

ORANGEPL

SRR

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POLISH FINANCIAL SUPERVISION AUTHORITY
Consolidated annual report SRR for the year 2022

(year)

(according to par. 60 s. 2 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 2022, i.e. from 1 January 2022 to 31 December 2022

including, consolidated financial statements prepared under: **IAS endorsed in the EU**

in currency: **PLN**

date of issuance: **15 February 2023**

ORANGE POLSKA SA

(full name of issuer)

ORANGEPL

(abbreviated name of the issuer)

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

SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	2022	2021	2022	2021
I. Revenue	12,488,000	11,928,000	2,663,652	2,605,789
II. Operating income	1,161,000	2,211,000	247,638	483,015
III. Profit before income tax	867,000	1,930,000	184,928	421,628
IV. Net income	724,000	1,672,000	154,427	365,265
V. Net income attributable to owners of Orange Polska S.A.	724,000	1,672,000	154,427	365,265
VI. Earnings per share (in PLN/EUR) (basic and diluted)	0.55	1.27	0.12	0.28
VII. Weighted average number of shares (in millions)	1,312	1,312	1,312	1,312
VIII. Total comprehensive income	1,174,000	2,001,000	250,411	437,138
IX. Total comprehensive income attributable to owners of Orange Polska S.A.	1,174,000	2,001,000	250,411	437,138
X. Net cash provided by operating activities	2,940,000	3,101,000	627,093	677,444
XI. Net cash used in investing activities	(1,999,000)	(1,156,000)	(426,381)	(252,540)
XII. Net cash used in financing activities	(850,000)	(1,371,000)	(181,302)	(299,508)
XIII. Net change in cash and cash equivalents	91,000	574,000	19,410	125,396
	Balance as at 31/12/2022	Balance as at 31/12/2021	Balance as at 31/12/2022	Balance as at 31/12/2021
XIV. Total current assets	4,507,000	4,137,000	961,001	899,465
XV. Total non-current assets	22,259,000	22,020,000	4,746,157	4,787,581
XVI. Total assets	26,766,000	26,157,000	5,707,158	5,687,046
XVII. Total current liabilities	5,245,000	4,353,000	1,118,361	946,428
XVIII. Total non-current liabilities	8,068,000	9,193,000	1,720,292	1,998,739
XIX. Total equity	13,453,000	12,611,000	2,868,505	2,741,879
XX. Equity attributable to owners of Orange Polska S.A.	13,451,000	12,609,000	2,868,078	2,741,445
XXI. Share capital	3,937,000	3,937,000	839,464	855,981

The consolidated statement of financial position data as at 31 December 2022 and 2021 presented in the table "Selected financial data" was translated into EUR at the average exchange rates of the National Bank of Poland ("NBP") at the end of the reporting period. The consolidated income statement data, together with the consolidated statement of comprehensive income and consolidated statement of cash flows data for the years ended 31 December 2022 and 2021, were translated into EUR at an exchange rates which are the arithmetical average of the average NBP rates published by the NBP on the last day of each month of the years ended 31 December 2022 and 2021.

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

1 EUR	31 December 2022	31 December 2021
Consolidated statement of financial position	4.6899 PLN	4.5994 PLN
Consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows	4.6883 PLN	4.5775 PLN



Dear Shareholders,

In 2022, the second year of implementation of our ambitious .Grow strategy, our performance confirmed that we are on track to reach the objectives we set ourselves, despite exceptional headwinds related to the external environment. The outlook for 2023 is again challenging due to the impact of high inflation but I am confident in the strength of our assets and our execution capabilities.

Last year our business faced an accumulation of exceptional challenges related to the war in Ukraine, the energy crisis and rapidly growing inflation. These constituted a major test of our ability to execute our strategy and deliver growth. **Despite those headwinds, we grew our revenues, profits and return on capital employed, while keeping our cash generation solid and our balance sheet healthy.** Almost 4% EBITDAaL growth is an exceptional achievement taking into account an unprecedented surge of around PLN 200 million in energy costs. This is an evidence that our business has strong fundamentals. It is based on superior networks, a wide range of high quality services and strong execution. **All three engines of our core business have delivered growth: services for consumers, businesses and wholesale activities.** I would like to thank all teams at Orange Polska for their tremendous efforts that contributed to achieving last year's success.

We continue to expand our digital toolbox to become leaner and more efficient. One of the main enablers is cloud technology. We use cloud solutions to create advanced data-driven marketing and to better position and tailor offers for specific customer groups, translating into increased loyalty and revenues. Close to 50% of our customers use digital tools to interact with us. Our sales through digital channels increased by more than 20% last year. **The two main drivers are our digital offer Flex, and the My Orange application, which we constantly improve to boost its usefulness for customers.** Training our employees is a very important part of our digital journey. Within the .Grow strategy we have defined key competencies which will help to upskill and reskill our teams, enabling us to meet our business goals. In 2022 almost 60% of all employees took part in online trainings in Big Data&AI and cybersecurity.

In parallel to strong commercial and financial performance, we made exemplary progress in our #OrangeGoesGreen program. Owing to newly signed power purchasing agreements, we already secured, three years ahead of the plan, our 2025 strategic goal of CO2 emissions reduction: 65% versus the base year of 2015. In 2022 alone we cut these emissions by 14%, thanks also to energy consumption optimisation. Going forward, we will focus more on cutting emissions in the entire supply chain, including suppliers and customers. This includes a new communication platform aimed at encouraging customers to choose more circular and sustainable solutions.

The war in Ukraine was clearly a major challenge in our environment. As soon as it started we used our resources to provide help and support actions on different fronts. We enhanced our network capacity at the border and distributed free pre-paid starters with a dedicated offer. We offered shelter in our facilities and I am proud that we could support Orange volunteers who took it upon themselves to help our neighbours. Now, we are more focused on structural initiatives, aimed at integrating refugees into the Polish education system and labour market. As much as I hope for a quick resolution of this conflict, I am aware that continuous support is much needed – and let me assure you that we are in this for the long run.

We are in the mid-point of our .Grow strategy cycle: our results of the past two years prove that we are well on track to meet its goals, even though the external environment is much more difficult than we had envisioned. We capitalise on good demand for our services and our ability to execute. All of our key subscription services have simultaneously been expanding customer base and improving average revenue that they generate. Orange fibre is now available to almost 50% of Polish households. We now have more fibre than copper broadband customers which symbolically marks our technological transformation. **Thanks to our “new opening in wholesale” strategy we are maximising the monetisation of our assets** benefitting from the demand for our infrastructure from other operators. **Revenue growth from ICT services has outpaced our expectations** as we are uniquely positioned to take advantage of the digitisation of Polish enterprises due to our wide competencies coupled with a strong foothold in connectivity. More opportunities in the B2B market will hopefully unlock soon as the long-awaited 5G spectrum auction process has restarted. I am happy that we are in a position to share



the benefits of our successful implementation of the .Grow strategy with our shareholders in the form of dividends.

The macroeconomic environment continues to be very demanding and uncertain: Poland's economic growth in 2023 is expected to slow down to less than 1%, inflation to stay at double-digit level, and the war beyond our eastern border unfortunately continues. While we believe the demand for our services will remain solid as they are essential to our customers, high inflation will significantly impact our operating costs and make it challenging for us to deliver growth. Therefore we need to pursue a combination of intensified commercial value strategy and further cost transformation. I am confident however that we are well prepared to face the challenge and will be able to adapt and extract maximum value from our assets.

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



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 Consolidated Financial Statements

Opinion

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

- the consolidated statement of financial position as at 31 December 2022;

and, for the period from 1 January to 31 December 2022:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows;

and

- notes comprising a summary of significant accounting policies and other explanatory information; (the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements of the Group:

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and consolidated 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 Parent Entity's articles of association.

Our audit opinion on the consolidated financial statements is consistent with our report to the Audit Committee, dated 15 February 2023.

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.

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Basis for Opinion

We conducted our audit in accordance with:

- International Standards on Auditing as adopted by the National Council of Statutory Auditors (“NCSA”) as National Standards on Auditing (“NSA”);
- the act on statutory auditors, audit firms and public oversight dated 11 May 2017 (the “Act on statutory auditors”);
- 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 standards and regulations are further described in the Auditor’s Responsibility for the Audit of the Consolidated 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 Group 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 NCSA, together with the ethical requirements that are relevant to our audit of the consolidated 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 Group 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 consolidated 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 consolidated 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	
<i>Revenue from contracts with customers for the year ended 31 December 2022: PLN 12,395 million.</i>	
<i>As at 31 December 2022, trade receivables: PLN 2,467 million; contract assets: PLN 192 million; contract costs: PLN 578 million; contract liabilities: PLN 1,590 million.</i>	
<i>We refer to the consolidated financial statements: note 6 and 35.8 “Revenue”, note 15 “Assets and liabilities relating to contract with customers”, note 35.1 „Use of estimates and judgment”.</i>	
Key audit matter	Our response
In the year ended 31 December 2022, the Group’s principal revenue streams included provision of fixed, mobile and convergent telecommunication services, as well as IT and integration services and sales of equipment.	Our audit procedures, performed, where applicable, with the assistance from our own information technology specialists, included, among other things:

<p>Application of revenue recognition principles of the relevant financial reporting standard (IFRS 15 <i>Revenue from contracts with customers</i>) is complex and requires making significant judgments and complex assumptions. In the Group's circumstances, these complexities are primarily associated with the fact that:</p> <ul style="list-style-type: none"> • 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 relates to (i) the sales of handsets accompanied by a subscription plan (ii) sales of IT services together with network services and equipment and (iii) sales of data transfer together with voice and text messaging services. Given the requirement of IFRS 15 to unbundle multiple elements within complex contractual arrangements for purposes of revenue recognition, significant judgment is required in determining separate performance obligations within such arrangements and allocating total arrangement consideration among them. <p>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 recognized is an inherent industry risk.</p> <p>In view of the above-mentioned factors, satisfying ourselves as to the revenue amounts in the consolidated financial statements required our increased attention in the audit, and as such was considered by us to be a key audit matter.</p>	<ul style="list-style-type: none"> • Updating our understanding of the Group's revenue recognition process and re-assessing the appropriateness of its revenue recognition policy for all material products and services, against the requirements of the relevant financial reporting standards; • Testing the selected controls within the revenue process (including the billing systems), such as, among other things, those over access rights, pricing data, rate changes and segregation of duties; • For selected contracts with wholesale customers, inspecting contractual provisions and making inquiries of the relevant member of the Management Board, in order to challenge, among other things, the continued appropriateness of the Group's: <ul style="list-style-type: none"> – Identification of performance obligations within the contracts; – 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 resulting pattern of revenue recognition and revenue amounts recognized. • For the revenue transactions (all streams) recognized in the current year, on a sample basis: <ul style="list-style-type: none"> – Tracing the revenue amounts to corresponding customer billings and underlying contracts; – Challenging the adjustments posted to the recognized revenue amounts to account for incentives (such as rebates and handset subsidies) and activation fees, by reference to underlying contracts and stand-alone selling prices of the promised goods and services; – For service transactions, 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.
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	<ul style="list-style-type: none"> • For a sample of equipment sales transactions recognized close to the end of the reporting period, assessing whether revenue was recognised in the correct period, by reference to the date of the goods control transfer (as per contractual trading terms and evidence such as proof of delivery or confirmation of receipt). • 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 from corporate customers, independently 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 subsequent cash receipts; • Examining whether the Group's revenue recognition-related disclosures in the consolidated financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.
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Impairment of goodwill

As at 31 December 2022, carrying amount of goodwill: PLN 2,296 million; related impairment losses for the year then ended: nil.

We refer to the consolidated financial statements: note 9 "Impairment test", note 10 "Goodwill", note 35.1 "Use of estimates and judgment", note 35.11 "Goodwill".

Key audit matter	Our response
<p>In conjunction with its business acquisitions in 2022 and prior years, the Group recognized goodwill, carried at PLN 2,296 million as at 31 December 2022. 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 Group did not recognize any impairment in respect of its CGU containing goodwill.</p>	<p>Our audit procedures, performed, where applicable, with the assistance from our own valuation specialists, included, among other things:</p> <ul style="list-style-type: none"> • Evaluating the appropriateness of the Group's value-in-use model applied to perform the annual impairment test, against the relevant requirements of the financial reporting standards. As part of the procedure, we assessed whether the approach applied to projecting cash flows within the model is appropriate (the

<p>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 of inputs to the assumptions. Significant judgment is also required in making key forward-looking assumptions applied in the model, including:</p> <ul style="list-style-type: none"> • 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 revenue and capital expenditure; • 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. <p>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 Group’s impairment model is sensitive to even small changes in the assumptions, which drives additional audit effort, in particular in the current volatile economic environment.</p> <p>Due to the above factors, we considered this area to be a key audit matter.</p>	<p>traditional approach vs. expected cash flow approach);</p> <ul style="list-style-type: none"> • Testing selected internal controls within the impairment testing process, including those over the data used in the test and over the validation and approval of the test assumptions and outcomes; • Assessing asset grouping into CGUs, based on our understanding of the Group’s operations, product and service deliverables, and business units; • Evaluating the quality of the Group’s forecasting by comparing historical projections with actual outcomes; • Assessing, through inquiry of the Management Board members and evaluation of management’s internal financial reports and updated strategic plan, the effects of the current geopolitical instability, market volatility and economic uncertainty on the Group’s operations and the results thereof in the current year and prospectively; • Using our knowledge of the Group, its past performance, business and customers, and our industry experience, challenging significant impairment model assumptions. As part of the procedure we: <ul style="list-style-type: none"> – Challenged the discount rate used, by reference to publicly available market data, adjusted by risk factors specific to the Group and its industry, and considering the composition of the forecast cash flows in the test; – Traced the forecast cash flows in the impairment model to Management Board-approved budgets; – Assessed the reasonableness of the assumptions relating to future revenue, operating expenses and capital expenditure, by reference to market analyses, as considered relevant, and the Group’s internal documents, such as the approved budgets and strategic plan; – Checked the assumed growth rate by reference to the Group’s past performance, its approved budget 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,
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	<p>to identify the assumptions at higher risk of bias or inconsistency in application.</p> <ul style="list-style-type: none"> Assessing impairment-related disclosures in the consolidated financial statements against the requirements of the financial reporting standards.
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Virtual and physical power purchase agreements

As at 31 December 2022, carrying amount of derivatives related to virtual power purchase agreements: PLN 277 million; other comprehensive income for the year then ended (related to virtual power purchase agreements): PLN 278 million.

We refer to the consolidated financial statements: note 25 “Derivatives”, note 26 „Fair value of financial instruments”, note 27 “Objectives and policies of financial risk management”, note 35.17 “Financial assets and liabilities”, note 35.1 “Use of estimates and judgment”

Key audit matter	Our response
<p>As discussed in Note 27 “Objectives and policies of financial risk management”, as part of its process of financial risk management, the Group manages the risk of fluctuations in energy prices with the aim to stabilise cash outflows on the purchase of power for own consumption and sale to end-users.</p> <p>To that end, the Group enters into short-term and long-term power purchase agreements with energy producers:</p> <ul style="list-style-type: none"> to supply electricity generated from specific facilities (wind farms) on predefined terms (“Physical Power Purchase Agreements”, “PPAs”), or to provide for the parties thereof to exchange a financial differential between a predefined price and a market price (“Virtual Power Purchase Agreements”, “vPPAs”) – these arrangements do not include a physical supply of electricity. <p>PPAs are entered into to meet the Group's own consumption and use requirements and are recognised upon the purchase of the electricity, while vPPAs, to which the own use exemption prescribed within IFRS EU cannot be applied, are accounted for as derivative financial instruments and measured at fair value. In addition, the Group designates qualifying instruments as hedges of its exposure to the variability of cash flows attributable to highly probable forecast electricity consumption (cash flow hedge).</p>	<p>Our audit procedures, performed, where applicable, with the assistance from our own valuation specialists, included, among other things:</p> <ul style="list-style-type: none"> Evaluating the appropriateness of the Group's accounting policies applied to power purchase agreements, against the relevant requirements of the financial reporting standards; For PPAs arrangements entered into in the current year, challenging the applicability of the own use exemption, among other things, through the analysis of: <ul style="list-style-type: none"> forecasted levels of energy consumption and energy production to be purchased under the PPA contracts and other contractual commitments, and historical accuracy of the estimated energy consumption and usage against the current period actuals; For power contracts to which the own use exemption does not apply, assessing the appropriateness and integrity of the valuation methods and models used to estimate the fair values of the related derivative financial instruments, and also challenging the key inputs used and assumptions applied therein, such as those for forecasted energy consumption and production, and future energy prices, by reference to the Group's budgets, underlying contracts, historical energy production and forward-looking scenarios, as well as prices quoted on the Polish Power Exchange and those

<p>Complex evaluation, involving a high degree of management judgement, is required in determining an appropriate accounting approach to a given power purchase agreement. Significant judgment and complex assumptions are also required in estimating the fair value of vPPA-related derivatives and in assessment of and accounting for the related hedging relationships pursuant to the requirements of IFRS 9 <i>Financial instruments</i>.</p> <p>Due to the above factors, coupled with the magnitude of the amounts involved, we considered the area to be associated with an elevated audit risk and a key audit matter.</p>	<p>forecasted by the Group's external advisor, whose report we assessed in terms of its relevance and reliability.</p> <ul style="list-style-type: none"> • Also for vPPA contracts, inspecting related hedging documentation and challenging the outcome of the Group's hedge effectiveness tests. As part of the procedure, we, among other things, challenged the Group's conclusion as to the existence of economic relationship between the hedged item and the hedging instrument and whether the hedge ratio meets the relevant criteria of IFRS 9. We performed the above by reference to the Group's scenario analysis of potential variations in wind farms' production volumes and future energy prices and their impact on hedge effectiveness. • Assessing the PPA-, vPPA- and financial risk management-related disclosures in the consolidated financial statements against the requirements of the financial reporting standards.
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Responsibility of the Management Board and Supervisory Board of the Parent Entity for the Consolidated Financial Statements

The Management Board of the Parent Entity is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS EU, the adopted accounting policy, the applicable laws and the provisions of the Parent Entity's articles of association and for such internal control as the Management Board of the Parent Entity determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board of the Parent Entity is responsible for assessing the Group'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 Parent Entity either intends to liquidate the Group 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 Parent Entity are required to ensure that the consolidated financial statements are in compliance with the requirements set forth in the Accounting Act. Members of the Supervisory Board of the Parent Entity are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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



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 consolidated 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 Group'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 Parent Entity;
- conclude on the appropriateness of the Management Board of the Parent 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 Group'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 consolidated financial statements to the related disclosures in the consolidated 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 consolidated financial statements. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the Parent 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 Parent 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 Parent Entity, we determine those matters that were of most significance in the audit of the consolidated 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 consolidated 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 comprises:

- the letter of the President of the Management Board of the Parent Entity;
- 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 2022 (the “report on activity”), including:
 - the corporate governance statement and the statement on non-financial information referred to in art. 55 paragraph 2b of the Accounting Act;
 - the statement of the Management Board regarding the preparation of the consolidated financial statements and report on activity;
 - the Management Board’s information regarding the appointment of the audit firm which are separate parts of the report on activity;
- the statement of the Supervisory Board regarding the Audit Committee; and
- the Supervisory Board’s assessment of the separate financial statements of Orange Polska S.A., the consolidated financial statements of Orange Polska Group and the report on activity; (together the “other information”).

Responsibility of the Management Board and Supervisory Board

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

The Management Board and members of the Supervisory Board of the Parent Entity are required to ensure that the report on activity, including each of its separate parts, is in compliance with the requirements set forth in the Accounting Act.

Auditor’s Responsibility

Our opinion on the consolidated financial statements does not cover the other information.

In connection with our audit of the consolidated financial statements, our responsibility was to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated financial statements.

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

The letter of the President of the Management Board of the Parent Entity, the selected financial data and report on activity were made available for us before the date of this auditor’s report and the statement of the Supervisory Board regarding the Audit Committee and Supervisory Board’s assessment of the separate financial statements of Orange Polska S.A., the consolidated financial statements and the report on activity are expected to be made available for us after this date. If we conclude that there is a material misstatement therein, we are required to communicate this matter to the Supervisory Board of the Entity.



Opinion on the Report on Activity

Based on the work undertaken in the course of our audit of the consolidated 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 consolidated 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 consolidated 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 Group has prepared a statement on non-financial information referred to in art. 55 paragraph 2b 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 Group and its environment obtained in the audit of the consolidated financial statements, we have not identified material misstatements in the report on activity. We have nothing to report on the other information made available for us before the date of the auditor’s report.

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 Group and entities under the control of the Parent 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 consolidated financial statements of the Group by resolution of the Supervisory Board dated 19 March 2020. Our period of total uninterrupted engagement is 2 years, covering the periods ended 31 December 2021 to 31 December 2022.

Opinion on Compliance of the Consolidated Financial Statements Prepared in the Single Electronic Reporting Format with the Requirements of the Regulatory Technical Standards on the Specification of a Single Electronic Reporting Format

As part of our audit of the consolidated financial statements, we were engaged to perform a reasonable assurance engagement in order to express an opinion on whether the consolidated financial statements of the Group as at 31 December 2022 and for the year then ended prepared in the single electronic reporting format included in the reporting package named OPLGrupaMSSF-2022-12-31-pl.zip (the “consolidated financial statements in the ESEF format”) were tagged in accordance with the requirements specified in the Commission Delegated Regulation (EU) of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the “ESEF Regulation”).

Defining the Criteria and Description of the Subject Matter of the Service

The consolidated financial statements in the ESEF format have been prepared by the Management Board of the Parent Entity to meet the tagging requirements and technical requirements for the specification of a single electronic reporting format, which are defined in the ESEF Regulation. The subject of our assurance service is the compliance of the tagging of the consolidated financial statements in the ESEF format with the requirements of the ESEF Regulation, and the requirements set out in these regulations are, in our opinion, appropriate criteria for our opinion.

Responsibility of the Management Board and Supervisory Board of the Parent Entity

The Management Board of the Parent Entity is responsible for the preparation of consolidated financial statements in the ESEF format in accordance with the tagging requirements and technical conditions of a single electronic reporting format, which are specified in the ESEF Regulation. Such responsibility includes the selection and application of appropriate XBRL tags using the taxonomy specified in that regulation.

This responsibility of the Management Board of the Parent Entity includes designing, implementing and maintaining internal control relevant to the preparation of the consolidated financial statements in the ESEF format that is free from material non-compliance with requirements specified in the ESEF Regulation, whether due to fraud or error.

The members of the Parent Entity’s Supervisory Board are responsible for overseeing the financial reporting process, including the preparation of financial statements in the format required by applicable law.

Auditor’s Responsibility

Our objective is to issue an opinion about whether the consolidated financial statements in the ESEF format were tagged in accordance with the requirements specified in the ESEF Regulation.

We conducted our engagement in accordance with the National Standard on Assurance Services Other than Audit or Review 3001PL “Audit of financial statements prepared in a single electronic reporting format” as adopted by the NCSA (“NSAE 3001PL”) and where applicable, in accordance with the International Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” as adopted by the NCSA as the National Standard on Assurance Engagement 3000 (Revised) (“NSAE 3000 (R)”). These standards requires that the auditor plans and performs procedures to obtain reasonable assurance about whether the consolidated financial statements in the ESEF format were prepared in accordance with specified criteria.

Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with NSAE 3001PL and where applicable, in accordance with NSAE 3000 (R) will always detect material misstatement.



The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements, whether due to fraud or error. In making those risk assessments, the auditor has considered internal controls relevant to the preparation of the consolidated financial statements in the ESEF format in accordance with the specified criteria in order to design procedures that are appropriate, which provide the auditor with sufficient and appropriate evidence under the circumstances. The assessment of internal controls was not performed for the purpose of expressing an opinion thereon.

Summary of the Work Performed

Our procedures planned and performed included, among others:

- obtaining an understanding of the process of preparing the consolidated financial statements in the ESEF format, including selection and application of XBRL tags by the Parent Entity and ensuring compliance with the ESEF Regulation, including an understanding of the mechanisms of internal control relevant to this process,
- reconciling on a selected sample the tagged information included in the consolidated financial statements in the ESEF format to the audited consolidated financial statements,
- assessing, by using a specialized IT tool, compliance with the regulatory technical standards regarding the specification of a single electronic reporting format,
- assessing the completeness of tagging with respect to:
 - all numbers in a declared currency disclosed in the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and
 - notes comprising a summary of significant accounting policies and other explanatory information on a sample of XBRL tags, in particular block tags, in accordance with the mandatory elements of the core taxonomy contained in Anex II of ESEF Regulation,
- inspecting the block tagging to assess whether the regulatory technical standards' requirement has been correctly applied to include the relevant data within the scope of the digital tag, on a sample basis,
- assessing whether the XBRL tags from the core taxonomy specified in the ESEF Regulation were properly applied, and whether the taxonomy extensions were used in situations where the closest core taxonomy element could misrepresent the accounting meaning of the disclosure, on a sample basis,
- assessing the correctness of anchoring of the applied taxonomy extensions in the core taxonomy specified in the ESEF Regulation, on a sample basis,
- inspecting how the data is presented within the digital tag to assess whether the presentation is reasonable within the boundaries of the technical capabilities connected with block tagging on a sample basis.

Requirements of the Quality Control and Ethical Requirements, including Independence

The firm applies International Standard on Quality Control 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" as adopted by the NCSA as national standard on quality control, which requires us to implement and maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



We have complied with the independence and other ethical requirements of the IESBA Code as adopted by the resolution of the NCSA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour as well as other independence and ethical requirements, applicable to this assurance engagement in Poland.

Opinion on Compliance with the Requirements of ESEF Regulation

Our opinion has been formed on the basis of, and is subject to, the matters outlined above.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the requirements of the ESEF Regulation.

In our opinion, the consolidated financial statements in the ESEF format as at 31 December 2022 and for the year then ended was tagged, in all material respects, in accordance with the requirements of the ESEF Regulation.

On behalf of audit firm

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

Registration No. 3546

Signed on the Polish original

Marek Gajdziński

Key Statutory Auditor

Registration No. 90061

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

Warsaw, 15 February 2023

ORANGE POLSKA GROUP

**IFRS CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**



February 15, 2023

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Orange Polska Group
IFRS Consolidated Financial Statements – 31 December 2022

Translation of the financial statements originally issued in Polish

CONSOLIDATED INCOME STATEMENT

(in PLN millions, except for earnings per share)

	Note	12 months ended 31 December 2022	12 months ended 31 December 2021
Revenue	6	12,488	11,928
External purchases	7.1	(7,435)	(6,786)
Labour expense	7.2	(1,422)	(1,421)
Other operating expense	7.3	(549)	(571)
Other operating income	7.3	601	358
Impairment of receivables and contract assets	20	(74)	(67)
Gain on the loss of control of Światłowód Inwestycje	4	-	1,543
Gains on disposal of assets	8	107	52
Employment termination expense	17	-	(119)
Depreciation and impairment of right-of-use assets	14.1	(495)	(509)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	11,12	(2,046)	(2,221)
Share of profit/(loss) of joint venture	13	(14)	24
Operating income		1,161	2,211
Interest income	20	94	34
Interest expense on lease liabilities	20	(95)	(53)
Other interest expense and financial charges	20	(191)	(200)
Discounting expense	20	(80)	(66)
Foreign exchange gains/(losses)	20	(22)	4
Finance costs, net		(294)	(281)
Income tax	28.1	(143)	(258)
Net income		724	1,672
Net income attributable to owners of Orange Polska S.A.		724	1,672
Net income attributable to non-controlling interests		-	-
Earnings per share (in PLN) (basic and diluted)	35.4	0.55	1.27
Weighted average number of shares (in millions)	29.1	1,312	1,312

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)

	Note	12 months ended 31 December 2022	12 months ended 31 December 2021
Net income		724	1,672
Items that will not be reclassified to profit or loss			
Actuarial gains on post-employment benefits	19	4	8
Income tax relating to items not to be reclassified		(1)	(2)
Items that may be reclassified subsequently to profit or loss			
Gains on cash flow hedges	25	451	376
Losses on receivables at fair value through other comprehensive income		(3)	(6)
Income tax relating to items that may be reclassified		(85)	(69)
Share of other comprehensive income of joint venture, net of tax		84	22
Other comprehensive income, net of tax		450	329
Total comprehensive income		1,174	2,001
Total comprehensive income attributable to owners of Orange Polska S.A.		1,174	2,001
Total comprehensive income attributable to non-controlling interests		-	-

Orange Polska Group
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in PLN millions)	Note	At 31 December 2022	At 31 December 2021
ASSETS			
Goodwill	10	2,296	2,285
Other intangible assets	11	4,056	3,984
Property, plant and equipment	12	9,693	9,728
Right-of-use assets	14.1	2,741	2,834
Investment in joint venture	13	1,335	1,333
Trade receivables	15.1	452	354
Contract assets	15.2	88	89
Contract costs	15.3	154	127
Derivatives	25	699	273
Other assets	16.2	321	432
Deferred tax assets	28.2	424	581
Total non-current assets		22,259	22,020
Inventories	16.1	300	281
Trade receivables	15.1	2,015	1,853
Contract assets	15.2	104	95
Contract costs	15.3	424	397
Derivatives	25	29	3
Income tax receivables		-	31
Other assets	16.2	529	450
Prepaid expenses		80	94
Cash and cash equivalents	24	1,026	933
Total current assets		4,507	4,137
TOTAL ASSETS		26,766	26,157
EQUITY AND LIABILITIES			
Share capital	29.1	3,937	3,937
Share premium		832	832
Other reserves		635	191
Retained earnings		8,047	7,649
Equity attributable to owners of Orange Polska S.A.		13,451	12,609
Non-controlling interests		2	2
Total equity		13,453	12,611
Trade payables	18.1	82	99
Lease liabilities	23, 27.6	2,234	2,302
Loans from related party	22	4,191	4,938
Other financial liabilities at amortised cost		40	28
Derivatives	25	-	3
Provisions	17	510	739
Contract liabilities	15.4	942	993
Employee benefits	19	48	73
Other liabilities	18.2	21	18
Total non-current liabilities		8,068	9,193
Trade payables	18.1	2,499	2,400
Lease liabilities	23, 27.6	542	528
Loans from related party	22	778	12
Other financial liabilities at amortised cost		10	33
Derivatives	25	23	2
Provisions	17	261	258
Contract liabilities	15.4	648	607
Employee benefits	19	190	171
Income tax liabilities		33	2
Other liabilities	18.2	261	340
Total current liabilities		5,245	4,353
TOTAL EQUITY AND LIABILITIES		26,766	26,157

Orange Polska Group

IFRS Consolidated Financial Statements – 31 December 2022

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in PLN millions)

	Share capital	Share premium	Other reserves					Retained earnings	Equity attributable to owners of OPL S.A.	Non-controlling interests	Total equity
			Cash flow hedge reserve	Actuarial gains/(losses) on post-employment benefits	Losses on receivables at fair value through other comprehensive income	Deferred tax	Share of other reserves of joint venture				
Balance at 1 January 2022	3,937	832	269	(54)	(6)	(40)	22	7,649	12,609	2	12,611
Net income	-	-	-	-	-	-	-	724	724	-	724
Other comprehensive income	-	-	451	4	(3)	(86)	84	-	450	-	450
Total comprehensive income for the 12 months ended 31 December 2022	-	-	451	4	(3)	(86)	84	724	1,174	-	1,174
Dividend (transactions with the owners, see Note 29.2)	-	-	-	-	-	-	-	(328)	(328)	-	(328)
Share-based payments (transactions with the owner, see Note 29.3)	-	-	-	-	-	-	-	2	2	-	2
Transfer to inventories	-	-	(8)	-	-	2	-	-	(6)	-	(6)
Balance at 31 December 2022	3,937	832	712	(50)	(9)	(124)	106	8,047	13,451	2	13,453
Balance at 1 January 2021	3,937	832	(89)	(62)	-	28	-	5,951	10,597	2	10,599
Net income	-	-	-	-	-	-	-	1,672	1,672	-	1,672
Other comprehensive income	-	-	376	8	(6)	(71)	22	-	329	-	329
Total comprehensive income for the 12 months ended 31 December 2021	-	-	376	8	(6)	(71)	22	1,672	2,001	-	2,001
Share-based payments (transactions with the owner, see Note 29.3)	-	-	-	-	-	-	-	26	26	-	26
Transfer to inventories	-	-	(18)	-	-	3	-	-	(15)	-	(15)
Balance at 31 December 2021	3,937	832	269	(54)	(6)	(40)	22	7,649	12,609	2	12,611

Orange Polska Group
IFRS Consolidated Financial Statements – 31 December 2022

Translation of the financial statements originally issued in Polish

CONSOLIDATED STATEMENT OF CASH FLOWS

(in PLN millions)

		12 months ended Note 31 December 2022	12 months ended 31 December 2021
OPERATING ACTIVITIES			
Net income		724	1,672
Adjustments to reconcile net income to cash from operating activities			
Gains on loss of control and disposal of assets	4,8	(107)	(1,595)
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	11,12,14.1	2,541	2,730
Share of (profit)/loss of joint venture	13	14	(24)
Finance costs, net	20	294	281
Income tax	28.1	143	258
Change in provisions and allowances	15, 16.1, 17, 19.1	(85)	(7)
Operating foreign exchange and derivatives (gains)/losses, net		(3)	3
Change in working capital			
Increase in inventories, gross		(7)	(51)
(Increase)/decrease in trade receivables, gross	15.1	(268)	75
Increase in contract assets, gross	15.2	(6)	(28)
Increase in contract costs	15.3	(54)	(50)
Increase in trade payables		79	100
Increase/(decrease) in contract liabilities	15.4	(13)	86
Increase in prepaid expenses and other assets		(10)	(104)
Increase in other payables		51	99
Interest received		90	30
Interest paid and interest rate effect paid on derivatives, net		(382)	(342)
Exchange rate and other effect received on derivatives, net		7	4
Income tax paid		(68)	(36)
Net cash provided by operating activities		2,940	3,101
INVESTING ACTIVITIES			
Payments for purchases of property, plant and equipment and intangible assets	11,12	(2,242)	(1,995)
Investment grants received, net	18.2	5	109
Investment grants paid to property, plant and equipment and intangible assets suppliers	18.2	(82)	(204)
Exchange rate effect received on derivatives economically hedging capital expenditures, net		5	7
Proceeds from sale of property, plant and equipment and intangible assets		275	196
Proceeds from loss of control of Światłowód Inwestycje, net of cash and transaction costs	4	36	872
Income tax received/(paid) in relation to loss of control of Światłowód Inwestycje	4	53	(122)
VAT paid in relation to loss of control of Światłowód Inwestycje	4	-	(157)
Cash paid for subsidiaries, net of cash acquired	4	(50)	(22)
Receipts from loan to joint venture and other financial instruments, net	4	1	160
Net cash used in investing activities		(1,999)	(1,156)
FINANCING ACTIVITIES			
Proceeds from long-term debt	23	19	26
Repayment of long-term loans from related party	23	-	(101)
Repayment of lease liabilities	23	(511)	(481)
Repayment of revolving credit line and other debt, net	23	(30)	(906)
Exchange rate effect received on derivatives hedging debt, net	23	-	91
Dividend paid		(328)	-
Net cash used in financing activities		(850)	(1,371)
Net change in cash and cash equivalents		91	574
Effect of exchange rate changes and other impacts on cash and cash equivalents		2	1
Cash and cash equivalents at the beginning of the period	24	933	358
Cash and cash equivalents at the end of the period	24	1,026	933

1. Corporate information

1.1. The Orange Polska Group

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

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

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

The Group’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.

1.2. Entities of the Group

The Group comprises Orange Polska and the following subsidiaries:

Entity	Location	Scope of activities	Share capital owned by the Group	
			31 December 2022	31 December 2021
Integrated Solutions Sp. z o.o.	Warsaw, Poland	Provision of integrated IT and network services.	100 %	100 %
TP TelTech Sp. z o.o. ⁽¹⁾	Łódź, Poland	Design, development and servicing of telecommunications network, monitoring of alarm signals.	-	100 %
BlueSoft Sp. z o.o.	Warsaw, Poland	Provision of IT services and solutions.	100 %	100 %
Orange Energia Sp. z o.o.	Warsaw, Poland	Sale of electrical energy.	100 %	100 %
Essembli Sp. z o.o.	Warsaw, Poland	Provision of IT services and solutions.	100 %	100 %
Craftware Sp. z o.o.	Warsaw, Poland	Provision of IT services and solutions.	100 %	100 %
Orange Szkolenia Sp. z o.o.	Warsaw, Poland	Training and hotel services, insurance agent.	100 %	100 %
Telefony Podlaskie S.A.	Sokołów Podlaski, Poland	Local provider of fixed-line, internet and cable TV services.	89.3 %	89.3 %
Interkam Sp. z o.o. ⁽²⁾	Sochaczew, Poland	Local operator of services on the basis of fibre infrastructure.	100 %	-
Interkar Sp. z o.o. ⁽²⁾	Reda, Poland	Local operator of services on the basis of fibre infrastructure.	100 %	-
Telewizja Światłowodowa Kaszebe Sp. z o.o. ⁽²⁾	Reda, Poland	Local operator of services on the basis of fibre infrastructure.	100 %	-
Orange Retail S.A.	Modlnica, Poland	Points of sale rental.	100 %	100 %
Pracownicze Towarzystwo Emerytalne Orange Polska S.A.	Warsaw, Poland	Management of employee pension fund.	100 %	100 %
Fundacja Orange	Warsaw, Poland	Charity foundation.	100 %	100 %
Telekomunikacja Polska Sp. z o.o.	Warsaw, Poland	No operational activity.	100 %	100 %

⁽¹⁾ The company merged with Orange Polska S.A. in December 2022 (see Note 4).

⁽²⁾ The companies were acquired in March 2022 (see Note 4).

Additionally, the Group 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 the Group 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.

During the 12 months ended 31 December 2022 and 2021, the voting power held by the Group was equal to the Group's interest in the share capital of its subsidiaries. Main acquisitions, disposals and changes in scope of consolidation are described in Note 4.

2. Statement of compliance and basis of preparation

These Consolidated 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 Consolidated Financial Statements have been prepared in millions of Polish złoty ("PLN"). Comparative amounts for the year ended 31 December 2021 have been compiled using the same basis of preparation.

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

The financial data of all entities constituting the Group included in these Consolidated Financial Statements were prepared using uniform group accounting policies.

These Consolidated Financial Statements were authorised for issuance by the Management Board on 15 February 2023 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 2022 are described in Note 35 and are based on all standards and interpretations endorsed by the European Union and applicable to the reporting period beginning 1 January 2022.

Adoption of standards and interpretations in 2022

There were no new standards or interpretations issued from the date when the IFRS Consolidated Financial Statements for the year ended 31 December 2021 were published. Changes to standards and interpretations in 2022 did not result in any changes to accounting policies applied by the Group.

3. Segment information and performance measures

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

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

EBITDAaL is the key measure of operating profitability used by the Management Board and corresponds to operating income before gains/losses on disposal of assets, depreciation, amortisation and impairment of property, plant and equipment and intangible assets, impairment of the rights of perpetual usufruct of land historically recognised as property, plant and equipment and subsequently reclassified to right-of-use assets and share of profits/losses of joint ventures and associates, decreased by interest expense on lease liabilities and adjusted for the impact of deconsolidation of subsidiaries, costs related to acquisition, disposal and integration of businesses, employment termination programs, restructuring costs, elimination of margin (unrealised profit) earned on asset related transactions with joint ventures and associates accounted for using the equity method, significant claims, litigation and other risks as well as other significant non-recurring items.

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

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

Net financial debt and net financial debt to EBITDAaL ratio are the key measures of indebtedness and liquidity used by the Management Board. The calculation of net financial debt is presented in Note 21.

Basic financial data of the operating segment is presented below:

(in PLN millions)	12 months ended 31 December 2022	12 months ended 31 December 2021
Revenue	12,488	11,928
EBITDAaL	3,078	2,963
Net income	724	1,672
eCapex	1,719	1,737
Organic cash flows	822	867

	At 31 December 2022	At 31 December 2021
Net financial debt (in PLN millions, see Note 21)	4,000	4,076
Net financial debt/EBITDAaL ratio	1.3	1.4

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

(in PLN millions)	12 months ended 31 December 2022	12 months ended 31 December 2021
Operating income	1,161	2,211
Less gain on the loss of control of Światłowód Inwestycje	-	(1,543)
Less gains on disposal of assets	(107)	(52)
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets ⁽¹⁾	2,046	2,255
Less share of profit/Add share of loss of joint venture adjusted for elimination of margin earned on asset related transactions with joint venture	57	(9)
Less interest expense on lease liabilities	(95)	(53)
Adjustment for the impact of employment termination programs	(1)	129
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries	17	25
EBITDAaL	3,078	2,963

⁽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).

(in PLN millions)	12 months ended 31 December 2022	12 months ended 31 December 2021
Acquisitions of property, plant and equipment and intangible assets	2,314	2,011
Less proceeds accrued on disposal of assets	(243)	(274)
Adjustment for acquisition of telecommunications licence (see Note 11)	(352)	-
eCapex	1,719	1,737

(in PLN millions)	12 months ended 31 December 2022	12 months ended 31 December 2021
Net cash provided by operating activities	2,940	3,101
Payments for purchases of property, plant and equipment and intangible assets	(2,242)	(1,995)
Exchange rate effect received on derivatives economically hedging capital expenditures, net	5	7
Proceeds from sale of property, plant and equipment and intangible assets	275	196
Repayment of lease liabilities	(511)	(481)
Adjustment for payment for acquisition of telecommunications licence (see Note 11)	352	-
Adjustment for payment for costs related to acquisition, disposal and integration of subsidiaries	3	39
Organic cash flows	822	867

4. Main acquisitions, disposals and changes in scope of consolidation

Legal merger of Orange Polska S.A. and TP TelTech Sp. z o.o.

On 1 December 2022, the merger of Orange Polska S.A. and its fully owned subsidiary TP TelTech Sp. z o.o. was registered in the Commercial Court. The merger was effected by transferring all assets and liabilities of the subsidiary to OPL S.A. The merger had no impact on these Consolidated Financial Statements.

Acquisition of new subsidiaries in 2022

In March 2022, the Group purchased 100% of shares in Interkam Sp. z o.o., Interkar Sp. z o.o. and Telewizja Światłowodowa Kaszebe Sp. z o.o., local operators offering services on the basis of fibre infrastructure. The transactions are consistent with the Group's strategy of expanding its fibre footprint. The acquisitions provide the Group with additional around 40 thousand fibre households connectable. Out of the total acquisition price amounting to PLN 43 million, PLN 39 million was paid until 31 December 2022. The remaining part, estimated

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at PLN 4 million, is a contingent consideration that will be settled until 30 April 2025 and will be based on meeting certain legal conditions.

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

(in PLN millions)

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

Joint venture with APG Group

On 31 August 2021, the Orange Polska Group and the APG Group (APG's subsidiary Acari Investments Holding B.V., "APG") finalised a share sale agreement under which the Group disposed of its 50% stake in Światłowód Inwestycje Sp. z o.o., a fully-owned subsidiary of OPL S.A. 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 the Group 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 consolidated statement of financial position.

The Group 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 26.2.

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As a result of the transaction, the Group sold the following assets and liabilities of Światłowód Inwestycje:

(in PLN millions)

Assets:

Property, plant and equipment	388
Cash and cash equivalents	21
Other assets ⁽¹⁾	920
Total assets	1,329

Liabilities:

Financial liabilities at amortised cost ⁽²⁾	162
Derivatives	17
Other liabilities	65
Total liabilities	244

Net assets of Światłowód Inwestycje	1,085
of which:	
Net assets derecognised from the consolidated financial statements	601
Net assets related to settlements between Światłowód Inwestycje and Orange Polska ^(1,2)	484

⁽¹⁾ Includes PLN 691 million of prepayment made by Światłowód Inwestycje to OPL S.A. for lease and services to be rendered in the future by OPL S.A. On the deconsolidation date, the Group recognised the prepayment received in contract liabilities in the consolidated statement of financial position.

⁽²⁾ Includes PLN 158 million of loan made by OPL S.A. to Światłowód Inwestycje, recognised on the deconsolidation date as a loan receivable in the consolidated statement of financial position. The loan was repaid by Światłowód Inwestycje in 2021.

Gain on the loss of control of Światłowód Inwestycje recognised in the consolidated income statement amounted to PLN 1,543 million and consisted of:

(in PLN millions)

Sales price for the 50% stake sold	1,323
Fair value of the remaining 50% stake retained	1,323
Net assets of Światłowód Inwestycje ⁽¹⁾	(1,085)
Transaction costs incurred	(18)
Gain on the loss of control of Światłowód Inwestycje	1,543

⁽¹⁾ Includes PLN 484 million of net assets related to settlements between Światłowód Inwestycje and Orange Polska.

As a result of the above transaction, Światłowód Inwestycje became a jointly controlled entity accounted for using the equity method. 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 Group 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. The payment occurred before the Group obtained tax ruling at the end of September 2021. In the 12 months ended 31 December 2022, the Group received PLN 53 million of CIT refund as a result of calculation of final 2021 taxable gain on the transaction. The calculation was based on tax ruling obtained at the end of September 2021 and final allocation of tax losses from previous years made in May 2022. The payments in 2021 and the refund in 2022 are classified as cash flows from investing activities as they can be specifically identified with the loss of control of Światłowód Inwestycje.

5. Impact of the war in Ukraine

In February 2022 Russia attacked Ukraine. The direct military actions are in Ukraine, however Poland, the European Union and the rest of the world is also impacted by the war. Sanctions have been implemented on trade with Russia by the European Union and the United States. Many refugees left Ukraine to neighbour countries, including Poland.

The war in Ukraine has brought new uncertainty to the Polish economy. It contributes to higher inflation, longer than previously assumed period of elevated costs of energy and triggers a risk of potential energy shortages. Consequences of that are higher interest rates and slower GDP growth. Poland also continues to experience foreign exchange volatility. Additionally, high influx of refugees to Poland generates additional costs for the Polish State budget, however the Polish economy could also reflect an upward impact of additional labour force and consumption.

The Group has analysed the impact of the war in Ukraine on its financial position and performance:

1. The Group maintains high liquidity and sufficient financing of its operations and capital expenditures. The outstanding debt is denominated in PLN and based mainly on fixed interest rates after hedging. The Group confirms its ability to continue as a going concern.
2. The Group performed a high level scenario analysis to assess the range of potential changes in future cash flows as a consequence of the war in Ukraine. Impairment tests of the telecom operator cash generating unit and investment in joint venture carried out as at 31 December 2022 (see Note 9) took into account among others effects of high energy prices and inflation, jointly with the impact of the increase in discount rate based on the weighted average cost of capital. No impairment loss was recognised as a result of these tests.

Based on the analyses described above, the Management has concluded that the risks related to the war in Ukraine do not materially impact the results, assets and liabilities of the Group presented in these Consolidated Financial Statements. The Management will monitor the situation and the impact of the war on the Group in the next quarters.

6. Revenue

Revenue is disaggregated as follows:

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

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(in PLN millions)	12 months ended 31 December 2022	12 months ended 31 December 2021
Mobile only services	2,797	2,636
Fixed only services	1,898	1,968
Narrowband	581	682
Broadband	890	859
Network solutions (business market)	427	427
Convergent services (consumer market)	2,154	2,002
Equipment sales	1,582	1,460
IT and integration services	1,453	1,186
Wholesale	1,890	2,190
Mobile wholesale	1,161	1,371
Fixed wholesale	309	460
Other	420	359
Other revenue	714	486
Total revenue	12,488	11,928

IT and integration services, wholesale and other revenue for the 12 months ended 31 December 2022 and 2021 include, respectively, PLN 93 million and PLN 82 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 3.5% and 4.1% of the total revenue for the 12 months ended 31 December 2022 and 2021, respectively, was earned from entities which are not domiciled in Poland, mostly from interconnect services.

7. Operating expense and income

7.1. External purchases

(in PLN millions)	12 months ended 31 December 2022	12 months ended 31 December 2021
Commercial expenses	(2,855)	(2,566)
- cost of handsets and other equipment sold	(2,085)	(1,822)
- commissions, advertising, sponsoring costs and other	(770)	(744)
Interconnect expenses	(1,538)	(1,782)
Network and IT expenses	(884)	(673)
Other external purchases	(2,158)	(1,765)
Total external purchases	(7,435)	(6,786)

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

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7.2. Labour expense

(in PLN millions)	12 months ended 31 December 2022	12 months ended 31 December 2021
Average number of active employees (full time equivalent)	10,166	10,924
Wages and salaries	(1,296)	(1,296)
Social security and other charges	(306)	(301)
Long-term employee benefits (see Note 19.1)	(1)	5
Capitalised personnel costs ⁽¹⁾	226	245
Other employee benefits	(45)	(74)
Total labour expense	(1,422)	(1,421)

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

7.3. Other operating expense and income

(in PLN millions)	12 months ended 31 December 2022	12 months ended 31 December 2021
Taxes other than income tax	(271)	(274)
Other expense and changes in provisions, net	(278)	(297)
Total other operating expense	(549)	(571)
Sale of fibre network goods and services to joint venture	250	121
Income from related parties resulting from shared resources	77	64
Other	274	173
Total other operating income	601	358

7.4. Research and development

During the 12 months ended 31 December 2022 and 2021, research and development costs expensed in the consolidated income statement mainly in labour expense and depreciation, amortisation of property, plant and equipment and intangible assets, amounted to PLN 51 million and PLN 57 million, respectively.

8. Gains on disposal of assets

During the 12 months ended 31 December 2022 and 2021, gains on disposal of assets amounted to PLN 107 million and PLN 52 million, respectively, and included mainly gains on disposal of real estate and fibre network assets.

9. Impairment test

9.1 Telecom operator Cash Generating Unit

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

As at 31 December 2022 and 2021 the Group performed impairment tests of the CGU (including goodwill). No impairment loss was recognised in the years 2022 and 2021.

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;
- consequences of the war in Ukraine 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 2022	At 31 December 2021
Basis of recoverable amount	Value in use	Value in use
Sources used	Business plan 5 years cash flow projections	Business plan 5 years cash flow projections
Perpetuity growth rate	2.0 %	1.5 %
Post-tax discount rate	7.75 %	7.25 %
Pre-tax discount rate ⁽¹⁾	9.13 %	8.49 %

⁽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 2022 exceeds its carrying value by PLN 4.8 billion. Any of the following changes in key assumptions:

- a 29% fall in projected cash flows after fifth year or
- a 1.9 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.

9.2 Investment in joint venture

The Group’s investment in joint venture (see Note 13) is not included in the telecom operator CGU as it generates cash inflows that are largely independent of those from other Group’s assets. Consequently, the investment in Światłowód Inwestycje is analysed for impairment individually.

Due to significant changes in the Polish and European Union macroeconomic environment in 2022 (strong increase in energy prices and inflation, growing interest rates), the Group decided to perform an impairment test of its investment in joint venture, based on the updated business plan of Światłowód Inwestycje. No impairment loss was recognised in 2022.

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The following key assumptions were used to determine the value in use of the investment in joint venture:

Investment in joint venture	At 31 December 2022
Basis of recoverable amount	Value in use
Sources used	Business plan 23 years cash flow projections
Perpetuity growth rate	2.0 %
Post-tax discount rate	8.75 %
Pre-tax discount rate ⁽¹⁾	9.67 %

⁽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.

As at 31 December 2021, the Group has not identified any significant changes with an adverse effect on the investment in joint venture resulting from events that occurred after 31 August 2021, i.e. the date of initial recognition of the investment in joint venture. Impairment test of the investment in joint venture was not performed as at 31 December 2021 and no impairment loss was recognised in 2021.

10. Goodwill

(in PLN millions)	At 31 December 2022			At 31 December 2021		
	Cost	Accumulated impairment	Net	Cost	Accumulated impairment	Net
CGU						
Telecom operator	4,089	(1,793)	2,296	4,078	(1,793)	2,285
Total goodwill	4,089	(1,793)	2,296	4,078	(1,793)	2,285

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. The remaining balance of goodwill arose on acquisition of certain subsidiaries, mainly BlueSoft Sp. z o.o. and Essembli Sp. z o.o.

11. Other intangible assets

(in PLN millions)	At 31 December 2022			
	Cost	Accumulated amortisation	Accumulated impairment	Net
Telecommunications licences	6,080	(3,777)	-	2,303
Software	6,518	(4,894)	-	1,624
Other intangibles	214	(85)	-	129
Total other intangible assets	12,812	(8,756)	-	4,056

(in PLN millions)	At 31 December 2021			
	Cost	Accumulated amortisation	Accumulated impairment	Net
Telecommunications licences	5,728	(3,424)	-	2,304
Software	6,282	(4,726)	-	1,556
Other intangibles	276	(141)	(11)	124
Total other intangible assets	12,286	(8,291)	(11)	3,984

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Details of telecommunications licences are as follows:

(in PLN millions)	Acquisition date	Years to expiration ⁽²⁾	Net book value	
			At 31 December 2022	At 31 December 2021
800 MHz	2016	8.1	1,652	1,858
900 MHz	2014	6.5	156	180
1800 MHz	1997	4.6	-	-
1800 MHz ⁽¹⁾	2013	5.0	80	95
2100 MHz	2000	-	-	100
2100 MHz	2022	15.0	352	-
2600 MHz	2016	8.1	63	71
Total telecommunications licences			2,303	2,304

⁽¹⁾ Licence held under agreement with T-Mobile Polska S.A.

⁽²⁾ Remaining useful life in years as at 31 December 2022.

On 11 October 2022 the Group received a decision from the President of UKE allocating the 2100 MHz telecommunications licence for a further reservation period until 31 December 2037. The fee of PLN 352 million was paid in October 2022.

Movements in the net book value of other intangible assets for the 12 months ended 31 December 2022 were as follows:

(in PLN millions)	Telecommunications			Total other intangible assets
	licences	Software	Other intangibles	
Opening balance net of accumulated amortisation and impairment	2,304	1,556	124	3,984
Acquisitions of intangible assets	352	405	16	773
Recognition of customer contracts and related customer relationships of acquired local operators (see Note 4)	-	-	21	21
Amortisation	(353)	(343)	(26)	(722)
Reclassifications and other, net	-	6	(6)	-
Closing balance	2,303	1,624	129	4,056

From 2022, as a result of an annual review of the estimated useful lives of fixed assets, the Group extended the estimated useful lives for certain items of software. Consequently, the amortisation expense was lower by PLN 12 million in the 12 months ended 31 December 2022 in comparison to 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			Total other intangible assets
	licences	Software	Other intangibles	
Opening balance net of accumulated amortisation and impairment	2,651	1,372	161	4,184
Acquisitions of intangible assets	-	489	19	508
Amortisation	(347)	(327)	(27)	(701)
Impairment	-	-	(2)	(2)
Reclassifications and other, net	-	22	(27)	(5)
Closing balance	2,304	1,556	124	3,984

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12. Property, plant and equipment

(in PLN millions)	At 31 December 2022			
	Cost	Accumulated depreciation	Accumulated impairment	Net
Land and buildings	2,243	(1,747)	(11)	485
Network	40,464	(31,777)	(87)	8,600
Terminals	1,821	(1,583)	-	238
Other IT equipment	1,290	(1,008)	-	282
Other	273	(185)	-	88
Total property, plant and equipment	46,091	(36,300)	(98)	9,693

(in PLN millions)	At 31 December 2021			
	Cost	Accumulated depreciation	Accumulated impairment	Net
Land and buildings	2,244	(1,762)	(11)	471
Network	40,233	(31,508)	(84)	8,641
Terminals	1,956	(1,664)	-	292
Other IT equipment	1,267	(1,027)	-	240
Other	296	(210)	(2)	84
Total property, plant and equipment	45,996	(36,171)	(97)	9,728

As at 31 December 2022 and 2021, 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 1,516 million and PLN 1,349 million, respectively, and related mainly to network.

Movements in the net book value of property, plant and equipment for the 12 months ended 31 December 2022 were as follows:

(in PLN millions)	At 31 December 2022					Total property, plant and equipment
	Land and buildings	Network	Terminals	Other IT equipment	Other	
Opening balance net of accumulated depreciation and impairment	471	8,641	292	240	84	9,728
Acquisitions of property, plant and equipment	111	1,243	76	93	18	1,541
Disposals and liquidations	(12)	(62)	-	-	(1)	(75)
Depreciation	(83)	(1,040)	(130)	(56)	(6)	(1,315)
Impairment, net	(1)	(8)	-	-	-	(9)
Dismantling costs, reclassifications and other, net	(1)	(174)	-	5	(7)	(177)
Closing balance	485	8,600	238	282	88	9,693

From 2022, as a result of an annual review of the estimated useful lives of fixed assets, the Group extended the estimated useful lives for certain network assets. Consequently, the depreciation expense was lower by PLN 24 million in the 12 months ended 31 December 2022 in comparison to 2021.

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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	9,112	346	233	85	10,301
Acquisitions of property, plant and equipment	45	1,269	97	65	27	1,503
Derecognition of assets in Światłowód Inwestycje (see Note 4)	-	(387)	(1)	-	-	(388)
Disposals and liquidations	(18)	(151)	-	-	-	(169)
Depreciation	(77)	(1,192)	(151)	(66)	(18)	(1,504)
Impairment, net	(5)	(9)	-	-	-	(14)
Dismantling costs, reclassifications and other, net	1	(1)	1	8	(10)	(1)
Closing balance	471	8,641	292	240	84	9,728

13. Investment in joint venture

The Group has a 50% interest in Światłowód Inwestycje Sp. z o.o. whose scope of activities comprises building fibre infrastructure and offering wholesale access services to other operators in Poland. Światłowód Inwestycje is a jointly controlled entity accounted for using the equity method.

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 Group considers that the parties which jointly control the arrangement have rights to the net assets and the Group classifies the joint arrangement as a joint venture.

The Group and the other investor in the joint venture are committed under certain conditions to make additional equity contributions of around PLN 300 million (each party) 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.

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Summarised financial information of the joint venture and a reconciliation with the carrying amount of the investment in joint venture in the consolidated financial statements are presented below:

(in PLN millions)	At 31 December 2022	At 31 December 2021
Assets		
Property, plant and equipment	1,315	569
Other non-current assets ⁽¹⁾	1,094	822
Total non-current assets	2,409	1,391
Cash and cash equivalents	141	26
Other current assets ⁽¹⁾	87	140
Total current assets	228	166
Total assets	2,637	1,557
Liabilities		
Non-current financial liabilities excluding trade and other payables	851	177
Other non-current liabilities	75	32
Total non-current liabilities	926	209
Current financial liabilities excluding trade and other payables	2	-
Trade payables and other liabilities	395	166
Total current liabilities	397	166
Total liabilities	1,323	375
Net assets	1,314	1,182
Group's share of net assets (50%)	657	591
Fair value adjustment at initial recognition ⁽²⁾	777	777
Elimination of unrealised profit on asset related transactions	(99)	(35)
Carrying amount of investment in joint venture	1,335	1,333

⁽¹⁾ Includes prepayment made by Światłowód Inwestycje to OPL S.A. for lease and services to be rendered in the future by OPL S.A. amounting to PLN 684 million and PLN 692 million, as at 31 December 2022 and 2021, respectively.

⁽²⁾ Fair value of the 50% stake retained less 50% of net assets of Światłowód Inwestycje at initial recognition of investment in joint venture.

(in PLN millions)	12 months ended 31 December 2022	1 September - 31 December 2021 ⁽¹⁾
Revenue	135	34
Operating loss ⁽²⁾	(20)	(12)
Finance income/(costs), net ⁽³⁾	(22)	73
Income tax	6	(14)
Net income/(loss)	(36)	47
Other comprehensive income	168	45
Total comprehensive income	132	92
Group's share of net income/(loss) (50%)	(18)	24
Realisation of deferred profit on asset related transactions	4	-
Share of profit/(loss) of joint venture	(14)	24
Share of other comprehensive income of joint venture (50%)	84	22

⁽¹⁾ The amounts for the period in which the company was fully consolidated (January – August 2021) are not included.

⁽²⁾ Includes depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets amounting to PLN (41) million and PLN (8) million, in the 12 months ended 31 December 2022 and 4 months ended 31 December 2021, respectively.

⁽³⁾ In 2022 includes PLN (38) million of interest expense and PLN 15 million of interest income. In 2021 includes mainly change in fair value of derivatives.

14. Leases

14.1. Group as a lessee

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

(in PLN millions)	At 31 December 2022			
	Cost	Accumulated depreciation	Accumulated impairment	Net
Land and buildings	3,597	(1,324)	(35)	2,238
Terminals	675	(300)	-	375
Other	197	(69)	-	128
Total right-of-use assets	4,469	(1,693)	(35)	2,741

(in PLN millions)	At 31 December 2021			
	Cost	Accumulated depreciation	Accumulated impairment	Net
Land and buildings	3,501	(1,028)	(35)	2,438
Terminals	477	(193)	-	284
Other	182	(70)	-	112
Total right-of-use assets	4,160	(1,291)	(35)	2,834

Movements in the net book value of right-of-use assets for the 12 months ended 31 December 2022 were as follows:

(in PLN millions)				Total right-
	Land and buildings	Terminals	Other	of-use assets
Opening balance net of accumulated depreciation and impairment	2,438	284	112	2,834
Additions	152	203	70	425
Modifications, terminations and disposals	7	-	(22)	(15)
Depreciation	(349)	(112)	(34)	(495)
Dismantling costs, reclassifications and other, net	(10)	-	2	(8)
Closing balance	2,238	375	128	2,741

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)				Total right-
	Land and buildings	Terminals	Other	of-use assets
Opening balance net of accumulated depreciation and impairment	2,453	237	78	2,768
Additions	146	127	72	345
Modifications, terminations and disposals	232	-	1	233
Depreciation	(362)	(79)	(35)	(476)
Impairment, net	(33)	-	-	(33)
Dismantling costs, reclassifications and other, net	2	(1)	(4)	(3)
Closing balance	2,438	284	112	2,834

Information on lease liabilities is disclosed in Notes 20, 23, 27.3 and 27.6.

14.2. Group as a lessor

When considering the Group as a lessor, future minimum lease payments under non-cancellable operating leases as at 31 December 2022 and 2021 amounted to PLN 39 million and PLN 56 million, respectively, and related mainly to the lease of land and buildings. As at 31 December 2022 PLN 17 million was receivable during next 12 months.

15. Assets and liabilities relating to contracts with customers

15.1. Trade receivables

(in PLN millions)	At 31 December 2022	At 31 December 2021
Trade receivables measured at amortised cost	2,303	1,974
Trade receivables measured at fair value through other comprehensive income	164	233
Total trade receivables	2,467	2,207
Current	2,015	1,853
Non-current	452	354

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.

The Group 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 Group's maximum exposure to credit risk at the reporting date is represented by the carrying amounts of receivables recognised in the consolidated statement of financial position.

The Group 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 consolidated 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 2022 and 2021 amounted to PLN 25 million and PLN 8 million, respectively. Part of the price paid by BNP Paribas S.A. amounting to PLN 20 million and PLN 41 million, respectively, is deferred and presented as other assets as at 31 December 2022 and 2021.

The Group 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.

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Movements in the impairment of trade receivables during the 12 months ended 31 December 2022 and 2021 were as follows:

(in PLN millions)	12 months ended 31 December 2022	12 months ended 31 December 2021
Beginning of period	229	277
Impairment losses, net	80	60
Utilisation of impairment for receivables sold or written-off	(66)	(108)
End of period	243	229

Information about the credit risk exposure on the Group's trade receivables as at 31 December 2022 was as follows:

(in PLN millions)	Not past due	Days past due			Total
		< 180 days	180-360 days	> 360 days	
Expected credit loss rate	3.7 %	19.8 %	56.5 %	83.9 %	
Total trade receivables, gross	2,366	197	23	124	2,710
Accumulated impairment loss	(87)	(39)	(13)	(104)	(243)
Total trade receivables, net	2,279	158	10	20	2,467

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

(in PLN millions)	Not past due	Days past due			Total
		< 180 days	180-360 days	> 360 days	
Expected credit loss rate	4.7 %	16.1 %	50.0 %	80.9 %	
Total trade receivables, gross	2,133	174	14	115	2,436
Accumulated impairment loss	(101)	(28)	(7)	(93)	(229)
Total trade receivables, net	2,032	146	7	22	2,207

15.2. Contract assets

(in PLN millions)	At 31 December 2022	At 31 December 2021
Non-current contract assets	88	89
Current contract assets	104	95
Total contract assets	192	184

The Group 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 Group's maximum exposure to credit risk at the reporting date is represented by the carrying amounts of contract assets recognised in the consolidated statement of financial position.

Movements in the contract assets balance for the 12 months ended 31 December 2022 and 2021 were as follows:

(in PLN millions)	12 months ended 31 December 2022	12 months ended 31 December 2021
Beginning of period	184	157
Additions	159	166
Invoiced amounts transferred to trade receivables	(153)	(138)
Impairment, net	2	(1)
End of period	192	184

Expected credit loss rate for contract assets as at 31 December 2022 and 2021 amounted to 1.3% and 2.9%, respectively.

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15.3. Contract costs

(in PLN millions)	At 31 December 2022	At 31 December 2021
Non-current contract costs	154	127
Current contract costs	424	397
Total contract costs	578	524

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 2022 and 2021 were as follows:

(in PLN millions)	12 months ended 31 December 2022	12 months ended 31 December 2021
Beginning of period	524	474
Contract costs recognised as assets	633	588
Contract costs amortised	(578)	(539)
Impairment, net	(1)	1
End of period	578	524

15.4. Contract liabilities

(in PLN millions)	At 31 December 2022	At 31 December 2021
Prepayment from joint venture for the lease and services (see below)	684	692
Upfront fee for wholesale access to fibre network (see below)	202	220
Subscription (including unused post-paid balances)	194	185
Unused pre-paid balances	172	163
Connection fees	99	101
Prepayment for national roaming	68	80
Other	171	159
Total contract liabilities	1,590	1,600
Current	648	607
Non-current	942	993

Approximately PLN 607 million of the contract liabilities balance as at 1 January 2022 was recognised as revenue in the 12 months ended 31 December 2022. Approximately PLN 476 million of the contract liabilities balance as at 1 January 2021 was recognised as revenue in the 12 months ended 31 December 2021.

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 Group in the future, for which Światłowód Inwestycje paid PLN 729 million upfront, which was set off against cash contribution made by Orange Polska to Światłowód Inwestycje. On the date of deconsolidation of Światłowód Inwestycje, the Group recognised the prepayment received in contract liabilities in the consolidated statement of financial position (see Note 4).

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 Group 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.

15.5. Performance obligations

As at 31 December 2022 and 2021, the transaction price allocated to unsatisfied performance obligations resulting from contracts with customers amounted to PLN 5,515 million and PLN 5,949 million, respectively. The following table presents the time bands in which the Group expects to satisfy those performance obligations and recognise revenue. More information on the nature of typical contracts with customers and related performance obligations can be found in Note 35.8.

(in PLN millions)	At 31 December 2022	At 31 December 2021
Within one year	3,143	3,191
Between one and two years	893	1,040
Between two and three years	325	359
Between three and four years	176	302
Between four and five years	174	169
More than five years	804	888
Total unsatisfied performance obligations	5,515	5,949

16. Inventories and other assets

16.1. Inventories

(in PLN millions)	At 31 December 2022	At 31 December 2021
Inventories gross	314	295
Accumulated impairment loss	(14)	(14)
Total inventories, net	300	281

As at 31 December 2022 and 2021 inventories included mainly handsets.

16.2. Other assets

(in PLN millions)	At 31 December 2022	At 31 December 2021
Contingent consideration receivable from sale of 50% stake in Światłowód Inwestycje (see Note 4)	385	416
Receivables from sale of fixed assets	78	127
Deferred purchase price receivables from BNP Paribas (see Note 15.1)	20	41
Other	367	298
Total other assets	850	882
Current	529	450
Non-current	321	432

17. Provisions

Movements of provisions for the 12 months ended 31 December 2022 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 2022	204	130	663	997
Increases	43	5	-	48
Reversals (utilisations)	(36)	(63)	(15)	(114)
Reversals (releases)	(13)	(5)	(193)	(211)
Discounting effect	7	-	44	51
At 31 December 2022	205	67	499	771
Current	182	67	12	261
Non-current	23	-	487	510

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	183	84	644	911
Increases	86	130	42	258
Reversals (utilisations)	(63)	(73)	(7)	(143)
Reversals (releases)	(5)	(11)	(50)	(66)
Discounting effect	3	-	34	37
At 31 December 2021	204	130	663	997
Current	181	68	9	258
Non-current	23	62	654	739

Provisions for claims and litigation, risks and other charges

These provisions relate mainly to claims and litigation described in Note 32. Provisions are not disclosed on a case-by-case basis, when, in the opinion of the Management Board, such disclosure could prejudice the outcome of the pending cases.

Provisions for employment termination expense

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 7.76% as at 31 December 2022 and 1.07% as at 31 December 2021.

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 6.94% as at 31 December 2022 and 3.17% as at 31 December 2021.

As at 31 December 2022, the Group remeasured the dismantling provision. The dismantling provision was reduced by PLN 164 million mainly due to the decrease of the provision resulting from higher discount rates that was partially compensated by the increase of the provision resulting from higher unitary cost of dismantling.

18. Trade payables and other liabilities

18.1. Trade payables

(in PLN millions)	At 31 December 2022	At 31 December 2021
Trade payables	1,632	1,546
Fixed assets payables	846	696
Telecommunications licence payables	103	257
Total trade payables	2,581	2,499
Current	2,499	2,400
Non-current ⁽¹⁾	82	99

⁽¹⁾ Includes telecommunications licence payables.

As at 31 December 2022 and 2021, trade payables subject to reverse factoring amounted to PLN 87 million and PLN 162 million, respectively. These payables are presented together with the remaining balance of trade payables, as analysis conducted by the Group indicates they have retained their trade nature.

18.2. Other liabilities

(in PLN millions)	At 31 December 2022	At 31 December 2021
Investment grants received	36	114
VAT payables	46	81
Other taxes payables	22	26
Contingent consideration related to acquisition of subsidiaries (see Note 4)	7	15
Other	171	122
Total other liabilities	282	358
Current	261	340
Non-current	21	18

Operational Programme “Digital Poland”

The Group 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 Group's own contribution to the Programme amounts to PLN 0.3 billion and the Group 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 2022 and 2021, Orange Polska received PLN 5 million and PLN 109 million of investment grants under the Programme, respectively. In the 12 months ended 31 December 2022 and 2021, PLN 94 million and PLN 150 million was deducted from the cost of related assets as a result of the Programme and PLN 82 million and PLN 204 million, respectively, was paid to fixed assets suppliers.

Investment grants are presented separately within investing activities in the consolidated statement of cash flows. Received advances for investment grants are presented as cash and cash equivalents and other liabilities in the consolidated 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 Group assesses that it is reasonably assured that grants corresponding to the scope of investments completed will be received and they will not become repayable.

19. Employee benefits

(in PLN millions)	At 31 December 2022	At 31 December 2021
Retirement bonuses	37	41
Salaries and other employee-related payables	201	203
Total employee benefits	238	244
Current	190	171
Non-current	48	73

On 7 December 2021, OPL S.A. concluded with Trade Unions the Social Agreement for years 2022 - 2023 (see Note 17) 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. As at 31 December 2022, the liability amounted to PLN 14 million.

19.1. Retirement bonuses and jubilee awards

Certain employees of the Group are entitled to long-term employee benefits in accordance with the Group's remuneration policy (see Note 35.21). 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 2022 and 2021 are detailed below:

(in PLN millions)	12 months ended 31 December 2022
	Retirement bonuses
Present/carrying value of obligation at the beginning of the period	41
Current service cost ⁽¹⁾	1
Interest cost ⁽²⁾	1
Benefits paid	(2)
Actuarial gains for the period ⁽³⁾	(4)
Present/carrying value of obligation at the end of the period	37
Weighted average duration (in years)	13

⁽¹⁾ Recognised under labour expense in the consolidated income statement.

⁽²⁾ Recognised under discounting expense in the consolidated income statement.

⁽³⁾ Recognised under actuarial gains/(losses) on post-employment benefits in the consolidated statement of comprehensive income.

(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	19	55	74
Current service cost ⁽¹⁾	-	3	3
Past service cost ^{(1) (4)}	-	(7)	(7)
Interest cost ⁽²⁾	-	1	1
Benefits paid	(18)	(3)	(21)
Actuarial (gains)/losses for the period	(1) ⁽¹⁾	(8) ⁽³⁾	(9)
Present/carrying value of obligation at the end of the period	-	41	41
Weighted average duration (in years)	-	12	12

⁽¹⁾ Recognised under labour expense in the consolidated income statement.

⁽²⁾ Recognised under discounting expense in the consolidated income statement.

⁽³⁾ Recognised under actuarial gains/(losses) on post-employment benefits in the consolidated statement of comprehensive income.

⁽⁴⁾ Includes mainly impact of curtailment resulting from the Social Agreement concluded on 7 December 2021 (see Note 17).

The valuation of obligations as at 31 December 2022 and 2021 was performed using the following assumptions:

	At 31 December 2022	At 31 December 2021
Discount rate	6.9 %	3.8 %
Long-term wage increase rate	5.0 %	3.5 %

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 2022.

19.2. Cash-settled share-based payment plan

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

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

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 and second cycles of the programme (for years 2021 – 2023 and 2022 – 2024) could purchase a total of up to, respectively, 2,023,200 and 1,951,200 phantom shares for a price of PLN 0.50 per phantom share.
- d. Phantom shares shall be bought back from the participants by the Group, 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 the Group:

(number)	Phantom shares			
	CO2 condition	EBITDAaL condition	OCF condition	share price condition
Outstanding at 1 January 2022	190,620	571,860	476,550	667,170
Granted during the year ⁽¹⁾	162,720	488,160	406,800	569,520
Forfeited during the year	(17,100)	(51,300)	(42,750)	(59,850)
Outstanding at 31 December 2022	336,240	1,008,720	840,600	1,176,840
Average fair value per unit (in PLN) at 31 December 2022	4.04	4.04	4.04	3.63

⁽¹⁾ Relate to the second cycle of the programme.

(number)	Phantom shares			
	CO2 condition	EBITDAaL condition	OCF condition	share price condition
Outstanding at 1 January 2021	-	-	-	-
Granted during the year ⁽¹⁾	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

⁽¹⁾ Relate to the first cycle of the programme.

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The following tables illustrate the key assumptions used in the calculation of the fair value of phantom shares:

At 31 December 2022	Phantom shares	
	CO2, EBITDAaL and OCF conditions	share price condition
Exercise price (in PLN)	0.50	0.50
Barrier (in PLN)		
– I cycle	6.61	6.61 - 7.61
– II cycle	7.32	7.32 - 8.61
Expected volatility	32.72 %	32.72 %
Risk-free interest rate	6.75 - 7.20 %	6.75 - 7.20 %
Dividend yield ⁽¹⁾	4.31 - 4.87 %	4.31 - 4.87 %
Expiry date		
– I cycle	1st quarter 2024	1st quarter 2024
– II cycle	1st quarter 2025	1st quarter 2025
Model used	Black-Scholes	Black-Scholes
Date of vesting period end		
– I cycle	31 December 2023	31 December 2023
– II cycle	31 December 2024	31 December 2024

⁽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 0.35 per share from 2023, which reflects mean expectation of market consensus for 2023 and does not constitute any guidance or commitment from the Company regarding future dividend payments.

At 31 December 2021	Phantom shares (I cycle)	
	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 assumed dividend payment of PLN 0.25 per share from 2022, which reflected mean expectation of market consensus for 2022 and did not constitute any guidance or commitment from the Company regarding future dividend payments.

As a result of the programme, PLN 2 million and PLN 4 million, respectively, were recognised as an increase in labour expense in the 12 months ended 31 December 2022 and 2021. The carrying amount of liabilities recognised as employee benefits as at 31 December 2022 and 2021 amounted to PLN 6 million and PLN 4 million, respectively.

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20. Finance income and expense

(in PLN millions)

	12 months ended 31 December 2022								
	Financial assets			Lease liabilities	Derivatives			Non-financial items ⁽²⁾	Total
	At amortised cost	At fair value	Financial liabilities at amortised cost		Hedging	Held for trading ⁽¹⁾			
Interest income	87	7 ⁽³⁾	-	-	-	-	-	94	
Interest expense on lease liabilities	-	-	(95)	-	-	-	-	(95)	
Other interest expense and financial charges, including:									
– interest expense	-	11 ⁽⁴⁾	-	(311)	124	(15)	-	(191)	
Discounting expense	-	-	-	(28)	-	-	(52)	(80)	
Foreign exchange losses	(1)	-	(15)	(6)	-	-	-	(22)	
Total finance costs, net	86	18	(110)	(345)	124	(15)	(52)	(294)	
Interest income/(expense)	14 ⁽⁶⁾	-	-	(1)	-	-	-	13	
Impairment losses	(48)	(26) ⁽⁷⁾	-	-	-	-	-	(74)	
Foreign exchange gains/(losses)	3	-	-	(11)	5	5	-	2	
External purchases	-	-	-	-	2	-	-	2	
Items recognised under operating income	(31)	(26)	-	(12)	7	5	-	(57)	

⁽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 15.1).

⁽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 26).

⁽⁵⁾ Includes mainly interest expense on loans from related party.

⁽⁶⁾ Late payment interest on trade receivables.

⁽⁷⁾ Impairment losses on financial assets at fair value through other comprehensive income.

(in PLN millions)

	12 months ended 31 December 2021								
	Financial assets			Lease liabilities	Derivatives			Non-financial items ⁽²⁾	Total
	At amortised cost	At fair value	Financial liabilities at amortised cost		Hedging	Held for trading ⁽¹⁾			
Interest income	29	5 ⁽³⁾	-	-	-	-	-	34	
Interest expense on lease liabilities	-	-	(53)	-	-	-	-	(53)	
Other interest expense and financial charges, including:									
– interest expense	-	(10) ⁽⁴⁾	-	(104)	(71)	(15)	-	(200)	
– ineffectiveness on derivatives hedging interest rate risk	-	-	-	-	14	-	-	14	
Discounting expense	-	-	-	(28)	-	-	(38)	(66)	
Foreign exchange gains/(losses)	-	-	(1)	16	(16)	5	-	4	
Total finance costs, net	29	(5)	(54)	(116)	(87)	(10)	(38)	(281)	
Interest income	9 ⁽⁶⁾	-	-	-	-	-	-	9	
Impairment losses	(57)	(10) ⁽⁷⁾	-	-	-	-	-	(67)	
Foreign exchange gains/(losses)	-	-	-	(4)	3	1	-	-	
Items recognised under operating income	(48)	(10)	-	(4)	3	1	-	(58)	

⁽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 15.1).

⁽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 26).

⁽⁵⁾ Includes mainly interest expense on loans from related party.

⁽⁶⁾ Late payment interest on trade receivables.

⁽⁷⁾ Impairment losses on financial assets at fair value through other comprehensive income.

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21. Net financial debt

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

(in PLN millions)	Note	At 31 December	At 31 December
		2022	2021
Loans from related party	22	4,969	4,950
Other financial liabilities at amortised cost		50	61
Derivatives – net (liabilities less assets)	25	(705)	(271)
Gross financial debt after derivatives		4,314	4,740
Cash and cash equivalents	24	(1,026)	(933)
Cash flow hedge reserve		712	269
Net financial debt		4,000	4,076

22. Loans from related party

(in millions of currency)	Creditor	Repayment date	Amount outstanding at ⁽¹⁾	
			31 December 2022	31 December 2021
			PLN	PLN
	Floating rate			
	Atlas Services Belgium S.A. (PLN)	20 May 2024	1,503	1,500
	Atlas Services Belgium S.A. (PLN)	20 June 2026	2,711	2,693
	Atlas Services Belgium S.A. (PLN) ⁽²⁾	29 July 2025	(2)	-
	Fixed rate			
	Atlas Services Belgium S.A. (PLN)	27 March 2023	757	757
	Total loans from related party		4,969	4,950
	Current		778	12
	Non-current		4,191	4,938

⁽¹⁾ Includes accrued interest and arrangement fees.

⁽²⁾ Revolving credit line.

On 29 July 2022, the Group and Atlas Services Belgium S.A., a subsidiary of Orange S.A., concluded a Revolving Credit Facility Agreement for PLN 1,000 million with repayment date in July 2025.

The weighted average effective interest rate on loans from related party, before and after swaps (see Note 25), amounted respectively to 7.60% and 3.31% as at 31 December 2022 (3.60% and 2.93% as at 31 December 2021). Loans from related party are not secured.

23. 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 consolidated statement of cash flows as cash flows from financing activities.

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

(in PLN millions)	Lease liabilities	Loans from related party Note 22	Other financial liabilities at amortised cost	Derivatives hedging liabilities from financing activities ⁽¹⁾ Note 25	Dividend payable Note 29.2	Total liabilities from financing activities
Amount outstanding as at 1 January 2022	2,830	4,950	61	(275)	-	7,566
Net cash flows provided by:						
– financing activities	(600)	(288)	(15)	140	(328)	(1,091)
– operating activities ⁽²⁾	(511)	-	(11)	-	(328)	(850)
– operating activities ⁽²⁾	(89)	(288)	(4)	140	-	(241)
Non-cash changes:						
– foreign exchange losses	546	307	4	(315)	328	870
– fair value change, excluding foreign exchange losses	15	-	-	1	-	16
– other changes	-	-	-	(316)	-	(316)
– other changes	531 ⁽³⁾	307 ⁽⁴⁾	4 ⁽⁴⁾	-	328	1,170
Amount outstanding as at 31 December 2022	2,776	4,969	50	(450)	-	7,345

⁽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 party Note 22	Other financial liabilities at amortised cost	Derivatives hedging liabilities from financing activities ⁽¹⁾ Note 25	Total liabilities from financing activities
Amount outstanding as at 1 January 2021	2,704	5,990	21	22	8,737
Net cash flows provided by:					
– financing activities	(539)	(1,121)	38	12	(1,610)
– operating activities ⁽²⁾	(481)	(1,021)	40	91	(1,371)
– operating activities ⁽²⁾	(58)	(100)	(2)	(79)	(239)
Non-cash changes:					
– foreign exchange (gains)/losses	665	81	2	(309)	439
– fair value change, excluding foreign exchange losses	1	(16)	-	16	1
– other changes	-	-	-	(325)	(325)
– other changes	664 ⁽³⁾	97 ⁽⁴⁾	2 ⁽⁴⁾	-	763
Amount outstanding as at 31 December 2021	2,830	4,950	61	(275)	7,566

⁽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.

24. Cash and cash equivalents

(in PLN millions)	At 31 December 2022	At 31 December 2021
Current bank accounts, overnight deposits and cash on hand	156	106
Bank accounts dedicated for investment grants (see Note 18.2)	12	89
Deposits with Orange S.A.	830	738
Bank deposits up to 3 months	28	-
Total cash and cash equivalents	1,026	933

The Group'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 Group's maximum exposure to credit risk at the reporting date is represented by carrying amounts of cash and cash equivalents. The Group 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 Group applies the appropriate measures mitigating the default risk.

25. Derivatives

As at 31 December 2022 and 2021, the Group'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 and commodity swaps, including derivatives on virtual power purchase agreements. To price these instruments the Group 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 and on forecasted prices calculated by an external advisor. More details related to valuation of derivatives hedging energy price risk are described in Note 26.2.

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.

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The derivative financial instruments used by the Group 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	Financial liability
Derivative instruments - cash flow hedge						
Interest rate risk						
IRS	Loans from related party	3,800 m PLN	2024-2026	WIBOR 3M -> 1.48 %	451	-
Currency risk						
NDF	Purchase of inventories	80 m EUR	2023	4.87	-	(11)
NDF	Purchase of inventories	21 m USD	2023	4.65	-	(4)
Commodity risk						
Commodity swap	Purchase of electricity	1.8 TWh	2023-2035	Not disclosed	277	-
Total cash flow hedges					728	(15)
Derivative instruments - held for trading ⁽²⁾						
Currency risk						
NDF	Commercial transactions	34 m EUR	2023	4.86	-	(4)
NDF	Lease liabilities	14 m EUR	2023	4.85	-	(1)
NDF	Commercial transactions	16 m USD	2023	4.61	-	(3)
Total derivatives held for trading					-	(8)
Total derivative instruments					728	(23)
Current					29	(23)
Non-current					699	-

⁽¹⁾ IRS – interest rate swap, NDF – non-deliverable forward.

⁽²⁾ Derivatives economically hedging commercial or financial transactions.

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(in PLN millions)

Type of instrument ⁽¹⁾	Hedged item	Nominal amount	Maturity	Weighted average price or rate	Fair value	
					Financial asset	Financial liability
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	1,257 T	2022	9,401 USD	-	(1)
Commodity swap	Purchase of electricity	1.5 TWh	2035	Not disclosed	-	(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	-	-
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.

The Group's maximum exposure to credit risk is represented by the carrying amounts of derivatives. The Group enters into derivatives contracts with Orange S.A., leading financial institutions and companies with stable financial situation. Limits are applied to monitor the level of exposure to credit risk on the counterparties. Some transactions are additionally secured. In case the counterparty's financial soundness is deteriorating, the Group applies the appropriate measures mitigating the default risk.

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The change in cash flow hedge reserve is presented below:

(in PLN millions)	12 months ended 31 December 2022			12 months ended 31 December 2021		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Total cash flow hedge reserve – beginning of period	269	(51)	218	(89)	16	(73)
- interest rate risk	272	(52)	220	(117)	22	(95)
- currency risk	-	-	-	28	(6)	22
- energy price risk	(3)	1	(2)	-	-	-
Effective part of gains/(losses) on hedging instrument: ⁽¹⁾	605	(115)	490	282	(53)	229
- interest rate risk	320	(61)	259	308	(59)	249
- currency risk	5	(1)	4	(23)	5	(18)
- energy price risk	280	(53)	227	(3)	1	(2)
Reclassification to the income statement, adjusting: ⁽¹⁾	(154)	29	(125)	94	(17)	77
- interest expense presented in finance costs, net	(147)	28	(119)	81	(15)	66
- foreign exchange losses presented in finance costs, net	-	-	-	16	(3)	13
- foreign exchange gains presented in operating income	(5)	1	(4)	(3)	1	(2)
- external purchases	(2)	-	(2)	-	-	-
Foreign exchange gains transferred to inventories	(8)	2	(6)	(18)	3	(15)
Total cash flow hedge reserve – end of period	712	(135)	577	269	(51)	218
- interest rate risk	445	(85)	360	272	(52)	220
- currency risk	(8)	2	(6)	-	-	-
- energy price risk	275	(52)	223	(3)	1	(2)

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

Gains/losses on cash flow hedges cumulated in cash flow hedge reserve as at 31 December 2022 are expected to mature and affect the consolidated income statement in years 2023 - 2035.

26. Fair value of financial instruments

26.1. Fair value measurements

For the financial instruments measured subsequent to their initial recognition at fair value, the Group 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 fair value of the financial instruments measured subsequent to their initial recognition at fair value is presented below:

(in PLN millions)	Note	At 31 December 2022	At 31 December 2021	Fair value hierarchy
Contingent consideration receivable arising from the sale of 50% stake in Światłowód Inwestycje ⁽¹⁾	16.2	385	416	Level 3
Derivatives hedging energy prices – net (assets less liabilities) ⁽²⁾	25	277	(3)	Level 3
Other derivatives – net (assets less liabilities)	25	428	274	Level 2
Selected trade receivables arising from sales of mobile handsets in instalments	15.1	164	233	Level 2

⁽¹⁾ The Group received PLN 41 million in 2022.

⁽²⁾ Change in the fair value in 2022 results from positive valuation of these derivatives due to an increase of energy prices (PLN 251 million related to derivatives held by the Group at 31 December 2021 and PLN 29 million related to a new contract signed in 2022). The impact is recognised mainly as gains on cash flow hedges in other comprehensive income.

The Group's financial assets and liabilities classified to Level 2 fair value measurements comprise derivatives (except for derivatives hedging energy prices) and selected trade receivables arising from sales of mobile handsets in instalments.

26.2. Methods and inputs used for Level 3 fair value measurements

The Group's financial assets and liabilities classified to Level 3 fair value measurements comprise the contingent consideration receivable arising from the sale of 50% stake in Światłowód Inwestycje (see Note 4) and derivatives hedging energy prices (see Notes 25 and 27.5).

The Group applies the expected present value technique to measure the fair value of the contingent consideration receivable from the sale of 50% stake in Światłowód Inwestycje. The 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 7.0% in 2023 to 5.2% in 2026 as at 31 December 2022 (from 5.4% in 2022 to 5.5% in 2026 as at 31 December 2021) and are based on the market risk-free interest rates increased by the credit risk margin estimated for the APG Group. Significant inputs to the valuation technique used by the Group 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 Group has performed sensitivity analysis for the impact of changes in unobservable inputs and concluded that reasonably possible change in any unobservable input would not materially change the fair value of the contingent consideration receivable.

The fair value of derivatives hedging energy price risk represents the valuation of probability-weighted future benefits from a difference between the fixed price agreed with the supplier of energy and expected future energy prices, calculated for the expected volume of energy to be generated by the wind farms. The fair value depends on the Group's assessment of the moment of the commencement of commercial operations under the agreements signed, which is included in the valuation of the contracts as probabilities assigned to future benefits. Estimated future energy prices (according to wind production profile) are based on observable market energy prices for years 2023 – 2025 and on forecasted prices calculated by an external advisor for years 2026 – 2035. The average of these forecasted energy prices for years 2026 – 2035 used for the valuation of derivatives as at 31 December 2022 amounted to PLN 522 per 1MWh. The sensitivity analysis prepared by the Group for the unobservable prices indicated that every 10% increase/decrease in the forecasted energy prices for years 2026 – 2035 would change the fair value of derivatives and affect other reserves respectively by PLN 35/(35) million as at 31 December 2022.

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

As at 31 December 2022, the carrying amount of the Group's financial instruments excluding lease liabilities 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. As at 31 December 2021, the carrying amount of the Group's financial instruments excluding lease liabilities also approximated their fair value, except for telecommunications licence payables, for which the estimated fair value was higher than the book value by PLN 15 million due to a change between the original effective interest rates at the date of the initial recognition and current market rates.

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 credit risk. Estimates of credit risk were not material compared to the total fair value of the related financial instruments.

27. Objectives and policies of financial risk management

27.1. Principles of financial risk management

The Group 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, interest rate risk and energy price risk), liquidity risk and credit risk. The Group manages the financial risks with the objective to limit its exposure to adverse changes mainly in foreign exchange rates, interest rates and energy prices, to stabilise cash flows and to ensure an adequate level of financial liquidity and flexibility.

The principles of the Group 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 Group concludes hedging transactions.

27.2. Hedge accounting

The Group has entered into numerous derivative transactions to hedge exposure to currency risk, interest rate risk and energy price risk. The derivatives used by the Group include: interest rate swaps, cross currency interest rate swaps, cross currency swaps, non-deliverable forwards, currency options, currency forwards and commodity swaps, including derivatives on virtual power purchase agreements.

Certain derivative instruments are classified as cash flow hedges and the Group applies hedge accounting principles as stated in IFRS 9 (see Note 35.17). 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 consolidated income statement. The terms of the hedging instruments match the terms of the hedged items. The Group has established hedge ratios at the level of 1:1 (except for cash flow hedges related to energy price risk described in Note 27.5), 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 Group's policy that derivative financial instruments are not used for trading (speculative) purposes. However, certain derivatives held by the Group are not designated as hedging instruments as set out in IFRS 9 and hedge accounting principles are not applied to those instruments. The Group considers those derivatives as economic hedges because they, in substance, protect the Group against currency risk, interest rate risk and energy price risk.

Detailed information on derivative financial instruments, including hedging relationship, that are used by the Group is presented in Note 25.

27.3. Currency risk

The Group is exposed to foreign exchange risk arising from financial assets and liabilities denominated in foreign currencies, mainly lease liabilities.

The Group'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 Group hedges its currency exposure entering mainly into forward currency contracts, cross currency interest rate swaps and cross currency swaps, under which the Group 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 reduced impact on the consolidated 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 Group is also actively hedging the exposure to foreign exchange risk generated by future operating and capital expenditures.

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

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

	(in millions of currency)				Sensitivity to a change of the PLN against other currencies impacting consolidated income statement			
	Effective exposure after hedging				At 31 December 2022		At 31 December 2021	
	At 31 December 2022		At 31 December 2021		+10%	-10%	+1%	-1%
Currency exposure	Currency	PLN	Currency	PLN	PLN	PLN	PLN	PLN
2100 MHz licence payable (EUR)	Not applicable	Not applicable	30	136	Not applicable	Not applicable	1	(1)
Lease liabilities (EUR)	116	542	133	611	54	(54)	6	(6)
Lease liabilities (USD)	7	29	7	26	3	(3)	-	-
Total		571		773	57	(57)	7	(7)

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 Group indicated that the potential gains/(losses) impacting cash flow hedge reserve resulting from a hypothetical 10% and 1% depreciation/appreciation of the PLN against other currencies would amount to PLN 47/(47) million and PLN 2/(2) million as at 31 December 2022 and 2021, respectively.

27.4. 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 Group has interest bearing financial liabilities consisting mainly of loans from related party and bank borrowings (see Notes 22 and 33.2).

The Group'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 Group 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 2022 and 2021, the Group's proportion between fixed/floating rate debt (after hedging activities) was 92/8% and 91/9%, 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 Group uses the sensitivity analysis described below to measure interest rate risk.

The table below provides the Group'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 2022		At 31 December 2021	
	WIBOR		WIBOR	
	+1 p.p.	-1 p.p.	+1 p.p.	-1 p.p.
Finance costs, net	(2)	2	(3)	3
Other reserves	65	(66)	113	(118)

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 25),
- other reserves include the change in the fair value of derivatives that is determined as effective cash flow hedge (see Note 25),
- as at 31 December 2022, the gross financial debt based on floating rate (after hedging) amounted to PLN 413 million (as at 31 December 2021, PLN 438 million).

27.5. Energy price risk

The Group is also exposed to energy price risk. The Group hedges its exposure entering into physical and virtual power purchase agreements ("PPAs" and "vPPAs").

Under PPAs the Group purchases energy at the fixed price agreed with the supplier of energy at the moment of entering into the contract. The energy is physically delivered to the Group and is used for its own usage and sale requirements (including sale and delivery of the energy to the retail customers of the Group). Consequently, PPAs meet the conditions for own use exemption and are not recognised in the consolidated financial statements until date of energy delivery.

Under vPPAs the energy is not physically delivered and the Group receives/pays a difference between the fixed price agreed with the supplier of energy and market energy prices. Consequently, vPPAs do not meet the conditions for own use exemption and are recognised in the consolidated financial statements as hedging derivatives from the moment of entering into the contracts. The gains/losses generated by these instruments compensate the fluctuations of energy costs incurred by the Group.

The main sources of ineffectiveness of vPPA hedges can arise from:

- changes in differences in the hourly market energy prices to be used for settlement of vPPAs (wind production profile) and settlement of energy purchases by the Group (the Group usage profile) since designation of the hedging relationship,
- changes to the forecasted amount of cash flows from vPPAs (due to changes in the expected volume of energy to be generated by the wind farms),
- the effect of the counterparty's credit risk.

As a result, the Group has established hedge ratios at the average level of 0.87 (100 units of energy generated by wind farms hedge 87 units of energy used by the Group) in order to designate effective hedging relationships.

The sensitivity analysis prepared by the Group indicated that a hypothetical 10% increase/decrease in the energy prices used in the valuation of derivatives hedging energy price risk would change the fair value of these instruments and affect other reserves respectively by PLN 75/(75) million (including PLN 35/(35) million for unobservable prices) as at 31 December 2022 (PLN 34/(34) million as at 31 December 2021).

27.6. Liquidity risk

The liquidity risk is a risk of encountering difficulties in meeting obligations associated with financial liabilities. The Group'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 Group, as liquid asset surpluses generated by the Group entities are invested and managed by the central treasury. The Cash Management Treasury Agreement with Orange S.A. enables the Group to deposit its cash surpluses with Orange S.A. The Group's cash surplus is also invested into short-term highly-liquid financial instruments – bank deposits.

The Group 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 Group access to back-up liquidity funding with headroom of up to PLN 500 million. No drawdown was made on this facility as at 31 December 2022. The Group also has a revolving credit line from the Orange Group for up to PLN 1,000 million and other credit lines for up to PLN 168 million, of which PLN 4 million was used as at 31 December 2022. Therefore, as at 31 December 2022, the Group had unused credit facilities amounting to PLN 1,664 million (as at 31 December 2021, PLN 2,155 million).

Liquidity risk is measured by applying following ratios calculated and monitored by the Group regularly:

- liquidity ratios,
- maturity analysis of undiscounted contractual cash flows resulting from the Group's financial liabilities,
- average debt duration.

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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 2022	At 31 December 2021
Liquidity ratio (incl. derivatives) - next 12 months ⁽¹⁾	228 %	811 %
Unused credit facilities (excluding short term)	1,000	519
Cash and cash equivalents	1,026	933
Debt repayments ⁽²⁾	1,124	258
Derivatives repayments ⁽³⁾	(237)	(79)
Liquidity ratio (incl. derivatives) - next 18 months ⁽¹⁾	84 %	145 %
Unused credit facilities (excluding short term)	1,000	519
Cash and cash equivalents	1,026	933
Debt repayments ⁽²⁾	2,785	1,131
Derivatives repayments ⁽³⁾	(378)	(130)
Current liquidity ratio (incl. unused credit facilities)	105 %	107 %
Unused credit facilities (excluding short term)	1,000	519
Total current assets	4,507	4,137
Total current liabilities	5,245	4,353

⁽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 and bank borrowings.

⁽³⁾ Undiscounted contractual cash flows on derivatives.

The maturity analysis for the contractual undiscounted cash flows resulting from the Group's financial liabilities as at 31 December 2022 and 2021 is presented below.

As at 31 December 2022 and 2021, 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 2022 and 2021, respectively.

(in PLN millions)	At 31 December 2022									
	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 party	22	4,969	1,113	1,749	178	2,789	-	-	4,716	5,829
Other financial liabilities at amortised cost		50	11	8	6	6	6	18	44	55
Derivative assets	25	(728)	(268)	(231)	(207)	(115)	(40)	(188)	(781)	(1,049)
Derivative liabilities	25	23	31	-	-	-	-	-	-	31
Gross financial debt after derivatives		4,314	887	1,526	(23)	2,680	(34)	(170)	3,979	4,866
Trade payables	18.1	2,581	2,500	25	24	24	24	2	99	2,599
Lease liabilities	23	2,776	566	495	420	350	277	1,696	3,238	3,804
Total financial liabilities (including derivative assets)		9,671	3,953	2,046	421	3,054	267	1,528	7,316	11,269

⁽¹⁾ Includes both nominal and interest payments.

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(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 party	22	4,950	227	977	1,661	108	2,758	-	5,504	5,731
Other financial liabilities at amortised cost		61	33	6	4	4	4	14	32	65
Derivative assets	25	(276)	(84)	(93)	(69)	(58)	(29)	-	(249)	(333)
Derivative liabilities	25	5	5	-	(20)	(26)	(5)	10	(41)	(36)
Gross financial debt after derivatives		4,740	181	890	1,576	28	2,728	24	5,246	5,427
Trade payables	18.1	2,499	2,407	24	24	24	24	26	122	2,529
Lease liabilities	23	2,830	538	423	370	307	251	1,685	3,036	3,574
Total financial liabilities (including derivative assets)		10,069	3,126	1,337	1,970	359	3,003	1,735	8,404	11,530

⁽¹⁾ Includes both nominal and interest payments.

The average duration for the existing debt portfolio as at 31 December 2022 was 2.4 years (3.4 years as at 31 December 2021).

27.7. Credit risk

The Group'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 Group.

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 the 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 Group.

Further information on credit risk is discussed in Notes 15.1, 15.2, 24, 25.

28. Income tax

28.1. Income tax

(in PLN millions)	12 months ended	12 months ended
	31 December 2022	31 December 2021
Current income tax	(78)	(112)
Deferred tax	(65)	(146)
Total income tax	(143)	(258)

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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 2022	12 months ended 31 December 2021
Income before tax	867	1,930
Less: Untaxed gain on the loss of control of Światłowód Inwestycje	-	(793)
Income before tax, adjusted	867	1,137
Statutory tax rate	19 %	19 %
Theoretical tax	(165)	(216)
Tax relief on research and development	14	7
Change in unrecognised deferred tax assets	24	(27)
Expenses of share-based payment plans	-	(5)
Other expenses not deductible for tax purposes	(16)	(17)
Total income tax	(143)	(258)

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

28.2. Deferred tax

(in PLN millions)	Consolidated statement of financial position		Consolidated income statement	
	At 31 December 2022	At 31 December 2021	12 months ended 31 December 2022	12 months ended 31 December 2021
	Property, plant and equipment, intangible assets and right-of-use assets, net	284	367	(78)
Unused tax losses	10	6	4	(36)
Receivables and payables	80	39	41	(118)
Contract assets and contract costs	(145)	(133)	(12)	(13)
Contract liabilities	138	138	-	17
Employee benefits	39	35	5	1
Provisions	134	177	(43)	20
Net financial debt	(130)	(51)	5	-
Other	14	3	13	4
Deferred tax assets, net ⁽¹⁾	424	581		
Total deferred tax			(65)	(146)

⁽¹⁾ During the 12 months ended 31 December 2022 deferred tax assets, net were decreased by PLN 7 million as the effect of the acquisition of new subsidiaries (see Note 4). During the 12 months ended 31 December 2022 and 2021, PLN (86) million and PLN (71) million of change in deferred tax assets was recognised in the consolidated statement of comprehensive income, respectively. During the 12 months ended 31 December 2022 and 2021, PLN 2 million and PLN 3 million of change in deferred tax assets was recognised directly in equity, respectively.

Deferred tax assets are recognised in the amounts which are 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 9), which are considered as a positive evidence supporting the recognition of deferred tax assets.

Significant amount of the Group's deferred tax assets relates to property, plant and equipment and intangible assets and has been recognised on temporary differences arising mainly from different tax and accounting depreciation and amortisation rates used by the Group. 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 2026.

Unrecognised deferred tax assets relate to temporary differences, which based on the Group’s Management assessment could not be utilised for tax purposes and to those incurred tax losses, which are expected to expire rather than to be realised. As at 31 December 2022, there were immaterial deductible temporary differences and incurred tax losses, for which no deferred tax asset was recognised. As at 31 December 2021, deductible temporary differences and incurred tax losses, for which no deferred tax asset was recognised, amounted to PLN 104 million and PLN 105 million gross, respectively.

As at 31 December 2022 and 2021 temporary differences associated with the investment in joint venture for which a deferred tax liability was not recognised amounted to PLN 814 million. The Group controls the timing of reversal of this temporary difference and based on the Group’s Management assessment the temporary difference will not reverse in the foreseeable future.

29. Equity

29.1. Share capital

As at 31 December 2022 and 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 as at 31 December 2022 and 2021 was as follows:

(in PLN millions)	At 31 December 2022			At 31 December 2021		
	% 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
Allianz OFE, Allianz DFE and Drugi Allianz OFE pension funds	7.70 ⁽¹⁾	7.70 ⁽¹⁾	303	n/a	n/a	n/a
Nationale-Nederlanden Open Pension Fund	5.49 ⁽²⁾	5.49 ⁽²⁾	216	5.01 ⁽³⁾	5.01 ⁽³⁾	197
Other shareholders	36.14	36.14	1,423	44.32	44.32	1,745
Total	100.00	100.00	3,937	100.00	100.00	3,937

⁽¹⁾ To the best of the Company’s knowledge, i.e. according to the notice from PTE Allianz Polska of 5 January 2023.

⁽²⁾ To the best of the Company’s knowledge as at 31 December 2022, i.e. according to the ownership structure at the Extraordinary Meeting of Shareholders of Orange Polska held on 6 October 2022. Between 6 October 2022 and 31 December 2022, Nationale-Nederlanden Open Pension Fund did not notify the Company of any changes in its ownership of Orange Polska shares.

⁽³⁾ To the best of the Company’s knowledge as at 31 December 2021, i.e. according to the notice from Nationale-Nederlanden Powszechnie Towarzystwo Emerytalne S.A. of 3 August 2021.

On 5 January 2023 the Company received from Powszechnie Towarzystwo Emerytalne Allianz Polska S.A. (“PTE Allianz Polska”) a notice informing that as at 30 December 2022, PTE Allianz Polska, managing pension funds Allianz Polska Otwarty Fundusz Emerytalny (“Allianz OFE”) and Allianz Polska Dobrowolny Fundusz Emerytalny (“Allianz DFE”), merged with Aviva Powszechnie Towarzystwo Emerytalne Aviva Santander S.A., managing pension fund Drugi Allianz Polska Otwarty Fundusz Emerytalny (“Drugi Allianz OFE”). As a result of the merger, the total ownership of Orange Polska shares by Allianz OFE, Allianz DFE and Drugi Allianz OFE amounted to 7.70%. As at 31 December 2021, each of Allianz OFE, Allianz DFE and Drugi Allianz OFE owned less than 5% of Orange Polska shares and according to the Polish law they were not obliged to notify Orange Polska of the number of shares held. Consequently, any shares held by Allianz OFE, Allianz DFE and Drugi Allianz OFE as at 31 December 2021 are included in “other shareholders”.

29.2. Dividend

On 22 April 2022, the General Meeting of Orange Polska S.A. adopted a resolution on the payment of an ordinary dividend of PLN 0.25 per share from the 2021 profit. The total dividend, paid on 6 July 2022, amounted to PLN 328 million.

OPL S.A.'s retained earnings available for dividend payments to the Group's shareholders amounted to PLN 5.4 billion as at 31 December 2022. The remaining balance of the Company's retained earnings is unavailable for dividend payments due to restrictions of the Polish commercial law, such as the unavailability of assets revaluation reserve until the revalued assets are sold or liquidated or the requirement of a minimum spare capital to be maintained at the level of one third of the share capital. Additionally, PLN 0.2 billion of OPL S.A.'s subsidiaries retained earnings as at 31 December 2022 was available for dividend payments to OPL S.A.

29.3. Equity-settled share-based payment plans

29.3.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.

The Orange Polska Group's employees purchased 374,030 shares and received free of charge additional 485,814 bonus shares, making a total of 859,844 shares.

The value of the benefits granted to employees under Together 2021 plan in exchange for their work for the Orange Polska Group, 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 Orange Polska Group's employees:

Key assumptions	<u>Together 2021 plan</u>
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.

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

Orange S.A. operates a long term incentive plan (“LTIP”), under which key managers of the Orange Polska Group 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 2022 and 2021 amounted to PLN 2 million.

30. Management of capital

The Group manages its capital through a balanced financial policy, which aims at providing both relevant funding capabilities for business development and securing a relevant financial structure and liquidity.

The Group’s capital management policy takes into consideration the following key elements:

- business performance together with applicable investments and development plans,
- debt repayment schedule,
- financial market environment,
- distribution policy to the Group’s shareholders.

In order to combine these factors the Group periodically establishes a framework for the financial structure. The Group regards capital as the total of equity and net financial debt. The Group monitors capital on the basis of net financial debt and net financial debt to EBITDAaL ratio (see Note 3). Announcing .Grow strategy in June 2021 the Management Board set a target for net financial debt to EBITDAaL ratio to be in the range of 1.7 - 2.2 in the long term.

31. Investment commitments

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

(in PLN millions)	At 31 December 2022	At 31 December 2021
Property, plant and equipment	263	348
Intangibles	101	99
Total investment commitments	364	447
Amounts contracted to be payable within 12 months after the end of the reporting period	348	389

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

As at 31 December 2022 and 2021, the Group’s commitments for the purchase of property, plant and equipment and intangible assets under the Operational Programme “Digital Poland” (see Note 18.2), contracted for at the end of the reporting period but not recognised in the consolidated financial statements amounted to PLN 33 million and PLN 168 million, respectively.

32. Litigation, claims and contingent liabilities

As at 31 December 2022, the Group recognised provisions for known and quantifiable risks related to various current or potential claims and proceedings, which represent the Group’s best estimate of the amounts, which are more likely than not to be paid. Provisions are not disclosed on a case-by-case basis, when, 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.

Competition proceedings by UOKiK related to retail prices of calls to Play

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.

Consumer proceedings by UOKiK

On 14 May and 23 July 2021, UOKiK instituted proceedings regarding practices violating collective interests of consumers in the provision of certain additional services by Orange Polska alleging, among others, insufficient information for consumers in activating the service, lack of information on a durable medium and insufficient replies to customer complaints. On 14 December 2021 and 8 March 2022, UOKiK issued commitment decisions (both without imposing fines) concluding the proceedings instituted on 14 May and 23 July 2021 respectively. Orange Polska fulfilled the obligations imposed by UOKiK on 14 December 2021 and 8 March 2022. Orange Polska sent reports on their fulfilment to UOKiK on 13 September 2022 and 9 January 2023, respectively.

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

On 9 August 2022, UOKiK instituted two proceedings concerning a fee for maintaining inactive numbers in mobile network for pre-paid services. UOKiK alleges that Orange Polska infringed the collective interests of consumers by introducing such a fee and examines whether Orange Polska applied abusive clauses in this practice.

Other proceedings by UOKiK and UKE

The Group is subject to a number of other proceedings carried out by UOKiK - concerning relations with consumers that include, among others, inflation clauses in customer contracts and infringements while selling certain products – and by UKE - including proceedings for favouring data transmission in certain fixed internet access services and for providing erroneous data to the Broadband Infrastructure Information System (SIIS) run by UKE.

As at 31 December 2022, the Group recognised provisions for known and quantifiable risks related to proceedings against the Group initiated by UOKiK and UKE, which represent the Group'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 Group 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 and proceedings were finalised in 2022 with no material findings.

The Group is also involved in other tax audits, proceedings and litigations in respect to various taxes, such as income taxes, VAT, real estate tax, including the area of general anti-avoidance rules. Some of these proceedings and litigations may result in significant future cash outflows. The possible outcomes of these proceedings and litigations are assessed by the Group 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 Group are subject to legal, social and administrative regulations a breach of which, even unintentional, may result in sanctions imposed on the Group. In addition to fines which may be imposed by UOKiK and UKE described in Note 32.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.

Operational activities of the Group are subject to regulatory requirements. Some regulatory decisions can be detrimental to the Group and court verdicts within appeal proceedings against such decisions can have negative consequences for the Group. Also, there are claims, some of them settled in court proceedings, including for damages, contractual penalties or remuneration from the Group raised by counterparties or other entities which may result in significant cash outflows.

Furthermore, the Group uses fixed assets of other parties in order to provide telecommunications services. Terms of use of these assets are not always formalised and as such, the Group is subject to claims and might be subject to future claims in this respect, which 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 Group. The Group monitors the risks on a regular basis and the Management Board believes that adequate provisions have been recorded for known and quantifiable risks. Information regarding the range of potential outcomes has not been separately disclosed as, in the opinion of the Group's Management, such disclosure could prejudice the outcome of the pending cases.

33. Related party transactions

33.1. 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. The amount incurred by the Orange Polska Group 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 2022	12 months ended 31 December 2021
Short-term benefits excluding employer social security payments	15,866	15,040
Post-employment benefits	868	1,060
Share-based payment plans	1,597	1,243
Total compensation	18,331	17,343
Reimbursement of the key management personnel costs	5,670	5,382
Total	24,001	22,725

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 2022 includes the information on the Remuneration Policy of Orange Polska, where more details on Management Board and Supervisory Board compensation can be found.

33.2. Related party transactions

As at 31 December 2022, Orange S.A. owned 50.67% of shares of the Company. Orange S.A. has majority of the total number of votes at the General Meeting of OPL S.A. which appoints OPL S.A.'s Supervisory Board Members. The Supervisory Board decides about the composition of the Management Board. According to the Company's Articles of Association, at least 4 Members of the Supervisory Board must be independent. The majority of Members of the Audit Committee of the Supervisory Board are independent.

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

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 Orange Polska Group's employees under Together 2021 share ownership plan in exchange for their work for the Group in the amount of PLN 24 million (see Note 29.3.a).

Until 31 December 2022, the Group 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 1,000 million (see Note 22). Additionally, the Group 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 2022 was PLN 3,800 million with a total fair value of PLN 451 million (as at 31 December 2021, nominal amount of PLN 4,300 million, with a total fair value of PLN 274 million).

Financial receivables, payables, financial costs, net and other comprehensive income concerning transactions with the Orange Group relate mainly to the above-mentioned agreements. Cash and cash equivalents deposited with Orange S.A. relate to the Cash Management Treasury Agreement (see Note 27.6).

The Group's transactions with joint venture relate to transactions with Światłowód Inwestycje Sp. z o.o. (see Notes 4 and 13). The Group's income and receivables from the joint venture relate mainly to sale of fibre network assets. The purchases from the joint venture comprise mainly network access connectivity fees. Liabilities to Światłowód Inwestycje relate mainly to agreements for the lease and services to be rendered in the future, for which the joint venture paid upfront.

Orange Polska Group
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Translation of the financial statements originally issued in Polish

(in PLN millions)	12 months ended 31 December 2022	12 months ended 31 December 2021
Sales of goods and services and other income:	750	594
Orange S.A. (parent)	197	166
Orange Group (excluding parent)	88	86
Światłowód Inwestycje (joint venture)	465	342
Purchases of goods (including inventories, tangible and intangible assets) and services:	(386)	(292)
Orange S.A. (parent)	(89)	(78)
Orange Group (excluding parent)	(184)	(183)
Światłowód Inwestycje (joint venture)	(113)	(31)
Financial income:	62	2
Orange S.A. (parent)	62	2
Financial costs:	(161)	(158)
Orange S.A. (parent)	146	(78)
Orange Group (excluding parent)	(307)	(80)
Other comprehensive income:	173	389
Orange S.A. (parent)	173	389
Dividend paid:	166	-
Orange S.A. (parent)	166	-

(in PLN millions)	At 31 December 2022	At 31 December 2021
Receivables and contract costs:	330	362
Orange S.A. (parent)	70	67
Orange Group (excluding parent)	41	35
Światłowód Inwestycje (joint venture)	219	260
Liabilities:	801	802
Orange S.A. (parent)	44	44
Orange Group (excluding parent)	70	63
Światłowód Inwestycje (joint venture)	687	695
Financial receivables:	451	274
Orange S.A. (parent)	451	274
Cash and cash equivalents deposited with:	830	738
Orange S.A. (parent)	830	738
Financial liabilities:	4,969	4,950
Orange Group (excluding parent) (see Note 22)	4,969	4,950

34. Subsequent events

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

35. Significant accounting policies

In addition to the statement of compliance included in Note 2, this note describes the accounting principles applied to prepare the Consolidated Financial Statements for the year ended 31 December 2022.

35.1. Use of estimates and judgement

In preparing the Group'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 2022 may be subsequently changed. The main estimates and judgements made are described in the following notes:

Note		Estimates and judgements
6, 35.8	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 Group's involvement acting as principal versus agent). Estimation of early termination fees charged to customers.
35.6	Co-control	Judgment with respect to the existence or not of the co-control.
9, 35.16	Impairment of cash generating unit, investment in joint venture and individual tangible and intangible assets	Key assumptions used to determine CGU and recoverable amounts: impairment indicators, models, discount rates, growth rates.
14, 35.14	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.
11, 12, 35.12, 35.13	Useful lives of tangible and intangible assets (excluding goodwill)	The useful lives and the method of depreciation and amortisation.
12, 18.2, 35.13	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.
15.1, 15.2, 35.17	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.
17, 32, 35.20	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.
17	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.
18	Reverse factoring	Reverse factoring: distinguishing operating debt and financial debt.
19, 35.21, 35.22	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.
25, 26, 35.17	Fair value of derivatives and other financial instruments	Model and assumptions underlying the measurement of fair values.
25, 26, 27.5	Power purchase agreements	Judgment with respect to application of own use exemption. Model and assumptions underlying the measurement of fair values.
28, 35.19	Income tax	Assumptions used for recognition of deferred tax assets. Assumptions used to determine taxable results and tax bases for uncertain tax treatments.
16, 35.18	Allowance for slow moving and obsolete inventories	Methodology used to determine net realisable value of inventories.

The Group 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 9), provisions for claims, litigation and risks (see Notes 17 and 32), leases (see Note 14), useful lives of tangible and intangible assets (see Notes 11, 12, 35.12 and 35.13) and co-control over Światłowód Inwestycje (see Notes 4 and 13).

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 Group'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 Group has analysed the impact of climate change on the Consolidated Financial Statements and concluded that there is no impact on the carrying amounts of assets and liabilities as at 31 December 2022. The Group 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.

While assessing the impact of the climate changes on the impairment assessment of the telecom operator cash generating unit, the Group identified risks related to the climate changes, specific for the Group's business and its geographical location, such as:

- infrastructural damage or malfunctioning due to climate change,
- impact of climate change on energy provision, usage and costs,
- disruption of supply chains due to climate change-related issues,
- regulatory and social-economic impacts linked with climate change.

The methodology regarding risk identification, valuation and mitigation measures, was based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), 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. Temperature scenarios, used in the valuation, correspond to projections until 2100, presented at the Climate Summit in Paris in 2015. The assumed levels of factors impacting the risks, such as sea level increase, number of heatwaves, storms and heavy rains, river floods coverage and temperature increase, were based on prognosis publicly available such as information in the IPCC reports, at Klimada web portal or Hydroportal.

These risks, and assumed mitigations of the risks, were valued based on the future expected cash flows related to these risks. They were valued for the various temperature scenarios (increase of average temperature by between 1.5°C and 4°C from XIX century until 2100) and for the various periods.

The actions mitigating an impact of the climate changes grouped in the four types of risks listed above, include e.g. optimisation of the networks, application of the new technologies for networks and equipment, enhancement of networks protection against high temperatures, energy shortages, flood or increased sea level, usage of energy from renewable sources, diversification of supplies, regular monitoring of the risks and other mitigation actions.

The valuation of the climate impact on the Group's future cash flows is judgmental and its results depend on various factors therefore alternative scenarios were prepared for various temperature scenarios, various impacts of mitigation actions, various levels of cash flows impact, various levels of discounting factor, various levels of inflation. The valuation, with actual assumptions and available information, proved that neither the basic valuation nor the alternative scenarios result in an impairment of the telecom operator cash generating unit.

The Group assessed also the impact of the expected climate changes on the Group assets' economic useful life and concluded that the climate changes did not result in any adjustment of the assets expected life e.g. by shortening their life due to damages or need to exchange the assets in a period shorter than currently assumed.

35.2. 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. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The Group does not act as a principal in case of insurance contracts and this standard will have no impact on financial statements.

35.3. Options available under IFRSs and used by the Group

Certain IFRSs offer alternative methods of measuring and recognising assets and liabilities. In this respect, the Group 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.
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 Group elected to apply the short term exemption and the exemption for low value leases, as described in IFRS 16. The Group does not apply IFRS 16 to leases of intangible assets.

35.4. Presentation of the financial statements

Presentation of the statement of financial position

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.

Presentation of the income statement

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

Earnings/loss per share

The net income/loss per share for each period is calculated by dividing the net income/loss for the period attributable to the equity holders of the Company 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.

35.5. The principles of consolidation

Subsidiaries that are controlled by Orange Polska, directly or indirectly, are fully consolidated. Control is deemed to exist when Orange Polska or its subsidiary is exposed, or has rights, to variable returns from the involvement with the investee and has the ability to affect those returns through its power over the investee.

In order to have control over an investee, all the following criteria must be met:

- the Group has the power over the investee;
- the Group has exposure, or rights, to variable returns from its involvement with the investee;
- the Group has the ability to use its power over the investee to affect the amount of the investor's returns.

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which the Group loses control over the subsidiary.

Intercompany transactions and balances are eliminated on consolidation.

35.6. Investments in joint arrangements

A joint arrangement is either a joint venture or a joint operation. The Group is involved in both a joint operation (NetWorkS! Sp. z o.o., see Note 1.2) and a joint venture (Światłowód Inwestycje Sp. z o.o., see Note 13).

In case of a joint operation, the Group recognises its assets, liabilities, revenue and expenses, including its respective shares in the above.

In case of a joint venture, the Group recognises its investment using the equity method.

The carrying amount accounted for under the equity method corresponds to the initial acquisition cost increased by the share of profit or loss in the period.

An impairment test is performed when there is objective evidence of impairment, for instance a significant financial difficulty of the entity, observable data indicating that there is a measurable decrease in the estimated future cash flows, or information about significant changes having an adverse effect on the entity.

An impairment loss is recorded when the recoverable amount is lower than the carrying amount, the recoverable amount being the higher of the value in use and the fair value less costs to sell. The unit of account is the whole investment. Impairment losses shall be reversed once the recoverable amount exceeds the carrying amount.

35.7. Effect of changes in foreign exchange rates

The functional currency of Orange Polska and its subsidiaries is the Polish złoty.

Transactions in foreign currencies

Transactions in foreign currencies are translated into Polish zloty 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.

35.8. 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 Group 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 Group 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 Group 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 Group is expected to be entitled in exchange for transferring a promised good or service to the customer.

The Group 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 Group's services and to attract customers. Therefore, in case of services sold with subsidised handsets, the Group allocates the subsidy to the service revenues. The Group 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 Group 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 Group 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 Group's observable price should be identified i.e. the price of good or service when the Group sells that good or service separately in similar circumstances and to similar customers. In case of the lack of an entity's 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 Group accounts for contract balances if the right to a payment differs from timing when performance obligation is satisfied. A contract asset corresponds to Group's right to a payment in exchange for goods or services that have been transferred to Group's customers. A contract asset, if any, is usually recognised when subsidised handsets are passed to customers 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 Group 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 Group's role in the transaction, the Group 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 Group is based on the notion of the control and the indicators of the control. The Group is treated as a principal if it controls a good or a service before the good or service is transferred to a customer.

The Group is considered as an agent if the Group'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 Group has not identified any material rights in the contracts with customers which would need to be treated as separate performance obligations.

35.9. 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.

35.10. 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 Group's assessment, the network roll-out does not generally require a substantial period of time.

35.11. Goodwill

Goodwill recognised as an asset in the statement of financial position for business combination before 1 January 2010 comprises:

- goodwill as the excess of the cost of the business combination over the acquirer's interest in the acquire's identifiable net assets measured at fair value at the acquisition-date; and
- goodwill relating to any additional purchase of non-controlling interests with no purchase price allocation.

For business combination after 1 January 2010 goodwill recognised as an asset in the statement of financial position is the excess of (a) over (b) below:

(a) the aggregate of:

- (i) the consideration transferred, measured at acquisition-date fair value;
- (ii) the amount of any non-controlling interest in the acquire, measured either at its fair value or at its proportionate interest in the net identifiable assets;
- (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquire.

(b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured at fair value, apart from limited exceptions provided in IFRS 3.

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

35.12. 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.

Identifiable intangible assets acquired in a business combination are recognised separately from goodwill at their acquisition date fair values. An intangible asset is identifiable if it is either separable, i.e. capable of being separated or divided from the acquired entity, or arises from contractual or other legal rights. Fair value of an intangible asset is measured using valuation techniques appropriate in the circumstances.

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 Group,
- the Group'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 Group's research and development projects mainly concern:

- upgrading the network architecture or functionality;
- developing service platforms aimed at offering new services to the Group'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.

35.13. 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 Group.

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 Group 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 Group 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 7 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.

35.14. 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 Group acts as a lessee. If the Group 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 Group 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 Group 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.

Group as a lessee

On the lessee’s side the Group 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 Group 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 Group is reasonably certain to exercise and termination options that the Group is reasonably certain not to exercise. In case of indefinite period leases the Group estimates the reasonably certain lease term to determine the lease term. The Group assessed the reasonably certain lease terms of cancellable lease contracts to be equal to 5 years for all lease contracts, except for 18 years for road occupancy leases where fixed network infrastructure is placed. For easements in buildings, where the Group located its telecommunication infrastructure, a lease duration is assessed as an average useful life of buildings in the Group. 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 Group 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 Group 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 if 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.

Group as a lessor

The Group 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.

35.15. 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.

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

Given the nature of Group's assets and operations, most of its individual assets do not generate cash inflows independently from other assets. The Group identifies a single major CGU (see Note 9). For the purpose of impairment testing the Group 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 Group 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.

35.17. 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.

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

Initial recognition of financial instruments

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.

Financial liabilities are initially recognised at fair value.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – this is the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets that are significant for measurement, then the financial instrument is measured at fair value, adjusted to defer the difference between the fair value and the transaction price. After initial recognition, the difference is recognised in profit or loss on an individual basis over the life of the instrument.

Recognition and measurement of financial assets

- 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) “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 and on hand, 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 Group measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, lease 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 Group 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 Group assesses 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 Group 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 Group 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 Group considers a financial asset to be in default when internal or external information indicates that the Group 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 party” and “Other financial liabilities at amortised cost”.

Trade payables include those that are subject to reverse factoring. The Group 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 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.

35.18. Inventories

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

35.19. 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.

35.20. Provisions

A provision is recognised when the Group 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 Group's actions.

The estimate of the amount of the provision corresponds to the expenditure likely to be incurred by the Group 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 Group'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 Consolidated Financial Statements.

Provisions for dismantling and restoring sites

The Group 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.

35.21. Pensions and other employee benefits

Employees of the Group are entitled to retirement bonuses. Retirement bonuses represent one-off payments paid upon retirement in accordance with the Group's remuneration policies. Value of benefit depends on the employee's average remuneration and length of service. Retirement bonuses are not funded.

The cost of providing benefits mentioned above is determined 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 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 Group recognises termination benefits, which are provided in exchange for the termination of an employee's employment as a result of either:

- the Group'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 Group terminates the employment or when the Group 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 date 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 consolidated statement of financial position in “Provisions”.

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

35.22. Share-based payments

OPL S.A. launched a cash-settled share-based payment plans under which employees render services to the Group 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.

Orange S.A. launched equity-settled share-based payment plans under which employees render services to the Group 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 2022

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 2022 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 2022.

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 15, 2023

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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				
	2022 in PLN mn	2022 in EUR ¹ mn	2021 in PLN mn	2021 in EUR ² mn	Change (%)
Consolidated Income Statement					
Revenue	12,488	2,664	11,928	2,606	4.7%
EBITDAaL*	3,078	657	2,963	647	3.9%
EBITDAaL margin	24.6%		24.8%		(0.2)pp
Operating income	1,161	248	2,211	483	(47.5)%
Operating margin	9.3%		18.5%		(9.2)pp
Net income	724	154	1,672	365	(56.7)%
Net income attributable to owners of Orange Polska S.A.	724	154	1,672	365	(56.7)%
Weighted average number of shares (in millions)**	1,312	1,312	1,312	1,312	
Earnings per share (in PLN/EUR) (basic and diluted)	0.55	0.12	1.27	0.28	(56.7)%
Consolidated Statement of Cash Flows					
Net cash provided by operating activities	2,940	627	3,101	677	(5.2)%
Net cash used in investing activities	(1,999)	(427)	(1,156)	(253)	72.9%
Net cash used in financing activities	(850)	(181)	(1,371)	(299)	(38.0)%
Net change in cash and cash equivalents	91	19	574	125	(84.1)%
eCapex*	1,719	367	1,737	379	(1.0)%
Organic cash flows*	822	175	867	189	(5.2)%
As of 31 December					
	2022 in PLN mn	2022 in EUR ³ mn	2021 in PLN mn	2021 in EUR ³ mn	Change (%)
Consolidated Statement of Financial Position					
Cash and cash equivalents	1,026	219	933	203	10.0%
Other intangible assets	4,056	865	3,984	866	1.8%
Property, plant and equipment	9,693	2,067	9,728	2,115	(0.4)%
Total assets	26,766	5,707	26,157	5,687	2.3%
Financial liabilities at amortised cost, of which:	7,795	1,662	7,841	1,705	(0.6)%
Current	1,330	284	573	125	132.1%
Non-current	6,465	1,378	7,268	1,580	(11.0)%
Other liabilities, current and non-current	5,518	1,177	5,705	1,240	(3.3)%
Total equity	13,453	2,868	12,611	2,742	6.7%
<i>Notes on data conversion:</i>					
1 – PLN/EUR fx rate of 4.6883 applied 3 – PLN/EUR fx rate of 4.6899 applied					
2 – PLN/EUR fx rate of 4.5775 applied 4 – PLN/EUR fx rate of 4.5994 applied					
* For definitions please see Note 3 to the IFRS Consolidated Financial Statements of the Orange Polska Group for 2022.					
** Weighted average number of shares in 12 months ended December 31, 2022 and December 31, 2021, respectively.					

SUMMARISED STANDALONE FINANCIAL STATEMENTS

	For 12 months ended 31 December				
	2022 in PLN mn	2022 in EUR ¹ mn	2021 in PLN mn	2021 in EUR ² mn	Change (%)
Income Statement					
Revenue	10,675	2,277	10,601	2,316	0.7%
Operating income	1,174	250	1,402	306	(16.3)%
Operating margin	11.0%		13.2%		(2.2)pp
Net income	757	161	916	200	(17.4)%
Weighted average number of shares (in millions)*	1,312	1,312	1,312	1,312	
Earnings per share (in PLN/EUR) (basic and diluted)	0.58	0.12	0.70	0.15	(17.1)%
Statement of Cash Flows					
Net cash provided by operating activities	2,855	609	3,025	661	(5.6)%
Net cash used in investing activities	(1,963)	(419)	(1,111)	(243)	76.7%
Net cash used in financing activities	(863)	(184)	(1,329)	(290)	(35.1)%
Net change in cash and cash equivalents	29	6	585	128	(95.0)%
	As of 31 December				
	2022 in PLN mn	2022 in EUR ³ mn	2021 in PLN mn	2021 in EUR ³ mn	Change (%)
Statement of Financial Position					
Cash and cash equivalents	917	196	885	192	3.6%
Other intangible assets	3,972	847	3,898	848	1.9%
Property, plant and equipment	9,671	2,062	9,796	2,130	(1.3)%
Total assets	25,279	5,390	24,838	5,400	1.8%
Financial liabilities at amortised cost, of which:	7,814	1,666	7,902	1,718	(1.1)%
Current	1,376	293	668	145	106.0%
Non-current	6,438	1,373	7,234	1,573	(11.0)%
Other liabilities, current and non- current	5,002	1,067	5,169	1,124	(3.2)%
Total equity	12,463	2,657	11,767	2,558	5.9%
<i>Notes on data conversion:</i>					
1 – PLN/EUR fx rate of 4.6883 applied 3 – PLN/EUR fx rate of 4.6899 applied					
2 – PLN/EUR fx rate of 4.5775 applied 4 – PLN/EUR fx rate of 4.5994 applied					
* Weighted average number of shares in 12 months ended December 31, 2022 and December 31, 2021, respectively.					

1.1 Comments on the Consolidated and Standalone Income Statement

Comments on the Consolidated Income Statement of the Group

Consolidated revenue amounted to PLN 12,488 million in 2022 and was higher by PLN 560 million or 4.7% versus 2021. Firstly, combined revenues of convergence, mobile-only and fixed broadband-only (which we consider our core telecom services) were up 6.3% year-on-year. This dynamic growth was fuelled by a combination of two factors: growth of customer volumes and growing average revenue that they generate (ARPO) for each of the aforementioned services. Improving ARPO is a consequence of our value pricing strategy, growing share of fibre and recovery of roaming revenues after the pandemic. Secondly, despite disturbances in global supply chains, IT and integration services maintained their strong performance with revenue growing as much as 23% year-on-year. This growth was entirely organic and driven by both strong performance of our software subsidiaries and a broad portfolio of competencies, enabling us to flexibly adapt to the changing demand. Thirdly, wholesale revenue was down 14% year-on-year due to regulatory cuts in mobile and fixed termination rates. However, wholesale revenue benefited from growing revenue from providing access to our infrastructure to other operators, mainly reflected in other wholesale revenue, which increased by 17% year-on-year. Fourthly, other revenue was up 47% year-on-year owing to higher average realised price in our energy resale business. Finally, top line continued to be affected by a structural decline in legacy fixed-voice revenue, which was down 15% year-on-year.

EBITDAaL (EBITDA after Leases) amounted to PLN 3,078 million and was higher by PLN 115 million or 3.9% year-on-year. EBITDAaL benefitted mainly from strong performance of core retail and wholesale telecom services, which was reflected in an increase of over 2% in direct margin. Indirect costs increased, but only by 1%. A huge increase in energy costs by almost 80% was largely offset by cost savings and profits gained from a number of initiatives, including the network rollout for Światłowód Inwestycje.

Operating income (EBIT) stood at PLN 1,161 million, a decrease of 47% year-to-year. The EBIT decrease is attributable mainly to the recognition in 2021 of one-off gain of PLN 1,543 million related to sale of a 50% stake in Światłowód Inwestycje. Excluding this factor, operating income increased significantly. In addition to the EBITDAaL growth, it was particularly supported by a decrease of 8% in depreciation and PLN 55 million higher gain on sale of assets.

Net finance costs amounted to PLN 294 million in 2022 and were up PLN 13 million year-on-year. The impact of unfavourable movements in foreign exchange rates (related to non-current lease liabilities) was largely offset by lower interest expense and much higher interest income (owing to a large cash position).

Consolidated net income amounted to PLN 724 million versus PLN 1,672 million a year earlier. Similarly to operating income, the year-on-year evolution was affected by the recognition in 2021 of one-off gain of PLN 1,400 million (after tax) related to sale of a 50% stake in Światłowód Inwestycje.

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 757 million in 2022 and was at a comparable level to the consolidated net income of the Group.

1.2 Comments on the Consolidated and Standalone Statement of Cash Flows

Comments on the Consolidated Statement of Cash Flows of the Group

Net cash from operating activities amounted to PLN 2,940 million in 2022 and was PLN 161 million lower year-on-year. The decrease is attributable mainly to higher working capital requirement, which resulted mainly from growth of receivables driven by much better instalment sales of handsets.

Net cash used in investing activities amounted to PLN 1,999 million in 2022 compared to PLN 1,156 million in 2021. The evolution is attributable mainly to the recognition in 2021 of one-off cash inflow from sale of a 50% stake in Światłowód Inwestycje and cash outflow in 2022 related to the fee for the allocated 2100 MHz licence.

Net cash outflows from financing activities amounted to PLN 850 million compared to PLN 1,371 million in 2021. This change is mainly attributable to cash flow from a related party loan in 2021 and dividend payment in 2022.

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

Net cash inflow in Orange Polska S.A. in 2022 amounted to PLN 29 million and was at a comparable level to that of the Group.

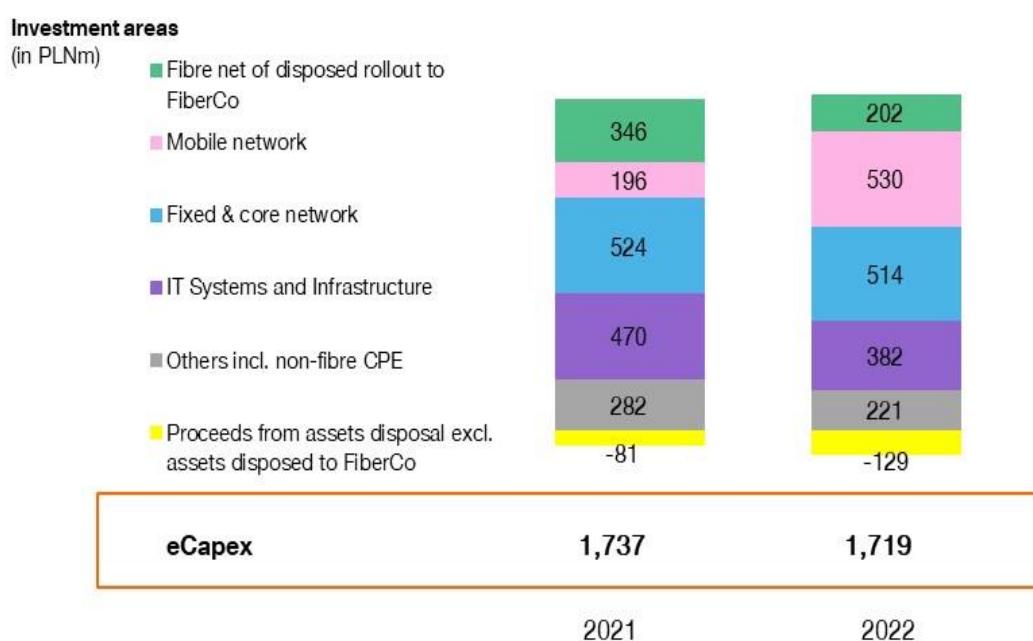
1.3 Economic Capital Expenditures (eCAPEX)

Group's economic capital expenditures (starting from 2020, this measure includes accrued proceeds from asset disposals) in 2022 amounted to PLN 1,719 million and were lower by PLN 18 million year-on-year.

These included mainly the following:

- Increasing investments in the mobile network, including enhancement of the range of LTE services and the mobile network connectivity, expansion of the capacity (commenced access network modernisation project) and range of GSM/UMTS services, and adaptation of the mobile access network to the 4G technology requirements, particularly in the areas not covered by the mobile access network consolidation project (i.e. strategic or underinvested regions);
- Decreasing investments in the fibre network, which after establishing Światłowód Inwestycje joint-venture are much lower than before and mainly include Capex related to further commercialisation of the constructed network (including customer premises equipment and service delivery) and fibre rollout to dedicated business customers;
- 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;
- Rebounding proceeds from sale of real estate after pandemic driven slowdown a year ago.

Split of economic CAPEX



1.4 Comments on the Consolidated and Standalone Statement of Financial Position

Comments on the Consolidated Statement of Financial Position of the Group

Total assets were higher by PLN 609 million than at December 31, 2021. This change resulted mainly from an increase in trade receivables, derivatives and cash and cash equivalents, which was partially offset by a decrease in the balance-sheet value of a deferred tax asset.

Total liabilities were lower by PLN 233 million than at December 31, 2021. This change resulted mainly from a decrease in provisions and lease liabilities, which was partially offset by an increase in trade payables.

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

Total assets of Orange Polska S.A. amounted to PLN 25,279 million as at December 31, 2022 and were lower by PLN 1,487 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, 2022 amounted to PLN 12,816 million and were lower by PLN 497 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 below for information on significant agreements concluded by the Group in 2022.

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, 2022, 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 terms), a broadband loan provided by Alior Bank S.A. under an investment financing agreement, current account overdraft facilities.

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

In the reported period, the Group used PLN 19 million out of the broadband loan provided by Alior Bank S.A. and did not use the revolving loan provided by the Orange S.A. Group.

As of December 31, 2022, Group's interest-bearing liabilities (before derivatives) totalled PLN 5,019 million, which is an increase of PLN 8 million compared to December 31, 2021. Debt to the Orange S.A. Group accounted for 99.0% of this amount.

In 2022, the Group continued to sell receivables related to handsets instalment sales under a programme set up in 2019 and amended in 2020 between the Group, BNP Paribas S.A. as the buyer and Eurotitrisation as the settlement agent. The Group paid PLN 53 million from the sale of receivables under the programme in 2022.

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

Group's liquidity remained solid, owing to strong cash position, amounting to PLN 1,026 million at December 31, 2022, and available credit facilities totalling the equivalent of PLN 1,664 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 2023.

At December 31, 2022, Group's liquidity ratios decreased as compared to the end of 2021. It resulted from an increase of PLN 848 million in current liabilities (less provisions and contract liabilities) due to reclassification of a portion of debt from long-term to short-term.

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

	December 31, 2022	December 31, 2021
Current ratio Current assets / current liabilities*	1.04	1.19
Quick ratio Current assets – inventories / current liabilities*	0.97	1.11
Super-quick ratio Current assets – inventories – receivables / current liabilities*	0.51	0.57

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

Group's net financial debt (after valuation of derivatives) decreased to PLN 4,000 million at December 31, 2022 (from PLN 4,076 million at the end of 2021). Financial leverage (net financial debt to EBITDAaL) also slightly decreased to 1.3x (from 1.4x at the end of 2021).

1.11.1 Bonds

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

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

1.11.2 Loan and Borrowings Agreements

On July 29, 2022, the Group's parent company and Atlas Services Belgium S.A., a subsidiary of Orange S.A., concluded a revolving loan agreement for PLN 1,000 million maturing on July 25, 2025, which replaced an expiring revolving loan agreement of 2018.

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, 2023, and
- with Bank Handlowy w Warszawie S.A., for an amount PLN 20 million, extending the maturity to October 30, 2023.

On November 7, 2022, the parent company and its subsidiary Orange Energia sp. z o.o. concluded an annex to a loan agreement for PLN 10 million to be used for financing of the current operations of the subsidiary, which extended the maturity thereof by one year.

1.11.3 Unused Credit Facilities

As of December 31, 2022, the Group had outstanding general-purpose credit facilities amounting to an equivalent of PLN 1,164 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 1.3x on December 31, 2022.

1.11.5 Guarantees and Collaterals

In 2022, Orange Polska S.A. requested banks to issue bank guarantees with respect to liabilities of its subsidiary Orange Retail S.A. on the account of lease of premises for Orange sales outlets, while warranting to indemnify the banks against any claims thereunder. As of December 31, 2022, these guarantees totalled PLN 1.3 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, 2022, these guarantees totalled PLN 24.8 million.

Furthermore, as of December 31, 2022, a collateral of PLN 38 million granted by Orange Polska S.A. to Bank Handlowy w Warszawie S.A. to secure liabilities of its subsidiary Orange Energia sp. z o.o. on the account of a current account overdraft facility provided by the bank was still valid.

As of December 31, 2022, a bank guarantee of PLN 3.8 million issued by BNP Paribas Bank Polska S.A. upon request of Orange Polska S.A. with respect to liabilities of its subsidiary Fundacja Orange [Orange Foundation] on the account of an agreement concluded by the latter with the Digital Poland Project Centre was still valid.

As of December 31, 2022, a collateral of PLN 5 million granted by Orange Polska S.A. to PKO Bank Polski S.A. to secure liabilities of its subsidiary Essembli sp. z o.o. with respect to a multi-purpose credit facility dedicated to bank guarantees was still valid.

Finally, as of December 31, 2022, collaterals granted by Orange Polska S.A. to BNP Paribas Bank Polska S.A. and PKO Bank Polski S.A. to secure liabilities of its subsidiary BlueSoft sp. z o.o. on the account of current account overdraft facilities and a multi-purpose credit facility dedicated to bank guarantees totalled PLN 15 million.

In December 2022, Orange Polska S.A. concluded with Tauron Polska Energia S.A. a corporate guarantee agreement, pursuant to which it granted a collateral of up to PLN 30 million to secure liabilities of its subsidiary Orange Energia sp. z o.o. under the electricity sale contract.

1.11.6 Hedging Transactions

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

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

As of December 31, 2022, the Group's proportion between fixed/floating rate debt (after hedging) was 92/8% versus 91/9% on December 31, 2021. Owing to such a high level of hedging, changes in interest rates in the market will have significantly limited impact on the Group's debt cost until mid-2024.

CHAPTER II
MANAGEMENT BOARD'S REPORT ON OPERATING AND FINANCIAL PERFORMANCE
OF THE GROUP
in 2022

2 OPERATING AND FINANCIAL PERFORMANCE OF THE GROUP

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

Financial data of the operating segment and calculation as well as definitions of performance measures of the operating segment are presented in the Note 3 to the IFRS Consolidated Financial Statements of the Orange Polska Group for the 12 months ended 31 December 2022.

Reconciliation of operating performance measure to financial statements:

(PLN million)	2022	2021
Operating income	1,161	2,211
Less gain on the loss of control of Światłowód Inwestycje	–	(1,543)
Less gains on disposal of assets	(107)	(52)
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets ⁽¹⁾	2,046	2,255
Less share of profit/Add share of loss of joint venture adjusted for elimination of margin earned on asset related transactions with joint venture	57	(9)
Less interest expense on lease liabilities	(95)	(53)
Adjustment for the impact of employment termination programmes	(1)	129
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries	17	25
EBITDAaL (EBITDA after Leases)	3,078	2,963

(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)	2022*	2021*	Change
Revenue	12,488	11,928	4.7%
EBITDAaL*	3,078	2,963	3.9%
EBITDAaL margin	24.6%	24.8%	(0.2) pp
Operating income*	1,161	2,211	(47.5)%
Net income*	724	1,672	(56.7)%
eCapex*	1,719	1,737	(1.0)%
Organic cash flow*	822	867	(5.2)%

* 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 2022.

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

Revenue totalled PLN 12,488 million in 2022, up PLN 560 million or 4.7% year-on-year. The growth was faster than in 2021, despite the stronger negative regulatory impact of subsequent MTR/FTR cuts.

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 6.3% year-on-year (versus a 6.7% increase in 2021). Growth is fuelled by steadily growing customer bases for all types of services and ARPO improvement, resulting from our value strategy and a growing share of fibre customers, who generate the highest revenue. Mobile-only revenue achieved particularly high growth and were up 6.1% year-on-year (versus 3.1% in 2021). This resulted mainly from a growing post-paid and pre-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. Year-average post-paid handset ARPO increased by 3%, following an increase by less than 1% in 2021, under the positive influence of our value strategy and further recovery of roaming revenues following a slump amid the COVID-19 pandemic.

Revenue from IT and integration services maintained their robust growth (up 23% year-on-year), which was entirely organic. This was driven mainly by strong performance of our software subsidiaries (i.e. BlueSoft and Craftware), which achieved aggregate revenue growth of 29%, and a broad and well-diversified service portfolio, which enables us to flexibly adapt to the changing demand and be less dependent on supply chain fluctuations.

Revenue evolution was negatively impacted by regulatory cuts in both fixed and mobile termination rates (FTR and MTR). It led to revenue erosion and contributed to a 14% decrease in wholesale revenue. However, wholesale revenue benefited from growing revenue from providing access to our infrastructure to other operators, mainly reflected in other wholesale revenue, which increased by 17% year-on-year.

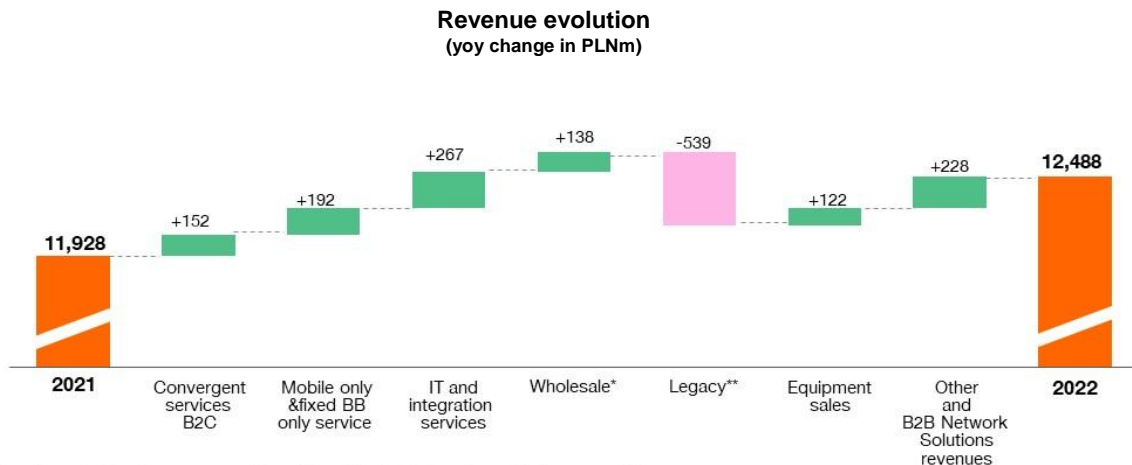
Revenue evolution in 2022 was also influenced by the following factors:

- A 47% increase in other revenue, mainly owing to higher average realised price in our energy resale business;
- A further structural decline in fixed voice telephony legacy revenue (by 15% year-on-year);
- An 8% increase in equipment sales.

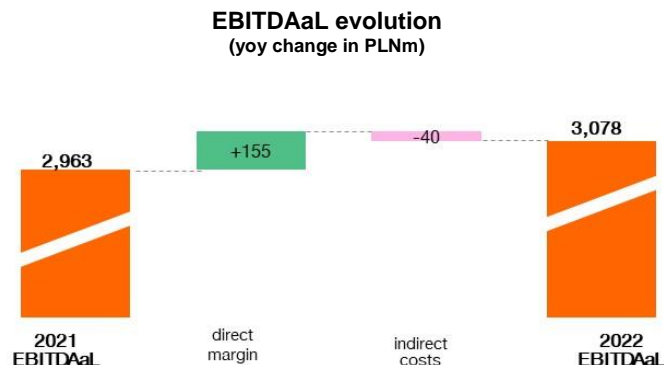
EBITDAaL for 2022 was PLN 3,078 million and increased by PLN 115 million or 3.9% year-on-year. Operating margin (ratio of EBITDAaL to revenues) slightly decreased to 24.6% (from 24.8% in 2021). The entire EBITDAaL growth was generated by improving direct margin, that is revenue growth fuelled mainly by the successful implementation of our value strategy in core telecommunication services, wholesale (excluding legacy services) and ICT products supporting sales for business customers. Indirect costs increased, but only by 1%. An almost 80% increase in energy costs (due to price increases in the market, mainly with respect to electricity) was largely offset by our transformation initiatives (savings in labour expenses and other categories of indirect costs) and profits gained from a number of initiatives including the network rollout for Światłowód Inwestycje.

Cost evolution can be attributed mainly to the following factors:

- A decrease of 14% in interconnect expenses, resulting mainly from cuts in both fixed and mobile termination rates and reflecting a decrease in wholesale revenue;
- An increase of 11% in commercial expenses, driven by growth in smartphone and ICT equipment sales;
- An increase of 32% in network and IT expenses, resulting from much higher network energy costs due to a surge in electricity prices in the market;
- An increase of 22% in other external purchases, mainly due to higher costs of energy for resale (related to higher revenues in this segment) and higher costs of ICT services (related to revenues).



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



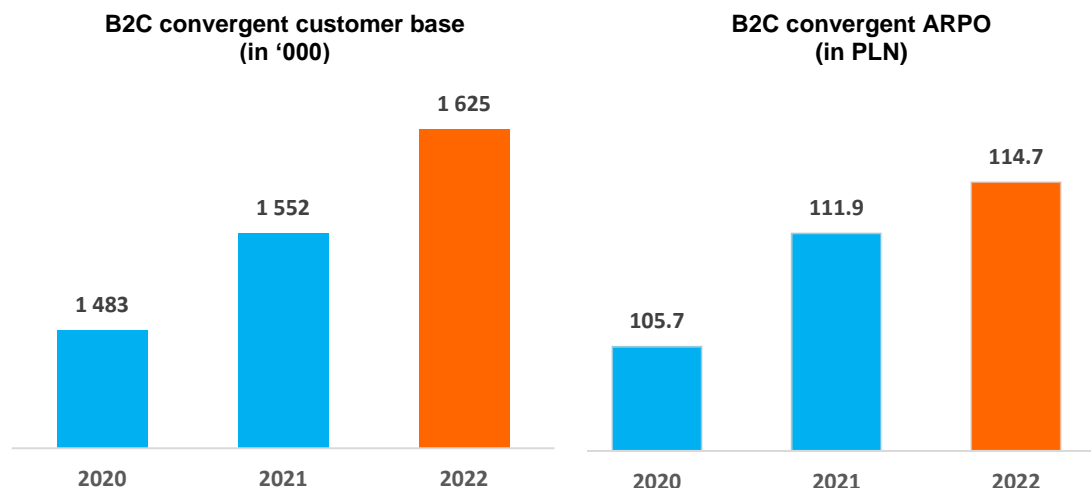
2.1 Convergent Services

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

Our B2C convergent customer base increased by 73 thousand (or almost 5%), reaching 1.63 million. The growth rate was similar to that in 2021. It needs to be noted that saturation of our broadband customer base with convergent services has already reached a significant level of 69%. 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. However, the convergent services market has become more competitive lately, as all major mobile operators have been implementing a strategy of selling comprehensive services for home. The total number of services provided in the convergence scheme among B2C customers reached 6.4 million, which means that, on average, each convergent residential customer uses more than four Orange services. In 2022, in line with the 'more for more' strategy, we increased the price of our main convergent bundle, Orange Love standard, effectively by PLN 2.5 to 7.5 (depending on the fibre speed option) in exchange for a bigger data pool and more TV channels. In addition, similarly to mobile offers, we introduced a condition providing for an automatic increase in the monthly fee after the term of the contract. It is to encourage customers to sign subsequent loyalty contracts and prevent a growing gap between the prices in our current offers and those paid by customers who make use of old price lists even though their contracts have long expired.

	For 12 months ended		Change
	31 Dec 2022	31 Dec 2021	
Convergence revenues (PLN mn)	2,154	2,002	7.6%
Convergent customer base (000)	1,625	1,552	4.7%
Convergence ARPO (PLN)	114.7	111.9	2.5%

In 2022, revenue from convergent services totalled PLN 2,154 million and was up 7.6% year-on-year. The growth rate was slower than in 2021, which resulted from both lower net customer additions and a lower increase in ARPO. In 2021, growth was driven by high net additions in the preceding year, partially owing to the demand caused by the pandemic, whereas in 2022, net additions were affected by the increased competition from other operators implementing convergent strategies.



2.2 Mobile-only Services

Revenues (PLN million)	For 12 months ended		Change
	31 Dec 2022	31 Dec 2021	
Mobile-only services	2,797	2,636	6.1%

Key performance indicators (number of services) ('000)	31 Dec 2022	31 Dec 2021	31 Dec 2020	Change	
				31 Dec 2022/ 31 Dec 2021	31 Dec 2021/ 31 Dec 2020
Post-paid mobile services	12,566	11,847	10,892	6.1%	8.8%
Mobile Handset	8,723	8,424	8,095	3.5%	4.1%
Mobile Broadband	627	674	751	(7.0)%	(10.3)%
M2M	3,216	2,749	2,046	17.0%	34.4%
Pre-paid mobile services	5,064	4,953	4,860	2.2%	1.9%
Total mobile services	17,630	16,800	15,752	4.9%	6.7%

Key performance indicators (PLN)	2022	2021	2020	Change	
				2022/2021	2021/2020
Monthly blended retail ARPO from mobile-only services	20.3	20.2	19.6	0.5%	3.1%
post-paid (excluding M2M)	27.0	26.2	25.8	3.1%	1.6%
pre-paid	12.4	12.6	12.2	(1.6)%	3.3%

As at the end of 2022, Orange Polska had a mobile services base of over 17.6 million, which is an increase of almost 5% versus the end of 2021. The growth was generated mainly in the post-paid segment, but also by pre-paid services.

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 almost 4% year-on-year, that is slightly less than in 2021, as a result of the consistent implementation of a value-based commercial strategy, focus on the Orange Love convergent offer in customer acquisition, stable growth in the Nju brand, strongly growing take-up of the Orange Flex offer, and solid customer additions in the business market;
- The number of mobile broadband services continued to fall due to increased popularity of mobile broadband for fixed use offers as well as growing data packages for smartphones in mobile voice tariff plans;
- Further strong growth in the number of SIM cards related to M2M services (up 17% year-on-year), mainly owing to the execution of contracts for the delivery of SIM cards for electricity and gas meters as well as solutions for the e-Toll system for road toll collection.

The number of pre-paid services increased by slightly more than 2%. The first half of 2022 saw strong growth in the pre-paid customer base, fuelled mainly by the distribution of free starters to war refugees from Ukraine. It was followed by a decline in the second half of the year, resulting from lower net additions and a change in our commercial offer (namely a reduction of the account validity for one-off activated cards).

Blended ARPO (from mobile-only services) amounted to PLN 20.3 in 2022 and was up 0.5% year-on-year.

The post-paid ARPO grew by 3.1%, outpacing the 1.6% growth in 2021. The trend improvement resulted from the following factors:

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

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

2.2.1 Market and Competition¹

The estimated number of SIM cards (61.3 million) increased by 5.5% compared to the end of December 2021, driving the mobile penetration rate (among population) to 162% at the end of 2022. Despite high saturation, mobile voice still maintained a positive growth rate. In the post-paid segment, sales of M2M cards also rapidly increased, whereas sales of mobile broadband SIM cards continued to fall (largely due to migration to fixed broadband services and usage of bigger and bigger data pools embedded in voice tariffs).

In 2022, Poland's mobile market, like many other industries, was influenced by macroeconomic developments. The negative impact of the COVID-19 pandemic, still partially visible in 2021, was limited mainly to the supply chain. In 2022, the mobility restrictions no longer applied, and international roaming increased year-on-year. The fact that changed the economy not only in Poland but also globally was Russian aggression against Ukraine. The armed conflict and the resulting mass evacuation of people from areas at war affected also the telecommunications market in Poland. The most direct impact was on the number of SIM cards, as Polish operators were supporting refugees with them at the border or at aid facilities. As a result, there was a substantial increase in pre-paid SIM cards in 2022.

One of the most visible effects of Russian aggression against Ukraine is the record-high inflation rate, which also has a major impact on the level of costs of telecom operators in Poland. The change in energy prices or labour and commercial costs, among numerous other cost items, clashed with the reality of Poland's mature mobile market, which is characterised by fixed-term contracts and still very low prices compared to other EU countries. Facing the increasingly complex macroeconomic environment, some operators continued with the 'more-for-more' approach in their pricing strategies last year. This approach leads to offers with value-added services and larger data packages (GB) embedded in subscription, to address current customer expectations resulting from increased data consumption within mobile plans, in return for a higher price. A powerful driver for data consumption growth in Poland 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. Furthermore, operators started to include indexation clauses in newly concluded contracts with customers, which enable them to adapt their offer to the market requirements in the context of highly volatile prices.

In 2022, the key players in the mobile market followed the convergence path (bundling mobile and fixed services), which had been pioneered by Orange for years. From the point of view of mobile operators who strive to expand their product portfolio to include fixed line services, it becomes crucial to increase the reach of the fixed network through acquisitions, 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. The pre-paid service specifics have proved a great support for Ukrainian refugees, but this offer continues to meet the market needs. 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 2022, with Orange Polska's estimated market share of 29%.

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 2022, we continued our policy of price increases in the 'more for more' formula for both residential and business customers, which became even more important in the context of the rapidly growing inflation and the resulting pressure on costs. In each post-paid tariff plan for B2C customers we raised the price by PLN 5, while increasing data pools and including the CyberShield service, which protects against cyber attacks. Simultaneously, the number of tariff plans was reduced to three by eliminating the low-end plan. All the remaining plans provide for access to 5G technology. For business customers who use the 'standard offer', we also raised the price by PLN 5 in three out of four tariff plans in return for higher data pools. Naturally, the changes apply to newly concluded contracts only.

In contracts with both categories of customers we added a novel condition providing for an automatic increase in the monthly fee after the term of the contract. It is to encourage customers to sign subsequent loyalty contracts and prevent a growing gap between the prices in our current offers and those paid by customers who make use of old price lists even though their contracts have long expired. This fee is PLN 10 and PLN 5 for residential and business customers, respectively.

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

In our pre-paid portfolio, in October we increased prices of calls and text messages again for customers charged per price lists. In the pre-paid market, a number of our initiatives in 2022 aimed to support refugees from Ukraine. We developed special offers based on free pre-paid starters, which involved a very significant reduction in prices for calls from Poland to Ukraine, a bundle of free calls to be used in Poland or Ukraine, a large data bundle and a roaming package. These starters were distributed at specially established support points at border crossings and railway stations as well as through Polish Post outlets. Over 700,000 of such starters have been activated. Some of them are regularly topped up after the end of the promotional period.

The other major operators in the mobile market did not introduce any significant changes in their post-paid price lists. However, they encouraged customers to adopt higher plans by offering large data pools. Some operators were also active with promotions, especially regarding multi-SIM offers, online sales or additional content (e.g. access to streaming platforms) to make their offers more attractive. Towards the end of the year, all operators announced price increases for customers charged per price lists.

2.3 Fixed-only Services

Revenues (PLN million)	For 12 months ended		Change
	31 Dec 2022	31 Dec 2021	
Fixed-only services	1,898	1,968	(3.6)%
narrowband	581	682	(14.8)%
broadband	890	859	3.6%
enterprise solutions and networks	427	427	–

Key performance indicators (number of services) ('000)	31 Dec 2022	31 Dec 2021	31 Dec 2020	Change 31 Dec 2022/31 Dec 2021	Change 31 Dec 2021/31 Dec 2020
Fixed voice services (retail: PSTN and VoIP)	2,572	2,702	2,899	(4.8)%	(6.8)%
convergent	940	887	855	6.0%	3.7%
fixed voice-only	1,632	1,815	2,044	(10.1)%	(11.2)%
Fixed broadband accesses (retail)	2,804	2,746	2,702	2.1%	1.6%
convergent	1,625	1,552	1,483	4.7%	4.7%
fixed broadband-only	1,179	1,194	1,219	(1.3)%	(2.1)%

Key performance indicators (PLN)	2022	2021	2020	Change 2022/2021	Change 2021/2020
ARPO from fixed narrowband-only (PSTN) services	36.3	36.9	37.0	(1.6)%	(0.3)%
ARPO from fixed broadband-only services	61.7	59.5	58.0	3.7%	2.6%

Total fixed broadband customer base increased by 58 thousand or slightly over 2% in 2022. A portion of this growth resulted from acquisitions of three small local fibre operators. Fixed broadband growth was driven exclusively by fibre, and our fibre customer base increased by 226 thousand, that is virtually the same as in 2021.

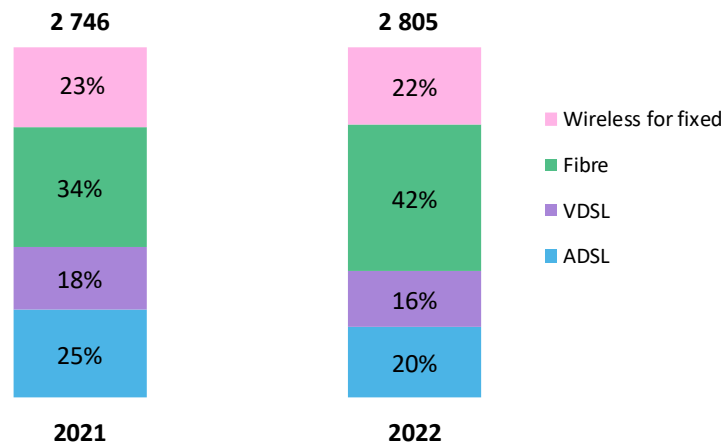
The strong growth in fibre is driving the technological transformation of our broadband customer base. The share of fibre in the total broadband customer base increased to 42% at the end of 2022 from 34% a year earlier. Our fibre customer base has exceeded the number of customers using copper-based technologies.

In line with the revenue reporting layout introduced in 2018, we separate convergent broadband customers (their number equals to that of convergent customers) from non-convergent broadband customers. Our non-convergent broadband customer base continued a slight downward trend.

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

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

Broadband customer base (in thousand)



Erosion of the fixed voice customer base (excluding VoIP) totalled 183 thousand in 2022 and was lower than in 2021, when it was 248 thousand. The decline in these services can be attributed mainly to structural demographic factors and the popularity of mobile services with unlimited calls to all networks. It is also a result of our convergence strategy, which stimulates partial migration of customers to VoIP. Average revenue per user slightly decreased to PLN 36.3.

2.3.1 Market and Competition

Fixed Voice Market

The Group estimates that the fixed line service penetration rate was at 15% of Poland's population at the end of December 2022, almost flat versus the end of 2021. The decline is still attributable mainly to growing popularity of mobile technologies. In countries like Poland, where the fixed line penetration was low at the time of introduction of mobile technology, mobile telephony is largely a substitute to fixed line telephony. The aforementioned downward trend has been also affecting regulated fixed wholesale products based on traditional infrastructure (WLR and LLU).

Fixed Broadband Market

According to Group's estimates, the total number of fixed broadband accesses, including wireless for fixed technology, increased in 2022 by over 0.3 million versus the end of December 2021. This can be attributed mainly to the intensive roll-out of fibre infrastructure. We estimate that the number of households connectable to fibre might have increased by over a million in 2022, exceeding 10 million, which would account for about two thirds of all households in Poland. This growth resulted from the continued investment projects financed with EU funds in the Digital Poland Operational Programme (POPC), as well as those financed by operators on their own. The latter include both major players investing on a large scale (e.g. Światłowód Inwestycje or Fiberhost) and numerous minor local operators. The Polish market for fibre services is very fragmented. According to the Office of Electronic Communications, there are over 1,000 Internet providers operating in this technology, but only seven of them have a market share of over 1% (data for 2021). The fibre footprint expansion has taken place not only in urban areas, but also increasingly in the outskirts of big cities, smaller towns and rural areas. 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. The growing digitisation level and increased data consumption validate the market need for investments in fixed broadband technologies.

Orange Polska's activity in the high-speed fixed broadband market 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, at the end of December 2022, CATV operators' aggregate share in Poland's fixed broadband market stood at 18% by volume or 14% by value, which is much less than in previous years due to the acquisition of UPC Polska by Play.

Another factor increasing the competitiveness of 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 major player in the wholesale infrastructure-based broadband market is Światłowód Inwestycje, a joint venture of Orange Polska and APG, which aims to provide fibre to 2.4 million households by 2025. In 2022, the Iliad Group in Poland invested in the acquisition of the cable operator UPC Polska. As a result,

it can now develop convergent services and, according to its declarations, use the existing UPC infrastructure and new investments to enter the wholesale market by offering remunerated access to its infrastructure to other players.

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

Fixed broadband market – key performance indicators

	31 December 2022 (estimate)	31 December 2021
Market penetration rate – broadband lines (in total population)	27%	26%
Total number of broadband lines in Poland ('000)	10,161	9,816
Orange Polska's market share by volume	28%	28%

Orange Polska's fixed voice market share

	31 December 2022 (estimate)	31 December 2021
Retail local access*	47%	47%

*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

Since 2015, 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. Until 2021, Orange Polska expanded its fibre footprint overwhelmingly by its own investments. Since 2022, apart from investment projects in the Digital Poland Operational Programme (POPC), the increase in our fibre service reach has resulted almost exclusively from wholesale partnerships with several operators, which is in line with our .Grow strategy. Following the sale of a 50% stake in Światłowód Inwestycje, the latter became our biggest wholesale partner with access to over one million households. On one hand, this shift involves an increase in costs due to third parties' network fees, but on the other hand, it provides room for investing in other areas (such as 5G network deployment).

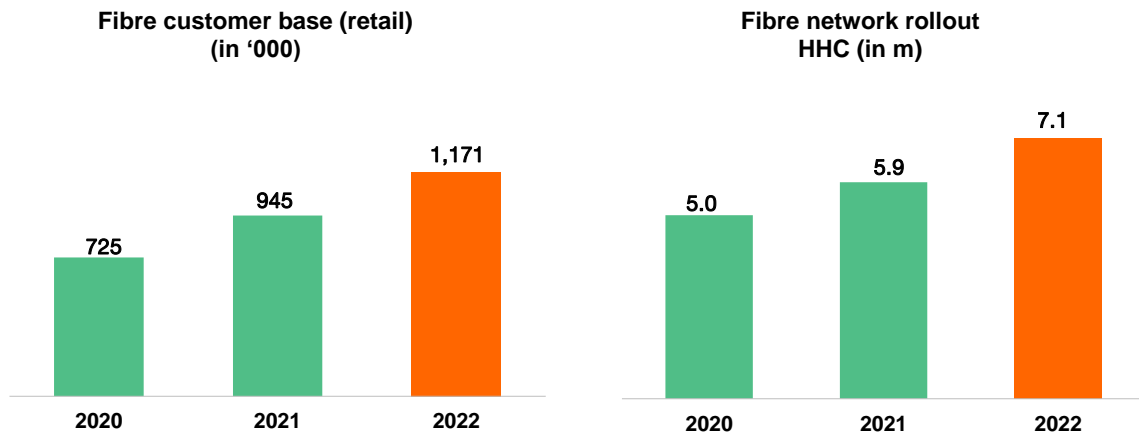
As at the end of 2022, over 7 million households were within the reach of our fibre services, which is an increase of over 1 million compared to the end of 2021. It means that almost a half of Polish households are connectable with Orange Polska's fibre services. Since 2020, we have focused more on developing 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. At the end of 2022, networks of other operators, including Światłowód Inwestycje, Inea, Nexera, Tauron and a number of others, accounted for 3.4 million of our fibre footprint.

Our retail fibre customer base reached 1,171 thousand at the end of 2022, growing by 226 thousand over the period. 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 18% (vs. 17% at the end of 2021). Notably, approximately 70% of fibre activations are new broadband customers for Orange, which means that our share in the fast Internet market 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 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 copper-based technologies (xDSL) have been increasingly replaced by fibre, which is possible owing to our investments in network connectivity. Fibre exceeded 40% of our total broadband customer base in 2022.

With many operators investing heavily in fibre networks and establishing wholesale partnerships, the competitive struggle for retail customers has intensified, which also affected our commercial performance in 2022.



3 OUTLOOK FOR THE DEVELOPMENT OF ORANGE POLSKA

3.1 Market Outlook

Orange Polska anticipates further growth of Poland's telecommunications market in the coming years. Following the post-pandemic rebound of the market in 2021, the year 2022 was characterised by high uncertainty in the macroeconomic environment, mainly as a consequence of Russian invasion of Ukraine in the first quarter. However, it is in this period of high market uncertainty when telecommunications services proved crucial for both residential and business customers. Considering the current conditions in the market, its growth may be analysed in the short- and long-term perspective.

In the short-term perspective, the telecommunications market will continue to be affected by macroeconomic and geopolitical uncertainties. Inflation, reaching historic highs, will remain a major challenge in 2022, coupled with a marked economic slowdown or, as forecast by some financial institutions, even recession in Poland. As two-year loyalty agreements remain a standard in the industry, telecom operators are not well positioned to pass cost inflation onto their customers in the short term. Hence, a prolonged period of high inflation may require them to adjust their business models. Its direct effect may be a decline in demand due to reduced private consumption and investments. However, it is the need for access to telecommunications services accompanied by the development of additional services based on telecommunications infrastructure in Poland which proved essential both in the pandemic conditions and in the highly uncertain year 2022. Definitely, the growth of the telecommunications market in Poland will be supported by the following two factors: (i) rapid expansion of very high-speed broadband access, owing to fibre infrastructure investments (including those in the Operational Programme Digital Poland) and inflow of EU funds, and (ii) growing post-paid customer base with ARPU driven by the continued 'more for more' approach in the mobile market. This is also seen on the demand side with the increased need for reliable connectivity, which the pandemic has highlighted. As data and voice connectivity has become more essential than ever to the needs of consumers and businesses, we expect demand for our services to remain strong despite the anticipated economic slowdown.

In the long run, the market growth will be stimulated by the development of 5G services, owing to their higher speed and low latency, which are required by autonomous services and the Internet of Things (IoT). However, telecom operators are still waiting for the allocation of frequencies required for 5G investments in Poland. We also expect 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. (a perfect example of this process is a tender procedure for the implementation of e-services in health facilities, worth over PLN 100 million, which Orange Polska won in 2022). 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, investments by other telecom operators and constant improvements in mobile connectivity. The independent activity of operators as well as agreements between them on using the deployed infrastructure will bring Poland closer to meeting the European Digital Agenda objectives. Such agreements are fostered by the emergence of typical wholesale operators, such as Światłowód Inwestycje or Fiberhost. All major mobile operators have valid agreements with Światłowód Inwestycje. A wholesale network launch has been also announced by Iliad with the acquisition of UPC's network and intended investments in fixed infrastructure (pursuant to an investment agreement with InfraVia Capital Partners).

Financing from the European Funds for Digital Development (EFDD) programme and the National Recovery and Resilience Plan (NRRP) may be another particularly strong driver for the market growth in the long term. The main goal of the EFDD programme, worth EUR 2 billion to be used by 2027, is to build a gigabit society in Poland, particularly to provide advanced public e-services, support cybersecurity and develop data-based economy using modern digital technologies. NRRP, which is still subject to negotiations with the European Commission, provides that €1.2 billion in grants will be dedicated to the development of high-speed Internet, and €1.4 billion in returnable funds or non-returnable subsidies will support broadband investments, 5G network deployment and construction of a stationary electromagnetic field (EMF) monitoring system.

Market growth will still be driven by bundled and convergent offers, combining mobile services with fixed broadband access. This process is fostered by increasingly popular wholesale agreements under which mobile operators are given access to fixed broadband infrastructure.

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

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

In 2020, we successfully concluded our Orange.one strategy. Its ambitious targets were met and multi-year negative trends in sales and profitability were reversed. We are now better prepared for the future, with products that are demanded by customers, assets that support these products and a more efficient cost structure. Orange Polska is today a new company, a strong leader in all key market segments. We are ready to exploit all the opportunities and

face all the challenges that the future brings. The Company is now ready to start the next phase of its value creation journey: .Grow strategy, which we announced in June 2021.

With this 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.

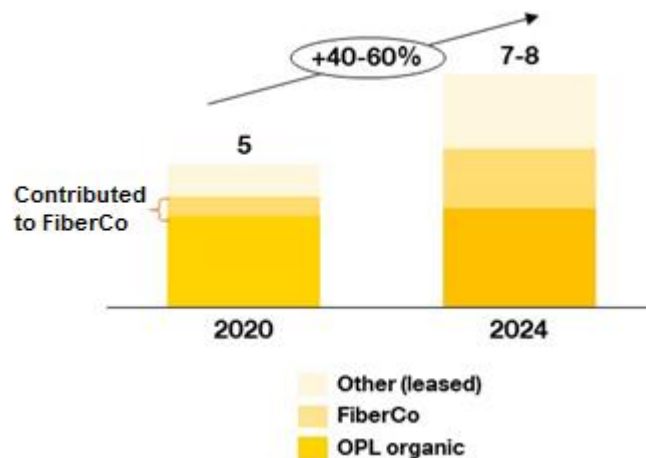
Last and certainly not least, we want to grow in social responsibility. Orange Polska has set ambitious ESG goals for itself and is ideally placed with its services both to help others reduce their own environment footprint and to ensure that no one is left behind.

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 Światłowod Inwestycje (FiberCo) and the networks built within the Digital Poland Operational Programme (POPC). Fibre generates much higher average revenue per user compared to copper technologies. This can be attributed mainly to broader opportunities to sell content and to higher speeds, which are much better perceived by customers and are an increasingly popular choice.

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



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

Business Market: ICT-centred Strategy

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

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

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

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

Responsibility: Clear Environmental and Social Targets

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

Our primary goal is to be climate-neutral and achieve Net Zero Carbon by 2040, ten years ahead of the EU climate goals. Net Zero covers the entire emissions of Orange Polska: Scopes 1 and 2 (own direct and indirect emissions) and Scope 3 (emission in entire value chain – suppliers, employees, customers). In the first period of action, by 2025, we will reduce our CO₂ emissions in Scopes 1 and 2 by as much as 65% compared to 2015. We want to achieve it primarily through increasing the share of renewable energy in the energy mix to at least 60% by 2025 from 0% in 2020. This means that we have to proactively search and support new projects in this area. We will also continue to optimise energy consumption: we have been reducing consumed energy volumes each of the past few years despite constant increase of data volumes on our networks. Deployment of new much more efficient technologies, such as fibre and 5G, will also contribute here. Average electricity consumption per customer of fibre is around 80% lower compared to copper.

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

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

Financial Ambition: Growth of Results and Return to Dividend Payments

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

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

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

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

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

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

Current Performance and Expectations Validate Our Strategic Objectives

Our performance in 2021–2022, that is halfway through our strategic plan, demonstrates that our strategic objectives are being implemented, while our operational and financial ambitions are going according to plan. This is despite enormous and unexpected challenges related to the external environment, which include the consequences of the outbreak of war in Ukraine and a huge rise in inflation, especially energy prices. The results achieved in last two years prove that our business is built on very strong foundations and that we are able to respond and adapt swiftly to the changing environment. The demand for our services among consumers, business customers and wholesalers remains strong. We consistently implement our commercial value strategy and continue our cost transformation.

The table below shows our financial ambitions announced during the presentation of our strategic plan against our performance halfway through.

	Mid-term guidance (2021 to 2024)*	2021-22 performance
Revenues	low single digit growth CAGR	+4.2% CAGR
EBITDAaL	low-to-mid single growth CAGR	+4.9% CAGR
eCapex (PLN bn)	1.7 to 1.9 yearly average over the period	1.73bn (avg 2021-22)
ROCE	increase 3-4x (vs. 1.6% in 2020)	6.5% in 2022 (4x increase)
Net debt / EBITDAaL	we aim to keep safe balance sheet, with financial leverage in the range 1.7-2.2x**	1.3x at the end of '22

* As presented in .Grow strategy in June 2021

** Long-term prospects for net debt/EBITDAaL

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

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

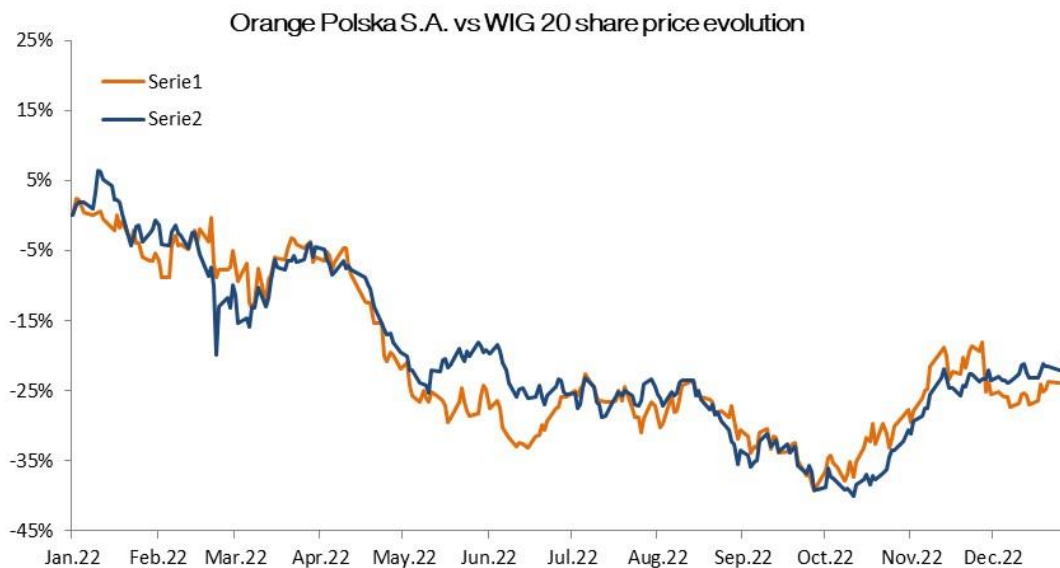
2022 brought losses in the indices on the Warsaw Stock Exchange (WSE). Orange Polska shares were down 22%, while the large-cap index, WIG20, lost 21% in the period.

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

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

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

Orange Polska S.A. share price in the period from January 1, 2022 to December 31, 2022



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 2022, the Company held four results presentations.

Orange Polska's activity and performance are monitored by analysts representing both Polish and international financial institutions on a current basis. In 2022, a dozen or so financial institutions published their reports and recommendations concerning the Company.

In 2022, Jacek Kunicki, CFO of Orange Polska twice 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 2022, Orange Polska published its sixth 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, recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Taxonomy. The report also reflects the directions in EU legislation on disclosures of non-financial, climate impact and diversity information and refers to the Sustainable Development Goals. Orange Polska's Integrated Report 2021 won the main prize in the category the Best Integrated Report in the 16th edition of the Social Reports Competition, which is organised by the Responsible Business Forum and Deloitte.

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 – All Goals on Track Halfway Through Despite Particularly Difficult External Environment

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 remains a key growth lever, helping us gain and maintain customer trust and loyalty. Further customer base growth is fuelled mainly by continued fibre expansion, which also contributes to ARPU growth. In the business market, ICT services are 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 are 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. 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 in fibre and 5G, and improved efficiency. Despite significant investments in these areas, 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.

Our performance in 2021–2022 demonstrates that the operational and financial objectives of our .Grow strategy are pursued according to plan despite a particularly difficult external environment. It proves that our business is built on very strong foundations and that we are able to respond and adapt swiftly to the changing environment. The demand for our services among consumers, business customers and wholesalers remains strong. We consistently implement our commercial value strategy and continue our cost transformation. As a result, we reported growth of EBITDAaL in both years at an average annual rate of almost 5% throughout the period. This is in the top-end of the medium-term growth guidance (low-to-mid single-digit CAGR) set forth in the strategy.

4.2 Inflationary Environment Putting Pressure on Operating Expenses

The consumer price index (CPI) in Poland was 14.4% in 2022, reaching a 25-year high. According to the current market consensus the whole-year inflation will be over 13% in 2023. The inflationary environment already significantly affected our operating expenses in 2022, and this substantial impact will continue in 2023 and most probably in 2024.

In 2022, the key inflationary challenge for us was energy costs. The on-going war in Ukraine and the resulting sanctions on trade with Russia imposed by the EU countries and the US resulted in an unprecedented rise in electricity and fuel prices across Europe. This was accompanied by local factors related to the record-high rate of failures of coal-fired power units in Poland. The difficult situation was further aggravated by the non-availability of modern power facilities generating electricity at the lowest cost owing to high efficiency and low emissions. Our energy-related costs increased in 2022 by about 75% or over PLN 220 million year-on-year. These included mainly costs of electricity, but also heating and fuel costs. The average realised price of energy more than doubled year-on-year, reaching about PLN 700/MW in 2022. This was still below the market growth rate. The average energy price we paid was positively affected by much cheaper energy from renewable sources, which provided 12% of our energy mix last year (vs. 6% in 2021). Our energy costs are also mitigated by gradually reduced energy consumption, which decreased by a further 3% last year. It was the ninth consecutive year with lower energy consumption despite the continued growth in data consumption by our customers. In 2022, we mobilised efforts to sign further contracts to receive energy from wind farms. The current portfolio of such contracts, both short- and long-term, will secure about 75% of our energy consumption in 2023 and over 60% to 2030. Overall, taking into account also futures contracts, we have secured about 85% of our energy needs for this year.

In 2023, the impact of inflation on other cost items will be a much more important challenge. The majority of our contracts of lease of telecommunications infrastructure, sales outlets and office space are indexed to the previous

year's inflation rate, which means a very significant increase in the relevant fees this year. Similarly, the costs of outsourced consulting, technical assistance and customer care services will be subject to higher inflationary pressure. Labour costs will be particularly impacted by an over 20% increase in the minimum wage due to the need to adapt to the market conditions.

The highly inflationary environment necessitates mitigation efforts on the revenue side coupled with continued cost transformation. For years, we have focused on value generation in our commercial strategy, changing the tariffs for our core services in the 'more for more' formula. However, as the great majority of our contracts with customers are signed for two years, our ability to pass higher costs onto customers requires additional actions and a modification of our standard business model. In 2022, we intensified our 'more for more' strategy by increasing prices of the majority of our core services. We added a novel condition providing for an automatic increase in the monthly fee after the term of the contract. It is to encourage customers to sign subsequent loyalty contracts and prevent a growing gap between the prices in our current offers and those paid by customers who make use of old price lists even though their contracts have long expired. In addition, inflation and Polish zloty depreciation lead to higher handset prices. In this case, however, we are able to respond quickly by adjusting our prices in order to pass higher costs onto customers.

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

4.3 Return to Dividend Payments

Considering the success of the concluded Orange.one strategy as well as the new strategic plan, .Grow, which assumes stable growth of the Company's financial results, Orange Polska decided to resume sustainable shareholder remuneration. In 2022, we paid dividend of PLN 0.25 per share from the Company's 2021 profits. It was the first dividend payment since 2016.

While presenting the .Grow strategy in June 2021, the Management Board considered PLN 0.25 per share dividend as sustainable floor for the future. According to the announced dividend policy, further changes to dividends will be conducted on yearly basis taking into account projections of underlying financial results and long-term financial leverage (net debt/EBITDA_L) 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 the maximum use of the broadband market potential. The joint venture will operate in the open access model, providing wholesale access to its fibre network to Orange Polska and other interested operators. Hitherto, Światłowód Inwestycje has informed about signing wholesale agreements with T-Mobile Polska, Netia (a company of the Polsat Plus Group) and Play in addition to Orange Polska. It finances 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. In 2022, we received PLN 41 million on that account. 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 has given us the potential to reinforce our fibre rollout and increased our flexibility in allocating capital expenditures to other projects, while also enabling immediate deleveraging and significant strengthening of our balance sheet.

As a consequence of this transaction, the Orange fibre service reach is in the vast majority expanded on networks of other operators. At the end of 2022, almost half of 7.1 million households within the reach of our fibre service were connected to other operators' networks.

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 Opening in Wholesale to Maximise the Utilisation of Our Infrastructure

As part of the .Grow strategy, we have opened 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, as we have by far the largest telecommunications infrastructure among all the operators in Poland, including both transport and access fibre network, cable ducts and poles. On the other hand, we see wholesale potential resulting from the development of the fast Internet access market (mainly in the fibre technology), entry of other market players into the convergence market and gradual deployment of 5G mobile networks.

For several years we have seen considerable growth in the use of our poles and cable ducts, mainly as a result of numerous investments of various operators in their fibre footprint. Furthermore, between 2020 and 2022, the bandwidth used for data transmission services rendered to other mobile infrastructure operators interested in connecting their base stations to our fibre network has increased by over 60%.

We also strive to acquire a higher number of customers serviced by other operators for our fibre network. It is our ambition to increase their number at least six times versus the end of 2020, when their base stood at 26 thousand. This increased to 83 thousand at the end of 2022, that is more than three-fold.

As part of development of wholesale, in 2021 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.

In our .Grow strategy, we declared an ambition to enter the MVNO wholesale market, offering our network to fixed operators willing to enter the market for mobile services. In the beginning of 2023, we announced that the first five entities were using our services in this scheme.

As a result of all these initiatives, we have achieved a marked increase in wholesale revenue, excluding legacy services (based on copper technologies) and interconnect settlements related to traffic termination. Revenue defined as above amounted to PLN 709 million in 2022 and increased by over 40% compared to 2020.

4.6 5G Launch by Orange Polska

Auction Procedure for Frequencies in the 3480–3800 MHz Band

At the end of December 2022, more than two years after the cancellation of the former procedure, the President of the Office of Electronic Communications (UKE) launched a public consultation regarding the C-band auction dossier. The proposed auction structure has not changed. It provides for allocating four frequency licences of 80 MHz each, valid for 15 years. Only one entity from each group of companies is eligible to participate in the auction. Each participant (or its group) has 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). Bidding for each licence will start at PLN 450 million. According to the time schedule presented by the President of UKE, the frequency licenses should be allocated in the third quarter of 2023.

A new element of the procedure is that winners will be required to reach a number of investment commitments regarding network coverage and various quality requirements. The network should reach data transmission targets in terms of capacity (Mbps) and latency (ms) for the certain country area and the predefined share of households, as well as selected national and regional roads and railway lines. The network coverage and parameters are to increase over time, reaching the ultimate targets within seven years, while the intermediate targets are to be achieved within one, three and five years. Importantly, these parameters may be reached using any frequencies held by the operator. As to the quantitative commitments, within 36 months the auction winner should launch the predefined number of base stations operating in the C-band nationwide, including specific numbers in each administrative unit (gmina) depending on its population.

Commercial 5G Services in the 2100 MHz Band

Due to delays in the distribution of the 3400–3800 MHz spectrum band related to the cancellation of the former auction procedure, the Company has implemented and expanded Dynamic Spectrum Sharing (DSS) in the 2100 MHz band, which allows dynamic allocation of spectrum resources to 4G or 5G as required. At present, we offer commercial 5G services via a network of over 3,300 base stations.

Further Preparations for the 5G Network Implementation in Poland

It is Orange Polska's ambition to actively participate in the deployment of the 5G network in Poland in order to provide our customers with access to this network and modern services based on it. The on-going rollout of our fibre network is a precondition for the efficient operation of the future 5G mobile network. We believe that it is of

paramount importance to collect unique experience in the implementation of 5G systems right now, so we undertake to implement numerous pioneering projects.

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

4.7 Rapid Development of ICT Services 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 highlight 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.

This strategy has proved greatly successful. The organic development is supplemented by acquisitions, which are carefully selected to add specific competencies. In 2019–2020, we acquired BlueSoft and Craftware. These acquisitions have perfectly complemented our competencies and significantly increased 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 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 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.

In 2021–2022, we reported very dynamic growth in the ICT area, with revenue increasing over 20% year-on-year in both 2021 and 2022. This can be attributed mainly to strong performance of our software subsidiaries (i.e. BlueSoft and Craftware) and a broad and well-diversified service portfolio, which enables us to flexibly adapt to the changing demand and be less dependent on supply chain fluctuations.

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 over one third of all households in Poland. At the end of 2022, over 7 million households were within reach of our fibre services.

In our .Grow strategy framework, we further significantly increase the reach of our fibre, which is one of the key drivers of value creation and expansion of convergent services. However, contrary to previous years, we are more reliant on partnerships, while our own network rollout is limited to projects implemented within the Digital Poland Operational Programme. One of our key partnerships is that with Światłowód Inwestycje, which will build fibre network mainly in low or mid competition areas for ca 1.7 million households in the next few years. At the end of 2022, we used the infrastructure of 55 operators for over 3.3 million households.

Orange Polska is Poland's largest wholesale service provider. The demand for transmission bandwidth is growing, especially for $n \times 10/40/100$ Gbps lines. To meet these needs, Orange Polska continues to expand nationwide OTN (Optical Transport Network) trunk lines and offers services over the DWDM network for 100 Gbps lines. In 2022, we increased the number of OTN transport nodes and enhanced the network capacity, thus expanding the aggregate capacity from 10 Tbps at the end of 2021 to 17 Tbps at the end of 2022. Responding

For 100 Gbps lines intended for the wholesale market, we have developed infrastructure based on the DWDM network of the total capacity of 9 Tbps.

Orange Polska is Poland's sole operator of a network to which all the Emergency Communication Centres (ECCs), answering calls to the emergency numbers 112, 997, 998 and eCall, are connected. About 90% of all emergency numbers in Poland (over 500 locations) are connected to Orange Polska's network. This provides the Company

with revenue from other 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 98.82% at the end of 2022, 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 2022, our customers got access to a further 148 base stations. 4G coverage for all bands was 99.9% of the population over 98.5% of Poland's territory at the end of 2022. Orange Polska provided 4G services via 11,990 base stations. This included 10,621 base stations enabling spectrum aggregation (compared to 10,220 at the end of 2021).

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

The range of the 5G DSS service was gradually extended throughout the year, and the number of base stations supporting it stood at 3,357 at the end of 2022.

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

We have announced a plan to switch off 3G technology on Orange Polska's network and allocate the freed frequencies to 4G. It will enable us to increase the network capacity and enhance the quality of data services, particularly in non-urban areas. The process is to be carried out in stages in 2024 and 2025. As a preparation for the 3G switch-off, we are constantly increasing the number of devices which can handle calls in the VoLTE and VoWiFi technologies and gradually expanding the portfolio of 5G-enabled terminals.

4.9 Competition in the Telecommunications Market

Poland's telecommunications market is highly competitive. Although the price remains a major consideration, the strategies of all main players have recently become more value-oriented, while competition has increasingly shifted towards other elements as well, such as offer quality and width, connectivity or customer care. High inflation and very low prices of telecommunications services in Poland compared to other EU member states should further encourage this approach.

In addition, competitive struggle has been increasingly moving away from sales of mobile or fixed line only services towards convergence, that is offering bundles of mobile and fixed line services.

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

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

The market is preparing for new technical solutions enabled by 5G technology, which will be fully possible upon completion of the auction for C-band frequencies (3.5–3.8 GHz).

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

In 2022, investments in fibre infrastructure based on EU funds continued to play a major role in the market. Owing to EU co-financing, such projects are possible in non-urban areas, where investments in fibre had not been economically viable before. Such investments have been 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. Iliad has also announced opening UPC's fixed infrastructure and access to the fibre network it intends to build. Consequently, the competition for retail customers on open fixed networks is going to increase.

2021 saw a change of landscape in the telecommunications 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

Our distribution network is constantly evolving, so that we can even better meet the changing needs of our customers, while simultaneously improving our business efficiency.

Physical points of sale remain our largest sales channel. Their chain is subject to continuous modernisation and optimisation. This involves on the one hand a reduction in the number of outlets (there were 617 of them at the end of 2022, down from 653 a year earlier), 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 2022, 451 of our outlets had been modernised in a new visualisation (compared to 369 at the end of 2021). The changes introduced are appreciated by our customers: our outlets scored the highest and were ranked #1 in terms of NPS (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).

The online channel has been gradually and systematically gaining importance in the distribution channel mix. Throughout 2022 we followed the strategy of expansion in sales and customer service with My Orange app, which is the main sales tool. It provides access to the customer's account information, presents our offers to them and supports customer service and sales processes. High effectiveness of our online sales resulted from constantly optimised campaigns based on behavioural customer profiles and the context of current events. With marketing automation and artificial intelligence tools, we were able to recommend offers to customers that might interest them most. We continued to promote the My Orange application in traditional offline channels and intensively educate customers in the use of self-service channels. As a result, sales via digital channels increased by 20% in 2022, reaching a 17% share in our total sales mix.

In the Telesales channel, we have increasingly relied on the implemented prediction models to minimise the risk of loss of customers who use our services but are not bound by a loyalty agreement through data base selection and development of dedicated offers. This is of great importance in the context of the evolution of our market environment. It enables us to meet sales targets, while improving efficiency by reducing the number of call centres. Furthermore, in the fourth quarter, we launched campaigns using artificial intelligence to reach customers more effectively and optimise costs.

In addition to Telesales, there is also a service infoline, which combines customer care with account management: customers can settle any matters with Orange at a single phone number, from complex technical problems, queries, contract extension and new service activation to smartphone and accessory purchases. Over 90% of our customers are satisfied with this solution, and the conversion ratio of service calls to sales was as high as 13% in 2022, well above global benchmarks.

Throughout the year we were supported by Max, an AI bot helping customers to settle their matters. Max can take over both incoming and outgoing calls, e.g. involving a dialogue regarding the status of a contract or willingness to extend it. Artificial intelligence is also used to enhance the operating effectiveness of our service infoline.

We are intensifying efforts to become a more green operator: in 2022, we increased the use of e-contracts in our mobile service portfolio to 77% (up 15 pp. year-on-year) and achieved a 24% share of parcel lockers in contract delivery (up 9 pp. year-on-year).

In the pre-paid service distribution network, 2022 was marked by the assistance provided to Ukrainian refugees coming to Poland. We distributed and registered over 700,000 free prepaid SIM cards. We also launched a special free bundle of three services (pools of free minutes and gigabytes in Poland plus free calls to Ukraine).

2022 brought further records in online pre-paid top-ups through both online banking and, above all, our own channels (orange.pl website and My Orange mobile app). Despite the steady expansion of online channels, we maintain a fixed base of about 80,000 top-up locations (grocery stores, kiosks and petrol stations) for our customers.

Orange Polska offers a range of sales channels, meeting the expectations of various groups of customers regardless of their preferences and needs.

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, the 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 2022, 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 2021 and the results of service cost calculation for 2023 on the market for provision of wholesale (physical) access to network infrastructure, including shared or fully unbundled access, in a fixed location (LLU) and the market for wholesale broadband access (BSA) services. The audit was completed on August 25, 2022 by issuing a positive opinion.

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 in terms of network interconnection in the IP technology. 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 new FTRs and the changes resulting from the introduction of new BSA and LLU reference offers and delete the deregulated services (WLR, call initiation). The procedure is pending.

Call Termination on Fixed and Mobile Networks

The Delegated Regulation supplementing Directive (EU) 2018/1972 of the European Parliament and of the Council 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;
 - 0.0252 PLN/min – from January 1, 2022 to December 31, 2022;
 - 0.0190 PLN/min – from January 1, 2023 to December 31, 2023.
- Following the reductions initiated in July 2021, the single EU-wide maximum rate for fixed voice termination was 0.0032 PLN/min in 2022.

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 by Orange Polska 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.

In the second half of 2022, the President of UKE initiated administrative procedures regarding amendments to the agreements between Orange Polska and Fiberhost S.A. that provide for the latter's access to the infrastructure and networks built by Orange Polska 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). Three procedures were initiated upon request of Orange Polska and one upon request of Fiberhost S.A. The subject of the dispute is the manner of amending the agreements. The procedures are pending.

Implementation of EU Regulations

Orange Polska abides by the regulatory obligations resulting from EU roaming regulations and the rules resulting from the recommendations for the implementation of the Open Internet Access Regulation.

In connection with the Regulation (EU) 2022/612 of the European Parliament and of the Council of 6 April 2022 on roaming on public mobile communications networks within the Union, on July 12, 2022 Orange Polska introduced the following changes to its retail offer:

- Increased GB limits for roaming within Zone 1, resulting from the Fair Use Policy, in individual tariff plans;
- Reduced surcharges applied under the Fair Use Policy, reflecting a reduction in the maximum wholesale roaming charges;
- Provisions regarding a new limit for blocking data transfer in roaming after exceeding PLN 480 in a billing cycle and means to disable blocking thereof;
- New provisions in price lists regarding service quality on networks of our roaming partners.

Potential Regulatory Changes

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

New Regulated Offers for Access to Orange Polska's Network

On June 26, 2022, the President of UKE issued two decisions on approval of reference offers for Bitstream Access and LLU services in fibre and copper technologies. The approved offers include most of Orange Polska's proposals. Regarding other matters Orange Polska will apply for the re-examination of the case.

Amendment to the Telecommunication Law

2023 is to bring one of the key developments in the telecommunications sector regulations, namely the implementation of the European Electronic Communications Code. The Telecommunication Law, which has remained in force for almost two decades, will be replaced by the Electronic Communications Law, introducing a number of revolutionary solutions and opening a new chapter in the provision of electronic communications services. The new provisions will concern refund of remaining pre-paid credit, direct billing (adding payment for services, such as games or music, purchased online to a telecommunications service bill), new pre-contractual information obligations, partial OTT regulation, and contract amendments. In December 2022, the draft Electronic Communications Law, upon endorsement by the Council of Ministers, was sent to the Parliament, which began work on it in January 2023.

Compensation for Universal Service Costs

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

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

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

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

In April 2022, individual decisions for additional compensation for 2009 and additional compensation for 2010 were issued. Similar procedures regarding additional compensation for 2007–2008 are still pending. Out of the initial compensation granted for 2006–2011, Orange Polska S.A. received PLN 4 thousand in 2022, while PLN 1.04 million is still due. Out of the additional compensation granted for 2006, 2009 and 2010, Orange Polska S.A. received PLN 7.2 million in 2022, while PLN 1.7 million is still due.

Major Changes in Legislation

In 2022, the legal environment was unstable and rapidly changing. The changes resulted from both the adaptation of the Polish law to the *acquis communautaire* and national initiatives. Frequent, extensive and quickly proceeded changes in legislation entail constant and diligent monitoring, especially that many of them provide for new obligations and thus require complex and costly adaptation and implementation efforts.

The national legal acts adopted in 2022 of major relevance to telecom operators include, among others, those concerning consumer protection, power sector, infrastructure reporting system, security and defence, special pre-paid solutions for Ukrainian citizens and construction law.

On the EU level, such legal acts concern, among others, cybersecurity and new regulatory framework for digital markets and digital services.

Selected Changes in National Legislation in 2022 of Major Relevance to the Telecommunications Sector

▪ **Consumer Law**

In December 2022, the Polish parliament passed two amendments to the Act on consumer rights, implementing three EU directives: Directive 2019/771 on certain aspects concerning contracts for the sale of goods ("SGD"), Directive 2019/770 on certain aspects concerning contracts for the supply of digital content and digital services ("DCD") and Directive 2019/2161 of 27 November 2019 as regards the better enforcement and modernisation of Union consumer protection rules ("the Omnibus Directive"). In particular, the amendments provide for new consumer warranty rules, a longer withdrawal period and ban to charge any fees prior to the termination of the withdrawal period for contracts concluded during unsolicited visits, the introduction of the lowest price mechanism (i.e. the trader's obligation in case of any price reduction announcement to indicate the prior price applied during 30 days before the price reduction) and new digital services and content regulations. Both amendments came into force on January 1, 2023.

▪ **Power Sector**

The turmoil in the power market, related to the availability and cost of raw materials as well as electricity prices, had a substantial impact on the legislative interventions undertaken by both the EU and national authorities. These interventions focused on increasing the independence from Russian fossil fuels. Furthermore, protection mechanisms, namely the maximum prices and/or compensation for the most vulnerable groups, including households, SMEs and energy-intensive companies, were introduced. An obligation was imposed on Polish energy generators and vendors to transfer some of their revenues to the Price Difference Fund (FWRC). Furthermore, the obligation to sell energy in the wholesale market via the Polish Power Exchange was lifted in December 2022. The practical effects of these changes will become apparent in 2023.

In Poland, telecommunication companies, which are large enterprises, have not been covered by any support mechanisms related to electricity prices. However, these mechanisms can mitigate the negative impact on the budgets of the entities that use services provided by Orange.

As for the components of electricity prices, cogeneration levy was increased from PLN 4.06 to PLN 4.96 per MWh, whereas renewable energy sources (RES) charge was reduced from PLN 0.90 to PLN 0 per MWh. The redemption quota for green certificates was reduced from 18.5% to 12%. Finally, the President of the Energy Regulatory Office (URE) increased the distribution fee by 45.5% on the average.

▪ **Construction Law**

Further changes facilitating the implementation of construction projects were effected in 2022. On July 7, 2022, the Parliament passed the Act on amending the Construction Law and certain other acts, which introduced additional mechanisms towards digitisation of the construction process. Furthermore, on June 4, 2022, an amendment to the so called Qualification Regulation came into force, removing radio communication facilities from the catalogue of investments which may have larger environmental impact. The latter has finally solved the problem of an unjustified requirement to obtain environmental decisions prior to the construction of base stations, which used to prolong investment processes.

▪ **New Fixed Broadband Access Information System (SIDUSIS)**

The Act on supporting the development of telecommunications services and networks introduced the obligation to regularly provide information about the availability of data transmission services, enabling fixed broadband access to the Internet, to a new information system (SIDUSIS). The system was launched on December 1, 2022, and the initial data were to be fed by December 31, 2022. As from June 1, 2023, the system will be also fed with information about the address points where such services will become available as a result of investments financed by public funds or private funds (in the latter case, according to three-year plans).

▪ **New Pre-paid Card Registration Solutions for Ukrainian Citizens**

On March 13, 2022, a special Act on refugees from Ukraine came into force (with a retroactive effect from February 24, 2022). In particular, it enabled the registration of pre-paid cards based on any document that may be used to establish the identity of the refugee.

▪ **Tasks for National Defence**

The Act on the defence of the Homeland came into force on April 23, 2022. It is a comprehensive regulation of all the matters related to the national defence, replacing a number of older acts, including the Act on the universal duty to defend the Republic of Poland (of 1967) and the Act on the organisation of tasks for national defence carried out by entrepreneurs. In particular, it includes provisions concerning the duty to defend, military service, the organisation

and financing of the Armed Forces, the operation and tasks of Cyberspace Defence Forces, and the performance of tasks for the Armed Forces by entrepreneurs. Pursuant to transitional provisions, the current terms of performance of tasks for national defence will remain valid for 36 months after coming into force of the Act on the defence of the Homeland. The current tasks may continue pursuant to a decision on the performance of tasks for the Armed Forces.

▪ **EU Funds**

On June 4, 2022, the new Implementation Act came into force. It regulates the implementation of the programmes financed with EU funds in the new financial framework 2021–2027. This act with related secondary legislation will provide the basis for calls for projects financed with European funds.

On June 30, 2022, the European Commission and Poland concluded the Partnership Agreement, laying down the framework for investing EUR 76 billion granted to Poland through particular funds and programmes covered by the financial framework 2021–2027. By the end of 2022, the Commission accepted all 8 national programmes and 16 regional programmes within that framework, including the European Funds for Digital Development (EFDD), which is the successor of the Operational Programme “Digital Poland” (POPC). EFDD provides for the continued support for the development of broadband networks, as well as for co-financing of the development of the 5G network and digital public services. Consequently, first competitions may be launched already in the first quarter of 2023.

The new Implementation Act also includes provisions concerning the National Recovery and Resilience Plan (NRRP): an additional instrument implemented on the national level, which is the EU’s response to the COVID-19 pandemic. Despite the lack of agreement with the Commission regarding payment of funds from the NRRP, some preparatory steps were taken on the national level in 2022. Initial competitions for project financing in this programme were launched in the fourth quarter of 2022 (mainly related to agriculture).

A total of about EUR 2 billion in grants and EUR 1.4 in financial instruments from NRRP and EFDD resources is to be allocated to the development of modern telecommunications infrastructure. Works on determining the terms of the relevant competitions continued throughout 2022. The implementation of projects in this area should minimise the number of locations that remain outside fast broadband coverage. It will have a major impact on the wholesale and retail markets in the near future.

▪ **Broadband Fund**

On March 11 and April 5, 2022, amendments to the Regulation on the use of the Broadband Fund came into force. Their purpose was to clarify the rules of supporting the deployment of broadband networks and harmonise them with EU regulations, particularly enabling grants to local governments. Currently, the Fund is used for telecommunications purposes only to a limited extent, as under the Regulation its resources can be allocated also to other goals related to digitisation.

▪ **Labour Law**

The minimum monthly salary and the minimum hourly rate changed in 2022. Pursuant to the relevant Regulation, the minimum salary will increase to PLN 3,490 as from January 1, 2023, and to PLN 3,600 as from July 1, 2023.

In May 2022, the state of epidemic was cancelled in Poland and the state of epidemic threat was announced. As a result, the labour law solutions provided in the so called COVID acts are still applicable. In particular, these regulations concern remote work and sending employees on outstanding leave or periodic medical examination.

▪ **Commercial Companies Law**

An amendment to the Commercial Companies Code came into force on October 13, 2022. In particular, it introduced regulations concerning corporate groups (holding law) and enabling a parent company to issue legally binding instructions to its subsidiaries.

▪ **Tax Law**

A major adjustment of the so-called ‘Polish Deal’ was passed in 2022. In particular, it eliminated the middle class tax relief, reduced PIT rate from 17% to 12%, and introduced deduction of health insurance contributions from the tax base up to a certain limit by payers of flat-rate tax, tax on registered income or lump sum tax.

An amendment to the CIT Act came into force on January 1, 2023. It introduced a number of piecemeal changes, such as postponement of minimum income tax provisions for two years and modification of the list of entities covered by them, repeal of hidden dividend provisions, repeal of provisions eliminating double taxation of controlled foreign companies (CFCs) making dividend payments within the same holding structure, and changes in the withholding tax (WHT) regime.

Selected Changes in EU Legislation in 2022 of Major Relevance to the Telecommunications Sector

▪ **Cybersecurity**

In 2022, the legislative process continued on two legal acts on cybersecurity: the Directive on measures for a high common level of cybersecurity across the Union (“NIS 2 Directive”) and the Directive on the resilience of critical entities (“CER Directive”). The NIS 2 Directive provides for the minimum provisions to increase the EU’s level of

cyber resilience. The CER Directive aims to enhance the resilience of critical entities and their ability to provide services which are essential for the maintenance of vital societal functions or economic activities. The new Directives came into force on 17 January 2023 and shall be transposed to the national law by 17 October 2024.

▪ **New Regulatory Framework for Digital Services**

In October 2022, EU adopted two new legal acts: the Digital Markets Act (DMA) and the Digital Services Act (DSA), which are the first comprehensive regulations concerning the digital sector. DMA provides for a ban on unfair practices of the largest entities in the digital market, such as preferential treatment of services, while DSA provides for including information on content moderation policies in the terms and conditions of services, tackling illegal content on platforms, and a ban on misleading online interfaces. The aforementioned provisions shall become applicable to the largest platforms and browsers in the first half of 2023.

▪ **Resilience of the Financial Sector in Relation to ICT Services**

On September 24, 2020, the European Commission presented a proposal for the Regulation on digital operational resilience for the financial sector ("Digital Operational Resilience Act", "DORA"), which regulates the relations of this sector with ICT third-party service providers. The work on DORA continued in 2022. The Regulation lays down uniform requirements concerning the security of network and information systems supporting the business processes of financial entities, particularly requirements in relation to ICT risk management, reporting of major ICT-related incidents and the contractual arrangements between ICT third-party service providers and financial entities. The provisions shall become applicable on 17 January 2025.

▪ **Requirements for Equipment**

On January 12, 2022, the Delegated Regulation supplementing Directive on placing radio equipment on the market was adopted. It establishes essential requirements for vendors of internet-connected radio equipment. Vendors have 30 months to adapt to the new Regulation.

On December 7, 2022, the Directive 2022/2380 of 23 November 2022 on the harmonisation of the laws of the Member States relating to the making available on the market of radio equipment was promulgated. Pursuant to it, mobile phones and other devices shall be equipped with the USB Type-C receptacle as from 2024.

National Law – in progress

▪ **Electronic Communications Law**

The Draft Electronic Communications Law and the draft Act introducing the Electronic Communications Law are to implement the European Electronic Communications Code and replace the existing Telecommunication Law.

▪ **National Cybersecurity System**

Legislative work on an amendment to the Act on the national cybersecurity system continued in 2022. The key element of the draft is a mechanism of hardware or software vendor evaluation, particularly in the field of telecommunications. When applied, this mechanism may result in an administrative decision classifying a vendor as a high-risk supplier and identifying the resources to be withdrawn within seven years (or five years for critical resources).

The draft also provides for the establishment of the Strategic Security Network Operator to perform tasks for the national defence in the field of telecommunications. It will be a special state-owned telecom operator providing services to the entities, especially public ones, set forth in the Act. Using the allocated 700 MHz resources, financing from the state budget and other special privileges, the Strategic Security Network Operator should ultimately ensure nationwide network coverage, particularly in areas difficult to access.

The new Act will also introduce changes regarding the performance of tasks related to national defence and network security and integrity by telecom operators, as well as the scope of duties of the entities that form the national cybersecurity system to be implemented in their operating activities.

The bill is expected to be passed and become effective in 2023.

▪ **Crisis Management**

The draft Act on civil protection and the state of natural disaster was published in September 2022. It redefines the crisis management system and tasks, repeals the Act on crisis management, and liquidates the Government Centre for Security (RCB). The tasks related to RCB Alert (renamed SMS Alert) are to be taken over by the newly established State Emergency Service, reporting to the Ministry of Internal Affairs and Administration. In addition, the draft Act redefines the crisis management tasks and the duties of the critical infrastructure operator, and introduces the critical infrastructure continuity plan instead of the critical infrastructure protection plan. It also provides for the pre-installation of RSO and Alarm 112 applications on terminals sold to users.

▪ **Mandatory Electronic Invoicing**

The draft Act amending the act on tax on goods and services and certain other acts, which is undergoing a legislative process, provides that using the National System of e-Invoices (KSeF) will become mandatory for VAT taxpayers as from January 1, 2024, and that no documents issued outside this system will be considered invoices.

▪ Digitisation

The Draft Act on the mObywatel [mCitizen] application is to equate the electronic document available therein with the standard identity document and enable the former to be used for concluding electronic communications service agreements in the physical presence of the parties (i.e. in physical points of sale).

▪ Statutory Obligation to Provide the Mobile Connect Service and Send Information Messages

The draft Act amending the act on digitisation of entities performing public tasks and the Telecommunication Law is to impose new obligations on mobile telecommunication service providers, which will include sending messages of public administration bodies via SMS and providing the Mobile Connect service within a Trusted Profile.

▪ Copyright and Neighbouring Rights

- The draft Act amending the act on copyright and neighbouring rights and certain other acts provides for the uniform rules for licensing television and radio programme rebroadcast irrespective of the broadcast technology used and regulates the dissemination of television and radio programmes made available to the broadcaster by direct injection.
- The draft Act on the status of a professional artist (on the reprographic fee) provides for changes in charging and the scope and amount of the 'reprographic fee' (private copying levy), which is to provide additional remuneration to authors as the so-called compensation for fair culture.

▪ Protection of Minors from Inappropriate Content on the Internet

The draft Act on protecting minors from access to inappropriate content on the Internet provides for imposing on Internet providers the obligation to offer and promote pornographic content blocking, as well as for introducing fines of up to 3% of the provider's revenue for failure to offer such a service.

▪ Competition and Consumer Protection

- The draft Act amending the act on competition and consumer protection and certain other acts, implementing the Directive (EU) 2019/1 ("ECN+ Directive"), provides for granting to the President of the Office for Competition and Consumer Protection (UOKiK) the new right to impose fines on companies for non-performance of their obligations (of up to 5% of the average daily turnover in the financial year preceding the year of the fine for each day of the delay).
- The 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"), which also provides for extending the competencies of the President of UOKiK with the power to order the explicit display of a warning to consumers when they access an online interface or the power to remove content or to restrict access to an application/website.

▪ Labour Law

- The draft Act amending the Labour Code and certain other acts, which is undergoing a legislative process, introduces new remote work regulations and provides for preventive testing for sobriety and controlling for the presence of substances acting similarly to alcohol by the employer.
- The draft Act on the protection of persons who report breaches of law (i.e. whistleblowers) is to implement the Directive (EU) 2019/1937 on the protection of persons who report breaches of Union law.
- The draft Act amending the Labour Code and certain other acts is to implement the Directive 2019/1152 on transparent and predictable working conditions in the European Union and the Directive 2019/1158 on work-life balance for parents and carers ("Work-life Balance Directive").
- The draft Act on collective labour disputes, replacing the Act on the resolution of collective disputes, which has been in force for over 30 years, provides for the introduction of a requirement to identify the joint representation of trade union organisations necessary to initiate and conduct a collective labour dispute as well as the departure from the enumerative definition of the subject matter of a collective labour dispute.

▪ Accessibility of Services for Persons with Disabilities

The draft Act on the accessibility of products and services, implementing the Directive 2019/882, is to impose new obligations on manufacturers and service providers to adapt their products and services to the needs of persons with disabilities (in particular, adaptation of the features and content of the information provided, functions of the user interface of products and elements of services, and compatibility with assistive devices). The new regulations should come into force in June 2025.

▪ EU Funds

Intensive works are underway on a package of several dozen regulations to address on the national level the implementation of programmes financed with EU funds from the National Recovery and Resilience Plan and in the new financial framework 2021–2027. These include regulations providing the detailed terms of granting public aid to large enterprises within competitions for broadband infrastructure deployment or to support the automation and digitisation of companies, that is in the areas where Orange Polska may directly seek co-financing. Presumably,

the great majority of the legal acts regulating the expenditure of EU funds in Poland by 2029 will be adopted before the end of 2023.

EU Law – in progress

- **Revision of Directive on Reducing the Cost of Deploying High-speed Electronic Communications Networks**

In 2022, the European Commission continued work on revision of the Directive 2014/61/EU on measures to reduce the cost of deploying high-speed electronic communications networks.

- **New Regulation on Privacy**

Since 2017, EU institutions have continued work on the Regulation on privacy and electronic communications (ePrivacy), which is to replace the existing provisions concerning personal data protection in electronic communications. However, no compromise on the key elements was reached in 2022.

- **Data Act**

On 23 February 2022, the European Commission presented the draft Data Act. The Regulation is to set a legal framework for contracts for sharing data generated and collected by Internet-connected devices as well as for switching between different cloud data-processing services.

- **Artificial Intelligence**

The work on a legal framework on artificial intelligence: Regulation laying down harmonised rules on artificial intelligence (Artificial Intelligence Act) has continued since 2021. On September 28, 2022, the European Commission adopted two proposals related to liability for artificial intelligence (AI) and AI products (revised Product Liability Directive and the AI Liability Directive).

- **Digital Wallet**

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”).

- **New Cyber Resilience Regulations**

The work on a new regulation on cyber resilience (known as the Cyber Resilience Act) has continued since September 15, 2022. The proposal introduces mandatory cybersecurity requirements for products with digital elements, both hardware and software, throughout their whole life cycle: design, development, production and marketing.

- **Fit for 55**

In 2022, the European Commission continued work on the implementation of the Fit for 55 package, that had been presented on July 14, 2021. The package contains a set of legislative and programme proposals whose overall objective is to reduce the carbon footprint of the European economy. In particular, the package intends to modify energy efficiency requirements for enterprises. The work will continue in 2023.

4.12 Claims and Disputes, Fines and Proceedings

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

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, and 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 2022, Including Projects for Orange S.A.:

- **Immersive Interfaces and Services** (*interactions with users based on artificial intelligence and augmented reality technologies*) – Research driven by the needs of Orange Polska's business units regarding modern digital customer care in Orange stores as well as in the home and work environment has enabled the rapid development of innovative technical components and concepts of the future interactions with users based on artificial intelligence (AI) and augmented reality (AR) technologies. The Proof of Concept of a digital avatar integrating Orange Innovation products and centred around speech recognition and synthesis will be tested in selected physical points of sale in early 2023. The initial experience will feed subsequent iterations of this innovative solution, which aims to enable the multichannel contact with customers and their better understanding. Furthermore, Orange Innovation experts support Orange Polska's strategic task forces that plan new communication/sales channels in virtual worlds by providing technical enablers as well as indicating the risks of this new medium to users and their safety, autonomy and health.
- **Distributed AI Platform** (*methods for reducing the size of neural network models*) – AI model optimisation: the development of methods for reducing the size of neural network models based on the transformer architecture (which has become very popular lately). This architecture is used, *inter alia*, in tasks related to natural language processing (NLP) and prediction of time series, and our research has focused on these applications. The current project exploits the results of Orange Innovation's previous research, expanding them to include the new architecture. The physical reduction of the size of AI models enables the optimisation of costs of retention and subsequent use of these models.
- **New Digital Experience for Workers** – Development of a web system demonstrating the automatic support functionalities for teleconference participants. The system uses the Automatic Speech Recognition module developed by Orange Innovation and implements the algorithms developed by the AI Lab team for dividing and presenting participants' statements in both text and audio form. The system also makes it possible to record selected parts of the visual presentations displayed during online meetings and process them with an OCR module. The system has been released for tests by Orange Innovation. Feedback from test participants will help to clarify the employees' expectations regarding automation of remote meetings.
- **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 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.
- **Expansion of the Orange Group's service portfolio for the IoT sector (NodeRED SaaS)** – Development of a scalable and secure solution for advanced IoT data processing and enhancement based on NodeRed software. Preparing the system for the implementation of new sales models to meet the different needs of customers. Ensuring settlement flexibility by changing a model of flat-rate settlements assigned to a Live Objects account to an independent and flexible billing model accounting for the use of computational resources by instances of individual NodeRED SaaS customers.
- **Expansion of the Orange Group's Smart Video/AI service portfolio** (i.e. Smart Parking, Smart Move & Smart Gate) – Development of universal edge video analytics (EVA) solutions, ready to implement or support smart city/building/parking lot scenarios. Installation of an EVA-based ready-to-use product, Smart Move, as part of a comprehensive solution for the Town of Duszniki Zdrój. Launching a pilot project of the new Smart Gate service in the Skorosze residential estate in Warsaw. Preparing new components, ready to be used for the implementation of future business scenarios.
- **Security for Verticals in Edge Clouds** (within RES/TST, EU Inspire-5Gplus and FCB/Edge Computing domains) – Works to ensure secure hosting for industry verticals and provide security services to ensure performance at a level set forth in the Security Service Level Agreement and meet the specific regulatory requirements related to security.

CHAPTER III ORGANISATION AND CORPORATE STRUCTURE

6 ORGANISATIONAL CHANGES IN 2022

6.1 Group's Structure as of December 31, 2022

Please refer to Note 1.2 to the IFRS Full Year Consolidated Financial Statements for 2022 for the description of the Group's organisation.

6.2 Changes in the Corporate Structure of Orange Polska S.A.

In 2022, there were changes in the corporate structure of the following functions: Network and Technology, Carriers Market and Real Estate Sales, Consumer Market and Business Market. In addition, TP Teltech sp. z o.o. was incorporated into the structures of Orange Polska S.A. The changes aimed at improving the efficiency of these functions, addressing business needs and implementing a new model of investments, combining the investment teams of Orange Polska S.A. and TP Teltech, extending the product portfolio for business customers and optimising the operating costs of companies in the Group.

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

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

On July 1, 2022, a change was introduced in the Active Network Operations (Network and Technologies) function. The field structures of the Central Region were incorporated into other Regions. Furthermore, two new business units, responsible for Innovations in Carriers Solutions and Data & AI Product Development, were created in the Orange Innovation Poland function.

On December 1, 2022, TP Teltech sp. z o.o. was incorporated into the structures of Orange Polska S.A. A new area of Network Investments was created in the Network and Technologies function, combining teams and selected competences of the Infrastructure Development Department (TP Teltech sp. z o.o.) and the Investment Project Implementation area, as well as some Access Network Planning competences of the Access Network Development area (Orange Polska S.A.). In the Infrastructure and Service Maintenance area, there was a transfer of tasks related to the internal and external strategic customer care in terms of service delivery and maintenance as well as tasks related to the maintenance and development of the 5G Lab in the Orange Town. In the Business Market function, there was a transfer of tasks related to the development, maintenance and sales of monitoring and security services as well as tasks related to alarm monitoring stations, service settlements, licensed activities and technical infrastructure.

6.2.1 Management Board of Orange Polska S.A.

As of December 31, 2022, the Management Board was composed of eight Members, who have been assigned the direct supervision over the following Company's matters:

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

6.2.2 Business Units of Orange Polska S.A.

As of December 31, 2022, Orange Polska had 71 business units, reporting directly to:

- 1) President of the Management Board: 1 business unit;
- 2) Vice President of the Management Board in charge of Business Market: 7 business units;
- 3) Vice President of the Management Board in charge of Consumer Market: 8 business units;
- 4) Management Board Member in charge of Networks and Technology: 11 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.

On October 6, 2022, the Extraordinary Meeting of Shareholders of Orange Polska S.A. resolve to merge it with TP Teltech sp. z o.o. by transferring all assets of TP Teltech sp. z o.o. to Orange Polska S.A.

TP Teltech sp. z o.o. was incorporated into the structures of Orange Polska S.A. in December 2022.

6.3 Ownership Changes in the Group in 2022

The Group effected no significant ownership changes in 2022.

6.4 Orange Polska Shareholders

As of December 31, 2022, the share capital of the Company amounted to PLN 3,937 million and was divided into 1,312 million fully paid ordinary bearer shares of nominal value of PLN 3 each.

The ownership structure of the share capital based on information available on February 15, 2023 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%
Allianz OFE, Allianz DFE and Drugi Allianz OFE pension funds	101,073,007	101,073,007	7.70%	303,219,021	7.70%
Nationale-Nederlanden Open Pension Fund	72,053,524	72,053,524	5.49%	216,160,572	5.49%
Other shareholders	474,230,949	474,230,949	36.14%	1,422,692,847	36.14%
TOTAL	1,312,357,479	1,312,357,479	100.00%	3,937,072,437	100.00%

As of February 15, 2023, Orange S.A. held a 50.67% stake in the Company.

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

The Orange Group posted 2021 revenues of €42.5 billion, up 0.8% year-on-year on a comparable basis. It employs 140,000 people worldwide.

Orange S.A. is listed on the Euronext Paris (ORA) and the New York Stock Exchange (ORAN).

As of December 31, 2022, the Company had no information regarding valid agreements or other events that could result in changes in the proportions of shares held by the shareholders.

Orange Polska S.A. did not issue any employee shares in 2022.

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 15, 2023:

- 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 15, 2023.

Shares held in related entities:

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

Supervising Persons

As of February 15, 2023, no persons supervising Orange Polska S.A. held any shares in the Company.

Shares held in related entities:

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

6.5.2 General Meeting

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

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

Furthermore, the Extraordinary General Meeting of Shareholders of Orange Polska S.A. was held in 2022. On October 6, 2022, it resolved to merge Orange Polska S.A. with its subsidiary TP Teltech sp. z o.o. In addition, the Extraordinary General Meeting amended the Articles of Association in connection with the merger of activities of both companies (according to the PKD classification) and in order to adapt it to the statutory changes in the Commercial Companies Code.

6.6 Workforce

As of December 31, 2022, Orange Polska Group employed 9,764 (incl. NetWorkS!) people (in full-time equivalents), which is a decrease of 6.6% compared to the end of December 2021.

Orange Polska's workforce reduction was mainly a result of the implementation of the Social Agreement for the years 2022–2023. Pursuant to the Social Agreement, 760 employees left the Company in 2022. Severance pay in Orange Polska S.A. averaged PLN 95.3 thousand per employee leaving under the Social Agreement in 2022.

In 2022, external recruitment in Orange Polska totalled 586 positions. It was mainly related to sale and customer service positions in Orange Polska S.A.

6.6.1 Social Agreement

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

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

The negotiated Settlement set the quota of departures in 2022 at 760, and determined 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 specified the principles and criteria to be applied by the employer in the process of selecting people whose employment would be terminated through no fault of the employee. The amount of compensation package per departing employee was to depend on their corporate seniority determined in accordance with the Intragroup Collective Labour Agreement for the Employees of Orange Polska S.A.

On October 19, 2022, a Settlement was concluded with the Social Partners, which determines the detailed procedures for the implementation of the Social Agreement for 2022–2023 in 2023. It sets the quota of departures at 640 and determines the terms of voluntary departures. The limit for 2023 is a part of the aggregate two-year limit of departures set in the Social Agreement for 2022–2023. The amount of severance pay and additional compensation for employees departing in 2023 are to be consistent with the provisions of the Social Agreement for 2022–2023. Furthermore, the Settlement for 2023 specifies the principles and criteria to be applied by the employer in the process of selecting employees whose employment will be terminated through no fault of the employee. The amount of compensation package per departing employee will depend on their corporate seniority in accordance with the Intragroup Collective Labour Agreement for the Employees of Orange Polska S.A.

Furthermore, on October 19, 2022, Orange Polska S.A. concluded an Arrangement with trade unions, which sets the principles of base salary increases in 2023 for the Company's employees covered by the Intragroup Collective Labour Agreement, as well as a Settlement, which introduced new pay ranges from January 1, 2023. The Arrangement for 2023 determines the funds to be allocated to base salary increases at a rate of 5.0%. The pay increases will be effected on August 1, 2023 and will cover at least 50% of all employees.

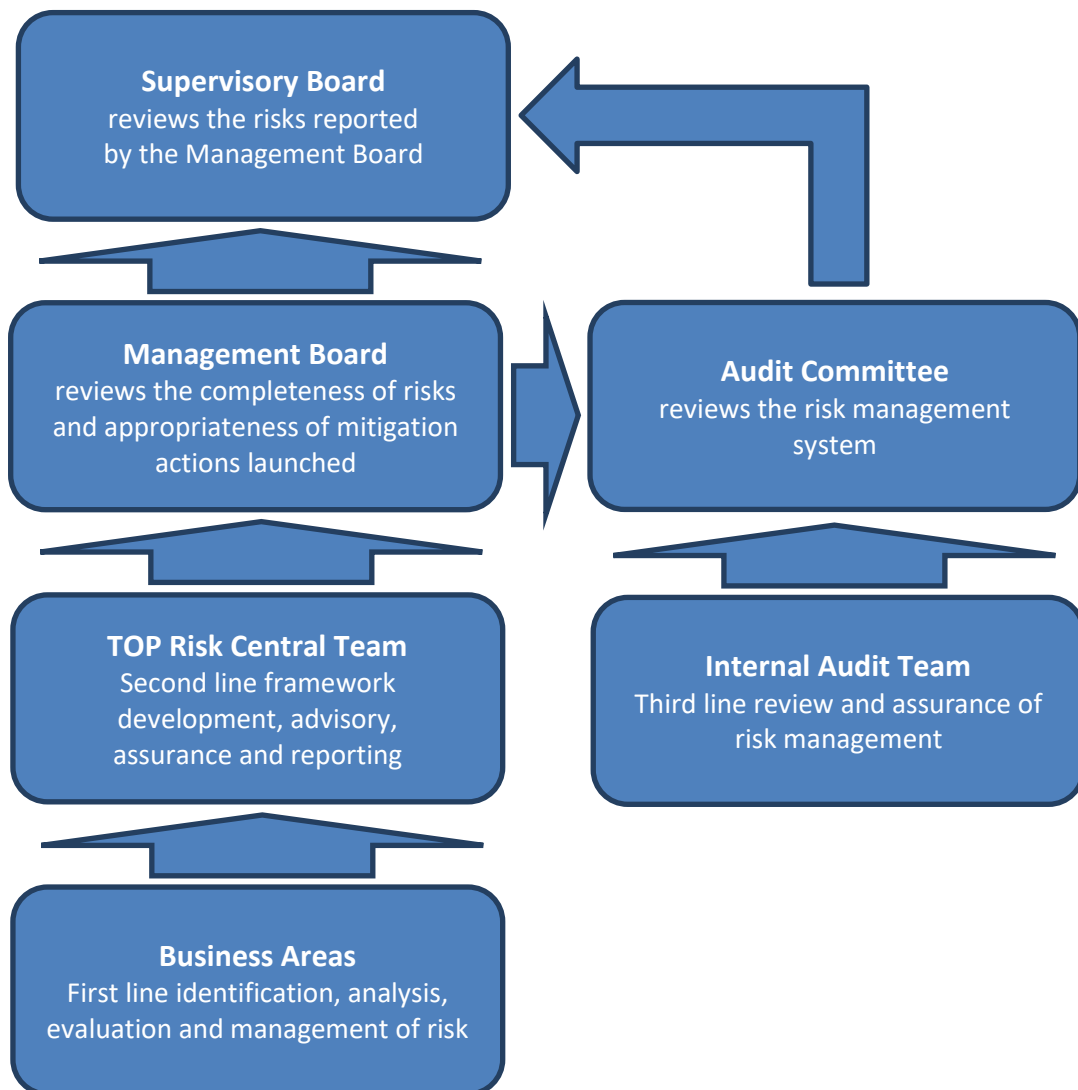
Adapting to the market conditions, Orange Polska also increased its minimum gross base salary from PLN 3,000 to PLN 3,700.

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 standards ISO 31000:2018 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).

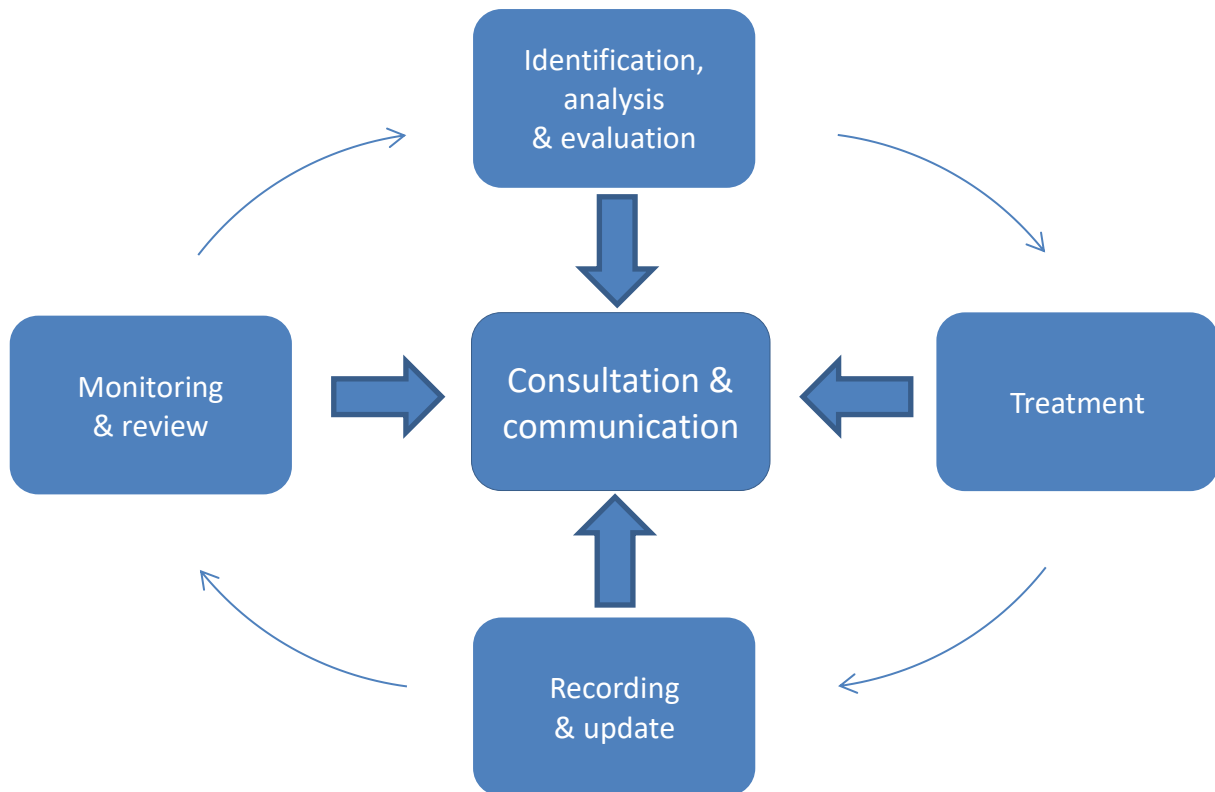
The top risks, which have potentially the worst negative impact on the Group, are assigned mitigation measures in order to prevent or minimise losses. The effectiveness of such measures is verified on an on-going basis, and they are adjusted as required. The risks and the mitigation measures assigned to them constitute an input for the development of the Annual Internal Audit Plan. Indicative heat maps are used to report and evaluate risks. In 2022, some top risks were for the first time described in terms of key risk indicators (KRIs), which complement the information about particular risks and the mitigation measures assigned to them. In 2022, the Supervisory Board received a report on the top risks at Orange Polska in March and the effectiveness of the risk management system was evaluated by the Supervisory Board's Audit Committee in March.

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.

Likelihood	5					
	4					
	3			PR		BC
	2					
	1					
		1	2	3	4	5
		Impact				

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

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

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

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

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

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

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

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 over the recent years has increasingly shifted towards service quality, network connectivity and customer care (although price remains a major consideration). 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 products and 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 below.

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) and ICM (Integrated Computing Managed). 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 duration of service interruptions may be also affected by the on-going war in Ukraine, which may trigger a number of additional risks, notably restricted access to electricity due to blackouts or power reductions.

The occurrence of such incidents could have a major impact on the quality and availability of the services provided and Orange Polska's failure to apply the adequate remedies could seriously damage its 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.

In particular, this risk is mitigated in Orange Polska by the implementation of adequate protective measures and safety procedures, 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 the implementation of business continuity and crisis management plans. Orange Polska holds the ISO 22301:2019 Certificate for its Business Continuity Management System with respect to provision of telecommunications, 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 the 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. On September 15, 2022, the European Commission adopted the proposal of a new regulation known as the Cyber Resilience Act. When adopted, it will regulate the requirements for vendors of hardware and software, including that used in telecommunications networks.

Work in this area is also carried out at the 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 telecommunications 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 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.
- 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. A new version thereof was published in October 2022. Both the initial draft and its modified version 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.

Thus, currently no legal regulations or other binding decisions have been adopted in Poland that would restrict co-operation with specific vendors. The sole requirement in force is the obligation to apply strategies avoiding the dependence on one supplier.

The future state of affairs in this respect may be influenced by a number of factors, largely related to the international situation, including: the development of US-China relations and their impact on supply chains; Russian aggression against Ukraine; and Poland-US relations, particularly in the areas of national defence and power generation. As any major change in conditions may necessitate the relevant adaptation by Orange Polska, the legal environment of its activities is subject to analysis and evaluation on a current basis.

The potential recognition of some vendors as high-risk suppliers will involve the consequences to be specified in future legal acts and will apply to the scope indicated in the relevant future administrative decision. Such consequences may include the restrictions on the scope of co-operation with particular vendors and the use of resources provided by them, which could limit the pool of potential suppliers and thus affect the maintenance as well as plans for the construction and development of network infrastructure (including 5G). This might 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 Service Discontinuation or Contract Termination Due to Placing of Business Partners on Sanctions Lists

Orange Polska complies with the sanctions regime and regulations relevant to its operations. In particular, it abides by the restrictions on persons and entities imposed by Poland, the European Union and its member states, the United Kingdom, the United States and the United Nations.

Orange Polska exercises due diligence over its business partners (third parties) to ensure that they are not included in sanctions lists. In particular:

- Its base of business partners is regularly verified against sanctions lists;
- A due diligence verification process is applied prior to commencing co-operation;
- The compliance clause, notably the obligation to comply with the sanctions regime, is included in contracts with our business partners.

The complexity and constant evolution of the regulatory environment pose the main challenge in respecting economic sanctions. Therefore, the identification and analysis of economic sanctions as well as compliance with them are of fundamental importance for Orange Polska.

7.1.8 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.

7.1.9 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 rollout of network infrastructure and the growing volume of data traffic are contributing to the 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 on Orange Polska's operations both globally (disruption of supply chains, potential socio-economic disturbances) and locally (an increase in average and maximum temperatures affecting infrastructure, the prices and continuity of supply of energy, and the 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 non-financial information in the section 10 below.

7.1.10 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 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 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).

7.1.11 Human Resources Risks and Alignment of the Organisational 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. 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 telecommunications 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 Risks Related to the Acquisition of New Spectrum for High-tech Telecommunications Services

Growing demand for data services and future development of 5G systems necessitates the allocation of new bandwidth. The primary spectrum for the 5G technology includes the 3400–3800 MHz band ("C-band"), which would greatly relieve mobile networks in urban areas (capacity band), and the 700 MHz band, which would significantly enhance the service quality in semi-urban and rural areas (coverage band).

At the end of December 2022, more than two years after the cancellation of the former procedure, the President of the Office of Electronic Communications (UKE) launched a public consultation regarding the C-band auction dossier. The proposed auction structure has not changed. It provides for allocating four frequency licences of 80 MHz each, valid for 15 years. Only one entity from each group of companies is eligible to participate in the auction. Each participant (or its group) has 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). Bidding for each licence will start at PLN 450 million. According to the time schedule presented by the President of UKE, the frequency licenses should be allocated in the third quarter of 2023.

A new element of the procedure is that winners will be required to reach a number of investment commitments regarding network coverage and various quality requirements. The network should reach data transmission targets in terms of capacity (Mbps) and latency (ms) for the certain country area and the predefined share of households, as well as selected national and regional roads and railway lines. The network coverage and parameters are to increase over time, reaching the ultimate targets within seven years, while the intermediate targets are to be achieved within one, three and five years. Importantly, these parameters may be reached using any frequencies held by the operator. As to the quantitative commitments, within 36 months the auction winner should launch the predefined number of base stations operating in the C-band nationwide, including specific numbers in each administrative unit (gmina) depending on its population.

It may be expected that the proposed commitments will be the subject of numerous discussions between the market players and the regulator, which might influence the course and duration of the bandwidth allocation process.

Another uncertainty area is the distribution of the second digital dividend, that is the 700 MHz spectrum. When announcing the consultation of the C-band auction process, the President of UKE declared that the selection procedures for the 700 MHz band will be announced in 2023. However, the full usage of this band would require a number of international agreements, particularly with the Russian Federation and Ukraine, to enable its release for mobile communication systems without the risk of mutual interference. Considering Russia's military action on the Ukrainian territory, signing such agreements seems very difficult at present.

Yet another risk is related to the way and purpose of the distribution of the 700 MHz spectrum. According to the latest version of the draft Act on the national cybersecurity system, 10 MHz out of this band is to be allocated to the Strategic Security Network Operator (OSSB). The previous concept of the establishment of the company Polskie 5G [Polish 5G], which was to be granted access to the remaining 20 MHz of the bandwidth and whose creation and functioning raised major concerns in the market, has been abandoned. Presumably, as the provisions regarding the establishment of Polish 5G have been deleted, the remaining 20 MHz in the 700 MHz band will be distributed

in a transparent allocation process. However, according to the draft Act, in situations of extreme emergency the operators using the 700 MHz band would have to temporarily transfer their frequency resources to OSSB. As the ultimate form of the Act is not yet known, there is a risk of further changes or restrictions related to the terms of distribution of the 700 MHz spectrum.

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!, has 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 core 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.

In 2022, an amendment to the 'Polish Deal' introduced further changes regarding WHT settlements, the minimum tax and the 'anti-inflation shields'.

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 Risk of Increased Competition in the Market of Convergent Offers and Fibre Service Sales

Poland's telecommunications market is highly competitive. Over the last few years, competitive struggle has shifted from sales of mobile or fixed line only services towards convergence, that is offering bundles of mobile and fixed line services. This integrated approach to provision of telecommunications services had been pioneered by Orange Polska. At present, all mobile operators provide also fixed line services, gradually increasing their reach. It has been made possible through wholesale partnerships (e.g. T-Mobile with Orange Polska), emergence of specialised wholesale operators investing in fibre rollout (e.g. Światłowód Inwestycje, Fiberhost or Nexera), fibre network development projects co-financed with the EU funds (POPC), and market consolidation (e.g. acquisition of the largest cable operator, UPC, by Play).

In its strategy, Orange Polska intends to further increase its fibre footprint, which constitutes the main basis for offering convergent services. However, unlike in the previous years, this has been effected mainly through wholesale partnerships with other operators rather than construction of its own network. On the other hand, Orange Polska has opened its own fibre network 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 will result in the alignment of the reach of fibre services offered by various operators and more intense competition for retail customers in the future.

7.3.2 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 as well as labour and container shortages. In 2022, high market demand still clashed with a wave of difficulties on the supply side. This resulted from the continued pandemic restrictions in China, but, above all, the supply chain restrictions caused directly or indirectly by Russian aggression against Ukraine. As a consequence of the war in Ukraine, the market in this country was blocked and sanctions were imposed on Russia and Belarus. This situation has had a major negative impact on the global supply chain. One of the most visible effects of the global disruption in production and logistics is inflation. Numerous markets and industries have been hit by these disturbances, and the market situation is still largely characterised by high uncertainty about the future. In addition, the disruption of trade between the United States and China has had negative repercussions, as the restrictions gradually imposed by the US have increasingly affected the supply chain of modern technologies (semiconductors and chipsets) in both China and their technology partners.

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.

Despite the unstable market situation in the last quarter of 2022, Orange Polska has secured the full availability of customer products for the purpose of sales, while deliveries have been made according to schedule. As for network equipment, the purchases for the investment projects to be implemented in 2023 have been made in advance and currently the relevant products are being delivered to Orange Polska's warehouses. Thus, the risk of non-availability and expected price increases has been largely mitigated.

7.4.2 Risk of Prolonged Lower-than-expected Economic Growth Due to Negative Internal and External Factors

In 2022, uncertainty continued to shape the economic landscape both globally and in Poland. The impact of the pandemic hitherto and the related restrictions in the global supply chain were exacerbated by the outbreak of war in Ukraine. The rate of the post-pandemic economic recovery in Poland, driven by private consumption expenditure in the context of low interest rates and high level of investment in the market, was revised upwards by Statistics Poland to 6.8% in 2021, while according to its initial estimates the GDP growth in 2022 stood at 4.9%.

However, the outbreak of war in Ukraine, due to Russian aggression, resulted in a wave of unprecedented disturbances in the global economy. The negative effects of this conflict and the resulting restrictions are affecting Poland's economy and its future growth prospects.

The disruption of the global supply chain, shortages due to disturbed raw materials flows and rising inflation will have the greatest impact on the economy. The state intervention through fiscal policy (i.e. social policy, 'Anti-inflation Shields', frozen electricity prices, etc.) coupled with the impact on currency rates had a significant impact on the economy already in 2022 and will certainly have a major impact in 2023 as well. Monetary policy, through anti-inflation measures, will directly affect the rate of economic growth in Poland. If interest rates are changed too slowly, especially in combination with loose fiscal policy, further inflation growth can be expected, whereas overly aggressive monetary policy can hold back the economy and increase unemployment. The macroeconomic environment will be also significantly affected by the prolonged geopolitical uncertainty (due to the on-going Russian aggression), uncertain influx of EU funds (due to the on-going dispute with EU institutions over the rule of law) and internal policy, especially in the context of the forthcoming parliamentary elections in the autumn).

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.

According to the consensus economic forecast, Poland's GDP growth will slow down to 0.6% in 2023.

7.4.3 Reduced Profitability of the Telecommunications Sector Due to Growing Inflationary Pressure

Average annual CPI reached 14.4% in 2022 and was significantly above the National Bank of Poland's inflation target (2.5%). High inflationary pressure is expected to continue in 2023, mainly due to a rise in raw material prices (gas, energy), Russian aggression, financial market uncertainty and problems with global supply chains. According to the current consensus forecast of the average annual inflation rate, inflation will remain high at 13.8% in 2023.

Inflationary pressure was on the rise in Poland already during the pandemic in 2020. Nevertheless, the Monetary Policy Council maintained the reference rate at the record low of 0.10% in 2020. In the fourth quarter of 2021, it raised the reference rate three times, taking it to 1.75% at the end of the year. In 2022, the Council responded to the further growth of inflation, exceeding historical highs in subsequent months, by adopting further interest rate increases. The inflation rate in Poland stood at 16.6% at the year-end. As inflation growth is expected to continue in 2023, 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 in the economy for goods and services, including telecommunication services. Furthermore, growing competition in the telecom market, including the convergent segment, may intensify pressure on service prices.

Furthermore, prices of telecommunication services in Poland are among the lowest among EU countries, and in the inflationary environment 24-month subscriber agreements, dominating in the market, may pose a risk to future profitability. High inflation also affects other operating and financial activities of the Company (such as energy costs, purchases, wages and project profitability).

7.4.4 Risk of Further Growth of Electricity Prices

The availability of energy has a major impact on the entire economy and the situation of businesses whose activities are highly dependent on it. However, growing electricity prices are an equal threat to a company such as Orange Polska, which operates extensive technical infrastructure nationwide. The on-going war in Ukraine and the resulting sanctions on trade with Russia imposed by the EU countries and the US resulted in an unprecedented rise in electricity prices across Europe. A ban on imports of cheap coal from Russia led to a rise in prices of this primary energy fuel in the Polish power industry. Imports of more expensive coal from the Western countries increased instead. In 2022, the (API2) CIF ARA coal price index in the European Amsterdam-Rotterdam-Antwerp ports increased from USD 100/t at the beginning of the year to USD 460/t in mid March (up 360% in response to the outbreak of war), then fell to USD 240/t. Towards the end of the year, due to the seasonal increase in demand, the price was approaching USD 300/t. As for prices of the Polish coal, which was in shortage in 2022, the PSCMI 1 price index, reflecting the steam coal prices for the power industry, increased from PLN 290/t at the beginning of the year to PLN 640/t in August (up 120%).

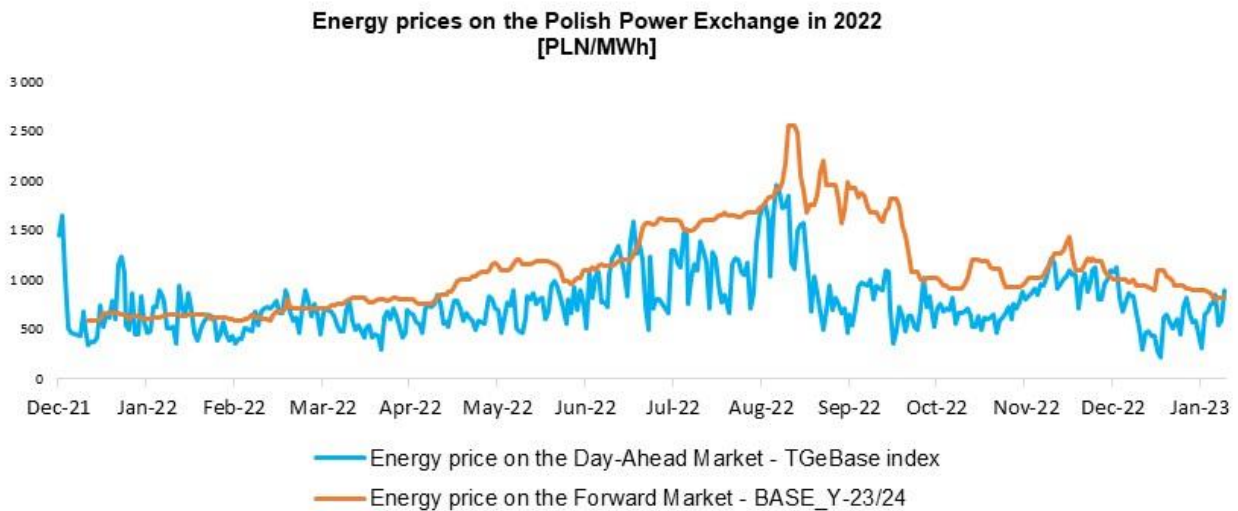
The political situation led to a surge in natural gas prices. At the Polish Power Exchange, the volume-weighted average price on the Day-Ahead Market stood at PLN 396.61/MWh in January 2022. It increased to PLN 1,110.29/MWh in August (up 180%), then fell to PLN 571.21/MWh at the end of December.

An additional factor contributing to the magnitude of price increases has been the rising cost of CO₂ emissions allowances. In 2022, for the first time in history their price approached EUR 100/t, reaching EUR 99.22/t in August. Right after the outbreak of war, the prices of CO₂ emissions allowances fell rapidly to EUR 55/t. By now, owing to a rise in demand due to the increased power generation by conventional power plants in Europe, their price has rebounded to EUR 84/t.

Another major factor contributing to high energy prices in Poland was the record-high rate of failures of coal-fired power units in 2022. In the summer season, when energy is in high demand in Poland due to the operation of A/C systems, the scale of both scheduled and non-scheduled repairs of power units was by far the highest. The difficult situation was further aggravated by the non-availability of modern power facilities generating electricity at the lowest cost owing to high efficiency and low emissions. There is no reason to expect that this will not recur in subsequent years.

As a result of the aforementioned factors, the energy prices on the Polish Power Exchange in 2022 increased both on the Day-Ahead Market, which represents current prices, and the Future Market, where throughout 2022 we could

purchase energy for 2023. The price increase versus the beginning of the year reached its peak in August, approaching 500%. The price quotations in the period changed as follows:



The regulations aiming to reduce energy prices in Poland came into force in the fourth quarter of 2022. Their key elements are as follows:

- Electricity price caps for households, local authorities and small and medium enterprises;
- Gas price caps for households;
- Price quotation caps on the Balancing Market;
- Renewable energy sale price caps;
- Margin caps for transactions between trading companies;
- Lifting the generators' obligation to sell electricity via the Polish Power Exchange.

Importantly, the price growth mitigation measures introduced by the government do not apply to large enterprises, such as Orange Polska S.A.

The new regulations resulted in a short-term intensive decline in prices. However, due to the seasonal increase in demand for energy and a high failure rate of coal-fired power units in the winter season, this could transform into an upward trend on the short-term market.

The independent analysts from the Energy Forum institute have prepared an analysis of the expected energy price growth in 2023 by consumer categories.

According to the report, electricity price freezing in 2023 will not protect any group of consumers against higher bills. The reinstatement of the excise tax and old VAT rate will raise costs by 20–60%. According to the Energy Forum, the big industry, which is not covered by any compensation schemes, will be the hardest hit by the price growth, as its electricity costs depend to the largest extent on the developments on the power exchange. It is estimated that the relevant bills may increase by up to 85% year-on-year.

In 2022, Orange Polska S.A., aware that it could not count on regulated prices in 2023, took a number of initiatives to mitigate the risk of electricity price growth in subsequent years. As a result, new Power Purchase Agreements (PPAs) were concluded directly with renewable energy producers, which will provide for cheap electricity supply in the near future. According to power generation forecasts for wind power plants, about 75% of Orange Polska's energy consumption will be secured under those agreements.

7.4.5 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. The effects of the pandemic were mitigated by the worldwide vaccination campaign. As a result, the pandemic restrictions were lifted in most countries, and with the economic recovery coupled with growing private consumption expenditure and investment level, the demand for labour increased. In Poland, workforce shortages and rapidly growing inflation led to growing pressure on wages. In 2022, in the context of continued economic growth, these trends initially continued. However, the outbreak of war in Ukraine changed the macroeconomic landscape and market outlook not only in Poland, but also globally. Problems with the global supply chain, particularly in the raw materials market, contributed to high inflation rate. This led to rising wage pressure in the market in 2022. Poland's labour market was also directly affected by the war in Ukraine. With the start of Russian aggression, many Ukrainian employees, working in various sectors of the economy, left the labour market in Poland. On the other hand, there was a marked inflow of immigrants, mainly women and children.

The forecast economic slowdown coupled with high inflation rate will definitely continue to affect Poland's labour market in 2023. The more difficult financial standing related to higher prices of raw materials and growing labour costs (particularly due to an increase in the minimum wage) may lead companies to limit recruitment or even reduce their workforce (the first indications of this trend were already seen towards the end of 2022). However, with the economic growth prospects in Poland, its labour market will not be particularly hit owing to some additional factors, including the limited availability of workforce in the market (with some industries already facing labour shortages) and, in the long run, the demographics of the Polish society. According to the consensus forecast, the unemployment rate in Poland will be relatively stable in the next few years, reaching an estimated level of 5.6% in 2023.

7.4.6 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, which is still valid in the 2023 perspective, 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

7.4.7 Increase of Interest Rates

In 2022, the Monetary Policy Council continued a cycle of interest rate increases in Poland. In response to rising inflation, the National Bank of Poland's reference rate increased from 1.75% in January to 6.75% at the year-end. Monetary policy tightening stopped at this level with concerns of inhibiting the economic growth. The economic slowdown seen in the second half of the year coupled with the still uncertain situation beyond the Polish eastern border should contribute to the stabilisation of the monetary policy of the Polish central bank. Higher interest rates should not have any material impact on liabilities of Orange Polska owing to a hedging portfolio maintained.

7.4.8 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 2022, the Polish zloty lost 2.2% against the euro and 8.2% 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.

7.4.9 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.

7.4.10 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 .Grow strategy for 2021–2024;
- 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 Nowochoński | – 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 2022 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 2022 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 for other services rendered by KPMG Audyt spółka z ograniczoną odpowiedzialnością sp. k. for 2022 is presented below (in PLN '000):

	2022
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 2022, 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, 2022	2,395
Other services	534
Total amount payable by the Group	2,929

In 2021, the aggregate remuneration for auditing and reviewing the above-mentioned financial statements and other services rendered by KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k. was as follows: PLN 2,715 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.; and PLN 531 thousand for other services to Orange Polska S.A.

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

The Group guidance for full-year 2022 was published in the current report 3/2022 published on February 16, 2022. According to the current report 12/2022 published on July 27, 2022, the Group increased revenue guidance, expecting revenues to grow by a low single digit percentage versus a small decline previously. At the same time, the Management Board maintained the guidance for EBITDAaL (flat/low single digit growth) and eCapex (range of PLN 1.7-1.9 bn).

The forecast has been met, as revenue amounted to PLN 12,488 million in 2022 and was up 4.7% year-on-year, EBITDAaL amounted to PLN 3,078 million in 2022 and was higher by 3.9% year-on-year, and eCapex amounted to PLN 1,719 million in 2022 and were lower by 1% year-on-year.

The growth resulted from strong results across all core revenue lines and the continuation of the 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 13/1834/2021 of the Supervisory Board of the Warsaw Stock Exchange dated March 29, 2021, the Company, as an issuer of securities listed on the Warsaw Stock Exchange (WSE), has been obliged to comply with the corporate governance practices set out in the *Best Practice for GPW Listed Companies 2021*.

The latter is available at <http://corp-gov.gpw.pl>.

(b) Corporate governance compliance

In 2022, the Company complied with the corporate governance *Best Practice* in force.

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, 2022, 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 by employees, associates and external partners through a number of communication channels, such as emails to the dedicated mailbox, notifying the Chairman of the Ethics Committee orally or in writing (to his postal address), contact with the Chairman of the Audit Committee of the Supervisory Board, or 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 activities are carried out in order to raise employees' awareness of anti-corruption laws and rules. The aforementioned regulations have been strengthened in terms of the conflict of interest management by introducing the relevant Policies for employees and managers, as well as the Members of the Supervisory Board and Management Board of Orange Polska.

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 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 2022, 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 have been 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 2022, 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, 2022.

(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.

(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 the shareholder(s) representing at least 5% of the share capital; or

- (2) the Supervisory Board, if it is necessary in its opinion; or
- (3) the shareholder(s) representing at least half of the share capital or at least half of the 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 the 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 statements and the 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 legal acts or the Articles of Association, 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 (or another representative) 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 should 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 2022

Composition on January 1, 2022:

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

There were no changes in the composition of the Management Board in 2022.

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 ten 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. 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. She is also responsible for the Company's subsidiaries: Integrated Solutions and BlueSoft. 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 Vice-President of the Management Board 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, the Professional Women Network and the LiderShe association. Furthermore, she is an active mentor in mentoring programmes and the co-author of Europe's first course of studies designed specifically for women: Women's Leadership Academy at Leon Koźmiński Academy.

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 is a member of the Board of the Security Forum Foundation. He is a graduate of Law and International Relations at the University of Warsaw and 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 a Member of the Supervisory Board of Światłowód Inwestycje. In 2008–2022, he served as the Chairman of the Supervisory Board of TP Teltech.

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 has 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 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. Prior to that, he was a history teacher (and enthusiast), the designer of educational programmes and solutions, the author of handbooks and textbooks, a certified trainer and a project manager.

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. He is also the Chairman of the Supervisory Board of the Orange Polska Pension Fund and a Member of the Supervisory Boards of Integrated Solutions and the Orange Foundation. For over seven years he has been a member of Human Explorers, an informal association of over a dozen leading Polish companies, represented by their Chief Human Resources Officers, which is focused on developing and sharing innovative HR solutions. Furthermore, he is a member of the Pro Bono Leaders initiative and an enthusiast of volunteering as a movement that makes the world a significantly better place.

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: NetWorkSI, Światłowód Inwestycje, BlueSoft and Światłowód Inwestycje, as well as a Member of the Supervisory Board of the Polish Association of Listed Companies (SEG). In 2020–2022, he served as a Member of the Supervisory Board of TP Teltech. Prior to 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 Chief Financial Officer in 2014–2020. In 2020 and 2021, he was responsible for the establishment and launch of the wholesale operator Światłowód Inwestycje. Prior to that, 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, as a Member of the Management Board of Orange Polska, he has been responsible for the carriers market and real estate sales. Furthermore, he is the Chairman of the Supervisory Board of Światłowód Inwestycje. 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 2022

Composition on January 1, 2022:

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

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

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

Composition on December 31, 2022:

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

As at December 31, 2022, Orange Polska had five independent Members on the Supervisory Board, namely Bartosz Dobrzyński, John Russell Houlden, Monika Nachyła, Maria Pasło-Wiśniewska PhD and Wioletta Rosołowska.

Composition of the Committees of the Supervisory Board on December 31, 2022:

The Audit Committee

1. John Russell Houlden – Chairman
2. Monika Nachyła
3. Maria Pasło-Wiśniewska PhD
4. Marc Ricau
5. Jean-Michel Thibaud

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

The Remuneration Committee

1. Maria Pasło-Wiśniewska PhD – Chairwoman
2. Bénédicte David

3. Bartosz Dobrzyński
4. Marc Ricau

The Strategy Committee

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

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

Below, is the list of the Members of Orange Polska Supervisory Board and Management Board together with the Annual General 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 Nowochoński	2023

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

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 satisfy 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 Supervisory Board work shall be managed by the Chairman who shall have the duty to properly organise its work, in particular to convene the Supervisory Board meetings. In the absence of the Chairman, his powers are taken over by the most senior deputy, the Secretary or the most senior Member of the Supervisory Board. The Supervisory Board shall hold meetings at least once a quarter. The Management Board or a Member of the Supervisory Board may request a meeting of the Supervisory Board to be convened, specifying the proposed agenda for the meeting. The Chairman of the Supervisory Board shall convene the meeting within two weeks from the date of the motion. If the Chairman of the Supervisory Board fails to convene the meeting within two weeks from the date of the motion, the mover of the motion may convene the meeting himself, specifying the date, the place and the proposed agenda. The Supervisory Board may also hold meetings without formal convocation, if all members give their consent thereto and make no objections against putting certain issues on the agenda. The Supervisory Board shall adopt resolutions if at least half of its Members are present at the meeting and all Members have been invited. During the meeting, the Supervisory Board may also adopt resolutions on issues which are not put on the proposed meeting agenda, if none of the Supervisory Board Members participating in the meeting objects thereto. The Supervisory Board shall pass its resolutions by a simple majority of the votes cast. In the case of a tied vote, the Chairman shall have a casting vote. It is permissible to participate in a meeting of the Supervisory Board

also using means of direct remote communication. Voting by the Supervisory Board shall be open. 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.

Although the Supervisory 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 of the Supervisory Board. 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 Supervisory Board takes into account the social, environmental and ethical considerations that relate to the Group's business.

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 Supervisory Board by-laws 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 the collective views of FTSE 100 companies to the International Accounting Standards Board, the European Securities and Markets Authority and other regulatory bodies). From 2020 to 2022 he was the Chairman of the Audit Committee of Babcock International Group (an FTSE 250 company) where oversaw the reset of accounting and audit quality involving the correction of over 40 accounting errors from years prior to his tenure. From 2022 to date he has also been an Operating Partner of Corsair Infrastructure and a Non-executive Director of Yorkshire Water.

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 Institute of Political Sciences in 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-Synthelabo. 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 the 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 six meetings in 2022.

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). 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 socially-oriented 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. 6/22 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.

The Orange Foundation, which carries out its socially-oriented 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 adopted by a decision of the President of the Management Board in 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.

Orange Polska is committed to respecting diversity and equal opportunities in the following dimensions:

- gender;
- age;
- competence / expertise / experience / mindset;
- psychophysical skills – (dis)abilities;
- parental status;
- religion / beliefs;
- workplace location (HQ vs. region);
- nationality / ethnic origin / race;
- sexual orientation;
- type of employment;
- trade union membership;
- political convictions.

The implementation of our Diversity Management Policy is supported by the Committee for Gender Equality and Diversity in the Workplace. The quality of our diversity management has been confirmed by the Gender Equality European and International Standard (GEEIS) certificate.

In 2021, Orange Polska adopted the Diversity Management Policy for Members of the Management Board.

In the process of selection of 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 selection of the Management Board Members based on the appropriate level of knowledge, skills, education, competences and professional experience of the candidates;
- shall ensure that the Management Board Members include people of diverse gender, age, specialist knowledge, education and professional experience;
- with regard to gender diversity, shall aim to keep women participation of at least 30%.

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*.

Furthermore, the Annual General Meeting adopted the Diversity Management Policy for Members of the Supervisory Board in 2022.

In the process of selection of Members of the Supervisory Board, the General Meeting:

- shall make decisions on the selection of Supervisory Board Members based on the appropriate level of knowledge, skills, education, competences and professional experience of the candidates;
- shall ensure that the Supervisory Board Members include people of diverse gender, age, specialist knowledge, education and professional experience;
- shall ensure the presence of at least four members of the Supervisory Board who meet the independence criteria specified in the Act of May 11, 2017 on statutory auditors, audit firms and public oversight, as well as the Company's Articles of Association and have no real and significant connections with a shareholder holding at least 5% of the total number of votes in the Company;
- with regard to gender diversity, shall aim to keep women participation of at least 30%.

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, which corresponds to 36% of the composition thereof.

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, which corresponds to 25% of the composition thereof (as of December 31, 2022).

On an annual basis, Orange Polska develops 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). We regularly analyse remuneration of women and men. The gender pay gap index is determined for employees performing comparable work at positions within the same pay grades. In 2022, it was 3.3% at specialist positions and 3.8% at management positions. No major deviation of this index 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.

Remuneration levels within Orange Polska S.A. are compared to those offered by peer companies in the market. The managers' remuneration 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 2022

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 2022			
	<i>Fixed cost of services purchased from the Orange Group in 2022*</i>	<i>Variable cost of services purchased from the Orange Group in 2022¹</i>	<i>Total cost of services purchased from the Orange Group in 2022</i>	<i>Additionally: Variable cost of services purchased from the Orange Group in 2021 and paid in 2022 (excl. advance payment on the account of MBO bonus paid in December 2021)</i>
Julien Ducarroz	3,848	1,822	5,670	1,077
Total	3,848	1,822	5,670	1,077

¹ Includes bonuses accrued in 2022 to be paid in 2023, excludes bonuses accrued in 2021 and paid in 2022.

* Fixed cost includes an additional benefit in the form of a pass for the Orange Warsaw Festival, which was received by the President of the Management Board from Orange Polska S.A. The benefit was worth PLN 1,998.

The remuneration of the Management Board Members employed by Orange Polska S.A. was as follows:

(PLN '000)	12 months ended 31 December 2022			
	Fixed remuneration expense in 2022	Variable remuneration expense in 2022 ¹	Total remuneration expense in 2022	Additionally: Variable remuneration expense in 2021 and paid in 2022 (excl. advance payment on the account of MBO bonus paid in December 2021)
Jolanta Dudek	1,357	863	2,220	278
Bożena Leśniewska	1,629	1,068	2,697	356
Witold Drożdż	1,097	700	1,797	231
Piotr Jaworski	1,166	739	1,905	240
Jacek Kowalski	1,293	820	2,113	289
Jacek Kunicki	1,239	779	2,018	233
Maciej Nowohoński	1,336	852	2,188	281
Total	9,117	5,821	14,938	1,908

¹ Includes bonuses accrued in 2022 to be paid in 2023, excludes bonuses accrued in 2021 and paid in 2022.

In addition, Ms. Bożena Leśniewska used a sport card financed from the Company Social Benefits Fund. The benefit was worth PLN 492 in 2022 (not included in the table above).

Persons that were Members of the Management Board of the Company as at 31 December 2021

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.

The Supervisory Board remuneration was as follows:

(PLN '000)	12 months ended 31 December 2022	12 months ended 31 December 2021
Maciej Witucki ⁽⁴⁾	430	434
Ramon Fernandez ⁽¹⁾	–	–
Marc Ricau ⁽¹⁾	–	–
Henryka Bochniarz, PhD ⁽²⁾⁽⁴⁾	–	108
Philippe Béguin ⁽¹⁾	–	–

Thierry Bonhomme ⁽²⁾	–	102
Bénédicte David ⁽¹⁾	–	–
Eric Debroeck ⁽²⁾	–	102
Bartosz Dobrzyński ⁽⁵⁾	158	
John Russell Houlden	394	394
Marie-Noëlle Jégo-Laveissière ⁽¹⁾	–	–
Prof. Michał Kleiber ⁽²⁾⁽⁴⁾	66	214
Patrice Lambert-de Diesbach ⁽¹⁾	–	–
Monika Nachyła ⁽⁵⁾	217	210
Maria Pasło-Wiśniewska, PhD ⁽⁴⁾⁽⁵⁾	321	317
Wioletta Rosołowska	210	109
Jean-Michel Thibaud ⁽¹⁾	–	–
Jean Marc Vignolles ⁽³⁾	–	–
Total	1,796	1,990

⁽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 2022, but were Members of the Supervisory Board of Orange Polska S.A. in 2021 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.

⁽⁴⁾ Remuneration includes reimbursement of some social insurance contributions as the limitation of the annual basis for calculating contributions was exceeded.

⁽⁵⁾ Remuneration in 2022 includes additional benefits in the form of passes for the Orange Warsaw Festival (OWF) and the Open'er Festival (Mr. Bartosz Dobrzyński and Ms. Monika Nachyła: for both OWF and Open'er; Ms. Maria Pasło-Wiśniewska for Open'er).

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: EBITDAaL, Organic Cash Flow (OCF), CO₂ emissions (Green), 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 higher Organic Cash Flow and EBITDAaL minus eCapex than the Stretch Bonus objective set for the given year. On March 25, 2022, the Supervisory Board, upon recommendation of its Remuneration Committee, granted the right to the additional Stretch Bonus to the Members of the Management Board. The right to the Stretch Bonus was also extended to include the Executive Directors. 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. These are payable on a one-off basis or throughout the year and include housing allowance, plane tickets, French social insurance contributions, etc.

Long Term Incentive Programme for the key executives of Orange Polska S.A. based on derivatives (phantom shares; LTI)

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. Two series, 2021–2023 and 2022–2024, have been launched in the Programme.

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 CO₂ emissions, and achieving at least one of two targets: (i) average share price in 1Q 2024 for the 2021–2023 series or in Q1 2025 for the 2022–2024 series, 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 KPI results, 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 series:

	<i>LTI 2021-2023</i>		
	<i>Number of purchased phantom shares</i>	<i>Value of share-based payments recognised as Company costs for 12 months ended on 31 December 2022 (PLN '000)*</i>	<i>Value of share-based payments recognised as Company costs for 12 months ended on 31 December 2021 (PLN '000)**</i>
Julien Ducarroz	43,200	73	92
Jolanta Dudek	43,200	73	92
Bożena Leśniewska	43,200	73	92
Witold Drożdż	43,200	73	92
Piotr Jaworski	43,200	73	92
Jacek Kowalski	43,200	73	92
Jacek Kunicki	43,200	73	92
Maciej Nowochoński	43,200	73	92
Total	345,600	584	736

* Number of shares x valuation of share options as of December 31, 2022.

** Number of shares x valuation of share options as of December 31, 2021.

The value of phantom share-based payments in the Long Term Incentive Programme – LTI 2022–2024 series:

	<i>LTI 2022-2024</i>	
	<i>Number of purchased phantom shares</i>	<i>Value of share-based payments recognised as Company costs for 12 months ended on 31 December 2022 (PLN '000)*</i>
Julien Ducarroz	43,200	69
Jolanta Dudek	43,200	69
Bożena Leśniewska	43,200	69
Witold Drożdż	43,200	69
Piotr Jaworski	43,200	69
Jacek Kowalski	43,200	69
Jacek Kunicki	43,200	69
Maciej Nowochoński	43,200	69
Total	345,600	552

* Number of shares x valuation of share options as of December 31, 2022.

Long Term Incentive Plan (LTIP) of the Orange Group

The Long Term Incentive Plan includes key managers in the Orange Group and is integrated with Orange S.A.'s 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 strategic plan, to achieve a balance between short-term and long-term remuneration, and to rely on well-known, monitored performance indicators.

In April 2022, the third edition of the group-wise three-year Long Term Incentive Plan (LTIP) made available for 2019–2021 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 2019–2021 and settled in 2022:

	<i>Disposable shares granted upon the completion of the LTIP edition (number)</i>	<i>Value of share-based payments recognised as costs for 12 months ended on 31 December 2022 (PLN '000)</i>	<i>Value of share-based payments recognised as costs for 12 months ended on 31 December 2021 (PLN '000)</i>
Julien Ducarroz	970	–	27
Jolanta Dudek	970	–	27
Bożena Leśniewska	970	–	27
Witold Drożdż	970	–	27
Piotr Jaworski	970	–	27
Jacek Kowalski	970	–	27
Jacek Kunicki	485	–	14
Maciej Nowohoński	970	–	27
Total	7,275	–	203

In July 2020, another edition of the Long-term Incentive Plan of the Orange Group for 2020–2022, integrated with Orange S.A.'s 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:

	<i>Shares (number)</i>	<i>Value of share-based payments recognised as costs for 12 months ended on 31 December 2022 (PLN '000)</i>	<i>Value of share-based payments recognised as costs for 12 months ended on 31 December 2021 (PLN '000)</i>
Julien Ducarroz	2,000	22	19
Jolanta Dudek	2,000	22	19
Bożena Leśniewska	2,000	22	19
Witold Drożdż	2,000	22	19
Piotr Jaworski	2,000	22	19
Jacek Kowalski	2,000	22	19
Jacek Kunicki	1,000	11	10
Maciej Nowohoński	2,000	22	19
Total	15,000	165	143

In July 2021, another edition of the Long-term Incentive Plan of the Orange Group for 2021–2023, integrated with Orange S.A.'s 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:

	<i>Shares (number)</i>	<i>Value of share-based payments recognised as costs for 12 months ended on 31 December 2022 (PLN '000)</i>	<i>Value of share-based payments recognised as costs for 12 months ended on 31 December 2021 (PLN '000)</i>
Julien Ducarroz	2,000	24	10
Jolanta Dudek	2,000	24	10
Bożena Leśniewska	2,000	24	10
Witold Drożdż	2,000	24	10
Piotr Jaworski	2,000	24	10
Jacek Kowalski	2,000	24	10
Jacek Kunicki	2,000	24	10
Maciej Nowohoński	2,000	24	10
Total	16,000	192	80

In July 2022, another edition of the Long-term Incentive Plan of the Orange Group for 2022–2024, integrated with Orange S.A.'s 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:

	<i>Shares (number)</i>	<i>Value of share-based payments recognised as costs for 12 months ended on 31 December 2022 (PLN '000)</i>
Julien Ducarroz	2,000	13
Jolanta Dudek	2,000	13
Bożena Leśniewska	2,000	13
Witold Drożdż	2,000	13
Piotr Jaworski	2,000	13
Jacek Kowalski	2,000	13
Jacek Kunicki	2,000	13
Maciej Nowohoński	2,000	13
Total	16,000	104

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 S.A., 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 S.A. 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 S.A. for more than six months, are eligible to join the Employee Pension Programme (PPE).

After enrolment to the Employee Pension Programme (PPE), the PPE basic contribution for employees 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. These are payable on a one-off basis or throughout the year and include housing allowance, plane tickets, French social insurance contributions, etc.

As the President of the Management Board is posted by the Orange Global International Mobility S.A. (OGIM S.A.), he does not receive the benefits provided to other Members of the Management Board, such as PPE contributions, life insurance, health care package, etc.

Assessment of the Remuneration Policy and Description of Changes Thereto in 2022

In 2022, our remuneration policy was implemented in a particularly difficult macroeconomic environment. High inflation rate and a significant increase in average salaries in small companies led to a 10.3% rise in the "national average salary" in the enterprise sector, as determined by Statistics Poland (GUS).

In a group of large companies, which even earlier kept salaries well above the national average published by GUS, the rise in wages was 8.6% (according to the report by Korn Ferry).

In this context, Orange Polska S.A. came under a strong pressure from trade unions and directly from employees to increase its wage growth rate.

Despite forecasts of an economic slowdown, demand for labour remained high, contributing to an increase in the employee fluctuation rate in the market.

In such conditions, workforce retention became the main goal of the Company's remuneration policy in 2022. This was effected mainly by the flexible use of the budget for wage growth (4%).

Wage increases differed depending on the ratio of remuneration on particular positions to that on comparable positions in the market.

For the first time, the Stretch Bonus (an additional financial reward for overperforming the Company's predefined financial objectives) was extended to include all the Management Board Members and Executive Directors, as in previous years it used to be applied to the President of the Management Board only. This change further reinforced the importance of our three crucial financial indicators, namely EBITDAaL, eCAPEX and OCF, as well as the involvement towards them.

Furthermore, in 2022, the bonuses of all the Company's managers, excluding those responsible for the direct supervision over sales teams, were made dependent on the Green indicator (CO₂ emissions related to the

Company's activities). It is an element of Orange Polska's strategy, in which a significant reduction in CO₂ emissions is one of key performance indicators, as well as an expression of its commitment towards corporate business responsibility.

The second edition of the Long Term Incentive Programme (LTI) for the key executives based on Orange Polska's performance, for the period 2022–2024, was launched in January. The Programme motivates senior managers to achieve high financial results in the medium-term perspective (three years). By linking their benefits to the market value of Orange Polska S.A. shares, it also promotes value creation for the shareholders.

A major initiative to enhance income of the lowest earning employees and thus stabilise workforce was an increase in the lower limits of pay ranges within the Company. Moreover, in sales outlets, a portion of variable remuneration was incorporated into base salaries.

All efforts aimed to improve the market competitiveness of wages in the Company resulted in an increase in base salaries of 69% of employees.

2022 saw the continuation of a programme of rewards for individual achievements in all business areas within Orange Polska S.A., excluding sales performance (which is rewarded through bonus and commission schemes). Cash rewards were received by a record high of 56.22% of employees last year, and were connected with the communication of the individual achievements to a wider audience in order to increase the motivation of all the employees. The experience gathered in 2022 and previous years indicates that the Company's reward scheme is emerging as the leading tool for effectively increasing the commitment of employees to the performance of their tasks.

Additional non-financial factors, notably the hybrid work model, kept the employee fluctuation rate at a relatively low level of 3.15% (excluding departures due to job reduction). The bonus and commission schemes fulfilled their role, motivating employees to high performance, which was reflected in the Company's results for 2022.

Despite the challenging external environment and tensions related to the remuneration policy in 2022, the Company's initiatives were designed and implemented in a dialogue with social partners, ensuring the smooth execution of the adopted plans.

10 ORANGE POLSKA GROUP AND ORANGE POLSKA S.A.'S STATEMENT ON NON-FINANCIAL INFORMATION

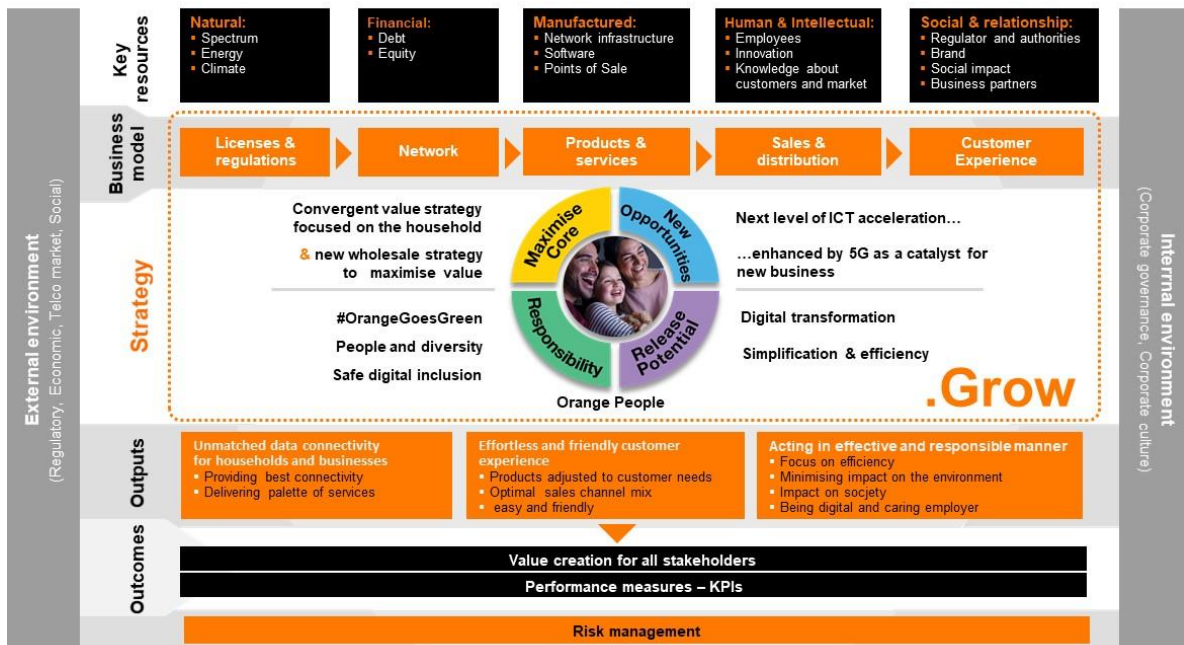
The key content, scope of information, as well as commitments and indicators have been defined using the PN/ISO 26000 standard, GRI Standards, ESG Reporting Guidelines of the Warsaw Stock Exchange and an internal reporting tool of the global Orange Group. We also refer to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Taxonomy. 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 companies²: Orange Polska S.A., Integrated Solutions sp. z o.o., BlueSoft sp. z o.o., Craftware 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 [Orange Foundation] and Telekomunikacja Polska sp. z o.o. In 2022, new companies were added: Interkam sp. z o.o., Interkar sp. z o.o. and Telewizja Światłowodowa Kaszebe sp. z o.o.

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 As of December 31, 2022.

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 has appointed the Data Ethics and Artificial Intelligence Officer. 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 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 our stakeholders, 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	
	2021	2022	2021	2022
Workforce	9,249	8,888	10,144	9,466
Full-time positions	9,239	8,873	10,125	9,445
Full-time employees	9,211	8,850	10,087	9,413
Part-time employees	38	38	57	53
Outsourced employees (full-time positions)*	2,199	2,350	2,219	2,376
Employees in management positions	1,137	1,066	1,275	1,149

* 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	
	2021	2022	2021	2022
Total number of new employee hires	228	426	421	572
Departures*	930	819	1,056	972
Turnover**	2.6%	3.1%	3.1%	3.4%

* 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 Craftware).

** 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. In order to meet the new ambitions, we have defined the key competence areas which have the greatest influence on the achievement of our 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.

Development of employees is based on a consistent model/process, a tool and a development offer in the form of long-term learning paths. In order to ensure a consistent model of competence management, a dedicated transformation project, SkillsUp, has been designed. It aims to provide the competences required for the implementation of Orange Polska's strategy by using the potential of each of us and by apt investments in the employee development. In 2022, the SkillsUp pilot project was performed for a group of about 800 users, and then implemented in four selected teams. In 2023, SkillsUp is to be implemented for further structures.

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 also support the 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: managerial reviews, 360 Feedback and Pulse Meter, i.e. a quick monthly opinion poll on achievement of objectives and atmosphere within teams.

In 2022, we launched the Leader.Grow programme, which supports managers in leading their teams by a cultural, technological and data-oriented change. Two programme modules have been already completed in the areas of key competences (data and artificial intelligence, cloud solutions and cybersecurity) as well as building culture of innovation and applying agile working tools and methodologies. The third and last module in the area of customer digital experience is scheduled for completion in 2023.

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	
	2021	2022	2021	2022
Total number of employees trained (in '000)	10.1	9.1	10.4	9.4
Total number of partners trained (in '000)	18.3	18	18.3	18
Total hours of employee training (in '000)	253	215	255	216
Total hours of partner training (in '000)	126	216	126	216
Employee assessment**				
% of regularly evaluated employees	97.0%	97.0%	97.0%	97.0%
% of employees with individual development plans	57.7%	44%	54.0%	44%
% of regularly evaluated outsourced staff	43.8%	43.8%	43.8%	43.8%
% of outsourced staff with individual development plans	30.9%	23%	30.9%	23%

* The education data for the Orange Polska Group cover the following entities: Orange Polska S.A., Integrated Solutions, Orange Foundation, Orange Szkolenia and PTE Orange.

** The assessment of employees and managers is based on 360 Feedback and is carried out on a two-year basis (the next feedback is to take place in the first quarter of 2023). The 360 Feedback process covers the following entities: Orange Polska S.A., Integrated Solutions, Orange Energia and Orange Foundation. The process of preparing development plans based on development conversations is carried out annually. Only front-line employees (responsible for customer care) are subject to a separate process of development conversations in line with the COPC standard.

▪ 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:

- Base 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	
	2021	2022	2021	2022
Average basic salary (in PLN)	8,578	9,127	8,535	9,005
Ratio of wages at the lowest positions to the legal minimum wage	165%	130%	164%	131%

▪ 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.

Responding to the need to provide greater support for women in their development and access to management positions, while taking into account their professional and family commitments, we have launched the Razem. (Together.) programme.

The programme's mission is to ensure the equal role of men and women in Orange by:

- supporting women in their professional and personal development;
- raising awareness of, and the need for, functioning of sustainable teams;
- promoting an equal opportunities culture as a precondition for the achievement of business objectives.

Key diversity indicators

Diversity	Orange Polska S.A.		Orange Polska Group	
	2021	2022	2021	2022
Access to positions				
% of women	38.4%	37.8%	38.0%	38.2%
% of women in management positions	35.3%	35.7%	34.4%	36.0%
% of women in the Management Board	30.0%	30.0%	17.4%	16.6%
Ratio of basic salary of women to men by positions (men's salary = 100%)*				
General	80.6%	81.4%	80.2%	82.2%
Non-management positions	81.0%	81.2%	80.5%	82.1%
Management positions	83.5%	83.4%	83.3%	84.6%
Ratio of salary of women to men within the same pay grades (men's salary = 100%)	96.1%	96.1%	96.0%	96.1%
People with disabilities				
% of employees with disabilities	2%	2%	1.9%	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

At Orange Polska, 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;
- 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.

Following the outbreak of war in Ukraine, many of us lost the sense of security again. People's anxieties and concerns about their future and both their own and their relatives' life and health resurfaced. With great enthusiasm, our employees engaged in helping refugees from Ukraine and collections for those who stayed in that war-torn country. This all took a great toll on their mental and physical well-being. Therefore, we attached particular importance to offering psychological support to our employees. We provided the Mindset psychological support platform to Orange Polska's employees and outsourced workers. In addition to access to wellness-supporting webinars, workshops and courses, they could use specialist consultation (with a psychologist, a business mentor, a legal advisor or a financial expert) and attend psychotherapy sessions.

Taking care of the health and fitness of our employees, we also organised a free post-COVID health examination campaign, introduced short breaks in work for exercise and physiotherapist consultation, and provided access to an individual health coach supporting the adoption of healthy habits. We launched For Health loans for health-related purposes within the Company Social Benefits Fund. We also took actions to support our employees with disabilities in our Yes to Health programme by increasing the adaptation package and providing additional workplace equipment according to the needs declared.

Key working environment indicators

Working Conditions	Orange Polska S.A.		Orange Polska Group	
	2021	2022	2021	2022
% of employees eligible for health care	100%	100%	100%	100%
% of employees covered by the Employee Retirement Plan*	87.7%	90.0%	84.0%	86.7%

* Employees of Orange Polska, Telefony Podlaskie, Orange Szkolenia, Pracownicze Towarzystwo Emerytalne Orange Polska S.A., Fundacja Orange [Orange Foundation] and Integrated Solutions sp. z o.o. are now eligible for participation in the Employee Retirement Plan.

▪ Occupational Health and Safety (OHS)

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 2022, our efforts in the occupational health and safety area focused on preparing safe return to offices following the peak of the COVID-19 pandemic. We resumed classroom training in first aid for our employees nationwide. We renegotiated and prolonged the contract with PZU Zdrowie, obligating the latter to introduce solutions facilitating medical appointments and access to medical services. In addition, the process of referring our employees for medical checkups was agreed upon and launched. We resumed reviews of working conditions in our sales outlets. We amended our internal regulations to enable smooth takeover of TP Teltech employees. We continued work on further digitisation of OHS processes and preparations for the introduction of new remote work regulations.

Key OSH indicators

Occupational Health and Safety	Orange Polska S.A.		Orange Polska Group	
	2021	2022	2021	2022
Number of accidents	13	12	17	12
Accident frequency rate*	1.4	1.4	n/a	1.4
Days off due to work-related accidents	836	545	925	545
Accident severity rate**	64.3	45.4	n/a	45.4
Fatal accidents	0	0	0	0
Serious accidents	0	0	0	0
Other accidents	13	12	17	12
% 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 and the workforce size, there is the OSH Committee in Orange Polska S.A. only.

▪ Social Dialogue

We respect the employees' right to associate and we run continuous dialogue with trade unions (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 in force 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 our 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 base 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 the 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 October 19, 2022, determining the detailed terms of collective redundancies and the procedures for the implementation of the Social Agreement for 2022–2023 in 2023. The Settlement set the number of employees to leave Orange Polska S.A. in 2023 at 640 and determined the terms of voluntary departures, the amount of severance pay and additional compensation for employees departing in 2023. 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.

On December 1, 2022, TP Teltech sp. z o.o. merged with Orange Polska S.A. The employees who were transferred to Orange Polska S.A. under Article 23¹ of the Labour Code are covered by the Intragroup Collective Labour Agreement for the Employees of Orange Polska S.A. (subject to generally applicable provisions, i.e. Article 241⁸ of the Labour Code).

Key social dialogue indicators

Social Dialogue	Orange Polska S.A.		Orange Polska Group	
	2021	2022	2021	2022
Number of trade unions	16	17	17*	17
% of employees in trade unions	29.7%	28.8	28.1%	28.8
% of employees covered by the Intragroup Collective Labour Agreement	96.9%	96.8%	92.1%	90.9%

* In 2021, based on figures for Orange Polska S.A. and TP Teltech sp. z o.o. In December 2022, TP Teltech sp. z o.o. was incorporated into the structures of Orange Polska S.A.

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 2022
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	36%
2% of people with disabilities	1.9%

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 low.

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 accidents 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 fitness, 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.

In 2022, in addition to its long-term strategic social initiatives in the digital education area, the Orange Polska Group also got involved in humanitarian aid for refugees from war-torn Ukraine.

- **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.

The 'Protect your child's brain!' campaign, promoting screen rules for kids, was continued, and 'A Body Does Not Define You' awareness campaign was launched in 2022. The campaigns, to which the Orange Foundation was a partner, reached over 2,000,000 people.

Furthermore, Orange Polska offers parental control services that enhance the online safety of children by blocking improper content, such as the Safe Starter Pack or the Protect Kids on the Net application. All information and tips concerning the safe use of digital media by kids can be found at the dedicated website: www.orange.pl/razemwsieci [Together on the net].

Key indicators and goals

Safe Use of New Technologies	2021	2022
Parents and guardians using the educational materials	255,868	137,760
Children involved in the educational initiatives	522,505	2,881,958
Schools participating in the initiatives	4,960	9,805

- **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	2021	2022
Children trained in the programme	4,000	3,800
Teachers trained in the programme	150	190

- **#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 is available for children with special educational needs. The teachers participating in the programme are offered professional training and technical support by expert educators. In 2022, some materials were translated into Ukrainian.

Key indicators and goals of the *#SuperCoders* programme

#SuperCoders	2021	2022
Children trained in the programme	2,839	2,708
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 digital tools and 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 2022, we provided financial and technical support to 93 grant projects. Last year, the programme was joined by 1,603 schools and 20,938 teachers began their training. In total, *Lesson:Enter* has been joined by 6,525 schools and provided training to 60,554 people, of which 65% were participants from rural or semi-urban areas or towns with population of less than 20,000.

The programme is co-financed by the European Regional Development Fund in the Digital Poland Operational Programme with almost PLN 50 million.

- **Orange Digital Center, 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 digital education centres in small towns with population of less than 40,000. Orange Polska has established the Studios and helps to manage them, providing free broadband access, while the Orange Foundation provides the education and development offer. The purpose of the Orange Studios programme is to enhance the local activity of small town residents by creating a modern public space together and supporting competence development. The leaders are provided with professional training and financial support 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 2022, 16 Orange Studios were equipped with new computer sets; in total, 50 Orange Studios have received new equipment over the last three years. In addition, we carried out an educational project concerning augmented reality. Ten Orange Studios feature a makerspace equipped with a 3D printer, a DIY electronics kit or a laser plotter. Orange Studios attracted 54,219 participants in 2022.

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. In particular, FabLab in Gdańsk carried out the second edition of the iTech Woman project supporting women in the labour market, while FabLab in Warsaw organised the first edition of the YouthLab project addressed to people aged 16–25 years in 2022. A total of 2,636 people attended free workshops and social projects in FabLabs last year.

The Orange Digital Center was established in October 2022. It brings together the non-formal education programmes of the Orange Foundation: Coding School, FabLabs powered by Orange and Orange Studios. The Coding School launched first courses in December 2022. Within twelve months it will train over 100,000 people in coding and competences of the future. Priority in course enrolment is given to people who are currently in a difficult life situation.

Key indicators and goals of the Orange Studios programme

Orange Studios	2021	2022
Active Studios maintained	79	76
Population with access to Studios	711,000	684,000

- **Corporate Volunteering**

Orange Polska has the biggest employee volunteering programme in Poland, which has been running for 19 years. With an open heart, our 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.

In 2022, as part of initiatives aimed to support Ukraine, Orange Foundation volunteers focused on helping people fleeing the war. They provided assistance at the border, on railway stations and in refugee accommodation centres. They also hosted people from Ukraine in their homes and organised support with grants from the Orange Foundation.

The Orange Foundation launched a special edition of its grant programme, in which its volunteers implemented 160 humanitarian grants. In addition, financial aid was provided to all volunteers hosting Ukrainian families in their homes (a total of 75 such grants were provided).

After the initial wave of humanitarian aid, there came the stage of long-term assistance. The Orange Foundation financed 12 long-term projects carried out by its volunteers together with non-governmental organisations. The

grants amounted to PLN 20,000 to 50,000 and were used to support initiatives linking refugees with the local communities to which they resettled. The projects financed by the Orange Foundation included courses and workshops for Ukrainian moms (in sewing and accounting) to help them find a job in Poland; Polish language lessons; arts, cooking and dancing workshop for children; psychological and legal counsel; and many other initiatives.

Key corporate volunteering indicators

Corporate volunteering	2021	2022
Volunteers	1,958	3,030
Volunteers' working hours	15,000	23,200

▪ 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

Three music festivals sponsored by Orange, namely Orange Warsaw Festival, Open'er Festival Powered by Orange and Kraków Live Festival, were held in 2022 after a year break.

Sponsorship	2021	2022
Music sponsorship: Orange Warsaw Festival		
Number of participants	–	50,000
Advertising value equivalent (in PLN million)	–	6.2
Number of publications	–	969
Music sponsorship: Open'er Festival Powered by Orange		
Number of participants	–	150,000
Advertising value equivalent (in PLN million)	–	2.1
Number of publications	–	8,477
Music sponsorship: Kraków Live Festival		
Number of participants	–	20,000
Advertising value equivalent (in PLN million)	–	2,225
Number of publications	–	809

▪ 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 2022, fundraising numbers were launched for more than 15 organisations, which raised a total of over PLN 6.38 million.

Key grant indicators

Expenditure on aid to charitable institutions and social organisations in the area of welfare, education, health, culture, sports, etc.

Grants	2021	2022
Total support granted (in PLN million)	11.6	9.9

▪ Humanitarian Aid

The war in Ukraine forced millions of people to escape and cross the Polish border. Access to information and an opportunity to stay in touch with their relatives became an important need for them. Therefore, from Orange Polska's perspective, ensuring network connectivity and distributing SIM cards with free service at the Polish-Ukrainian border were among the crucial humanitarian initiatives.

We immediately launched a dedicated offer of free calls to Ukraine and preferential roaming services. In order to ensure high connectivity and efficient broadband access, it became necessary to enhance and retrofit the mobile network. Therefore, as part of network sharing co-operation with T-Mobile, we installed six mobile base stations in border areas, increased capacity with additional equipment in other locations (a total of 16 base stations) and launched two new base stations. This enabled us to improve the availability of our services, first of all at border crossings and in reception centres, followed by railway stations and other information points, which needed free Wi-Fi, and, finally, in facilities receiving refugees and providing initial assistance and accommodation to them. Responding to these needs, Orange Polska launched 25 hot spots in such locations.

Since the first days of the war, Orange Polska employees have been present at the border to distribute free SIM cards. We have also deployed volunteer teams to register these cards. So far, we have distributed over 1 million free cards in reception points, at border crossings, on railway stations and in physical points of sale.

Access to information and high connectivity became crucial also for numerous non-governmental organisations and support centres established by local authorities. Handsets, SIM cards, routers, exchanges and infolines were in great demand, as they were needed to ensure efficient management of collections, transports, volunteers or accommodation arrangements. As the first step, we established co-operation with the Polish Humanitarian Action, providing support in terms of technology, equipment and services for the newly organised crisis management centres. We also collaborated with the Ukrainian House in launching the crisis management centre there. More than 50 entities (foundations, associations, crisis organisations, local authorities, etc.) have received a total of over 8,000 SIM cards providing access to free services, over 1,000 handsets and 30 mobile routers. With our services we have helped to establish legal, social and psychological support centres.

Orange Polska employees also got involved in supporting Ukraine. We organised collections in our 14 biggest offices and sent 50 trucks (about 100 tonnes) of aid to Ukraine. This included clothing, food, cleaning agents, first-aid kits, power banks, shortwave radios, headlamps, drones, gas cookers, handsets with Cyrillic keyboards, power generators, etc. We have also sent aid for medical personnel. With funds raised by our employees we have purchased 300 power banks and 6 power generators for life-saving medical equipment.

Furthermore, we made available our training centre in Serock, where we hosted over 700 Ukrainian citizens between February and October 2022. Together with local authorities we provided them with accommodation, food and psychological, educational and medical assistance. In our former office building in Żórawina we hosted 65 Ukrainian refugees between March and December 2022. Since October 2022, together with the Lena Grochowska Foundation, we have hosted over 80 refugees in our former office building in Łódź.

The Orange Foundation has supported the launch of an online school for Ukrainian children. It also carried out an educational campaign about misinformation to raise awareness of the problem.

The global Orange Group Foundation has financially supported three aid projects:

- 116 111 helpline for children also in Ukrainian language: offering support by the Empowering Children Foundation experts to children after war trauma; the helpline, which has been supported also by the Orange Foundation and has used our services, has answered almost 2,000 calls to date;
- NGO volunteering programme: 12 major grants for projects covering 10,700 beneficiaries (direct and indirect) and 40 micro-grants, 3,211 participants;
- Ukrainian House run by the Our Choice Foundation: Polish lessons, attended by 590 people.

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 2022	Annual Goal
Safe use of new technologies		
Parents and guardians using educational materials	137,760*	700,000
Children involved in educational initiatives	2,881,958*	500,000

Schools participating in educational initiatives	9,805	4,500
Educational programmes for schools (<i>MegaMission</i>, <i>#SuperCoders</i>)		
Children trained in the programmes	6,508	5,500
Teachers trained in the programmes	470	430
Schools participating in the programmes	330	290
Orange Studios		
Active Studios maintained (out of 100 established)	76	80
Population with access to the Studios	684,000	720,000
Corporate volunteering		
Number of employees involved in corporate volunteering	3,030	3,000**

* In consideration of a social need and the post-pandemic situation, our educational initiatives related to the online safety of children focused directly on minors rather than their adult guardians. A loss of interest in educational materials among adults could be seen during 2022, which was attributable to fatigue and mental burden caused by the current developments.

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 has 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.

In 2022, the Company adopted the Human Rights Policy in Orange Polska. The Policy confirms our commitment to respect human rights in the whole value chain, avoid violating human rights or contributing to violations thereof and, should such a violation occur, counter and minimise its negative effects and take corrective actions.

Orange Polska's attitude to respecting and promoting human rights is determined by its obligations towards the following groups of stakeholders:

- Employees and outsourced workers;
- Customers;
- Suppliers, sub-suppliers and business partners;
- Local communities and social environment.

Based on the diagnosis of the industry and Orange Polska's activities, the Company has identified the following salient human rights issues:

- Right to privacy and freedom of expression;
- Non-discrimination and counteracting exclusion;
- Rights of the child, including online safety issues;
- Forced labour, contemporary slavery and human trafficking;
- Respect for human rights, including employee rights, when extracting minerals from conflict zones;
- Child labour;
- Employee rights, including freedom of association and collective bargaining.

In order to deliver on its responsibility to respect human rights, Orange Polska has been implementing a human rights due diligence process, as defined in the UN Guiding Principles on Business and Human Rights. It enables risk identification and management in the human rights area, and provides for preventing violations, monitoring and regular reporting, while accounting for the stakeholders' involvement on each stage of the process. The Policy will be fully implemented in 2023.

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 human health and safety;
- Environmental responsibility: environmental protection, natural resources, and waste management;
- 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 types of purchase agreements with our 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 human rights, environmental, labour, social, ethical and compliance issues, for suppliers from the areas with the highest risks to human rights. The questionnaire results are accounted for in a process of submitting offers in the procurement procedures carried out by Orange Polska. Companies failing to achieve the required score shall be precluded from co-operating with Orange Polska.

In order to raise awareness of human rights, the persons responsible for procurement procedures undergo CSR and human rights training.

Key human rights indicators

Human Rights	Orange Polska S.A.		Orange Polska Group	
	2021	2022	2021	2022
Employees trained in CSR, ethics and human rights*	5,829	7,078	5,836	7,103
Partners trained in CSR, ethics and human rights*	1,021	2,067	1,021	2,067
% of new agreements incorporating the CSR clause*	76%	100%	76%	100%
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

* On a cumulative basis.

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	2021	2022
% 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%	98%

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, outsourced 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 verified 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.

All employees, outsourced workers and stakeholders can report observed violations of applicable laws or internal regulations, procedures or processes and other irregularities related to Orange Polska's activities via the whistleblowing system. Orange Polska ensures the adequate protection of whistleblowers. All notifications, also anonymous, are treated confidentially and verified with due diligence.

The whistleblowing system supports Orange Polska's activities, especially related to compliance, including anti-corruption, ethics and CSR. Consequently, it reduces the risk of reputational and financial losses.

Key compliance indicators

Anti-bribery and anti-corruption	Orange Polska S.A.		Orange Polska Group	
	2021	2022	2021	2022
Number of employees trained in compliance*	8,331	9,043	8,404	9,138
Number of partners trained in compliance*	6,592	7,913	6,592	7,913
Total value of cash donations or donations in kind to political parties, politicians or related institutions	The Group does not finance such entities			

* On a cumulative basis.

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	2021	2022
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 an annually reviewed and updated environmental policy and has established climate goals that define the key areas of use of natural resources and the Company's 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 that reduce our impact on the environment and climate as well as the impact of climate change on the Company;
- reduce greenhouse gas emissions related to our activities;
- 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*			
Energy consumption and greenhouse gas emissions	Unit	2021**	2022**
Scope 1 – Direct energy consumption by primary energy sources***			
Fuel oil (all buildings, all uses)	'000 m ³	1.7	1.3
Gas	'000 m ³	2,542	2,183
Coal	tonnes	15	0
Gasoline for company cars	'000 litres	1,887	2,082
Diesel fuel for company vehicles	'000 litres	702	722
Scope 1: Total energy	GWh	55	53
Scope 1: CO ₂ e emissions from fuel, gas and coal	'000 tonnes	10.9	7.7
Scope 1: CO ₂ e emissions from vehicles	'000 tonnes	6.2	6.8
Scope 1: CO ₂ e emissions from refrigeration and fire suppression agents	'000 tonnes	15.6	15.7
Scope 1 – Direct own greenhouse gas (CO₂e) emissions	'000 tonnes	32.7	30.3
Scope 2 – Indirect own CO₂e emissions (electricity consumption)			
Energy consumption – electricity	GWh	533	518
In which renewable energy	GWh	30	60

Scope 2: CO ₂ e emissions (location-based)	'000 tonnes	334	285
Scope 1+2: CO₂e emissions	'000 tonnes	367.2	315.6
Scope 3 – Other indirect CO₂e emissions (suppliers, customers, employees; excluding Orange Energia)****	'000 tonnes	619	-
Purchased goods and services	'000 tonnes	200	-
Capital goods	'000 tonnes	183	-
Use of equipment and services by customers (incl. related energy consumption)	'000 tonnes	170	-
Other	'000 tonnes	66	-
Scope 3 – Emissions related to the activity of Orange Energia	'000 tonnes	619	-
Total CO₂e emissions (Scope 1+2+3; excluding Orange Energia)	'000 tonnes	986	-
CO₂e emissions – Orange Energia (Scope 3 of Orange Polska's emissions)****	'000 tonnes	619	-
KPIs per customer			
Electricity consumption/customer	kWh/customer	24.7	23.3
CO ₂ e emissions from electricity consumption/customer	kg/customer	15.5	12.8
Scope 1+2 CO ₂ e emissions/customer	kWh/customer	17	14.2
Scope 1+2+3 CO ₂ e emissions (all energies)/customer	kg/customer	45.7	-
Materials			
Paper	'000 tonnes	0.4	0.3
Water			
Water consumption	'000 m ³	204.3	177.8
Waste management*****			
WEEE	tonnes	8.1	816
Wooden poles	tonnes	28.3	38.9
Cables	tonnes	290.5	331.5
Batteries	tonnes	433	826
Paper / Cardboard	tonnes	25.6	29.6
Other hazardous waste (including PCB)	tonnes	2.2	13
Other non-hazardous waste	tonnes	1,169	848
Total waste	tonnes	1,957	2,903
Electrical and electronic equipment			
Used handsets collected	'000	37.8	61.2
Refurbished and relaunched handsets	'000	12.6	15.9
Refurbished and relaunched multimedia (broadband) devices	'000	655	437
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 Polska 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 – by suppliers, customers and employees) 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 refrigeration and fire suppression agents (fugitive emissions) expressed in terms of CO₂e.

**** In 2023, Orange Polska, similarly to the entire Orange Group, begin to fully report GHG emissions in the Scope 3 (i.e. the entire value chain emissions – by suppliers, customers and employees). So far, in line with the Orange Group's methodology, only emissions related to business trips have been reported, which are only a fraction of the total Scope 3. Due to the complex methodology for determining Scope 3 emissions, data are currently available with a year's delay (i.e. as of the publication date of the report for 2022, the latest available data are for 2021). Emissions resulting from the activity of Orange Energia, a subsidiary of Orange Polska S.A. involved in electricity trading, are reported separately. According to the GHG Protocol, energy trading is

part of Scope 3. However, from the point of view of Orange, energy trading is not its core activity and applies to a different sector of the economy, so in accordance with the Orange Group's approach the related emissions are reported as a separate line.

***** Waste is generated during liquidation of fixed assets or in the course of investments/repairs. The increase in waste in 2022 is attributable to the completed works related to the network modernisation as well as a change in the approach of Orange Polska, which, upon assuming the obligations of the waste producer, is now responsible for the liquidation of networks and property assets.

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 should 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 in Orange outlets. They can deposit non-working handsets in dedicated containers, while used-but-working handsets can be exchanged for discount vouchers in a handset buy-back programme. In April 2022, we launched the umbrella RE programme (repair, refurbishment, reselling, recycling) to accelerate our circular economy efforts.

Fixed customer premises equipment (modems, set-top-boxes) is retrieved by Orange Polska upon the contract expiration (the retrieval rate is approaching 90%). The devices are verified, updated and refurbished owing to our internal refurbishment line operated by Orange Polska Supply Chain, and then reassigned to other customers.

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 partners 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.

Should the 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.

Scope 1 and 2 Greenhouse Gas Emissions (Own Emissions)

Energy consumption, especially for network operation, is the main source of own 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 for Orange Polska.

In order to improve its energy efficiency and reduce its negative impact on the climate, Orange Polska has carried out a number of initiatives that focus mainly on optimising energy consumption and increasing the share of energy from renewable sources in the energy mix.

Since 2014, Orange Polska has carried out comprehensive activities to reduce its energy consumption within the Energy Optimisation Programme. More than 230 initiatives have been implemented in various network areas so far, generating total energy savings of over 1.1 TWh between 2015 and 2022.

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, less radio resources are required to handle calls and data transfer, so some of them are temporarily switched 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 network needs account for a great majority (over 90%) of energy consumption by Orange Polska, but we implement optimisation initiatives also in other areas of operations. In 2022, the Company continued to optimise its real estate portfolio, particularly by consolidation of teams and moving them to new, more energy-efficient locations. We also took measures to save energy used for real estate heating and cooling and to reduce energy consumption in sales outlets. Furthermore, we accelerated the electrification of our car fleet, while continuing its optimisation.

The Company continued to increase the share of energy from renewable sources in its energy mix by contracting renewable energy directly from its producers based on long-term Power Purchase Agreements (PPAs). The first such agreement was concluded in 2020, when the share of renewable energy in Orange Polska's energy mix was null. In 2021, upon launch of two wind farms constructed for Orange Polska, we achieved a 6% share of renewable energy on an annual basis. Further agreements increased the share of renewable energy to 12% in 2022. As a result, in subsequent years Orange Polska will achieve in advance the climate goals set for 2025 (at least 60% share of energy from such renewable sources in the energy mix).

Owing to the aforementioned energy saving initiatives, despite growing volume of data traffic on its networks, Orange Polska has achieved a 37% reduction in its own emissions in 2022 versus 2015 (which is the base year for emissions in the Orange Group). Our emission reduction target is 65% by 2025 (versus 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). Orange Polska's climate goals are perfectly aligned with global, science-based Orange Group's objectives, that fall in line with Paris Agreement's target of limiting global warming by the end of the 21st century to below 1.5 degrees Centigrade.

Scope 3 Greenhouse Gas Emissions (Value Chain Emissions)

For the first time, Orange Polska publishes estimation of total Scope 3 GHG emissions, that is emissions by suppliers, customers and employees in connection with the Company's activity. So far, in line with the Orange Group's global approach, only a fraction of the Scope 3 emissions related to business trips have been reported.

Scope 3 emissions, like those of Scope 1 and 2, have been estimated in line with the GHG Protocol guidelines. This process is co-ordinated by the Orange Group's headquarters in Paris based on local data from individual countries in order to ensure methodological consistency. Due to the complex methodology (particularly the need to gather data for a broad catalogue of entities in the value chain), Scope 3 emissions are currently determined with a year's delay. Consequently, this report presents the latest available data, which are for 2021. The methodology for determining Scope 3 emissions is under constant improvement by the Orange Group, particularly in terms of the maximisation of physical data input instead of financial estimates. The global, science-based Orange Group's

objective is a 14% reduction in emissions by 2025 versus 2018 (assumed as the base year due to no reliable data for earlier periods).

Orange Polska's Scope 3 emissions (excluding Orange Energia, which is presented separately) totalled 619 thousand tonnes of CO₂e. The biggest sources of emissions included: purchased goods and services (particularly equipment provided to customers to enable them to use digital services), capital goods (particularly infrastructural investments) and use of Orange Polska's products and services by customers (particularly related energy consumption). Versus the base year 2018, when Scope 3 emissions totalled 687 thousand tonnes of CO₂e, we achieved a reduction of nearly 10% in 2021.

The Company has already acted to reduce these emissions in the priority areas, especially in the area of circular economy, particularly by collecting and buying back used handsets and offering refurbished devices or repair services to customers. These elements are covered by the RE programme launched in April 2022, which aims to promote and accelerate circular economy solutions in order to reduce Scope 3 emissions. In addition, every year Orange Polska retrieves from customers, refurbishes and relaunches about 500,000 pieces of customer premises equipment (CPE; modems, set-top-boxes). The Company also implements energy-efficient options in network equipment, promoting them among customers. Furthermore, Orange Polska participates in the international initiatives of the Orange Group regarding circular economy with respect to network infrastructure.

Emissions related to the activity of Orange Energia, a subsidiary involved mainly in electricity trading in Poland (in addition to offering photovoltaic systems and some other services), constitute a separate category of our Scope 3 emissions. According to the GHG Protocol, energy trading is part of Scope 3. However, in consultation with the Orange Group, Orange Energia's emissions are presented separately, as they are not related to the telecommunications and digital industry, which is the core area of activities for both Orange Polska and the Orange Group as a whole. Moreover, due to the very high dependence of the Polish power generation sector on fossil fuels (mainly coal), energy traded in the Polish market has a high carbon footprint, which translates into high emissions of Orange Energia. Consequently, adding these emissions to the emissions of Orange Polska from its core activities would obscure the presentation of data and hinder their analysis.

Orange Energia's emissions are also covered by Orange Polska's strategic climate objective of achieving Net Zero Carbon by 2040 for all emissions (Scope 1, 2 and 3). In 2021, Orange Energia's emissions totalled 619 thousand tonnes of CO₂e. The increase versus 2018, when they stood at 107 thousand tonnes of CO₂e, is attributable to the development of this company (and multi-fold growth in the energy trading volume). It was partially offset by a decrease in the average emission coefficient for the traded energy as well as other measures taken by Orange Energia to reduce the carbon footprint of the energy it buys and resells. In particular, it buys guarantees of origin from renewable sources for a growing share of energy. At present, all energy resold to individual customers is zero-carbon, and the company is taking steps to extend its renewable energy offer to business customers.

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 has 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 Scope 1 and 2 GHG emissions is included as an objective in the MBO evaluation 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 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 all senior managers 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 the long 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 CO₂ 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.

As described in detail above, Orange Polska's objective is to achieve Net Zero Carbon for all emissions by 2040 and a significant GHG emissions reduction by 2025, particularly in terms of own emissions. 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. In 2022, a brief version of the process was completed (as there were no major changes in the input parameters) in order to confirm the earlier findings and conclusions.

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 for 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 for Poland and the telecommunications industry.

Outcome:

List of the most important socio-economic challenges and 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 the 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 (TCFD), reports of the Intergovernmental Panel on Climate Change (IPCC) and taxonomy regulations of environmentally sustainable investments, related to the Regulation (EU) 2020/852 of the European Parliament and of the Council.

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).

Prof. Paweł Bogacz of the University of Science and Technology in Cracow has assisted in the application of the aforementioned methodology.

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.

Based on the above, the following time horizons for risks have been 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 Orange Polska 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, 2022. 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 to a significant reduction in the value of the Company's assets by their destruction or damage, 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 have identified the risks related to climate change that might significantly affect the Company. These risks have been assessed in terms of value and likelihood. Risk valuation has been based on discounted future cash flows for a period until 2100. Out of over a dozen potential risks identified in the process, four risks have been considered material due to the highest likelihood and the highest potential impact on the Company. They are described in the table below, together with individual climate 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 or 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 rising 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 addressing 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 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 on 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.

Opportunities Related to the Climate Policy

Orange Polska considers initiatives for the climate also as opportunities. These include the following:

- Development of the Smart City portfolio based on the Internet of Things (IoT) for municipalities and municipal companies, which provide for more efficient resource management, a reduction in electricity consumption and greenhouse gas emissions, and improved quality of life of people;
- Stabilisation of electricity costs owing to gradual transition to energy from renewable sources based on direct long-term purchase contracts with producers (PPAs);
- Potential use of EU funds for projects aligned with the green and digital transformation.

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), as well as value chain emissions (Scope 3). Orange Polska's climate goals are perfectly aligned with global, science-based Orange Group's objectives, that fall in line with Paris Agreement's target of limiting global warming by the end of the 21st century to below 1.5 degrees Centigrade.

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 own CO₂ emissions and the resources we consume:

- Reducing our own CO₂ emissions in the Scope 1 and 2 of carbon footprint in terms of the GHG Protocol (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 direct long-term purchase agreements with renewable energy producers (PPAs);
- Work on further improvement of Orange Polska's own network energy efficiency;
- Deployment of new, much more energy efficient technologies, such as fibre and 5G;
- Reducing Scope 3 GHG emissions (emissions by suppliers, customers and employees related to Orange Polska's activities), 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 dimensions in our decision-making.

4) Key Climate and Environmental Commitments and Their Delivery in 2022

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 2021	Delivery in 2022
Reduction in Scope 1 and 2 GHG emissions by 65% (vs. 2015)	-27%	-37%
60% of electricity consumed from renewable sources	6%	12%

Delivery in 2022

Responsibility

Scope 1 greenhouse gas emissions:

- Acceleration of the process of electrification of Orange Polska's car fleet and its further optimisation;
- Continued real estate portfolio optimisation and moving employees to a smaller number of office locations which are more energy and resource efficient;

Scope 2 greenhouse gas emissions:

- Conclusion of further two direct long-term purchase agreements with renewable energy producers (Corporate Power Purchase Agreements – cPPAs). Owing to four cPPAs concluded by Orange Polska, we will achieve in advance our climate objectives for 2025. The share of energy from renewable sources in our energy mix increased from 0% in 2020 to 6% in 2021 and 12% in 2022. We reiterate the target of at least 60% by 2025;
- Over 1.1 TWh of energy savings owing to the Energy Optimisation Programme since 2015;
- Further optimisation of energy consumption (for heating, cooling and lighting) in real estate, including sales outlets.

Scope 3 greenhouse gas emissions:

- First complete calculation of Scope 3 GHG emissions;
- Launch of the RE programme RE programme (repair, refurbishment, reselling, recycling) to accelerate our circular economy efforts with respect to handsets;
- Promotion of energy-saving modes in fixed equipment;
- Continued initiatives for collecting and refurbishing fixed network equipment.

Value

- Promotion of circular economy initiatives (RE programme), particularly by gradually expanding the portfolio of refurbished handsets on sale and enhancing collection and buyout of used handsets;
- Refurbishing and relaunching over half a million of CPE devices (modems, set-top boxes) annually. About 60% of our customers receive a refurbished device when signing a service contract;
- Further digitisation in order to simplify, accelerate and increase the efficiency of processes, including a reduction in paper consumption. We encourage customers to opt for e-invoices, make a more responsible choice of accessories or get involved in environmental campaigns. Owing to involvement of our customers, about 11 hectares of perpetual, biodiverse forests have been planted, which provides an opportunity for educational activities, explaining the broader context of climate issues, particularly the need to shift from fossil fuels and expand renewable sources of energy;
- Incorporation of circular economy principles into our network (the OSCAR project): reuse of network equipment for internal purposes;
- Continuation of Orange Energia's nationwide photovoltaic offer. The company is the biggest independent electricity distributor in Poland. It purchases guarantees of origin from renewable sources for the entire volume of electricity sold to residential customers, which contributes to reducing Scope 3 carbon footprint for this portion of the energy traded;
- Expansion of the Smart City offer, which enabling more efficient use of resources. Orange Polska's service portfolio includes, *inter alia*, smart utility readers, city lighting management systems or municipal bike-sharing platforms.

Impact

- The #OrangeGoesGreen climate strategy received an award of distinction in the leading global competition for the telecommunications and digital industry, World Communication Awards 2022 in London;
- Over 10,500 of our employees and outsourced workers have completed training in climate issues (a four-fold increase over twelve months), and 44 selected people were covered by a one-year post-graduate course in sustainable development, Green Academy, held by Collegium Civitas (Orange Polska is the partner to this course);
- Current analyses of the opportunities to make the best use of the EU funds for green and digital transformation both for us and our customers;
- Support for the Climate Knowledge Base started by Climate Purpose Lab, an initiative of a dozen or so leading climate NGOs and scientific institutions in Poland. The knowledge base, addressed to the media and influencers, provides free access to Polish language summaries and abstracts of the crucial international reports and studies on climate and its protection.

CHAPTER VI TAXONOMY

European Taxonomy

These disclosures have been prepared on the basis of the following European regulations ("EU Taxonomy"):

- Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investments and amending Regulation (EU) 2019/2088 (hereinafter "Regulation 2020/852");
- Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing technical screening criteria for determining the conditions under which a given economic activity qualifies as making a significant contribution to climate change mitigation or adaptation to climate change, as well as determining whether this economic activity does not cause significant damage to any of the other environmental objectives (hereinafter "Technical Criteria", "Criteria");
- Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards business activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards public disclosure of specific information in relation to these types of economic activities (hereinafter "Nuclear and Gas Regulation");
- 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 on environmentally sustainable economic activities to be disclosed by companies subject to Art. 19a or 29a of Directive 2013/34/EU, and specifying the method of meeting this disclosure obligation (hereinafter "Regulation 2021/2178").

Pursuant to the Regulation 2020/852 and the Regulation 2021/2178, Orange Polska is required to publish key performance indicators such as the percentage of revenue, capital expenditures ("CAPEX") and operating expenses ("OPEX") resulting from products or services related to economic activities that qualify as environmentally sustainable.

The Technical Screening Criteria (hereinafter the "Criteria") specify sectors and list of economic activities that can make a significant contribution to climate change mitigation or adaptation, the criteria of significant contribution and the criteria of not causing significant damage to other environmental objectives (Do Not Significant Harm – "DNSH"). The EU Taxonomy covers 13 sectors of activity ("eligible activities") and may be subject to change. i.e. the activities currently considered as eligible under the EU Taxonomy are likely to be updated by new sectors and types of activities.

As of now, the Criteria cover the sectors of activity responsible for the largest greenhouse gas emissions and with the highest potential to meet the environmental objectives.

Most of Orange Polska's activities, including the provision of telecommunications services to individual and business customers and other telecommunications operators, are not currently covered by the scope of the eligible activities, and therefore, according to the EU Taxonomy, these activities do not qualify for recognition as sustainable. Orange Polska believes that its activities, not covered by the EU Taxonomy, make a positive contribution to the adaptation or mitigation of the negative climate changes.

Orange Polska analyzed its activities for 2022 in terms of their eligibility in accordance with the EU Taxonomy and calculated the key performance indicators regarding the proportion of revenue (turnover), capital expenditures (CAPEX) and operating expenses (OPEX) related to these activities ("Performance indicators"). Due to such an approach of the European Commission to the eligible activities, only a few areas of Orange Polska's operations have been covered by the EU Taxonomy, which results in a low level of disclosed performance indicators.

For the year 2021, Orange Polska reported its activity, which according to the EU Taxonomy, is considered as eligible.

In the disclosures for 2022, Orange Polska presents eligible activities and, additionally, aligned activities ("aligned activities") i.e. eligible activities which meet: (i) the criteria of a significant contribution to climate change mitigation or adaptation, (ii) the criteria of not causing significant damage to other environmental objectives (Do Not Significant Harm - "DNSH") as well as (iii) the minimum guarantees.

Orange Polska has commented on the eligibility, alignment and the key performance indicators related to its activities, because the system for identifying and classifying sustainable activities regulated in the EU Taxonomy requires interpretation and does not reflect all the actions taken by Orange Polska to reduce its environmental impact and actions taken to achieve the climatic objectives (see: Environmental and Climatic Area).

An example of an activity that is significant from the point of view of achieving by Orange Polska's the climatic objectives, apart from telecommunications activity which is not eligible according to the interpretation of the currently applicable EU Taxonomy, is the purchase of energy from renewable sources (wind and solar) for own needs under long-term contracts with suppliers (Power Purchase Agreement – "PPA") and in the Solar as a Service model, in which photovoltaic installations are leased.

In the future, regulatory changes may result in additional types of information and communication services, besides the data processing services via data processing centers and data-driven solutions for reducing greenhouse gas

emissions, currently defined as eligible, to be included in the EU Taxonomy, including services that are the main activities of telecommunications operators such as Orange Polska, which are important from the point of view of enabling other economic activities to reduce their greenhouse gas emissions.

The list of eligible and aligned activities was prepared on the basis of a review of Orange Polska's business activities portfolio and the criteria of alignment, conducted mainly by the finance, business and CSR teams.

1. Identification of eligible activities under the EU Taxonomy

Orange Polska has reviewed its entire range of activities to determine which of them meet the criteria of activities included in the Criteria of the EU Taxonomy and can make a significant contribution to climate change adaptation or mitigation as defined in the EU Taxonomy.

Orange Polska's eligible activities that generate revenue are as follows:

Environmental objective	Activity per EU Taxonomy	Description of activity per UE Taxonomy	Associated NACE code (EU classification of economic activities)	Description of Orange Polska's activity
Climate change mitigation	6.4 Operation of personal mobility devices, cycle logistics	Selling, purchasing, financing, leasing, renting and operation of personal mobility or transport devices where the propulsion comes from the physical activity of the user, from a zero-emissions motor, or a mix of zero-emissions motor and physical activity.	77.11.Z	Smart Bike offer - 4 th generation bikes rental system (without docking stations)
	7.6 Installation, maintenance and repair of renewable energy technology systems	Installation, maintenance and repair of renewable energy technology systems on site.	43.21.Z	On site professional services of photovoltaic offer for individual and business customers
	8.1 Data processing, website management (hosting) and similar activities	Data storage, data manipulation, flow, control, display, switching, exchange, transmission or processing of data through data centers, including data processing at the network edge.	63.11.Z	Hosting and data processing services in data centers
	8.2 Data-driven solutions for reducing greenhouse gas emissions	Development or use of ICT (Information and Communication Technology) solutions for the collection, transmission, storage, modeling and use of data, if this activity is mainly used to provide data and analyzes enabling the reduction of greenhouse gas emissions. Such ICT solutions may include, but are not limited to, the use of distributed technologies (i.e. distributed ledger technology), the Internet of Things, 5G and artificial intelligence.	63.11.Z	Intelligent services based on the Internet of Things (IoT)

The solutions taken into account for the activity 8.2 i.e. Data-driven solutions for reducing greenhouse gas emissions refer to Internet of Things (IoT) services considered as services enabling other sectors of the economy to reduce their greenhouse gas emissions.

IoT based services include solutions for controlling lighting, monitoring air quality, controlling logistic flows, reading water meters, supporting the development of smart cities. Connected infrastructure elements are able to transmit and analyze data. They enable companies and local governments to improve operational efficiency and to reduce their environmental impact. Smart solutions make it possible to optimize the use of manufactured goods, effectively manage resources and, consequently, contribute to reducing greenhouse gas emissions.

In addition to capital expenditures and operating expenses related to Orange Polska's activities generating revenue, the Company identifies individual capital expenditures i.e. CAPEX related to eligible or aligned activities not generating revenue:

Environmental objective	Activity per EU Taxonomy
Climate change mitigation	6.5 Transportation by motorcycles, passenger cars and light commercial vehicles.
	7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings and in car parks next to buildings.
	7.7 Acquisition and ownership of buildings.

2. Calculation of the Performance Indicators

Orange Polska has calculated the Performance Indicators in accordance with the provisions of the Regulation 2020/852 and Regulation 2021/2178, based on existing reporting processes, systems and assumptions (see: Methodology note in point 4).

Orange Polska applied the methodology indicated in the above regulations to the above regulations to calculate the eligible portion of revenue, capital expenditures and operating expenses.

2.1. Share of revenue related to eligible activities in consolidated revenues

Share of revenue related to eligible activities was calculated by dividing total revenue from eligible activities described in point 1 above by revenue specified in the consolidated income statement in the consolidated financial statements of Orange Polska Group for the year ended December 31, 2022 and in the Note 6 in these consolidated financial statements (consolidated revenue).

	31 December 2022
Revenue from eligible activities	PLN 72 million
Consolidated revenue	PLN 12 488 million
Share of revenue related to eligible activities	0.6 %

Share of revenue related to eligible activities is 0.6 %. It reflects the exclusion of telecommunications services in the scope of activities currently covered by the EU Taxonomy.

Orange Polska's eligible revenue in 2022, i.e. presented in the numerator of the performance indicator, include revenue from hosting and data processing services in data centers, revenue from intelligent services based on the Internet of Things and revenue from photovoltaic services.

2.2. Share of capital expenditures related to eligible activities in total capital expenditures

Orange Polska's CAPEX ratio related to eligible activities was calculated by dividing the sum of CAPEX related to eligible activities described in point 1 above, by the total capital expenditures included in the consolidated financial statements of the Orange Polska Group for 2022, calculated according to the definition of the EU Taxonomy as an increase of:

- intangible assets (acquisition of intangible assets in Note 11 'Other intangible assets' in the consolidated financial statements of Orange Polska Group for the year ended December 31, 2022);
- fixed assets (acquisition of property, plant and equipment in Note 12 'Property, plant and equipment' in the consolidated financial statements of the Orange Polska Group for the year ended December 31, 2022);
- right-of-use assets (additions in Note 14.1 'The Group as a lessee' in the consolidated financial statements of the Orange Polska Group for the year ended December 31, 2022).

	31 December 2022
Capital expenditures related to eligible activities	PLN 114 million
Total capital expenditures	PLN 2,739 million
Capital expenditures ratio related to eligible activities	4.2 %

Total capital expenditures as defined above (CAPEX) differ from eCapex ratio, presented in the consolidated financial statements of the Orange Polska Group for the year ended December 31, 2022, mainly because eCapex does not include an increase of assets due to telecommunications licenses, the right-of-use assets and is reduced by proceeds accrued on disposal of assets.

The capital expenditures ratio related to eligible activities is 4.2 %. This corresponds to a small portion of eligible capital expenditures in Orange Polska. This is because the EU Taxonomy, in its current form, does not take into account all activities of the telecommunications sector, undertaken to mitigate or adapt to climate changes.

The main investment activity of Orange Polska in 2022 focused on sustainable operations, and defined as eligible according to the EU Taxonomy, is development of the technical infrastructure of the data centers.

2.3. Share of eligible operating expenses in total operating expenses

In accordance with the Annex No. 1 to the Regulation 2021/2178, operating expenses taken into account in order to calculate Orange Polska's operating expenses ratio related to eligible activities, defined as eligible operating expenses in the numerator of the indicator and total operating expenses in the denominator, include:

- uncapitalized research and development costs,
- renovation works of buildings,
- short-term rental,
- maintenance and repair,
- any other direct expenses related to the ongoing maintenance of fixed assets by the entrepreneur or a third party to whom the activities necessary to ensure the continuity and efficiency of the operation of these assets are outsourced.

Pursuant to the definition of the Regulation 2021/2178, Orange Polska did not take into account expenses for purchase of energy, enabling operation of data centers in particular, because these expenses are neither CAPEX nor OPEX according to the EU Taxonomy.

	31 December 2022
Operating expenses related to eligible activities	PLN 24 million
Total operating expenses	PLN 1 161 million
Operating expenses ratio related to eligible activities	2.1 %

Operating expenses included in the ratio are included in costs of external purchases, other operating income and expense, and labour expense in the consolidated financial statements of the Orange Polska Group for the year ended December 31, 2022 and do not contain a very large portion of operating expenses included in the consolidated operating income of the Orange Polska Group.

The low value of the indicator results from the fact that the EU Taxonomy, in its current form, does not take into account all activities of the telecommunications sector undertaken to mitigate or adapt to climate changes, including activities carried out by Orange Polska to reduce environmental impact and achieve climate goals (see: description in section Environmental and climatic area).

According to Orange Polska's interpretation, according to the current EU Taxonomy, Orange Polska cannot recognize the costs of energy purchased for its own needs, including operation of data centers, from renewable sources and costs related to the use of leased photovoltaic installations (Solar as a Service) as the costs related to the eligible activities and therefore did not include these costs in the calculation of the operating expenses ratio.

Orange Polska's main eligible operating expenses in 2022, i.e. shown in the numerator of the performance indicator, include the costs of intelligent services based on the Internet of Things and the costs of photovoltaic services.

3. Determination of aligned activities in accordance with EU Taxonomy

As explained in the introduction to the European Taxonomy chapter, an aligned activity is an eligible activity that meets i) the Criteria to determine whether the activity makes a significant contribution to climate change mitigation or adaptation, (ii) the criteria no to do significant harm (Do Not Significant Harm i.e. "DNSH") and (iii) is conducted in accordance with the minimum guarantees.

The assessment of alignment of activities with the criteria of a significant contribution and DNSH was made by analyzing the requirements in this regard for Orange Polska's eligible activities and assessment of fulfillment of these requirements by Orange Polska.

The assessment of alignment of activities as far as the minimum guarantees are concerned was made by analyzing the requirements in this regard and assessment of fulfillment of these requirements by Orange Polska.

Orange Polska meets the requirements of the minimum guarantees i.e. it has and uses solutions and procedures to ensure that it conducts its business in accordance with the principles and recommendations set out in such

documents like the Organization for Economic Co-operation and Development (“OECD”) guidelines for multinational enterprises and the United Nations guidelines on business and human rights, as well as the conventions and declarations on human rights and fundamental principles and rights at work defined in the EU Taxonomy.

Orange Polska undertakes and continuously develops activities aimed at, among others:

- protection of fundamental human rights, rights at workplace (as described in section Human rights) and consumer rights,
- preventing and detecting fraud and corruption,
- compliance with tax regulations and proper tax risk management,
- compliance with applicable laws and regulations regarding fair competition.

Orange Polska has implemented, among others:

- Orange Polska’s Code of Ethics,
- the process of identifying, monitoring and preventing social risks (Vigilance Plan) covering human rights, health and environmental issues,
- provisions in contracts with suppliers related to compliance with ethical principles in the supply chain in the area of anti-corruption activities and environmental and social obligations (i.e. Supplier Code of Conduct, CSR clause and Compliance clause, CSR questionnaire),
- Compliance Management Program (Compliance Program), the purpose of which is to counteract corruption in Orange Polska (as described in section Counteracting corruption and bribery),
- tax strategy of Orange Polska,
- mandatory CSR and anti-corruption training for all employees to raise awareness of applicable standards, laws and regulations,
- system for reporting irregularities (Whistleblowing system) regarding ethics, Compliance Management and Corporate Social Responsibility (CSR).

3.1. Share of revenue related to aligned activities to consolidated revenue

The share of Orange Polska’s revenue related to aligned activities is determined by dividing the total revenue from aligned activities by consolidated revenue. Aligned revenue is determined by identifying aligned activities and assessment of fulfillment the Criteria, DNSH and the minimum guarantees by these activities. Consolidated revenue is equal to consolidated revenue defined in point 2.2.

	31 December 2022
Revenue from aligned activities	PLN 17 million
Consolidated revenue	PLN 12 488 million
Share of revenue related to aligned activities	0.1 %

In 2022, revenue from aligned activities totalled PLN 17 million.

Consolidated revenue in 2022 amounted to PLN 12 488 million.

Orange Polska’s revenue from the activity 6.4 related to Smart Bike offer and from the activity 7.6 related to photovoltaic offer, is aligned because these activities meet the criteria of significant contribution to climate change mitigation, DNSH and Orange Polska activity is conducted in line with the minimum guarantees.

In case of the activity 8.1 Data Processing, Hosting and Related Activities, Orange Polska considers this activity as not aligned, as the data centers operated by Orange Polska do not comply with some Technical Screening Criteria, such as verification by an independent third party of implementation of the relevant practices listed in the European Code of Conduct on data center energy efficiency, and the criterion regarding the Global Warming Potential (“GWP”) of refrigerants used in the data centers’ air conditioning systems. The GWP of refrigerants used in data centers’ cooling systems is not at the required by EU Taxonomy level for the vast majority of air conditioning units currently available on the market.

As far as the activity 8.2 is concerned i.e. Data-driven solutions for reducing greenhouse gas emissions, Orange Polska considers the Internet of Things, including IoT services offered by Orange Polska, to be a key element in optimizing the management of resources, logistics processes, and in particular mobility, which may result in reduction in greenhouse gas emissions. At the same time, Orange Polska assesses its IoT services as not aligned because Orange Polska did not perform life cycle analysis of IoT solutions and does not have access to external data (customers’ data) related to the results caused by the implementation of solutions based on the Internet of Things, enabling the assessment of the reduction greenhouse gas emissions. For these reasons, Orange Polska does not have the required calculations verified by an independent third party and is not able to meet the requirements of the Criteria of the EU Taxonomy.

The share of revenue related to aligned activities is 0.1%. The non-material share of aligned activities in Orange Polska is due to the small share of eligible activities.

3.2 Share of investment expenditures related to aligned activities in total aligned activities

The share of CAPEX related to aligned activities in Orange Polska is determined by dividing the capital expenditures related to aligned activities by the total capital expenditures defined in point 2.2.

	31 December 2022
Capital expenditures related to aligned activities	PLN 1.3 million
Total capital expenditures	PLN 2 739 million
Capital expenditures ratio related to aligned activities	0.05 %

In 2022, the capital expenditures related to Orange Polska's aligned activities not generating revenue (individual CAPEX) amounts to PLN 1.3 million.

Total capital expenditures amount to PLN 2 739 million.

A portion of the capital expenditures related to the activity 6.5, Transportation of motorcycles, passenger cars and light commercial vehicles, related to electric vehicles, meets the Criteria and DNSH, and Orange Polska's operations are conducted in accordance with the minimum guarantees. As a result, this portion of CAPEX is considered as aligned. In order to reduce the impact of CO₂ emissions related to transport on the environment, Orange Polska is executing an investment plan to replace the cars fleet with a fleet of electric vehicles.

Capital expenditures related to the activity 7.4, Installation, maintenance and repair of charging stations for electric vehicles in buildings (and in car parks next to buildings), are considered aligned as they meet the Criteria and DNSH criterion, and Orange Polska's operations are conducted in accordance with the minimum guarantees.

Capital expenditures related to the activity 7.7, Acquisition and ownership of buildings, are considered as not aligned as they do not meet the Criteria.

The capital expenditures related to the activity 8.1, Data processing, hosting and related activities, relate in particular to development of the technical infrastructure of data centers and modernization of equipment in order to improve energy efficiency. It should be noted that these expenditures are not considered as aligned for the reasons described in point 3.1 concerning revenue from the activity 8.1.

The share of capital expenditures related to aligned activities is 0.05%. This reflects the small percentage of eligible activities in Orange Polska falling under the current scope of the EU Taxonomy as well as the reasons described above and in point 3.1.

3.3 Share of operating expenses related to aligned activities in total operating expenses

The share of Orange Polska's operating expenses related to aligned activities is determined by dividing the sum of operating expenses of aligned activities by the total operating expenses defined in point 2.3.

	31 December 2022
Operating expenses related to aligned activities	PLN 8.8 million
Total operating expenses	PLN 1 161 million
Operating expenses ratio related to aligned activities	0.8%

In 2022, operating expenses related to aligned activities amounted to PLN 8.8 million.

The total operating expenses of the Orange Polska Group amounted to PLN 1 161 million.

Orange Polska's operating expenses related to the activity 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and in car parks next to buildings) and the activity 7.6 Installation, maintenance and repair of renewable energy technologies are considered to be aligned for the reasons described in point 3.1 above.

Operating expenses related to the activity 8.1 Data processing, hosting and related activities and the activity 8.2 Data-driven solutions for reducing greenhouse gas emissions are considered as not aligned for the reasons described in point 3.1 above.

The share of operating expenses related to the aligned activities is 0.8 %.

Orange Polska does not disclose the tables related to nuclear and gas activities, which results from the Regulation on nuclear and gas energy, because these activities are not part of Orange Polska's operations. Therefore, the tables may present only zero values, which, in the opinion of Orange Polska, could negatively affect the transparency of information.

Nuclear and fossil gas related activities

Nuclear energy related activities		
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No
Fossil gas related activities		
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	No
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No

4. Methodology note

The method of calculation of the ratios (Performance Indicators), presented in points 2 and 3 above, is based on the EU Taxonomy regulations. In case of more specificity needed, Orange Polska took the following assumptions:

4.1 Performance Indicators related to the share of revenue, eligible and aligned, in consolidated revenue

- Within the activity 6.4, related to Smart Bike offer, Orange Polska sells solutions including equipment and connectivity services. Revenue from connectivity services cannot be separated from revenue from the activity 6.4 and, as a result, is included in the eligible and aligned revenue.
- Under the activity 7.6, Installation, maintenance and repair of renewable energy technology systems, Orange Polska recognizes the installation of photovoltaic installations in revenue together with revenue from the sale of equipment and connectivity services, as it is not possible to separate revenue from the sale of equipment and connectivity.
- As part of the activity 8.2 i.e. related to IoT services, Orange Polska sells ready-made, comprehensive solutions including hardware, assembly and installation services, and connectivity services, along with access to a platform enabling the management of the full service environment: devices, connectivity and data. For this reason, it is not possible to separate revenue from equipment sales and connectivity and this revenue is included in the eligible revenue.

4.2 Performance Indicators related to the share of investment expenditures, eligible and aligned, in the total investment expenditures

- Capital expenditures incurred within the activity 7.7 i.e. Acquisition and ownership of buildings, includes the increase of the right-of-use for new leases of offices and points of sale as well as an increase in the value of buildings purchased by Orange Polska.

Orange Polska did not include doubled values of revenue, CAPEX or OPEX in the performance indicators.

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities

Economic activities (1)	Code(s) (2)	Absolute CapEx (3) [PLN mln]	Proportion of CapEx (4) [%]	Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')						Minimum safeguards (17) [Y/N]	Taxonomy-aligned proportion of CapEx, year N (18) [%]	Taxonomy-aligned proportion of CapEx, year N-1 (19) [%]	Category (enabling activity) (20) [E]	Category (transitional activity) (21) [T]
				Climate change mitigation (5) [%]	Climate change adaptation (6) [%]	Water and marine resources (7) [%]	Circular economy (8) [%]	Pollution (9) [%]	Biodiversity and ecosystems (10) [%]	Climate change mitigation (11) [Y/N]	Climate change adaptation (12) [Y/N]	Water and marine resources (13) [Y/N]	Circular economy (14) [Y/N]	Pollution (15) [Y/N]	Biodiversity and ecosystems (16) [Y/N]					
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	77.11.Z	0.29	0.01%	100%	0%	n/a	n/a	n/a	n/a	n/a	Y	Y	Y	Y	Y	Y	0.01%			
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	77.11.Z	0.97	0.04%	100%	0%	n/a	n/a	n/a	n/a	n/a	Y	Y	Y	Y	Y	Y	0.04%		E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		1.26	0.05%	100%	0%	n/a	n/a	n/a	n/a	n/a	Y	Y	Y	Y	Y	Y	0.05%			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	77.11.Z	2.18	0.1%																	
7.7 Acquisition and ownership of buildings.	68.20.Z	35.61	1.3%																	
8.1. Data processing, hosting and related activities	63.11.Z	75.34	2.8%																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		113.12	4.1%														0.00%			
Total (A.1+A.2)		114.38	4.2%														0.05%		0.97	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		2 624.98	96%																	
Total (A+B)		2 739.36	100%																	

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities

Economic activities (1)	Code(s) (2)	Absolute OpEx (3) [PLN mln]	Proportion of OpEx (4) [%]	Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')						Minimum safeguards (17) [Y/N]	Taxonomy-aligned proportion of OpEx, year N (18) [%]	Taxonomy-aligned proportion of OpEx, year N-1 (19) [%]	Category (enabling activity) (20) [E]	Category (transitional activity) (21) [T]
				Climate change mitigation (5) [%]	Climate change adaptation (6) [%]	Water and marine resources (7) [%]	Circular economy (8) [%]	Pollution (9) [%]	Biodiversity and ecosystems (10) [%]	Climate change mitigation (11) [Y/N]	Climate change adaptation (12) [Y/N]	Water and marine resources (13) [Y/N]	Circular economy (14) [Y/N]	Pollution (15) [Y/N]	Biodiversity and ecosystems (16) [Y/N]					
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	77.11.Z	0.01	0.0%	100%	0%	n/a	n/a	n/a	n/a	n/a	Y	Y	Y	Y	Y	Y	0.0%		E	
7.6 Installation, maintenance and repair of renewable energy technologies	43.21.Z	8.75	0.8%	100%	0%	n/a	n/a	n/a	n/a	n/a	Y	Y	Y	Y	Y	Y	0.8%		E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		8.76	0.8%	100%	0%	n/a	n/a	n/a	n/a	n/a	Y	Y	Y	Y	Y	Y	0.8%			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
8.1. Data processing, hosting and related activities	63.11.Z	4.99	0.4%																	
8.2 Data-driven solutions for GHG emissions reductions	63.11.Z	10.50	0.9%																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		15.49	1.3%														0.0%			
Total (A.1+A.2)		24.25	2.1%														0.8%		8.76	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		1 136.96	98%																	
Total (A+B)		1 161.21	100%																	

GLOSSARY

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

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

ARPO – Average Revenues per Offer

AUPU – Average Usage per User

BSA – Bitstream Access Offer

CATV – Cable Television

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

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

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

EBITDAaL – EBITDA after leases, key measure of operating profitability used by management (for definition please refer to the Note 3 to the IFRS Consolidated Financial Statements of the Orange Polska Group)

eCapex – Economic Capex, key measure of resources allocation used by management (for definition please refer to the Note 3 to the IFRS Consolidated Financial Statements of the Orange Polska Group)

F2M – Fixed to Mobile Calls

FBB – Fixed Broadband

FTE – Full time equivalent

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

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

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

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

ICT – Information and Communication Technologies

ILD – International calls

IP TV – TV over Internet Protocol

LLU – Local Loop Unbundling

M2M – Machine to Machine, telemetry

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

MTR – Mobile Termination Rates

MVNO – Mobile Virtual Network Operator

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

Organic Cash Flow – Key measure of cash generation used by management (for definition please refer to the Note 3 to the IFRS Consolidated Financial Statements of the Orange Polska Group)

PPA – Power purchase agreement

RAN agreement – Agreement on reciprocal use of radio access networks

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

SIMO – Mobile SIM-only offers without devices

SMP – Significant market power

UKE – Urząd Komunikacji Elektronicznej (Office of Electronic Communications)

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

USO – Universal Service Obligation

VDSL – Very high bit-rate Digital Subscriber Line

VoIP – Voice over Internet Protocol

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

WLR – Wholesale Line Rental



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 COMMITTEE

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.

Maciej Witucki

Ramon Fernandez

Marc Ricau

Philippe Béguin

Bénédicte David

Bartosz Dobrzyński

John Russell Houlden

Mari-Noëlle Jégo-Laveissière

Patrice Lambert de Diesbach

Monika Nachyła

Maria Pasło-Wiśniewska

Wioletta Rosołowska

Jean-Michel Thibaud

Jean-Marc Vignolles



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 ACTIVITY OF ORANGE POLSKA GROUP AND ORANGE POLSKA S.A. FOR THE YEAR ENDED 31 DECEMBER 2022

The Supervisory Board has examined and appraised the following documents:

1. IFRS standalone financial statements of Orange Polska S.A. for 2022, that include:
 - a. income statement for 2022, showing net income of PLN 757 million,
 - b. statement of comprehensive income for 2022, showing total comprehensive income of PLN 1,123 million,
 - c. statement of financial position as at 31.12.2022, with the balance sheet total of PLN 25,279 million,
 - d. statement of changes in equity for 2022, showing an increase in equity by PLN 696 million,
 - e. statement of cash flows for 2022, showing an increase in net cash and cash equivalents by PLN 29 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 2022;
3. IFRS consolidated financial statements of the Orange Polska Group for 2022, that include:
 - a. consolidated income statement for 2022, showing net income of PLN 724 million, including net income attributable to owners of Orange Polska S.A. of PLN 724 million,
 - b. consolidated statement of comprehensive income for 2022, showing total comprehensive income of PLN 1,174 million, including total comprehensive income attributable to owners of Orange Polska S.A. of PLN 1,174 million,
 - c. consolidated statement of financial position as at 31.12.2022, with the balance sheet total of PLN 26,766 million,
 - d. consolidated statement of changes in equity for 2022, showing an increase in total equity by PLN 842 million, including an increase in equity attributable to owners of Orange Polska S.A. by PLN 842 million,
 - e. consolidated statement of cash flows for 2022, showing an increase in net cash and cash equivalents by PLN 91 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 2022, the Supervisory Board hereby states that:

- IFRS standalone financial statements of Orange Polska S.A. for 2022,
- Management Board's Report on the Activity of the Orange Polska Group and Orange Polska S.A. in 2022, and
- IFRS consolidated financial statements of the Orange Polska Group for 2022

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 2022 has been drawn up in all major aspects on the basis of the financial data contained in the standalone and consolidated financial statements for 2022. 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.



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