals of the *#SuperCoders* programme

#SuperCoders	**2020**	**2021**
Children trained in the programme	2,866	2,839
Teachers trained in the programme	280	280

- ***Lesson:Enter***

Lesson:Enter is a nationwide digital education programme addressed to teachers and aimed to enhance their digital skills. Over 75,000 teachers (15% from each region of Poland) will be trained in 2020–2023. The programme prepares teachers to use activating teaching methods. They learn how to use educational websites and portals, e-resources and various applications in a responsible and creative way, while observing safety precautions. Training includes a hands-on component, in which teachers create their own digital content for future use during their lessons.

The programme is carried out in conjunction with the Information Society Development Foundation and Institute of Public Affairs. It is implemented in the re-granting scheme by in-service teacher training centres in collaboration with local governments or non-governmental organisations. In 2021, we provided financial and technical support to 99 grant projects. The programme was joined by 4,990 schools and 39,616 teachers began their training. The programme is co-financed by the European Regional Development Fund in the Digital Poland Operational Programme with almost PLN 49 million.

- **Orange Studios and FabLabs**

In order to facilitate access to information, knowledge and technology among local communities, we have developed Orange Studios. Orange Studios are public multimedia studios in small towns and villages, which we create and help to manage. Their purpose is to provide members of the local community with access to new technologies, courses and workshops. The studio leaders are provided with professional training and financial aid to help them manage these modern and attractive meeting places. To date, we have set up a total of 100 Orange Studios across the country. The Orange Studio leaders can use an on-line knowledge-sharing platform, which features a portfolio of ready-to-implement projects and a gamification module that uses game mechanisms to build social skills and motivate residents to work for the benefit of their neighbourhoods. The initiatives carried out in Orange Studios are aimed at different groups, of which children are the largest. In 2021, the equipment in 15 studios was replaced (in total, 34 studios received new equipment in 2020–2021). In addition, a makerspace (i.e. a space supporting the use of new technologies in the DIY approach) was launched in 5 Orange Studios (in total, 10 makerspaces are already functional).

Furthermore, there are FabLabs (fabrication laboratories) in two cities, Warsaw and Gdańsk. These are open studios for people who want to learn how to use modern technologies in a creative way. FabLabs offer support by experienced educators, professional equipment and free workshops for adults, young people and children. FabLab in Gdańsk carried out a project supporting women in the labour market (second edition). A total of 2,341 people attended free workshops and social projects in FabLabs in 2021.

Key indicators and goals of the Orange Studios programme

Orange Studios	2020	2021
Active Studios maintained	81	79
Population with access to Studios	729,000	711,000

- **Corporate Volunteering**

Orange Polska has the biggest employee volunteering programme in Poland, which has been running for 18 years. With an open heart, or employees share their knowledge, skills and experience, teaching children and senior citizens how to use the Internet safely and wisely. They also carry out their own projects for local communities with the support of the Orange Foundation. Since 2020, the scope and nature of volunteering activities have changed due to safety restrictions. But growing willingness to help was reflected in the record number of grant applications submitted in December 2021.

Key corporate volunteering indicators

Corporate volunteering	2020	2021
Volunteers	1,148	1,958
Volunteers' working hours	8,400	15,000

- **Sponsorship**

Orange Polska has adopted a sponsorship policy. Our approach reflects the global sponsorship strategy of the Orange Group. In our strategic sponsoring area, which currently is music, we develop long-term, comprehensive, nationwide projects addressed to a large group of our existing or prospective customers. We sponsor various initiatives on a long-term rather than one-off basis. Key projects are subject to approval by the Management Board of Orange Polska. We have established the Sponsorship Committee to centralise project management of sponsorship opportunities in the Orange Polska Group.

Key sponsorship indicators

Due to the COVID-19 pandemic, our regular music festivals, Orange Warsaw Festival, Open'er Festival Powered by Orange and Kraków Live Festival were not held in 2021. However, a one-off event, Open'er Park Powered by Orange, was organised in the City of Gdynia. It was the longest music festival in Poland with 23 concert days spanned over six weeks, attracting 75,000 people.

Sponsorship	2020	2021
Music sponsorship: Open'er Park Powered by Orange		
Number of participants	n/a	75,000
Advertising value equivalent (in PLN millions)	n/a	2.3
Number of publications	n/a	132

- **Grants**

As part of its donation policy, Orange Polska has adopted formal rules for using the Donation Fund. These are specified in the relevant Decision of the Board Member in charge of Strategy and Corporate Affairs.

Orange Polska S.A. follows clear and transparent rules in making donations:

- Any donation requires analysis and recommendation;
- Any donation is subject to approval by the President of the Management Board of Orange Polska;
- Any donation is made under a written donation agreement;
- All donations are effected by transfers and registered in the accounting systems of Orange Polska;

– Each agreement includes a requirement to confirm that the donation has been used in line with its purpose.

Furthermore, Orange Polska provides free of charge dedicated fundraising numbers for charity SMS messaging. All the receipts are subsequently transferred to social causes, such as social campaigns and programmes, assistance to the victims of natural or man-made disasters, or initiatives saving human life and health.

For years, we have provided charity SMS messaging to a number of charity organisations, including Caritas Polska, Polsat Foundation, TVN Foundation, Great Orchestra of Christmas Charity and Work of the New Millennium Foundation. In 2021, fundraising numbers were launched for 15 organisations, which raised a total of over PLN 6.2 million.

Key grant indicators

Expenditure on aid to charitable institutions and social organisations in the area of welfare, education, health, culture, sports, etc.

Grants	2020	2021
Total support granted, (in PLN millions)	11.3	11.6

Key social commitments and their delivery

Key social commitments defined in the Orange Foundation strategy for 2021–2023 are as follows:

Commitments in the social area	Delivery in 2021	Annual Goal
Safe use of new technologies		
Parents and guardians using the educational materials	255,868*	700,000
Children involved in the educational initiatives	522,505	500,000
Schools participating in the initiatives	4.960	4,500
Educational programmes for schools (*MegaMission, #SuperCoders*)		
Children trained in the programmes	6,839	5,500
Teachers trained in the programmes	570	430
Schools participating in the programmes	290	290
Orange Studios		
Active Studios maintained (out of 100 established)	79	80
Population with access to the Studios	711,000	720,000
Corporate volunteering		
Number of employees involved in corporate volunteering	1,958	1,500**

* Due to the pandemic situation, we focused more on informational campaigns; hence, a decrease in training and educational initiatives.

** The goal for the corporate volunteering programme has been changed for the time of the pandemic. The overall goal is 3,000 volunteers involved.

Reference to the Key Risks in the Social Area

Negative impact of new technologies on children and young people

There is a risk that Orange Polska will be perceived as a provider of services which have a negative influence on the behaviour and health of children and young people. The issue of the negative impact of new technologies on them has been increasingly present in the media and may affect purchase decisions of prospective customers and satisfaction of the existing ones.

Through the Orange Foundation's educational programmes, i.e. *MegaMission*, *#SuperCoders*, Orange Studios and initiatives for the on-line safety of children, as well as collaboration with social partners and public institutions, Orange Polska educates children, parents and teachers how to use modern technologies safely and wisely, distributing educational materials, lesson scenarios and guides for all age groups and carrying out informational campaigns. The Group also supports research on the children and young people's attitudes towards new technologies to even better respond to social needs. Furthermore, Orange Polska offers parental control services for mobile phones, such as 'Protect Kids on the Net' and 'Safe Starter Pack'. Orange Polska launched the online platform www.orange.pl/razemwsieci [Together on the net], which provides information on how to use digital media responsibly and safely.

4. Human Rights

Owing to the nature of our business model and supply chain, we follow the human rights policy formulated at the international level by the Orange Group. In addition to the general framework of the International Labour Organization conventions, the Universal Declaration of Human Rights and the Global Impact principles, the Orange Group complies with the UN Guiding Principles on Business and Human Rights. The Group's activities with respect to safeguarding fundamental human rights focus on three main areas:

- Relations with employees;
- Relations with suppliers; and
- Privacy and freedom of expression.

The issues related to respect for human rights are addressed in the Orange Polska Code of Ethics. Furthermore, Orange Polska has introduced the Supplier Code of Conduct. It seeks to encourage suppliers to comply with and respect the relevant laws and regulations, and ensure that they are faithfully and effectively enforced. Our suppliers shall respect human rights and shall avoid being complicit in human rights abuses of any kind.

The Supplier Code of Conduct covers the following areas:

- Social responsibility: freedom of association and the right to collective bargaining, forced labour, child labour, diversity and non-discrimination, remuneration, working hours, and health and safety;
- Environmental responsibility: environmental protection, natural resources, and waste management; and
- Prohibited business practices: anti-corruption policy, competition, sponsorship, political contributions, money laundering, data security, and data protection.

The Supplier Code of Conduct has been published and implemented through a CSR clause which is obligatory in all our purchase agreements with suppliers. Pursuant to the clause, the parties undertake to comply with, and ensure that their employees, suppliers and sub-contractors comply with all national, European and international rules associated with standards of ethical and responsible behaviour, including standards on human rights, environmental protection, human health and safety, and sustainable development. They also undertake to combat any infringements of human rights and fundamental freedoms, as well as any risks to the health and safety of persons and the environment. In addition, they declare that they will require their employees, suppliers and sub-contractors to refrain from using child labour or forced labour, and shall combat any discrimination.

Furthermore, we have implemented a CSR questionnaire, covering environmental, labour, social, ethical and compliance issues, for suppliers from the areas with the highest risks to human rights.

Key human rights indicators

Human Rights	Orange Polska S.A.		Orange Polska Group	
	2020	2021	2020	2021
Employees trained in CSR, ethics and human rights	98	5,829	99	5,836
Partners trained in CSR, ethics and human rights	9	1,021	9	1,021
% of new agreements incorporating the CSR clause*	100%	76%	100%	76%
Child labour				
Operations identified as having significant risk for incidents of child labour	None were identified in the Group			
Forced labour				
Operations identified as having significant risk for incidents of forced labour	None were identified in the Group			
Discrimination				
Total number of incidents of discrimination	None	None	None	None
Right to privacy				
Number of reasonable grievances and violations with respect to privacy	None	None	None	None
Right to safety				
% of products evaluated for safety standards	100%	100%	100%	100%
Number of grievances and violations regarding product safety	None	None	None	None
Human rights violations				
Number of grievances about human rights**	None	None	None	None

* Change in the counting methodology.

** Employees transferring within Group companies or coming from external partners do not undergo training in ethics again.

Key human rights commitments and their delivery

Key human rights commitments defined in the Orange Polska CSR strategy:

Commitments in the human rights area by 2025	2020	2021
% of employees trained in business ethics	100%	100%
Compliance clauses as a standard in agreements with suppliers	Yes	Yes
CSR clauses as a standard in agreements with suppliers	Yes	Yes
% of purchase function employees trained in human rights	100%	100%

Reference to the Key Risks in the Human Rights Area

Orange Polska takes all issues related to human rights very seriously, paying particular attention to the rights to privacy and personal data protection.

Breach of security of information, including personal data

In order to prevent theft or unauthorised modification or processing of personal data of its customers and employees, or personal data entrusted by Orange Polska, we have implemented security measures consistent with international standards. In addition, we are introducing a process to identify and prevent violation of rights and freedoms of data subjects. The Company has implemented a certified Information Security Management System, which complies with ISO/IEC 27001:2013. Furthermore, the Company has maintained the FIRST and Trusted Introducer certification for CERT Orange Polska.

Despite all the precautions taken, considering the modern threats related to information technologies used for processing of information, including personal data, it is not possible to fully exclude the risk of infringement of the security thereof.

Recourse to liability proceedings is facilitated by the General Data Protection Regulation (GDPR). GDPR infringement incidents could have a considerable impact on the Group's reputation and a heavy impact on its liability, potentially including criminal liability, and hence have an adverse impact on Orange Polska's future financial performance. In accordance with GDPR, ISO 29134:2017 and the Article 29 Working Party guidelines, we have had a process to identify and prevent violation of rights and freedoms of data subjects since 2018. We have also delivered dedicated training for Orange Polska's employees and partners.

Slavery, forced labour and child labour

The risk of forced or child labour is marginal (immaterial) in case of our domestic operations and key suppliers, but may appear within the global supply chain. Therefore, the human rights policy has been formulated and implemented by the Orange Group on the international level.

On the national level, Orange Polska's purchasing contracts with suppliers include CSR and compliance clauses and incorporate the Code of Ethics and the Supplier Code of Conduct, which particularly address the issues of human health, safety and protection. Our local whistleblowing system, 'Ask an ethicist', is available to our suppliers and other stakeholders.

Risk of poor working conditions

The risk of poor working conditions in Orange Polska is considered low. The Company has introduced the Policy of Investing in Health Quality and Well-being of Employees of Orange Polska, which in particular provides for compliance with the occupational health and safety standards and development of friendly working environment.

This risk can potentially appear on the level of providers of services to Orange Polska in such areas as personal outsourcing, process outsourcing or technical partners. Human health and safety issues are addressed in contracts with suppliers through a CSR clause, as well as incorporation of the Supplier Code of Conduct and the Code of Ethics. Any irregularities in this area can be reported through our local whistleblowing system, 'Ask an ethicist', which is available to both our employees and suppliers.

5. Anti-bribery and Anti-corruption

We have introduced the Compliance Management Programme as part of our Corporate Governance framework, and the Anti-Corruption Policy is an important responsibility of our compliance function. The Anti-Corruption Policy specifies a set of rules to be complied with by our employees in any business activity and indicates prohibited behaviours which may be considered corruption or influence peddling. The Policy is supplemented by the Anti-Corruption Guidelines, which include detailed rules and procedures with reference to specific conditions and situations. As enshrined in the Anti-Corruption Policy, Orange Polska takes a zero-tolerance approach towards corruption, which must be followed by all employees, co-workers and business partners who act on our behalf.

To support the Compliance Management Programme, we have implemented a new process which optimises the due diligence procedures relating to compliance and fraud. Its goal is to thoroughly screen our partners for risks of corruption, fraud, non-compliance with economic sanctions, money laundering and terrorism financing.

Matters related to compliance are reported to the Audit Committee of the Supervisory Board in the following areas: ethics, general compliance with laws and regulations, anti-fraud, security and anti-corruption. The activities of the compliance management function and the results of both planned inspections and inspections initiated by notification of irregularities (whistleblowing) are monitored by the Audit Committee on the basis of regular reports.

Orange Polska provides its employees with adequate and up-to-date knowledge of compliance management rules. In addition to current communications in this area, the Company carries out a programme of mandatory anti-corruption training, which comprises e-learning courses and additional on-line workshops for our teams particularly exposed to compliance risk. All employees and external stakeholders can notify potential cases of non-compliance through the relevant channels we have established. All such notifications are treated confidentially, and examined and addressed with due diligence. In order to comply with the current legal requirements regarding whistleblowing systems, Orange Polska closely monitors its legal environment and adjusts its internal procedures to the relevant legal regulations.

Key compliance indicators

Anti-bribery and anti-corruption	Orange Polska S.A.		Orange Polska Group	
	2020	2021	2020	2021
Number of employees trained in compliance	8,127	8,331	8,169	8,404
Number of partners trained in compliance	6,144	6,592	6,144	6,592
Total value of cash donations or donations in kind to political parties, politicians or related institutions	The Group does not finance such entities			

Key compliance commitments and their delivery

Key compliance commitments defined in the Orange Polska CSR strategy:

Commitments in the anti-bribery and anti-corruption area by 2025	2020	2021
Corruption risk reduction (zero-tolerance approach towards corruption)	No infringements	No infringements

Reference to the Key Compliance Risks

Bribery and corruption risks

Orange Polska performs regular analysis and assessment of the corruption risk exposure. The areas particularly exposed to corruption risk are monitored for compliance with the relevant internal and external regulations, as well as the efficacy of the applied risk mitigation measures.

The Company and its Management Board take a zero-tolerance approach towards corruption, as enshrined in the Anti-Corruption Policy. This principle has been supplemented by a system of detailed internal procedures and instructions addressed either generally to the entire organisation or to particular functions and groups of employees owing to their specific duties.

The adopted internal regulations define standards of co-operation with third parties, especially public officers (particularly with respect to accepting and offering gifts or invitations) as well as procedures for effecting transactions, establishing co-operation with suppliers or providing grants or support.

6. Environmental Area

Orange Polska has in place an annually reviewed and updated environmental policy and established climate goals that define its key areas of use of natural resources and its impact on the environment, including climate, as well as the impact of climate change on the company.

Under these documents, we:

- oversee the processes which may affect the environment and climate in compliance with legal requirements and other environmental regulations and good practices;
- identify our negative impact on the environment;
- identify the negative impact of climate change on us,
- account for environmental and climate issues while setting objectives and making decisions, as well as carrying out initiatives reducing our impact on the environment, climate and climate change on the company,
- reduce greenhouse gas emissions related to our activity;
- implement circular economy solutions;
- monitor the compliance of electromagnetic emissions with the relevant standards;
- enhance our business practices and apply technological solutions to reduce negative environmental and climate impact;

– engage in dialogue with stakeholders and inform them about our environmental and climate protection initiatives;
– raise environmental and climate awareness among our employees, customers and suppliers;
– co-operate with our suppliers to ensure their compliance with our environmental and climate policy.

Key environmental and climate indicators

Environmental Data*			
	Unit	2020**	2021**
Energy consumption and greenhouse gas emissions			
Scope 1 – Direct energy consumption by primary energy sources			
Fuel oil (all buildings, all uses)	‘000 m^3	1.4	1.7
Gas	‘000 m^3	2,014	2,542
Coal	tonnes	13	15
Gasoline for company cars	‘000 litres	1,813	1,887
Diesel fuel for company vehicles	‘000 litres	886	702
Scope 1:Total energy	**GWh**	**62**	**55**
Scope 1: CO_2e emissions from fuel, gas and coal	‘000 tonnes	9.2	10.9
Scope 1: CO_2e emissions from vehicles	‘000 tonnes	6.5	6.2
Scope 1: CO_2e emissions from greenhouse gases	‘000 tonnes	7.1	15.6
Scope 1 – Direct own greenhouse gas (CO_2e) emissions* **	**‘000 tonnes**	**22.8**	**32.7**
Scope 2 – Indirect own CO_2e emissions (electricity consumption)			
Energy consumption – electricity	GWh	541	533
In which renewable energy	GWh	0	30
Scope 2: CO_2e emissions (location-based)	‘000 tonnes	382	334
Scope 1+2: CO_2e emissions	**‘000 tonnes**	**404.6**	**367.2**
Scope 3 - Other indirect CO2e emissions (business travels)			
Business trips: distance travelled by plane	‘000 km	526	333
Business trips: distance travelled by train	‘000 km	1,227	232
Scope 3 – CO_2e emissions****	**‘000 tonnes**	**1.3**	**0.2**
Total CO_2e emissions (Scope 1+2+3)	**‘000 tonnes**	**405.9**	**367.4**
KPIs per customer			
Electricity consumption/customer	kWh/customer	26.2	24.7
CO_2 emissions from electricity consumption/customer	kg/customer	18.5	15.5
Scope 1+2 CO_2 emissions during electricity consumption/customer	kWh/customer	29.2	17
Scope 1+2+3 CO_2 emissions (all energies)/customer	kg/customer	19.6	17
Materials			
Paper	‘000 tonnes	0.4	0.4
Water			
Water consumption	‘000 m^3	215.0	204.3
Waste management: *****			
Internal WEEE (network & tertiary)	tonnes	38.5	8.1
Wooden poles	tonnes	9.2	28.3
Cables	tonnes	20.2	290.5
Batteries	tonnes	3,670	433
Paper / Cardboard	tonnes	41.2	25.6
Other hazardous waste (including PCB)	tonnes	2.9	2.2
Other non-hazardous waste	tonnes	4,911	1,169
Total waste	**tonnes**	**8,693**	**1,957**
Electrical and electronic equipment :			
Collected and recycled handsets	‘000	33.6	37.8
Refurbished and relaunched handsets	‘000	11.5	12.6
Refurbished and relaunched multimedia (broadband) devices	‘000	503	655
Electromagnetic field emissions			
Compliance with the relevant standards		yes	yes

* The presented environmental indicators are the same for the Group and Orange Polska, as the latter owns the buildings and network infrastructure which constitute the basis for determining energy consumption and greenhouse gas emissions. Emissions generated by business trips (gasoline and diesel combustion) are determined for the Orange Group, whereas other indicators, i.e. EMF emissions and handset recycling/refurbishment, are specific to Orange Polska S.A. only.
** The presented full-year figures consist of actual data for Q1, Q2 and Q3 and estimates for Q4. Environmental data are based on reporting to the Orange Group's global database. Electricity consumption in Orange Polska's buildings is determined on the basis of records in the electricity database (BEE), which contains readouts of individual electricity meters.
Greenhouse gas (GHG) emissions are calculated according to the GHG Protocol. For electricity, GHG emissions are calculated using emission factors derived from International Energy Agency (IEA). There are no biogenic GHG emissions in the Company.
*** Scope 1 (direct) GHG emissions are defined as emissions from sources (resources, processes) that are owned or controlled by the organisation. For Orange Polska, these include fuel combustion emissions related to buildings, systems and vehicles as well as the impact of cooling and fire-extinguishing agents (fugitive emissions) expressed in terms of CO_2e. The increase of Scope 1 emissions in 2021 resulted entirely from reporting changes: a systemic error was eliminated in reporting fugitive emissions from cooling and fire-extinguishing agents, which have been fully reported since the beginning of 2021; furthermore, until 2021 OPL did not have a substantial part of data on the volume of gas consumption used to heat surfaces rented by the company from external parties – starting in the second half of 2021 this data has been systematically available and are now included in the reporting.
**** From 2022, Orange Polska, similarly as the entire Orange Group, intends to fully report GHG emissions in the Scope 3, accounting for emissions by both suppliers and customers – so far, in line with the Group methodology, only emissions related to business trips have been reported, which are only a fraction of the total Scope 3 (i.e., the entire OPL value chain emissions – by suppliers, customers and employees).
***** Waste is generated during liquidation of fixed assets or in the course of investments/repairs. The summary below indicates major drops in some items, while large increases in other categories. The increases resulted from a process of replacement of network infrastructure elements related to their service life and investments in new solutions.

The impact of Orange Polska in relation to the most important risks in the environmental area

Risk of loss of trust and reputation due to improper treatment of hazardous waste

For years, Orange Polska has carried out waste management in co-operation with trusted business partners, so this risk can be considered low.
Orange Polska has adopted an Environmental Protection Policy, which identifies the negative impact of our processes on the environment and provides for categorisation and monitoring of waste, particularly hazardous. The Company monitors the processes which may affect the environment in compliance with environmental laws and regulations, and applies technological solutions to reduce its negative environmental impact.

Waste electronic and electrical equipment (WEEE), batteries and storage cells, cables and telegraph poles are disposed of under strict control in co-operation with waste disposal companies that take full responsibility for further waste management, document the subsequent stages of waste treatment and hold a waste management licence (following registration by the Chief Inspectorate for Environmental Protection).

Environmental issues are also addressed in contracts with suppliers through CSR clauses and the Supplier Code of Conduct.

Risk of ineffective WEEE collection processes

We fulfil our statutory obligations to collect old equipment at points of sale, free of charge, and to meet the required recycling levels for the given category of waste. Orange Polska manages the process of electronic equipment recycling and monitors its results. We co-operate with organisations offering waste treatment and recycling. In addition, we have a buy-back offer encouraging customers to dispose of unwanted equipment.

Customers can return used devices through our customer service centres or our dedicated online platform under a handset buy-back programme, which involves collecting used-but-working handsets in return for discount vouchers. In addition, the Company has implemented a programme of refurbishing and relaunching old electronic equipment.

Exposure to electromagnetic fields

Exposure to electromagnetic fields (EMF) from radio equipment (used mainly on mobile, but also fixed, networks) might raise concerns for their possible adverse effects on human health. Negative changes in perception of the EMF impact on human health would have a deleterious effect on the business and results of operators such as Orange Polska. If the aforementioned health risks were scientifically confirmed to a certain extent in the future, this would likely result in a decline in use of mobile telecommunications services, difficulties and additional expense in rolling out base stations and other wireless equipment, and an increase in claims and litigation.

Despite discontinuation of *ISO 14001:2015 certification of* our Environmental Management System, Orange Polska has made every effort to meet the most restrictive environmental standards in order to eliminate any concerns of the social partner resulting from the perceived lack of transparency in the implementation of new technologies (and testing of 5G technology).

10.1 Disclosure of climate-related information in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

There is growing awareness of climate change among our customers, investors and other stakeholders, accompanied by increasing regulatory pressure related to climate neutrality goals adopted by the EU and its member states. Simultaneously, the roll-out of network infrastructure and the growing volume of data traffic are contributing to increased consumption of electricity in the telecommunications sector. As in Poland electricity is produced mainly from fossil fuels, this generates greenhouse gas emissions.

Energy consumption, especially for network operation, is the main source of emissions by telecommunications operators (Scopes 1 and 2 of the GHG Protocol – direct and indirect own emissions). Therefore, the initiatives regarding both the volume optimisation and the structure of origin of energy are of key importance.

In order to improve its energy efficiency and reduce its negative impact on the climate, Orange Polska has carried a number of measures mainly focus on energy usage optimisation and increasing of energy coming from renewable sources in the energy mix.

The Energy Optimisation Programme is carried out since 2014. About 200 initiatives have been implemented in various network areas so far, generating total energy savings of over 700 GWh between 2014 and 2020.

All initiatives carried out in the Programme have been divided into four areas:

1. FIX Legacy Decommissioning encompasses initiatives related to legacy fixed line technologies, that is PSTN or ATM. As part of these initiatives, customers are switched to newer and more energy-efficient technologies. In addition, older devices are optimised by increasing the ‘density’ of customer accesses on cards and disabling redundant cards.
2. RAN network efficiency improvement involves a series of measures to reduce energy consumption in the mobile radio access network, while maintaining the best quality of services provided to customers. During the periods of low subscriber activity, e.g. at night, smaller radio resources are required to handle calls and data transfer, so they are temporarily turned off, thus reducing energy consumption.
3. Modernisation of the technical environment is to ensure the optimal conditions for the operation of telecommunications equipment through modern air conditioning systems, power supply solutions, heating systems, etc. The key initiatives include replacing of A/C systems with more effective ones and retrofitting of technical compartments with ventilation-based cooling systems (free cooling).
4. Big Data – Energy. The available energy data are collected, processed and analysed using the Business Intelligence tool. As a result, it is possible to detect anomalies and optimise energy costs and consumption. An example is the cyclic selection of energy tariffs for each facility on Orange Polska’s network on an individual basis.

The Company has taken measures to increase the share of energy from renewable sources in its energy mix by direct contracting of renewable energy from its producers based on long-term Power Purchase Agreements (PPAs). The first such agreement was concluded in 2020. Pursuant to it, two wind farms have been constructed, which became operational in 2021; they will supply about 9% of the energy needed by Orange Polska annually, which corresponds to a reduction in CO_2e emissions by approximately 30,000 tonnes each year. In December 2021, Orange Polska signed another PPA for additional wind installations, which will secure a further 20% of the Company’s energy consumption by 2024. Orange Polska intends to increase the share of energy from such renewable sources in its energy mix to at least 60% by 2025.

Furthermore, Orange Polska has been optimising its transport fleet and real estate portfolio, which leads to fuel and electricity savings. In addition, the Company has undertaken circular economy initiatives, such as collecting and buying back old phones, offering refurbished handsets to customers, and refurbishing and relaunching about 500,000 pieces of customer premises equipment (CPE, e.g. modems and set-top boxes) per annum.

Owing to the aforementioned energy saving initiatives, despite growing volume of data traffic on its networks, Orange Polska has achieved a 27% reduction in its own emissions in 2021 compared to 2015 (which is the base year for emissions in the Orange Group). Our emission reduction target is 65% by 2025 (compared to 2015). It was adopted by the Management Board of Orange Polska and announced in April 2021, together with the confirmation of our overarching climate commitment to achieve climate neutrality (Net Zero Carbon) by 2040 in terms of both our own emissions and our entire value chain (i.e. Scopes 1, 2 and 3 of the GHG Protocol).

Should the aforementioned initiatives to reduce our negative impact on the climate be unsuccessful, Orange Polska, as a socially responsible company, would be exposed to reputational losses. Furthermore, Orange Polska’s failure to achieve the intended share of energy from renewable sources could result in higher than expected electricity costs and, consequently, have a negative impact on its financial performance.

1) Organisation’s governance around climate-related risks and opportunities

In order to facilitate our climate impact management, in 2020 we created the position of climate officer, who is responsible for the co-ordination of Orange Polska’s pursuit of environmental goals. His role is to develop our climate policy and monitor its implementation in close co-operation with the entire organisation. The Climate Officer reports directly to the Management Board Member in charge of Strategy and Corporate Affairs.

Environmental objectives have been incorporated into Orange Polska's business strategy, .Grow, and their implementation is reported to the Management Board on a quarterly basis. Orange Polska launched a special programme, #OrangeGoesGreen, which is lead by the climate officer and supervised by the President of the Management Board and the Management Board Member in charge of Strategy and Corporate Affairs.

A dedicated team composed of representatives of different functions has been established. It currently manages 13 projects. Their implementation is a responsibility of the Directors in charge of Technology and Network Purchases, Work Environment, Supply Chain Management, IT and Network Resource Management, Purchases, Terminal Development and Management, IT and Network Operational Resource Management, Business Marketing, Customer Experience Centre and Orange Energia. The team meets every two months and the pursuit of objectives is reported to the Management Board.

The Management Board has approved Orange Polska's environmental goals in a formal resolution and reviews the progress in their implementation at least twice a year.

The reduction of emissions GHG in Scopes 1 and 2 is included as a KPI in the MBO performance scheme for the key managers responsible for this issue, particularly the relevant Management Board Members (President of the Management Board, Management Board Member in charge of charge of Network and Technology, and the Management Board Member in charge of Strategy and Corporate Affairs) and the persons reporting directly to them. It is also an element of the long-term incentive programme for the entire top management of the Company.

2) Climate Risk management

Orange Polska maintains a risk management framework to identify, assess and manage risks. This framework has been based on the ISO 31000:2018 standard. Event-based risks are subject to assessment according to their likelihood and impact in terms of financial, reputational, business continuity and human loss. If risk consequences are, for example, both financial and reputational, the risk is assessed according to the most negative consequence.

The identified similar risks are grouped into clusters. The risk assessment process is managed by domain co-ordinators. The division of risks into the domains of operating risks, loss of information, business continuity, compliance, fraud and social risks ensures a uniform and objective approach to the assessment of risks of similar consequences (cause and effect analysis). Climate risks have been included in the social risk domain and constitute a separate cluster. The risk assessment and management, including identification of new and emerging factors, monitoring of risks and the effectiveness of controls, as well as reporting are a responsibility of the persons managing the relevant area and business functions, while the process is co-ordinated by the social risk domain owner.

The risks and the mitigation measures assigned to them constitute an input for the development of the Annual Internal Audit Plan. Indicative heat maps are used to report and evaluate risks. The results of assessment of top risks, including one climate risk, are reported to the Supervisory Board annually.

Reference to the Key Risks Related to the Company's Environmental Impact

Risk of loss of reputation due to negative climate impact

Unsuccessful implementation of Orange Polska's climate strategy may have an adverse impact on the Company's reputation and result in an increase in operating costs and loss of some investors and customers, as it could reduce investor interest in the Company and in a longer run it could be reflected in lower customer satisfaction and loyalty. Therefore, it is necessary to reduce the environmental impact of the Company's activity, as well as the products and services it provides.

While 5G is more energy efficient than older technologies, continuously increasing data traffic volume will increase the overall electricity consumption and could, therefore, mean higher CO_2 emissions (as electricity use is the principal emission driver in the telecommunications industry). Increasing the share of renewable energy used by Orange Polska through long-term Power Purchase Agreements is crucial to reducing its emissions despite this growth.

Orange Polska's objective is to achieve Net Zero Carbon by 2040 and significant GHG emissions reduction by 2025. This objective can be achieved by purchase of green energy through long-term Power Purchase Agreements directly with producers and optimisation of the energy use, including but not limited to technology evolution and further deployment of more energy-efficient solutions. These actions are supported by an open dialogue with stakeholders on Orange Polska's commitment to climate and the positive impact of the telecommunications industry on reducing emissions in other sectors.
It is a short-term risk.

Analysis and determination of the level and nature of the importance of climate change

In 2021, the Company carried out a process aimed at the identification of risks and opportunities as well as determinants and components of developing action scenarios related to those risks (and opportunities) in the matrix layout with reference to local climate scenarios for Poland (positive, neutral, negative and very negative; scenario-based approach) as well as short, medium and long term horizon (by 2025, 2050 and 2100, respectively; timeframe-based approach). A team composed of the representatives of the Company's management and various functions which were considered crucial in terms of the current or potential environmental impact was involved in the entire process.

The process was divided into the following stages:

Stage 1. Assessment of Orange Polska's exposure to climate change (in terms of the financial significance of such exposure) for different climate scenarios.

- Importance of negative climate factors to Orange Polska for different climate scenarios

  Objective:
  To identify the most important negative climate factors and the opportunities which affect, depending on the climate scenario, the vulnerability and adaptive capacity in particular areas and value chains.

  Outcome:
  List of the most important negative climate factors and the opportunities faced by Poland and Orange Polska throughout the value chain for different climate scenarios.

- Importance of negative socio-economic factors to Poland (with respect to Orange Polska) for different climate scenarios

  Objective:
  To describe the most important negative socio-economic factors and the opportunities affecting Poland and the telecommunications industry.

  Outcome:
  List of the most important socio-economic challenges opportunities affecting the vulnerability to climate change in Poland and the telecommunications industry.
  Identification of the required information or detailed analyses of specific negative socio-economic factors or opportunities related to climate change in order to determine the overall vulnerability to climate change.

Stage 2. Assessment of Orange Polska's sensitivity to climate change (in terms of the analysis of climate-related risks) for different climate scenarios.

- Analysis of Orange Polska's sensitivity to negative climate factors in the context of socio-economic changes for different climate scenarios

  Objective:
  To identify the most sensitive actions in the areas or sectors to be hit most by negative climate and socio-economic factors.

  Outcome:
  List of the most sensitive actions or impacts of negative climate and socio-economic factors on the deterioration or relief of Orange Polska's objectives and actions.
  Identification of the potential gaps in Orange Polska's knowledge on the impact of climate and socio-economic change on specific actions.

Stage 3. Identification and classification of Orange Polska's adaptive capacity to climate change (in terms of the analysis of climate-related risks) for different climate scenarios.

- Analysis of Orange Polska's adaptive capacity to climate change in the context of climate-related risks and opportunities for different climate scenarios

  Objective:
  To identify and classify the internal and external factors of adaptive capacity in order to select the most important factors for the assessment of the vulnerability to climate change in Poland and the telecommunications industry.

  Outcome:
  List of factors with the biggest impact on the adaptive capacity in the local area or the particular sector of the economy.

Stage 4. Development of Orange Polska's action plan for adaptation to climate change (in terms of the analysis of climate-related risks) for different climate scenarios.

- Development of the Company's integrated vulnerability assessment and action plan

  Objective:
  To identify the inhibiting or supporting factors of processes.

  Outcome:
  List of hierarchical adaptation and capitalisation measures, potential conflicts, facilitating factors and common benefits as well as hampering barriers regarding the implementation of particular measures.

Action plan with hierarchical measures, including specific steps.

Methodology

The methodology regarding risk identification, valuation and mitigation measures for Orange Polska has been based on the recommendations of the Task Force on Climate-related Financial Disclosures (TFCD), reports of the Intergovernmental Panel on Climate Change (IPCC) and taxonomy regulations of environmentally sustainable investments, related to the Regulation of the European Parliament and the Council of the European Union No. 2020/852

Risks were valued for four scenarios of temperature increase above pre-industrial levels (19th century), including two extreme scenarios presented at the Climate Summit in Paris in 2015, as well as for three periods: 2022–2025 (corresponding to Orange Polska's strategy), 2025–2050 (corresponding to the EU's target of climate neutrality by 2050) and 2100 (corresponding to the projection at the Climate Summit in Paris).

The presented methodology was applied with the assistance of Prof. P. Bogacz of the University of Science and Technology in Cracow.

The analysis involved the development of four scenarios for Orange Polska:

1. RCP2.6 positive scenario – climate warming by 2100 of below 1.5°C above pre-industrial levels;
2. RCP4.5 neutral scenario – climate warming by 2100 of between 1.5 and 2°C above pre-industrial levels;
3. RCP6 negative scenario – climate warming by 2100 of between 2 and 3°C above pre-industrial levels;
4. RCP8.5 very negative scenario – climate warming by 2100 of above 3°C above pre-industrial levels.

On the above basis, the following risks time horizon was adopted:

- Short term (by 2025);
- Medium term (by 2050);
- Long term (by 2100).

Environmental and climate-related risks, like other social risks, are subject to a standard review of risks on an annual basis. They are reported to the Management Board and Supervisory Board. As indicated above, TOP risks are subject to an additional oversight procedure, and may constitute an input for the development of the Annual Internal Audit Plan and the assessment by the Audit Committee. The risk of loss or reputation due to negative climate impact has been included in the TOP risk category. Risks related to the climate impact on Orange Polska have been linked to selected TOP risks as long-term materialisation factors.

Reference to the Key Risks Related to the climate impact on the Company

The Group analysed the impact of climate change on its financial statements and concluded that it did not affect the balance-sheet value of its assets and liabilities as at December 31, 2021. Short-term risks are related mainly to Orange Polska's negative environmental impact, while risks related to the climate impact on Orange Polska are considered mainly in the medium and long term horizon.

Climate change, that is natural disasters as well as other related emergencies, may lead, through their destruction or damage, to a significant destruction of the Company's of a reduction in the value of assets, resulting in both service interruptions and high costs of repairs. Extreme weather events related to the present climate change (floods, storms, heat waves) are increasing in frequency and severity, exacerbating catastrophes and increasing their costs. In the short-term perspective, rising sea levels due to melting of glaciers and ice sheets may more often affect on-shore locations and facilities. While insurance coverage of claims may continue to be reduced, the damage caused by large-scale disasters might result in significant costs, a proportion of which may still burden the Company, thus affecting its financial standing and growth prospects.

Orange Polska's experts identified the risks related to climate change that might significantly affect the Company. These risks were assessed in terms of value and likelihood. Risk valuation was based on discounted future cash flows for a period until 2100. Out of over a dozen potential risks identified in the process, four risks were considered material due to the highest likelihood and the highest potential impact on the Company. They are described below, combining them also in the presented table with individual climatic factors and their effects.

Climate factor based on long-term prognoses for different temperature increase scenarios (by 2–4°C)	Risk (described below)	Risk resulting from the climate factor	Risk value = future cash flows resulting from:
Heat waves, torrential rainfall and storms, river floods	a)	Equipment damage caused by high temperatures, heat waves, floods or other extreme weather conditions	Costs of repairs of damaged property
Rising sea levels	a)	Equipment damage caused by sea level rise	Costs of restoration and relocation of property
Temperature increase	b)	Increased demand for energy	Costs of additional energy consumption
Heat waves	b)	blackout	Lost revenues and costs of fines and damages resulting from blackout
No specific climate factor	c)	Equipment shortages and delayed deliveries	Lost sales margins resulting from shortages and delayed deliveries
No specific climate factor	d)	Additional costs, charges and taxes resulting from legislation changes, fines, migration, skilled labour shortages or diseases	No valuation

a) Acute and chronic physical risks

Infrastructure damage or malfunctioning due to climate change

Climate change may result in infrastructure damage of malfunctioning, leading to failures. The key risks include increased temperatures (more frequent prolonged heat waves or higher daily temperatures), extreme weather events (e.g. storms, winds, lightning) and flooding of land (and infrastructure) due to acute or chronic climate change (torrential rainfall, river floods, transient or permanent sea level changes), which in extreme cases may lead to non-accessibility of certain areas. For the Company, such situations require changes in investment planning or parameters.

The main approach to the physical risk management is understanding, measurement, monitoring and mitigation of potential impacts for various climate/temperature scenarios over the short, medium and long term, accounting for the impact on financial issues and business continuity.

We have identified high-risk areas in Poland in order to account for climate-related risks in our investment decisions (planning of future facilities or relocation of the existing ones, design choices, additional protective or response measures).

We review and monitor the potential impact of climate factors on our infrastructure, so that in justified cases we can implement new solutions in infrastructure design and construction (e.g. active equipment optimisation, placing equipment higher above the ground, mobile installations, insulation, cooling systems) or provide proper protection systems (e.g. pumps).

It is a medium-term and long-term risk.

b) Transition risks

Impact of climate change on energy supply, consumption and costs

Climate change, particularly increasing temperatures and extreme weather events, are likely to have a considerable impact on energy supply, consumption and costs. This impact will increase as power supply and cooling systems deteriorate. This risk may be: (i) extreme event driven (acute), e.g. increased average daily temperature, heavy storm or rainfall, or (ii) long-term (chronic), e.g. increased frequency of heat waves or heavy storms. Both types of this risk would have a similar, significant impact on energy supply, consumption and costs for Orange Polska.

Furthermore, the Polish power grid is under growing strain (as more energy is needed for cooling and higher temperatures increase the likelihood of system failures), which may result in reduced electricity supply and higher prices or, in more serious cases, even local power outages. Higher ambient temperatures also increase cooling requirements related to the Company's infrastructure itself.

Orange Polska's attitude to the management of this risk is based on updated business continuity scenarios for power outages or other power supply disturbances, providing for energy storage or other low-emission emergency power supply solutions (and taking into account both costs and reliability). In addition, the Company optimises the energy use in order to reduce demand (consumption). The Energy Optimisation Programme encompasses the energy use optimisation for non-technical real estate and evolution towards more energy-efficient technologies. We also focus on the technology of cooling systems, reducing electricity consumption and combining passive and active solutions. Furthermore, in order to ensure long-term access to the required amounts of energy, we secure renewable energy from suppliers (under Power Purchase Agreements), while supplementing it from our own sources (in the Solar-as-a-Service model).

It is a short-term, medium-term and long-term risk.

c) Supply chain disruption due to issues related to climate change

Supply chain disruption may result from issues related to climate change, particularly insufficient availability of crucial resources or interruptions in supply from unstable regions. Shortages may occur, especially with respect to some critical resources coming from the areas vulnerable to extreme weather events (resulting in production downtime, transport route disruption, etc.) or socio-political disturbances (affecting resource extraction). There is only limited diversification of supply of some raw materials, which might pose a problem in the coming years in case of excessive dependence on suppliers from certain regions. It may hinder the provision of services by Orange Polska due to shortages or delayed deliveries of equipment, including infrastructure components from outside Europe. Delays in equipment delivery may in turn cause potential problems with functioning of ICT systems. There is also a risk of reduced availability and/or higher prices of products from the current sources. This may necessitate transition to alternative technologies and involve high costs of modernisation.

In terms of risk management, we have identified the resources of key importance for business continuity the availability of which may be potentially affected by disturbances related to climate change. To address potential interruptions in supply, we undertake a number of actions, including diversification of suppliers, securing the so-called ‘backup suppliers’, inventory building, search for alternative technologies and use of different transport routes. Issues related to the environmental and climate impact are accounted for in the process of supplier verification and assessment. We are also looking for solutions based on circular economy. We are co-operating with the Orange Group (including BuyIn) in order to adopt adequate solutions on the international level.

It is a medium-term and long-term risk.

d) Regulatory and socio-economic effects of climate change

The social, demographic, economic and regulatory effects of climate change will become increasingly visible over time. In the short term, legal and regulatory changes responding to the need to adapt to climate change may be expected. Such changes may have a significant impact on the requirements for the biggest enterprises in terms of operating or financial costs. These requirements may be related to the mandatory reduction in emissions, use of renewable energy, environmental impact management, circular economy solutions, etc. In the long term, depending on the severity of the actual climate change scenario, demographic and socio-economic changes may be expected (particularly mass migrations affecting the customer structure, needs and purchase power or the macroeconomic environment in Poland).

At present, no individual or main risks have been identified in this area. However, the whole phenomenon of climate-related socio-economic and regulatory evolution is dynamic and multidimensional. The impact of particular developments, especially related to future changes in legislation, has been reviewed by our experts. Initially, we are of opinion that this impact will be largely mitigated by the high standards and ambitious goals set by Orange Polska in its own strategy. The areas of the potentially biggest impact on the Company’s operations include: anticipated EU regulations regarding energy-efficiency of data centres; revision of packaging and waste management provisions; potential regulations regarding resilience and continuity of telecom services under extreme weather conditions; EU regulatory expectations resulting in higher costs of high-emission materials, such as steel or concrete; growth in prices of electricity, especially based of fossil fuels; and changes in the social structure and the economic and political situation.

Therefore, the legal and regulatory environment is constantly monitored by our dedicated team of experts for developments related to climate change. We regularly inform and engage key internal stakeholders in order to respond to ongoing changes in advance and in the best possible way. We also co-operate with external stakeholders (European, national and local authorities, and the business environment) in order to predict, prepare for and respond to changing regulations and standards. Furthermore, we monitor on a current basis the broader socio-economic and demographic changes in Poland and worldwide which may have a significant impact on Orange Polska’s standing and business operations.

It is a medium-term and long-term risk.

3) Climate strategy

Impact of climate-related risks and opportunities on the Company’s strategy

Within the #OrangeGoesGreen approach we have developed a climate strategy at Orange Polska of which the key goal is to become climate neutral and achieve Net Zero Carbon by 2040. Neutrality will cover both direct and indirect own greenhouse gas emissions (Scopes 1 and 2 of carbon footprint in terms of the GHG Protocol GHG) and emissions in the value chain (Scope 3).

Our first period of action is 2025 and during this period our actions focus on the three main priorities:

Priority 1: **Responsibility** for reducing our CO_2 emissions and the resources we consume.

- Reducing our CO_2 emissions in the Scopes 1 and 2 of carbon footprint in terms of the GHG Protocol GHG (direct and indirect own emissions) by 65% compared to 2015.

This goal will be achieved primarily through the following:
- Increasing the share of renewable energy in our energy mix to at least 60% by 2025, based on long-term procurement agreements directly with renewable energy producers (PPAs);
- Work on work on further improvement of own network energy efficiency;
- Deployment of new, much more energy efficient technologies such as fibre and 5G;
- Preparing for Scope 3 GHG emissions reduction (emissions by suppliers, customers and employees generated in relation to Orange Polska activity), including the implementation of eco-design;
- Optimising other resources consumed by Orange Polska.

Priority 2: **Value** for our customers and all stakeholders thanks to our climate action.
- Developing and selling commercial services supporting our B2C and B2B customers' green challenges (and in particular solutions allowing them to reduce emissions or resource consumption).
- Dedicated green offers and communication to customers regarding the climate footprint of services and the possibility of reducing or neutralising that footprint, as well as end-to-end management of green concerns in the experience of Orange Polska customers.
- Circular economy:
  - Collecting, buying back, recycling, repairing mobile phones;
  - Refurbishing CPE (modems, set-top boxes);
  - Using refurbished equipment on Orange Polska's network.

Priority 3: **Impact** on the green, digital transformation of the Polish economy.
- Internal communication and education to engage our employees.
- External communication and building Orange Polska's image as 'the green leader'.
- Market and regulatory relations.
- Comprehensive, reliable and consistent financial and non-financial reporting;
- Consistently including climate and environmental angles in our decision-making.

4) Key climate and environmental commitments and their delivery in 2021

Metrics and targets

The key environmental targets defined in Orange Polska's strategy and harmonised with Orange Group's global climate goals (covered by the Engage 2025 strategy) are science-based. We have confirmed with the Science-Based Targets Initiative that they are aligned with the objectives of the Paris Agreement (holding the increase in the global average temperature in the 21st century to 1.5°C above pre-industrial levels).

Commitments in the climate area by 2025	Delivery in 2020	Delivery in 2021
Reduction in GHG emissions in Scopes 1 and 2 by 65% (vs. 2015)	-20%	-27%
60% of electricity consumed from renewable sources	0%	6%

Delivery in 2021

Responsibility

Scope 1 of greenhouse gas emissions:
- First electric and hybrid cars in Orange Polska's fleet;
- Closing of the last own coal-fired boiler station.

Scope 2 of greenhouse gas emissions:
- Launch of two wind power stations built in the Greater Poland region by WPD Polska to serve the needs of Orange Polska. Pursuant to a corporate Power Purchase Agreement (cPPA), we have secured 9% of our annual energy consumption and reduced our CO_2e emissions by 30,000 tonnes per annum;
- Over 700 GWh of energy savings owing to the Energy Optimisation Programme since its start in 2014.

Scope 3 of greenhouse gas emissions:
- Network equipment refurbishment initiatives, changes in the delivery process, handset collecting, refurbished handsets in our portfolio, and energy-saving modes in set-top boxes.

Value

- Orange Flex became the first climate-neutral telecom service in Poland. Owing to wind energy, we reduced Flex emissions by over 95%. With other actions and certified Gold Standard carbon credits we either eliminated or offset the remaining emissions;

- We collect old phones, which can be deposited in any sales outlet of Orange Polska in exchange for a voucher for Orange services;
- For the first time we introduced refurbished handsets from outside the Company into our offer. Hitherto, we offered only handsets returned by our customers and refurbished internally in the supply chain;
- We refurbish and relaunch over half a million of CPE devices (modems, set-top boxes) annually. About 60% of our customers receive refurbished devices when signing a service contract;
- Paperless operation: thanks to e-invoices, we avoid printing tens of thousands of pages annually, saving 30,000 trees each year.
- We encourage customers to start to use e-invoices, make a more responsible choice of accessories or get involved in environmental campaigns. Owing to involvement of our customers, 4 hectares of perpetual, biodiverse forests have been planted;
- Introduction of circular economy principles into our network (the OSCAR project): use of network equipment for internal purposes;
- Launch by Orange Energia of the nationwide photovoltaic offer. Orange Energia, which is the biggest independent energy distributor in Poland, purchases guarantees of origin from renewable sources for the entire volume of electricity sold to its customers;
- Expansion of the Smart City offer, enabling more efficient use of resources. The service portfolio includes, *inter alia*, smart utility readers, city lighting management systems or municipal bike-sharing platforms.

Impact

- #OrangeGoesGreen is one of the best climate strategies in Poland according to a survey by Go Responsible and GRID-Warsaw in partnership with the UN Environment Programme (UNEP);
- Almost 2,500 of our employees and partners have already completed training in climate issues;
- Analysis of the opportunities to make the best use the EU funds for green and digital transformation both for us and our customers.

CHAPTER VI TAXONOMY

European Taxonomy

In accordance with article 8 of the Regulation of the EU 2020/852 of the European Parliament and of the Council of June 18, 2020 on the establishment of a framework to facilitate sustainable investment (Regulation 2020/852, Regulation) and the EU Commission Delegated Regulation of June 4, 2021 establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (Technical screening criteria), as well as on the basis of Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (Disclosure Regulation) - these regulations are hereinafter also referred to as Taxonomy - Orange Polska disclosed the proportion of Taxonomy-eligible and Taxonomy non-eligible economic activities in their total turnover, capital and operational expenditures and the qualitative information (key performance indicators, key indicators).

The Taxonomy aims at defining an activity classification system that provides clarity as to which activities qualify as sustainable and which do not. Establishing the criteria for environmentally sustainable economic activities is important for the European Union's goal of sustainable development and the transition to a safe, climate-neutral, climate changes-resilient and more resource-efficient circular economy.

According to the Regulation 2020/852, an environmentally sustainable activity is an activity that makes a significant contribution to the achievement of at least one of the environmental objectives set out in the Regulation, does not harm the environmental objectives, meets certain minimum safeguards set out in the Regulation, including in the field of human rights, and meets the Technical screening criteria.

Pursuant to the Taxonomy, some enterprises, including Orange Polska, should report for the first time for 2021 key performance indicators related to eligible activities implementing two out of six environmental goals, i.e. climate change mitigation and adaptation to the climate changes. Activities that pursue successive environmental goals will be reported by enterprises in later periods, after completing the Taxonomy with the remaining goals.

The Management Board of Orange Polska for the first time analyzed the activities for 2021 in terms of qualifying the activities conducted by the Group in accordance with the Taxonomy and presented the key performance indicators of the proportion of turnover (revenue), capital expenditures and operating expenditures related to these activities.

Orange Polska commented on the qualifications and indicators related to the Group's eligible activities, as the system for identifying and classifying eligible activities regulated in the Taxonomy requires interpretation and does not reflect all activities undertaken by companies in the environmental area.

European Commission examined 13 business sectors, which are described in Annexes 1 and 2 to the Technical Screening Criteria regulation. The European Commission's approach is progressive - the priority has been given to the business sectors responsible for higher greenhouse gas emissions, and the eligibility analysis of other sectors will be subject of further work by the Commission. Therefore, not all sectors of the economy have been reviewed, including the telecommunications sector, and only a few areas of this sector's activity have been included in the Taxonomy, which results in the low level of the key indicators disclosed by Orange Polska.

Most of Orange Polska's activities in the field of telecommunications services to residential, business and telecommunications operators are currently outside the scope of Annexes 1 and 2 to the Taxonomy Screening Criteria, although Orange Polska believes that its activities may contribute positively to climate change adaptation and mitigation in terms of reducing its environmental footprint.

In the future, regulatory changes may result in other activities in the field of information and communication services to be classified as eligible by the Taxonomy, in addition to the currently classified activities such as data processing through processing centers and solutions for reducing greenhouse gas emissions, including services constituting the main activity of Orange Poland, which is important from the point of view of ensuring balanced and sustainable development of the European Union.

Another example of an activity important from the point of view of Orange Polska, except of telecommunication services, which cannot be classified as eligible according to our interpretation of the Taxonomy is the purchase of renewable energy for own needs i.e. from the wind farms under long-term contracts with suppliers.

Activities carried out by Orange Polska in the area of the environment, along with climate goals, climate risks, and initiatives to improve energy efficiency and the circular economy in order to reduce the negative impact on the climate, are presented in section 10.

The above explanations are important for a good understanding of the key performance indicators of eligible activities presented below, which show a low level of such activities in Orange Polska in accordance with our interpretation of the Taxonomy, due to the limited scope of activities classified by the Taxonomy as eligible.

1. Analysis of activities qualified by the Taxonomy as eligible

Orange Polska has reviewed all its activities related to the first two environmental goals to determine which of them can significantly contribute to climate change mitigation or climate change adaptation according to the Taxonomy. During the review, the description of eligible activities included in the Technical screening criteria was taken into account.

Orange Polska's activities generating eligible revenue as defined by the Taxonomy are as follows:

Environmental objective	European Taxonomy activity	Orange Polska activity
Climate change mitigation	6.4 Transport Operation of personal mobility devices, cycle logistics.	4th generation bike rentals (without docking stations)
	7.6 Construction and real estate Installation, maintenance and repair of renewable energy technologies.	Professional services in the field of photovoltaics offer for clients * * revenue include installation of photovoltaic installations and revenue related to sale of equipment
	8.1 Data processing, hosting and related activities Storage, manipulation, management, movement, control, display, switching, interchange, transmission or processing of data through data centres, including edge computing.	Hosting and data processing services in Data Centers * * revenue calculated on the basis of information from reporting systems
	8.2 Data-driven solutions for GHG emissions reductions Development or use of ICT solutions that are aimed at collecting, transmitting, storing data and at its modelling and use where those activities are predominantly aimed at the provision of data and analytics enabling GHG emission reductions.	Services based on Internet of Things

Orange Polska's activities in the field of capital expenditures and operating expenditures related to business activities that can be considered as eligible are as follows:

Environmental objective	European Taxonomy activity	Orange Polska activity
Climate change mitigation	6.4 Transport Operation of personal mobility devices, cycle logistics.	4th generation bike rentals (without docking stations)
	7.6 Construction and real estate Installation, maintenance and repair of renewable energy technologies.	Professional services in the field of photovoltaics offer for clients * * expenditures related to the installation and purchase of photovoltaic installations

	8.1 Data processing, hosting and related activities Storage, manipulation, management, movement, control, display, switching, interchange, transmission or processing of data through data centres, including edge computing.	Hosting and data processing services in Data Centers *,** * operating expenditures include IT infrastructure monitoring, maintenance of the technical environment in the centers, excluding energy costs ** capital expenditures are related to expenditures in Data Centers
	8.2 Data-driven solutions for GHG emissions reductions Development or use of ICT solutions that are aimed at collecting, transmitting, storing data and at its modelling and use where those activities are predominantly aimed at the provision of data and analytics enabling GHG emission reductions.	Services based on Internet of Things

The list of activities qualifying for Taxonomy was defined as a result of a comprehensive review of Orange Polska's operations with the participation of managers and experts from business, finance, CSR division and external experts.

2. Calculation of key performance indicators

Orange Polska calculated the key indicators in accordance with the Disclosure Regulation based on its processes, existing reporting systems and made assumptions.

Orange Polska used the methodology described in Annexes 1 and 2 of the Disclosure Regulation to calculate the eligible portion of revenue, capital expenditures and operating expenditures. In case of activities classified under the Taxonomy as eligible, but insignificant in 2021 in terms of the amount of revenue, capital or operating expenditures, Orange Polska did not include this part of its activity in the indicators.

2.1. Proportion of revenue related to qualifying activities to total revenue

The proportion of revenue related to eligible activities was calculated by dividing the sum of revenue from eligible activities described in point 1 above by revenue specified in the consolidated income statements in the consolidated financial statements of the Orange Polska Group for the year ended December 31, 2021 (consolidated revenue).

	31st December 2021
Revenue from eligible activities	PLN 33 million
Consolidated revenue	PLN 11,928 million
Percentage of revenue related to eligible activities	0.28 %
Percentage of revenue from non-eligible activities	99.72 %

The proportion of revenue related to eligible activities is 0.28%, which reflects the small proportion of telecommunications services falling within the current scope of the Taxonomy.

It should be noted that the revenue taken into consideration under the activity " Data-driven solutions for GHG emissions reductions" concerns the entire revenue related to the Internet of Things (IoT, line of business excluding revenue related to the sale of equipment), considering that this activity enables other economic sectors to reduce their greenhouse gas emissions.

IoT based services include solutions for managing public bikes, lighting control, air quality control, reading water meters, and supporting the development of smart cities. Smart solutions make it possible to optimize the use of manufactured goods or support their use and better manage natural resources and, consequently, reduce CO_2 emissions to the benefit of the climate.

2.2. Proportion of capital expenditures related to eligible activities to total capital expenditures

Orange Polska's capital expenditures ratio related to eligible activities was calculated by dividing the sum of capital expenditures related to eligible activities described in point 1 above, by the sum of capital expenditures specified in the consolidated financial statements of the Orange Polska Group for 2021, calculated according to the definition of the Taxonomy, according to which the sum of investments includes :

- acquisition of intangible assets (acquisitions of intangible assets in the Note 11 "Other intangible assets' in the consolidated financial statements of the Orange Polska Group for 2021),

- acquisition of fixed assets (acquisitions od property, plant and equipment in the Note 12 'Property, plant and equipment' in the consolidated financial statements of the Orange Polska Group for 2021),

- increase in right-of-use assets (additions in the right-of-use assets in the Note 14.1 'Group as a lessee' in the consolidated financial statements of the Orange Polska Group for 2021)

	31st December 2021
Capital expenditures related to the eligible activities	PLN 140 million
Sum of capital expenditures	PLN 2,356 million PLN
Capital expenditures ratio related to eligible activities	6 %
Percentage of capital expenditures related to non-eligible activities	94 %

The sum of capital expenditures defined as above differs from the e-CAPEX ratio presented in the consolidated financial statements of the Orange Polska Group for the year ended December 31, 2021, mainly because e-CAPEX does not include an increase in right-of-use assets and is decreased by the proceeds accrued on the disposal of assets.

The capital expenditures ratio related to the eligible activities is 6%, which corresponds to a small fraction of the capital expenditures related to the telecommunication activities of Orange Polska.

This is because the current Taxonomy does not take into account all activities of the telecommunications sector, including activities carried out by Orange Polska for the benefit of the climate and the environment.

The increase in demand for digital services, necessary to ensure sustainable development, must be accompanied by an improvement in the energy efficiency of the telecommunications sector. By investing in the expansion of the infrastructure of its networks, Orange Polska takes care to increase their energy efficiency. Capital expenditures on activities classified as eligible include expenditures on Data Centers.

2.3. Proportion of operating expenditures related to eligible activities in relation to total operating expenditures

As defined in the Disclosure Regulation, the operating expenditures included in the calculation of Orange Polska's operating expenditures ratio related to eligible activities, eligible operating expenditures in the indicator numerator and the sum of Orange Polska operating expenditures included in the indicator denominator include operating expenditures for:

- non-capitalized costs related to research and development

- renovation works of buildings

- short-term rental

- maintenance and repair

- any other direct expenses related to the day-to-day servicing of fixed assets by the entrepreneur or a third party commissioned with the activities necessary to ensure the continuity and efficiency of the functioning of these assets.

As defined in the Delegated Regulation, Orange Polska did not take into account the expenditures related to energy, as they are not considered as direct expenses related to the day-to-day servicing of property, plant and equipment.

Orange Polska's operating expenditures ratio related to eligible activities has been calculated by dividing the operating expenditures related to eligible activities described in point 1 by the sum of operating expenditures in the consolidated financial statements of the Orange Polska Group for the year ended December 31, 2021 corresponding to the definition above (total operating expenditures).

	31st December 2021
Operating expenditures related to eligible activities	PLN 7 million
Total operating expenditures	PLN 956 million
Operating expenditures ratio related to eligible activities	0.7 %
Percentage of operating expenditures related to non-eligible activities	99.3 %

The operating expenditures included in the ratio are included in the consolidated financial statements of the Orange Polska Group for the year ended December 31, 2021 under external purchases, other operating income and expenses, and labour expense and, according to the definition of the Disclosure Regulation, they do not cover significant portion of operating expenses included in the consolidated operating income of the Orange Polska Group.

The low value of the ratio is due to the fact that the current Taxonomy does not take into account all activities of the telecommunications sector undertaken to mitigate or adapt to climate change, including activities carried out by Orange Polska for the benefit of the climate and the environment.

Due to the low values, Orange Polska decided not to include in the operating expenditures ratio the activities subject to the Taxonomy related to the installation and use of solar installations generating energy for Orange Polska's own use, expenses related to the use of leased photovoltaic panels and electric cars.

GLOSSARY OF TELECOM TERMS

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

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

Access Fee – revenues from a monthly fee (incl. a pool of free minutes) for New Tariff Plans

ARPO – Average Revenues per Offer

AUPU – Average Usage per User

BSA – Bitstream Access Offer

CATV – Cable Television

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

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

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

EBITDAaL – EBITDA after leases, key measure of operating profitability used by management (for definition please refer to the Notes 3 to IFRS Consolidated Financial Statements of the Orange Polska Group)

eCapex – Economic Capex, key measure of resources allocation used by management (for definition please refer to the Notes 3 to IFRS Consolidated Financial Statements of the Orange Polska Group)

F2M – Fixed to Mobile Calls

FBB – Fixed Broadband

FTE – Full time equivalent

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

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

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

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

ICT – Information and Communication Technologies

ILD – International Calls

IP TV – TV over Internet Protocol

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

LLU – Local Loop Unbundling

M2M – Machine to Machine, telemetry

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

MTR – Mobile Termination Rates

MVNO – Mobile Virtual Network Operator

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

Organic Cash Flow – Organic Cash Flow- key measure of cash generation used by management (for definition please refer to the Notes 3 to IFRS Consolidated Financial Statements of the Orange Polska Group)

PPA –Power purchase agreement

RAN agreement – agreement on reciprocal use of radio access networks

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

SIMO – mobile SIM-only offers without devices

SMP – Significant Market Power

UKE – Urząd Komunikacji Elektronicznej (Office of Electronic Communications)

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

USO – Universal Service Obligation

VDSL – Very high bit-rate Digital Subscriber Line

VoIP – Voice over Internet Protocol

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

WLR – Wholesale Line Rental

STATEMENT OF THE SUPERVISORY BOARD OF ORANGE POLSKA S.A. PREPARED ON THE BASIS OF § 70 TITLE 1 POINT 8 AND § 71 TITLE 1 POINT 8 OF THE REGULATION OF THE MINISTER OF FINANCE OF 29 MARCH 2018 ON CURRENT AND PERIODICAL INFORMATION PROVIDED BY ISSUERS OF SECURITIES AND ON CONDITIONS UNDER WHICH INFORMATION REQUIRED BY LEGAL REGULATIONS OF A THIRD COUNTRY MAY BE RECOGNISED AS EQUIVALENT

STATEMENT ON THE AUDIT COMMITEE

The Supervisory Board hereby states the following:

1. Orange Polska complies with the requirements for the establishment, composition and functioning of the Audit Committee, particularly the independence criteria for the majority of its members and the requirements for their qualifications and knowledge of the industry in which Orange Polska operates, as well as accounting or audit,
2. The Audit Committee has performed the tasks set forth in the mandatory legal provisions.

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Maciej Witucki	Ramon Fernandez
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Marc Ricau	Philippe Béguin
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Bénédicte David	John Russell Houlden
--	--
Mari-Noëlle Jégo-Laveissière	Michał Kleiber
--	--
Patrice Lambert de Diesbach	Monika Nachyła
--	--
Maria Pasło-Wiśniewska	Wioletta Rosołowska
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Jean-Michel Thibaud	Jean-Marc Vignolles

This statement was made pursuant to the resolution passed by the Supervisory Board of Orange Polska S.A. on 15 February 2022.
Translation of the document originally issued in Polish.

THE ORANGE POLSKA S.A. SUPERVISORY BOARD'S APPRAISAL OF THE SEPARATE FINANCIAL STATEMENTS OF ORANGE POLSKA S.A., THE CONSOLIDATED FINANCIAL STATEMENTS OF ORANGE POLSKA GROUP AND THE MANAGEMENT BOARD'S REPORT ON THE OPERATIONS OF ORANGE POLSKA GROUP AND ORANGE POLSKA S.A. FOR THE YEAR ENDED 31 DECEMBER 2021

The Supervisory Board has examined and appraised the following documents:

1. IFRS standalone financial statements of Orange Polska S.A. for 2021, that include:
   a. income statement for 2021, showing net income of PLN 916 million,
   b. statement of comprehensive income for 2021, showing total comprehensive income of PLN 1,223 million,
   c. statement of financial position as at 31.12.2021, with the balance sheet total of PLN 24,838 million,
   d. statement of changes in equity for 2021, showing an increase in equity by PLN 1,234 million,
   e. statement of cash flows for 2021, showing an increase in net cash and cash equivalents by PLN 585 million,
   f. notes to financial statements;
2. Management Board's Report on the Activity of the Orange Polska Group and Orange Polska S.A. in 2021;
3. IFRS consolidated financial statements of the Orange Polska Group for 2021, that include:
   a. consolidated income statement for 2021, showing net income of PLN 1,672 million, including net income attributable to owners of Orange Polska S.A. of PLN 1,672 million,
   b. consolidated statement of comprehensive income for 2021, showing total comprehensive income of PLN 2,001 million, including total comprehensive income attributable to owners of Orange Polska S.A. of PLN 2,001 million,
   c. consolidated statement of financial position as at 31.12.2021, with the balance sheet total of PLN 26,157 million,
   d. consolidated statement of changes in equity for 2021, showing an increase in total equity by PLN 2,012 million, including an increase in equity attributable to owners of Orange Polska S.A. by PLN 2,012 million,
   e. consolidated statement of cash flows for 2021, showing an increase in net cash and cash equivalents by PLN 574 million,
   f. notes to consolidated financial statements.

Having analysed the above-mentioned documents and taking into consideration the independent auditor's reports on the audit of the annual standalone financial statements of Orange Polska S.A. and the consolidated financial statements for the year ended 31 December 2021, the Supervisory Board hereby states that:

- IFRS standalone financial statements of Orange Polska S.A. for 2021,
- Management Board's Report on the Activity of the Orange Polska Group and Orange Polska S.A. in 2021, and
- IFRS consolidated financial statements of the Orange Polska Group for 2021

have been drawn up in compliance with the books and documents, the factual status and mandatory legal provisions, and that they provide a complete and fair picture of the operational and financial standing of Orange Polska S.A. and the Orange Polska Group. The Management Board's Report on the Activity of the Orange Polska Group and Orange Polska S.A. in 2021 has been drawn up in all major aspects on the basis of the financial data contained in the standalone and consolidated financial statements for 2021. The Management Board's Report contains a description of all material events that may have influence on Orange Polska S.A.'s property and financial standing in at least several quarters as well as a description of all material risks.

This appraisal was made pursuant to the resolution passed by the Supervisory Board of Orange Polska S.A. on 15 February 2022.
Translation of the document originally issued in Polish.

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