

ORANGEPL

Qsr 3/2023

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POLISH FINANCIAL SUPERVISION AUTHORITY

Quarterly consolidated report for the third quarter of 2023

(year)

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

for the third quarter of 2023, i.e. from 1 January 2023 to 30 September 2023

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

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

date of issuance: **23 October 2023**

ORANGE POLSKA SA

(full name of issuer)

ORANGEPL

(abbreviated name of the issuer)

02-326

(post code)

Al. Jerozolimskie

(street)

22 527 23 23

(telephone)

investors@orange.com

(e-mail)

526-02-50-995

(NIP)

Telecommunication (tel)

(classification according to WSE/sector)

Warsaw

(location)

160

(number)

22 527 23 41

(fax)

www.orange.pl

(www)

012100784

(REGON)

SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	3 quarter cumulative period from 01/01/2023 to 30/09/2023	3 quarter cumulative period from 01/01/2022 to 30/09/2022	3 quarter cumulative period from 01/01/2023 to 30/09/2023	3 quarter cumulative period from 01/01/2022 to 30/09/2022
condensed consolidated financial statements data				
I. Revenue	9,478,000	9,109,000	2,070,653	1,943,046
II. Operating income	1,112,000	905,000	242,938	193,046
III. Profit before income tax	918,000	663,000	200,555	141,425
IV. Net income	746,000	561,000	162,978	119,667
V. Net income attributable to owners of Orange Polska S.A.	746,000	561,000	162,978	119,667
VI. Earnings per share (in PLN/EUR) (basic and diluted)	0.57	0.43	0.12	0.09
VII. Weighted average number of shares (in millions)	1,312	1,312	1,312	1,312
VIII. Total comprehensive income	424,000	1,304,000	92,631	278,157
IX. Total comprehensive income attributable to owners of Orange Polska S.A.	424,000	1,304,000	92,631	278,157
X. Net cash provided by operating activities	2,626,000	2,426,000	573,702	517,492
XI. Net cash used in investing activities	(1,565,000)	(1,248,000)	(341,905)	(266,212)
XII. Net cash used in financing activities	(1,601,000)	(705,000)	(349,770)	(150,384)
XIII. Net change in cash and cash equivalents	(540,000)	473,000	(117,973)	100,896
	balance as at 30/09/2023	balance as at 31/12/2022	balance as at 30/09/2023	balance as at 31/12/2022
XIV. Total current assets	3,915,000	4,507,000	844,551	961,001
XV. Total non-current assets	21,783,000	22,259,000	4,699,068	4,746,157
XVI. Total assets	25,698,000	26,766,000	5,543,619	5,707,158
XVII. Total current liabilities	5,343,000	5,245,000	1,152,602	1,118,361
XVIII. Total non-current liabilities	6,924,000	8,068,000	1,493,657	1,720,292
XIX. Total equity	13,431,000	13,453,000	2,897,360	2,868,505
XX. Equity attributable to owners of Orange Polska S.A.	13,429,000	13,451,000	2,896,928	2,868,078
XXI. Share capital	3,937,000	3,937,000	849,297	839,464
condensed separate financial statements data				
	3 quarter cumulative period from 01/01/2023 to 30/09/2023	3 quarter cumulative period from 01/01/2022 to 30/09/2022	3 quarter cumulative period from 01/01/2023 to 30/09/2023	3 quarter cumulative period from 01/01/2022 to 30/09/2022
I. Revenue	8,257,000	7,873,000	1,803,902	1,679,394
II. Operating income	1,053,000	926,000	230,048	197,526
III. Profit before income tax	889,000	725,000	194,219	154,650
IV. Net income	731,000	598,000	159,701	127,560
V. Earnings per share (in PLN/EUR) (basic and diluted)	0.56	0.46	0.12	0.10
VI. Weighted average number of shares (in millions)	1,312	1,312	1,312	1,312
VII. Total comprehensive income	453,000	1,235,000	98,967	263,439
VIII. Net cash provided by operating activities	2,617,000	2,458,000	571,734	524,317
IX. Net cash used in investing activities	(1,569,000)	(1,221,000)	(342,778)	(260,452)
X. Net cash used in financing activities	(1,539,000)	(761,000)	(336,224)	(162,329)
XI. Net change in cash and cash equivalents	(491,000)	476,000	(107,268)	101,536
	balance as at 30/09/2023	balance as at 31/12/2022	balance as at 30/09/2023	balance as at 31/12/2022
XII. Total current assets	3,510,000	3,941,000	757,184	840,317
XIII. Total non-current assets	20,978,000	21,338,000	4,525,412	4,549,777
XIV. Total assets	24,488,000	25,279,000	5,282,596	5,390,094
XV. Total current liabilities	5,151,000	4,799,000	1,111,183	1,023,263
XVI. Total non-current liabilities	6,867,000	8,017,000	1,481,362	1,709,418
XVII. Total equity	12,470,000	12,463,000	2,690,051	2,657,413
XVIII. Share capital	3,937,000	3,937,000	849,297	839,464

ORANGE POLSKA GROUP

CONDENSED IFRS QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2023



October 23, 2023

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Orange Polska Group
Condensed IFRS Quarterly Consolidated Financial Statements – 30 September 2023

Translation of the financial statements originally issued in Polish

CONSOLIDATED INCOME STATEMENT

(in PLN millions, except for earnings per share)

	Note	3 months ended 30 September 2023	9 months ended 30 September 2023	3 months ended 30 September 2022	9 months ended 30 September 2022
Revenue	5	3,115	9,478	3,123	9,109
External purchases		(1,785)	(5,548)	(1,829)	(5,301)
Labour expense		(346)	(1,069)	(329)	(1,053)
Other operating expense		(116)	(354)	(140)	(438)
Other operating income		154	465	146	466
Impairment of receivables and contract assets		(22)	(68)	(19)	(60)
Gains on disposal of fixed assets		11	125	15	85
Depreciation and impairment of right-of-use assets		(132)	(418)	(123)	(369)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(494)	(1,476)	(516)	(1,526)
Share of loss of joint venture		(8)	(23)	(4)	(8)
Operating income		377	1,112	324	905
Interest income		21	66	31	67
Interest expense on lease liabilities		(36)	(102)	(27)	(65)
Other interest expense and financial charges		(37)	(117)	(43)	(140)
Discounting expense		(13)	(42)	(20)	(60)
Foreign exchange gains/(losses)		(22)	1	(27)	(44)
Finance costs, net		(87)	(194)	(86)	(242)
Income tax		(53)	(172)	(45)	(102)
Net income		237	746	193	561
Net income attributable to owners of Orange Polska S.A.		237	746	193	561
Net income attributable to non-controlling interests		-	-	-	-
Earnings per share (in PLN) (basic and diluted)		0.18	0.57	0.15	0.43
Weighted average number of shares (in millions)		1,312	1,312	1,312	1,312

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)

	3 months ended 30 September 2023	9 months ended 30 September 2023	3 months ended 30 September 2022	9 months ended 30 September 2022
Net income	237	746	193	561
Items that will not be reclassified to profit or loss				
Actuarial losses on post-employment benefits	(11)	(11)	-	-
Income tax relating to items not to be reclassified	2	2	-	-
Items that may be reclassified subsequently to profit or loss				
Gains/(losses) on cash flow hedges	(32)	(338)	168	788
Gains/(losses) on receivables at fair value through other comprehensive income	1	6	(2)	(2)
Income tax relating to items that may be reclassified	6	63	(31)	(149)
Share of other comprehensive income/(loss) of joint venture, net of tax	(8)	(44)	8	106
Other comprehensive income/(loss), net of tax	(42)	(322)	143	743
Total comprehensive income	195	424	336	1,304
Total comprehensive income attributable to owners of Orange Polska S.A.	195	424	336	1,304
Total comprehensive income attributable to non-controlling interests	-	-	-	-

Orange Polska Group
Condensed IFRS Quarterly Consolidated Financial Statements – 30 September 2023

Translation of the financial statements originally issued in Polish

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in PLN millions)	Note	At 30 September 2023	At 31 December 2022
ASSETS			
Goodwill		2,296	2,296
Other intangible assets		3,867	4,056
Property, plant and equipment		9,616	9,693
Right-of-use assets		2,848	2,741
Investment in joint venture	7	1,347	1,335
Trade receivables	9	586	452
Contract assets		77	88
Contract costs		146	154
Derivatives	8,9	360	699
Other assets		241	321
Deferred tax assets		399	424
Total non-current assets		21,783	22,259
Inventories		304	300
Trade receivables	9	1,973	2,015
Contract assets		77	104
Contract costs		424	424
Derivatives	8,9	41	29
Income tax receivables		19	-
Other assets	7	482	529
Prepaid expenses		112	80
Cash and cash equivalents		483	1,026
Total current assets		3,915	4,507
TOTAL ASSETS		25,698	26,766
EQUITY AND LIABILITIES			
Share capital		3,937	3,937
Share premium		832	832
Other reserves		325	635
Retained earnings		8,335	8,047
Equity attributable to owners of Orange Polska S.A.		13,429	13,451
Non-controlling interests		2	2
Total equity		13,431	13,453
Trade payables	7	69	82
Lease liabilities		2,325	2,234
Loans from related party	8	2,694	4,191
Other financial liabilities at amortised cost	8	40	40
Provisions	11	628	510
Contract liabilities		1,086	942
Employee benefits		55	48
Other liabilities		23	21
Deferred tax liabilities		4	-
Total non-current liabilities		6,924	8,068
Trade payables	7	1,882	2,499
Lease liabilities		615	542
Loans from related party	8	1,507	778
Other financial liabilities at amortised cost	8	12	10
Derivatives	8,9	6	23
Provisions	11	193	261
Contract liabilities		611	648
Employee benefits		180	190
Income tax liabilities		9	33
Other liabilities		328	261
Total current liabilities		5,343	5,245
TOTAL EQUITY AND LIABILITIES		25,698	26,766

Orange Polska Group

Condensed IFRS Quarterly Consolidated Financial Statements – 30 September 2023

Translation of the financial statements originally issued in Polish

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in PLN millions)

	Share capital	Share premium	Other reserves					Retained earnings	Equity attributable to owners of OPL S.A.	Non-controlling interests	Total equity
			Cash flow hedge reserve	Actuarial losses on post-employment benefits	Gains/(losses) on receivables at fair value through other comprehensive income	Deferred tax	Share of other reserves of joint venture				
Balance at 1 January 2023	3,937	832	712	(50)	(9)	(124)	106	8,047	13,451	2	13,453
Net income	-	-	-	-	-	-	-	746	746	-	746
Other comprehensive loss	-	-	(338)	(11)	6	65	(44)	-	(322)	-	(322)
Total comprehensive income for the 9 months ended 30 September 2023	-	-	(338)	(11)	6	65	(44)	746	424	-	424
Dividend (transactions with the owners)	-	-	-	-	-	-	-	(459)	(459)	-	(459)
Share-based payments (transactions with the owner)	-	-	-	-	-	-	-	1	1	-	1
Transfer to inventories	-	-	15	-	-	(3)	-	-	12	-	12
Balance at 30 September 2023	3,937	832	389	(61)	(3)	(62)	62	8,335	13,429	2	13,431
Balance at 1 January 2022	3,937	832	269	(54)	(6)	(40)	22	7,649	12,609	2	12,611
Net income	-	-	-	-	-	-	-	561	561	-	561
Other comprehensive income	-	-	788	-	(2)	(149)	106	-	743	-	743
Total comprehensive income for the 9 months ended 30 September 2022	-	-	788	-	(2)	(149)	106	561	1,304	-	1,304
Dividend (transactions with the owners)	-	-	-	-	-	-	-	(328)	(328)	-	(328)
Share-based payments (transactions with the owner)	-	-	-	-	-	-	-	1	1	-	1
Transfer to inventories	-	-	(9)	-	-	2	-	-	(7)	-	(7)
Balance at 30 September 2022	3,937	832	1,048	(54)	(8)	(187)	128	7,883	13,579	2	13,581

Orange Polska Group
Condensed IFRS Quarterly Consolidated Financial Statements – 30 September 2023

Translation of the financial statements originally issued in Polish

CONSOLIDATED STATEMENT OF CASH FLOWS

(in PLN millions)

	3 months	9 months	3 months	9 months
	Note ended 30 September 2023 ended 30 September 2022			
OPERATING ACTIVITIES				
Net income	237	746	193	561
Adjustments to reconcile net income to cash from operating activities				
Gains on disposal of fixed assets	(11)	(125)	(15)	(85)
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	626	1,894	639	1,895
Share of loss of investments accounted for using the equity method	8	23	4	8
Finance costs, net	87	194	86	242
Income tax	53	172	45	102
Change in provisions and allowances	(33)	(117)	(4)	(45)
Operating foreign exchange and derivatives (gains)/losses, net	(7)	11	(7)	(9)
Change in working capital				
(Increase)/decrease in inventories, gross	138	(5)	26	32
Increase in trade receivables, gross	(2)	(61)	(103)	(40)
Decrease in contract assets, gross	26	39	7	2
(Increase)/decrease in contract costs	1	8	(17)	(31)
Increase/(decrease) in trade payables	(142)	(124)	131	64
Increase/(decrease) in contract liabilities	4	101	(6)	(14)
(Increase)/decrease in prepaid expenses and other receivables	36	90	6	(3)
Increase/(decrease) in other payables	(13)	90	(48)	51
Interest received	22	69	30	60
Interest paid and interest rate effect paid on derivatives, net	(87)	(264)	(188)	(307)
Exchange rate and other effect received/(paid) on derivatives, net	(5)	(10)	5	7
Income tax paid	(38)	(105)	(54)	(64)
Net cash provided by operating activities	900	2,626	730	2,426
INVESTING ACTIVITIES				
Payments for purchases of property, plant and equipment and intangible assets	(374)	(1,634)	(491)	(1,480)
Bid bond paid in the auction for telecommunications licences	7 (182)	(182)	-	-
Investment grants received/(returned), net	11	44	(3)	(3)
Investment grants paid to property, plant and equipment and intangible assets suppliers	(15)	(50)	(8)	(69)
Exchange rate effect received/(paid) on derivatives economically hedging capital expenditures, net	(6)	(11)	4	7
Proceeds from sale of fixed assets	25	259	61	255
Proceeds from loss of control of Światłowód Inwestycje, net of transaction costs	-	133	-	36
Income tax received/(paid) in relation to loss of control of Światłowód Inwestycje	(19)	(19)	53	53
Cash paid for investment in joint venture	7 -	(100)	-	-
Cash paid for subsidiaries, net of cash acquired	-	(2)	-	(48)
Receipts from/(payments on) other financial instruments, net	1	(3)	1	1
Net cash used in investing activities	(559)	(1,565)	(383)	(1,248)
FINANCING ACTIVITIES				
Proceeds from long-term debt	-	-	5	19
Repayment of long-term loans from related party	8 -	(750)	-	-
Repayment of lease liabilities	(121)	(393)	(126)	(385)
Proceeds from/(repayment of) revolving credit line and other debt, net	(3)	1	(12)	(11)
Dividend paid	(459)	(459)	(328)	(328)
Net cash used in financing activities	(583)	(1,601)	(461)	(705)
Net change in cash and cash equivalents	(242)	(540)	(114)	473
Effect of exchange rate changes and other impacts on cash and cash equivalents	1	(3)	1	7
Cash and cash equivalents at the beginning of the period	724	1,026	1,526	933
Cash and cash equivalents at the end of the period	483	483	1,413	1,413

Notes to the Condensed IFRS Quarterly Consolidated Financial Statements

1. The Orange Polska Group

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

The Group is 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 list of entities included in the Condensed IFRS Quarterly Consolidated Financial Statements of the Group (the “Condensed Quarterly Consolidated Financial Statements”) as at and for the 3 months ended 30 September 2023 is presented in Note 1.2 to the Orange Polska Group IFRS Consolidated Financial Statements (“IFRS Consolidated Financial Statements”) for the year ended 31 December 2022 except for Interkar Sp. z o.o. and Telewizja Światłowodowa Kaszebe Sp. z o.o. which merged with Interkam Sp. z o.o. in August 2023.

2. Segment information and performance measures

The Group reports a single operating segment as decisions about resources to be allocated and assessment of performance are made on a consolidated basis. Group performance is currently evaluated by the Management Board based on revenue, EBITDAaL, net income, 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 fixed assets, investments and businesses, 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, costs of restructuring or reorganisation, 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 fixed 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 fixed assets (property, plant and equipment, intangible assets and rights of perpetual usufruct of land historically recognised as property, plant and equipment and subsequently reclassified to right-of-use 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 8.

Basic financial data of the operating segment is presented below:

(in PLN millions)	9 months ended 30 September 2023	9 months ended 30 September 2022
Revenue	9,478	9,109
EBITDAaL	2,426	2,342
Net income	746	561
eCapex	902	896
Organic cash flows	848	826

	At 30 September 2023	At 31 December 2022
Net financial debt (in PLN millions, see Note 8)	3,764	4,000
Net financial debt/EBITDAaL ratio	1.2	1.3

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

(in PLN millions)	9 months ended 30 September 2023	9 months ended 30 September 2022
Operating income	1,112	905
Less gains on disposal of fixed assets	(125)	(85)
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets ⁽¹⁾	1,483	1,526
Add share of loss of joint venture adjusted for elimination of margin earned on asset related transactions with joint venture	42	48
Interest expense on lease liabilities	(102)	(65)
Adjustment for the impact of employment termination programs and reorganisation costs	16	-
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries	-	13
EBITDAaL	2,426	2,342

⁽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 7 million in 2023).

(in PLN millions)	9 months ended 30 September 2023	9 months ended 30 September 2022
Acquisitions of property, plant and equipment and intangible assets	1,137	1,087
Less proceeds accrued on disposal of fixed assets	(235)	(191)
eCapex	902	896

(in PLN millions)	9 months ended 30 September 2023	9 months ended 30 September 2022
Net cash provided by operating activities	2,626	2,426
Payments for purchases of property, plant and equipment and intangible assets	(1,634)	(1,480)
Exchange rate effect received/(paid) on derivatives economically hedging capital expenditures, net	(11)	7
Proceeds from sale of fixed assets	259	255
Repayment of lease liabilities	(393)	(385)
Adjustment for payment for costs related to acquisition, disposal and integration of subsidiaries	1	3
Organic cash flows	848	826

3. Statement of compliance and basis of preparation

Basis of preparation

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

These Condensed Quarterly Consolidated Financial Statements should be read in conjunction with the audited IFRS Consolidated Financial Statements for the year ended 31 December 2022.

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

These Condensed Quarterly Consolidated Financial Statements have been prepared on the going concern basis.

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

These Condensed Quarterly Consolidated Financial Statements are prepared in millions of Polish zloty (“PLN”) and were authorised for issuance by the Management Board on 23 October 2023.

Adoption of standards and interpretations in 2023

IFRS 17 “Insurance Contracts” is effective for annual periods beginning on or after 1 January 2023. This standard has no impact on the Group’s financial statements.

There were no new standards or interpretations issued from the date when the IFRS Consolidated Financial Statements for the year ended 31 December 2022 were published.

4. Statement of accounting policies

The accounting policies and methods of computation used in the preparation of the Condensed Quarterly Consolidated Financial Statements are materially consistent with those described in Notes 2 and 35 to the audited IFRS Consolidated Financial Statements for the year ended 31 December 2022.

In preparing the Group's accounts, the Company's Management Board is required to make judgements and estimates that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expense. The Management Board reviews these judgements and estimates if the circumstances on which they were based evolve or in the light of new information or experience. Consequently, estimates and judgments made as at 30 September 2023 may be subsequently changed. The areas of main estimates and judgements made are described in Note 35.1 to the audited IFRS Consolidated Financial Statements for the year ended 31 December 2022.

5. Revenue

Revenue is disaggregated as follows:

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

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(in PLN millions)	3 months ended 30 September 2023	9 months ended 30 September 2023	3 months ended 30 September 2022	9 months ended 30 September 2022
Mobile only services	733	2,166	710	2,080
Fixed only services	459	1,394	475	1,427
Narrowband	123	383	143	443
Broadband	222	668	224	666
Network solutions (business market)	114	343	108	318
Convergent services (consumer market)	591	1,733	544	1,600
Equipment sales	442	1,322	400	1,094
IT and integration services	312	1,118	323	992
Wholesale	456	1,331	493	1,416
Mobile wholesale	260	739	295	876
Fixed wholesale	77	230	85	230
Other	119	362	113	310
Other revenue	122	414	178	500
Total revenue	3,115	9,478	3,123	9,109

Starting from 2023, personal and property security, fire protection and video monitoring are included in ICT (Information and Communications Technology) services to comprehensively present the whole portfolio of ICT services offered to business market. Consequently, PLN 26 million of revenue from personal and property security, fire protection and video monitoring services for the 9 months ended 30 September 2022 was reclassified from other revenue to revenue from IT and integration services.

IT and integration services, wholesale and other revenue for the 9 months ended 30 September 2023 include PLN 174 million of lease revenue and compensation based on the acts regulating electricity prices (PLN 70 million of lease revenue for the 9 months ended 30 September 2022), that are outside the scope of IFRS 15 "Revenue from Contracts with Customers".

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

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

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

As at 30 September 2023, there was no change in the assessment of the impact of the war in Ukraine on the Group's financial position and performance, as presented in Note 5 to the IFRS Consolidated Financial Statements for the year ended 31 December 2022.

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In June 2023, the Ordinary Shareholders' Meeting of Światłowód Inwestycje Sp. z o.o. adopted the resolution on the capital increase by PLN 200 million, of which 50% was paid by the Group. Consequently, the investment in joint venture increased by PLN 100 million.

Cash flows from investing activities for the 9 months ended 30 September 2023 include PLN 182 million of bid bond paid in the course of the auction for 3600 MHz telecommunications licence and presented as other assets in the consolidated statement of financial position.

The amount of trade payables subject to reverse factoring decreased from PLN 87 million as at 31 December 2022 to PLN 55 million as at 30 September 2023. These payables are presented together with the remaining balance of trade payables, as analysis conducted by the Group indicates they have retained their trade nature.

8. Net financial debt

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

(in PLN millions)	At 30 September 2023	At 31 December 2022
Loans from related party	4,201	4,969
Other financial liabilities at amortised cost	52	50
Derivatives – net (liabilities less assets)	(395)	(705)
Gross financial debt after derivatives	3,858	4,314
Cash and cash equivalents	(483)	(1,026)
Cash flow hedge reserve	389	712
Net financial debt	3,764	4,000

On 27 March 2023, the Group repaid the PLN 750 million loan from Atlas Services Belgium S.A., a subsidiary of Orange S.A.

In April 2023, the Group and Orange S.A. updated the Cash Management Treasury Agreement, extending access to PLN 500 million of back-up liquidity funding to 30 June 2024. The back-up facility was not used as at 30 September 2023.

As at 30 September 2023, the total outstanding balance of loans from the related party amounted to PLN 4,201 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related party amounted to 7.12% before swaps and 3.20% after swaps as at 30 September 2023.

As at 30 September 2023, the total nominal amount of interest rate swaps outstanding under the agreement with Orange S.A. concerning derivative transactions to hedge exposure to interest rate risk was PLN 3,800 million with a total fair value amounting to PLN 220 million.

9. Fair value of financial instruments

The Group's financial assets and liabilities that are measured subsequent to their initial recognition at fair value comprise derivative instruments, selected trade receivables arising from sales of mobile handsets in instalments and the contingent consideration receivable arising from the sale of 50% stake in Światłowód Inwestycje (presented within other assets in the consolidated statement of financial position).

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The fair value of these instruments determined as described in Notes 15.1, 25 and 26.2 to the IFRS Consolidated Financial Statements for the year ended 31 December 2022 is presented below:

(in PLN millions)	At 30 September 2023	At 31 December 2022	Fair value hierarchy ⁽¹⁾
Contingent consideration receivable arising from the sale of 50% stake in Światłowód Inwestycje ⁽²⁾	274	385	Level 3
Derivatives hedging energy prices – net (assets less liabilities) ⁽³⁾	167	277	Level 3
Other derivatives – net (assets less liabilities) ⁽⁴⁾	228	428	Level 2
<u>Selected trade receivables arising from sales of mobile handsets in instalments ⁽⁵⁾</u>	<u>240</u>	<u>164</u>	<u>Level 2</u>

⁽¹⁾ Described in Note 26.1 to the IFRS Consolidated Financial Statements for the year ended 31 December 2022.

⁽²⁾ The Group received PLN 133 million in 2023.

⁽³⁾ Change in the fair value in 2023 results mainly from the decrease of energy prices. The impact is recognised mainly as losses on cash flow hedges in other comprehensive income.

⁽⁴⁾ Change in the fair value in 2023 results mainly from the decrease of interest rates and settlements of derivatives.

⁽⁵⁾ Trade receivables subject to factoring agreement.

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 discount rates used in the calculation of the present value of the expected cash flows related to contingent consideration range from 6.8% in 2024 to 6.7% in 2026 as at 30 September 2023 (from 9.5% in 2023 to 7.7% in 2026 as at 31 December 2022) and are based on the market risk-free interest rates increased by the credit risk margin estimated for the APG Group. 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 – 2026 and on forecasted prices calculated by an external advisor for years 2027 – 2035. The average of these forecasted energy prices for years 2027 – 2035 used for the valuation of derivatives as at 30 September 2023 amounted to PLN 514 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 2027 – 2035 would change the fair value of derivatives and affect other reserves respectively by PLN 37/(37) million as at 30 September 2023.

The carrying amount of the Group's financial instruments excluding lease liabilities approximated their fair value as at 30 September 2023.

10. Dividend

On 29 June 2023, the General Meeting of Orange Polska S.A. adopted a resolution on the payment of an ordinary dividend of PLN 0.35 per share from the 2022 profit. The total dividend, paid on 20 July 2023, amounted to PLN 459 million.

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

The information hereunder refers to the matters presented in Note 32 to the IFRS Consolidated Financial Statements for the year ended 31 December 2022.

Claims related to the completed competition proceedings by UOKiK regarding retail prices of calls to Play

The court examining a civil claim for payment to P4 Sp. z o.o. of damages of PLN 314 million concerning retail prices of mobile services in the period from April 2012 to December 2014, decided to join it for joint consideration with the case for payment of PLN 316 million for the period from July 2009 to March 2012.

Consumer proceedings by UOKiK

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 31 August 2023, UOKiK issued a commitment decision (without imposing a fine) concluding these proceedings.

Other litigation, claims and contingent liabilities

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, remuneration or return of benefits from the Group raised by counterparties or other entities which may result in significant cash outflows. The Group is also involved in 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 proceedings and claims 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 reflected as provisions or income tax liabilities in the statement of financial position.

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

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

12. Related party transactions

As at 30 September 2023, Orange S.A. owned 50.67% of shares of the Company. Orange S.A. has majority of the total number of votes at the General Meeting of OPL S.A. which appoints OPL S.A.'s Supervisory Board Members. The Supervisory Board decides about the composition of the Management Board. According to the Company's Articles of Association, at least 4 Members of the Supervisory Board must be independent. The majority of Members of the Audit Committee of the Supervisory Board are independent.

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

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

The Group's income and receivables from Światłowód Inwestycje, a joint venture, comprise mainly investment process management services and sale of fibre network assets. The purchases from Światłowód Inwestycje 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 joint venture paid upfront. Additionally, in June 2023, the Group paid PLN 100 million to Światłowód Inwestycje to increase the joint venture's capital (see Note 7).

(in PLN millions)	3 months ended 30 September 2023	9 months ended 30 September 2023	3 months ended 30 September 2022	9 months ended 30 September 2022
Sales of goods and services and other income:	161	485	169	565
Orange S.A. (parent)	51	153	51	142
Orange Group (excluding parent)	17	51	22	58
Światłowód Inwestycje (joint venture)	93	281	96	365
Purchases of goods (including inventories, tangible and intangible assets) and services:	(109)	(308)	(98)	(283)
Orange S.A. (parent)	(21)	(57)	(19)	(61)
Orange Group (excluding parent)	(48)	(139)	(49)	(140)
Światłowód Inwestycje (joint venture)	(40)	(112)	(30)	(82)
Financial income:	4	23	23	45
Orange S.A. (parent)	4	23	23	45
Financial expense, net:	(47)	(123)	(41)	(118)
Orange S.A. (parent)	50	154	52	92
Orange Group (excluding parent)	(97)	(277)	(93)	(210)
Other comprehensive income/(loss):	(89)	(230)	(50)	268
Orange S.A. (parent)	(89)	(230)	(50)	268
Dividend paid:	233	233	166	166
Orange S.A. (parent)	233	233	166	166

(in PLN millions)	At 30 September 2023	At 31 December 2022
Receivables and contract costs:	197	330
Orange S.A. (parent)	81	70
Orange Group (excluding parent)	30	41
Światłowód Inwestycje (joint venture)	86	219
Liabilities:	958	801
Orange S.A. (parent)	39	44
Orange Group (excluding parent)	84	70
Światłowód Inwestycje (joint venture)	835	687
Financial receivables:	220	451
Orange S.A. (parent)	220	451
Cash and cash equivalents deposited with:	373	830
Orange S.A. (parent)	373	830
Financial liabilities:	4,201	4,969
Orange Group (excluding parent)	4,201	4,969

Compensation (remuneration, bonuses, post-employment and other long-term benefits, termination indemnities and share-based payment plans - cash and non-monetary benefits) of OPL S.A.'s Management Board and

Supervisory Board Members for the 9 months ended 30 September 2023 and 2022 amounted to PLN 13.7 million and PLN 12.2 million, respectively. Additionally, persons in the position of the President of OPL S.A.'s Management Board have been 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 for the 9 months ended 30 September 2023 and 2022 amounted to PLN 4.8 million and PLN 4.4 million, respectively.

13. Subsequent events

On 18 October 2023, as a result of the auction the Group obtained a reservation for a 100 MHz block of mobile spectrum in 3600-3700 MHz band. The fee of PLN 487 million (decreased by PLN 182 million of bid bond paid) will be paid in 2023 after the receipt of the decision of the President of UKE. The telecommunications license is valid for 15 years from the date of the receipt of the decision.

ORANGE POLSKA S.A.

**CONDENSED IFRS QUARTERLY SEPARATE FINANCIAL
STATEMENTS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2023**



October 23, 2023

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INCOME STATEMENT

(in PLN millions, except for earnings per share)

	Note	3 months ended 30 September 2023	9 months ended 30 September 2023	3 months ended 30 September 2022	9 months ended 30 September 2022
Revenue	4	2,785	8,257	2,708	7,873
External purchases		(1,519)	(4,541)	(1,482)	(4,261)
Labour expense		(316)	(979)	(286)	(931)
Other operating expense		(112)	(342)	(129)	(404)
Other operating income		153	465	146	469
Impairment of receivables and contract assets		(22)	(63)	(18)	(56)
Gains on disposal of fixed assets		11	127	15	104
Depreciation and impairment of right-of-use assets		(130)	(410)	(119)	(356)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(490)	(1,461)	(511)	(1,512)
Operating income		360	1,053	324	926
Dividend income		-	35	3	34
Interest income		19	64	31	68
Interest expense on lease liabilities		(35)	(101)	(26)	(64)
Other interest expense and financial charges		(38)	(119)	(44)	(141)
Discounting expense		(13)	(42)	(20)	(60)
Foreign exchange losses		(20)	(1)	(22)	(38)
Finance costs, net		(87)	(164)	(78)	(201)
Income tax		(47)	(158)	(44)	(127)
Net income		226	731	202	598
Earnings per share (in PLN) (basic and diluted)		0.17	0.56	0.15	0.46
Weighted average number of shares (in millions)		1,312	1,312	1,312	1,312

STATEMENT OF COMPREHENSIVE INCOME

(in PLN millions)

		3 months ended 30 September 2023	9 months ended 30 September 2023	3 months ended 30 September 2022	9 months ended 30 September 2022
Net income		226	731	202	598
Items that will not be reclassified to profit or loss					
Actuarial losses on post-employment benefits		(11)	(11)	-	-
Income tax relating to items not to be reclassified		2	2	-	-
Items that may be reclassified subsequently to profit or loss					
Gains/(losses) on cash flow hedges		(32)	(338)	168	788
Gains/(losses) on receivables at fair value through other comprehensive income		1	6	(2)	(2)
Income tax relating to items that may be reclassified		6	63	(31)	(149)
Other comprehensive income/(loss), net of tax		(34)	(278)	135	637
Total comprehensive income		192	453	337	1,235

STATEMENT OF FINANCIAL POSITION

(in PLN millions)

	Note	At 30 September 2023	At 31 December 2022
ASSETS			
Goodwill		2,014	2,014
Other intangible assets		3,804	3,972
Property, plant and equipment		9,592	9,671
Right-of-use assets		2,817	2,707
Investments in subsidiaries		382	382
Investment in joint venture	6	655	555
Trade receivables	8	582	452
Contract assets		74	83
Contract costs		135	138
Derivatives	7,8	360	699
Other assets		188	271
Deferred tax asset		375	394
Total non-current assets		20,978	21,338
Inventories		254	242
Trade receivables	8	1,747	1,700
Contract assets		73	102
Contract costs		410	409
Loans to related parties		10	10
Derivatives	7,8	41	29
Income tax receivables		5	-
Other assets	6	478	488
Prepaid expenses		70	44
Cash and cash equivalents		422	917
Total current assets		3,510	3,941
TOTAL ASSETS		24,488	25,279
EQUITY AND LIABILITIES			
Share capital		3,937	3,937
Share premium		832	832
Other reserves		263	529
Retained earnings		7,438	7,165
Total equity		12,470	12,463
Trade payables	6	69	82
Lease liabilities		2,304	2,208
Loans from related parties	7	2,694	4,191
Other financial liabilities at amortised cost		35	39
Provisions	10	628	509
Contract liabilities		1,061	921
Employee benefits		55	47
Other liabilities		21	20
Total non-current liabilities		6,867	8,017
Trade payables	6	1,733	2,140
Lease liabilities		604	531
Loans from related parties	7	1,627	839
Other financial liabilities at amortised cost		6	6
Derivatives	7,8	6	23
Provisions	10	186	252
Contract liabilities		577	595
Employee benefits		135	142
Income tax liabilities		7	27
Other liabilities		270	244
Total current liabilities		5,151	4,799
TOTAL EQUITY AND LIABILITIES		24,488	25,279

STATEMENT OF CHANGES IN EQUITY

(in PLN millions)

	Share capital	Share premium	Other reserves				Retained earnings	Total equity
			Cash flow hedge reserve	Actuarial losses on post-employment benefits	Gains/(losses) on receivables at fair value through other comprehensive income	Deferred tax		
Balance at 1 January 2023	3,937	832	712	(50)	(9)	(124)	7,165	12,463
Net income	-	-	-	-	-	-	731	731
Other comprehensive loss	-	-	(338)	(11)	6	65	-	(278)
Total comprehensive income for the 9 months ended 30 September 2023	-	-	(338)	(11)	6	65	731	453
Dividend (transactions with the owners)	-	-	-	-	-	-	(459)	(459)
Share-based payments (transactions with the owner)	-	-	-	-	-	-	1	1
Transfer to inventories	-	-	15	-	-	(3)	-	12
Balance at 30 September 2023	3,937	832	389	(61)	(3)	(62)	7,438	12,470
Balance at 1 January 2022	3,937	832	269	(54)	(6)	(39)	6,828	11,767
Net income	-	-	-	-	-	-	598	598
Other comprehensive income	-	-	788	-	(2)	(149)	-	637
Total comprehensive income for the 9 months ended 30 September 2022	-	-	788	-	(2)	(149)	598	1,235
Dividend (transactions with the owners)	-	-	-	-	-	-	(328)	(328)
Share-based payments (transactions with the owner)	-	-	-	-	-	-	1	1
Transfer to inventories	-	-	(9)	-	-	2	-	(7)
Balance at 30 September 2022	3,937	832	1,048	(54)	(8)	(186)	7,099	12,668

STATEMENT OF CASH FLOWS

(in PLN millions)

	3 months	9 months	3 months	9 months
	Note ended 30 September 2023 ended 30 September 2022			
OPERATING ACTIVITIES				
Net income	226	731	202	598
Adjustments to reconcile net income to cash from operating activities				
Gains on disposal of fixed assets	(11)	(127)	(15)	(104)
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	620	1,871	630	1,868
Finance costs, net	87	164	78	201
Income tax	47	158	44	127
Change in provisions and allowances	(33)	(118)	(9)	(54)
Operating foreign exchange and derivatives (gains)/losses, net	(8)	8	(3)	(3)
Change in working capital				
(Increase)/decrease in inventories, gross	106	(14)	(9)	-
Increase in trade receivables, gross	(71)	(142)	(150)	(56)
Decrease in contract assets, gross	26	38	8	6
(Increase)/decrease in contract costs	(1)	2	(10)	(19)
Increase/(decrease) in trade payables	(58)	85	183	161
Increase/(decrease) in contract liabilities	6	116	1	(12)
(Increase)/decrease in prepaid expenses and other receivables	39	93	10	(10)
Increase/(decrease) in other payables	(20)	34	(47)	13
Dividends received	6	6	34	34
Interest received	22	69	30	61
Interest paid and interest rate effect paid on derivatives, net	(88)	(267)	(188)	(307)
Exchange rate and other effect received/(paid) on derivatives, net	(6)	(9)	3	4
Income tax paid	(28)	(81)	(49)	(50)
Net cash provided by operating activities	861	2,617	743	2,458
INVESTING ACTIVITIES				
Payments for purchases of property, plant and equipment and intangible assets	(377)	(1,637)	(479)	(1,455)
Bid bond paid in the auction for telecommunications licences	6	(182)	-	-
Investment grants received/(returned), net	11	44	(3)	(3)
Investment grants paid to property, plant and equipment and intangible assets suppliers	(15)	(50)	(8)	(69)
Exchange rate effect received/(paid) on derivatives economically hedging capital expenditures, net	(6)	(11)	4	7
Proceeds from sale of fixed assets	25	260	61	255
Proceeds from sale of investment in Światłowód Inwestycje, net of transaction costs	-	133	-	36
Income tax received/(paid) in relation to sale of investment in Światłowód Inwestycje	(19)	(19)	53	53
Cash paid for investment in joint venture	6	(100)	-	-
Cash paid for investments in subsidiaries	-	(2)	-	(49)
Receipts from/(payments on) loans to related parties and other financial instruments, net	1	(5)	3	4
Net cash used in investing activities	(562)	(1,569)	(369)	(1,221)
FINANCING ACTIVITIES				
Proceeds from long-term debt	-	-	5	19
Repayment of long-term loans from related party	7	(750)	-	-
Repayment of lease liabilities	(119)	(385)	(122)	(373)
Proceeds from/(repayment of) revolving credit line and other debt, net	55	55	(33)	(79)
Dividend paid	(459)	(459)	(328)	(328)
Net cash used in financing activities	(523)	(1,539)	(478)	(761)
Net change in cash and cash equivalents	(224)	(491)	(104)	476
Effect of exchange rate changes and other impacts on cash and cash equivalents	-	(4)	1	7
Cash and cash equivalents at the beginning of the period	646	917	1,471	885
Cash and cash equivalents at the end of the period	422	422	1,368	1,368

Notes to the Condensed IFRS Quarterly Separate Financial Statements

1. Orange Polska S.A.

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

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

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

2. Statement of compliance and basis of preparation

Basis of preparation

These unaudited Condensed IFRS Quarterly Separate Financial Statements for the 3 months ended 30 September 2023 (the “Condensed Quarterly Separate Financial Statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 - Interim Financial Reporting (“IAS 34”) and with all accounting standards applicable to interim financial reporting adopted by the European Union, issued and effective as at the time of preparing the Condensed Quarterly Separate Financial Statements (see also Note 3).

These Condensed Quarterly Separate Financial Statements should be read in conjunction with the audited Orange Polska S.A. IFRS Separate Financial Statements and the notes thereto (“IFRS Separate Financial Statements”) for the year ended 31 December 2022.

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

These Condensed Quarterly Separate Financial Statements have been prepared on the going concern basis.

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

Orange Polska S.A. is the parent company of the Orange Polska Group (“the Group”, “OPL Group”) and prepares condensed quarterly consolidated financial statements for the 3 months ended 30 September 2023. The Group is a part of Orange Group, based in France.

These Condensed Quarterly Separate Financial Statements are prepared in millions of Polish zloty (“PLN”) and were authorised for issuance by the Management Board on 23 October 2023.

Adoption of standards and interpretations in 2023

IFRS 17 “Insurance Contracts” is effective for annual periods beginning on or after 1 January 2023. This standard has no impact on the Company’s financial statements.

There were no new standards or interpretations issued from the date when the IFRS Separate Financial Statements for the year ended 31 December 2022 were published.

3. Statement of accounting policies

The accounting policies and methods of computation used in the preparation of the Condensed Quarterly Separate Financial Statements are materially consistent with those described in Notes 2 and 35 to the audited IFRS Separate Financial Statements for the year ended 31 December 2022.

In preparing the Company’s accounts, the Company’s Management Board is required to make judgements and estimates that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expense. The Management Board reviews these judgements and estimates if the circumstances on which they were based evolve or in the light of new information or experience. Consequently, estimates and judgments made as at 30 September 2023 may be subsequently changed. The areas of main estimates and judgements made are described in Note 35.1 to the audited IFRS Separate Financial Statements for the year ended 31 December 2022.

4. Revenue

Revenue is disaggregated as follows:

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

(in PLN millions)	3 months ended 30 September 2023	9 months ended 30 September 2023	3 months ended 30 September 2022	9 months ended 30 September 2022
Mobile only services	731	2,160	708	2,075
Fixed only services	459	1,391	474	1,425
Narrowband	123	383	143	443
Broadband	219	659	221	659
Network solutions (business market)	117	349	110	323
Convergent services (consumer market)	591	1,733	544	1,600
Equipment sales	442	1,322	400	1,094
IT and integration services	87	255	67	190
Wholesale	456	1,331	493	1,416
Mobile wholesale	260	739	295	876
Fixed wholesale	77	230	85	230
Other	119	362	113	310
Other revenue	19	65	22	73
Total revenue	2,785	8,257	2,708	7,873

IT and integration services, wholesale and other revenue for the 9 months ended 30 September 2023 and 2022 include, respectively, PLN 91 million and PLN 78 million of lease revenue that is outside the scope of IFRS 15 “Revenue from Contracts with Customers”.

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

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

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

As at 30 September 2023, there was no change in the assessment of the impact of the war in Ukraine on the Company’s financial position and performance, as presented in Note 5 to the IFRS Separate Financial Statements for the year ended 31 December 2022.

In June 2023, the Ordinary Shareholders’ Meeting of Światłowód Inwestycje Sp. z o.o. adopted the resolution on the capital increase by PLN 200 million, of which 50% was paid by the Company. Consequently, the investment in joint venture increased by PLN 100 million.

Cash flows from investing activities for the 9 months ended 30 September 2023 include PLN 182 million of bid bond paid in the course of the auction for 3600 MHz telecommunications licence and presented as other assets in the statement of financial position.

The amount of trade payables subject to reverse factoring decreased from PLN 87 million as at 31 December 2022 to PLN 55 million as at 30 September 2023. These payables are presented together with the remaining balance of trade payables, as analysis conducted by the Company indicates they have retained their trade nature.

7. Changes in loans from related parties

On 27 March 2023, the Company repaid the PLN 750 million loan from Atlas Services Belgium S.A., a subsidiary of Orange S.A.

In April 2023, the Company and Orange S.A. updated the Cash Management Treasury Agreement, extending access to PLN 500 million of back-up liquidity funding to 30 June 2024. The back-up facility was not used as at 30 September 2023.

As at 30 September 2023, the total outstanding balance of loans from the related parties amounted to PLN 4,321 million, including accrued interest and arrangement fees. The weighted average effective interest rate on loans from the related parties amounted to 7.06% before swaps and 3.25 % after swaps as at 30 September 2023.

As at 30 September 2023, the total nominal amount of interest rate swaps, outstanding under the agreement with Orange S.A. concerning derivative transactions to hedge exposure to interest rate risk was PLN 3,800 million with a total fair value amounting to PLN 220 million.

8. Fair value of financial instruments

The Company's financial assets and liabilities that are measured subsequent to their initial recognition at fair value comprise derivative instruments, selected trade receivables arising from sales of mobile handsets in instalments and the contingent consideration receivable arising from the sale of 50% stake in Światłowód Inwestycje (presented within other assets in the statement of financial position).

The fair value of these instruments determined as described in Notes 14.1, 25 and 26.2 to the IFRS Separate Financial Statements for the year ended 31 December 2022 is presented below:

(in PLN millions)	At 30 September 2023	At 31 December 2022	Fair value hierarchy ⁽¹⁾
Contingent consideration receivable arising from the sale of 50% stake in Światłowód Inwestycje ⁽²⁾	274	385	Level 3
Derivatives hedging energy prices – net (assets less liabilities) ⁽³⁾	167	277	Level 3
Other derivatives – net (assets less liabilities) ⁽⁴⁾	228	428	Level 2
<u>Selected trade receivables arising from sales of mobile handsets in instalments ⁽⁵⁾</u>	<u>240</u>	<u>164</u>	<u>Level 2</u>

⁽¹⁾ Described in Note 26.1 to the IFRS Separate Financial Statements for the year ended 31 December 2022.

⁽²⁾ The Company received PLN 133 million in 2023.

⁽³⁾ Change in the fair value in 2023 results mainly from the decrease of energy prices. The impact is recognised mainly as losses on cash flow hedges in other comprehensive income.

⁽⁴⁾ Change in the fair value in 2023 results mainly from the decrease of interest rates and settlements of derivatives.

⁽⁵⁾ Trade receivables subject to factoring agreement.

The Company applies the expected present value technique to measure the fair value of the contingent consideration receivable from the sale of 50% stake in Światłowód Inwestycje. The discount rates used in the calculation of the present value of the expected cash flows related to contingent consideration range from 6.8% in 2024 to 6.7% in 2026 as at 30 September 2023 (from 9.5% in 2023 to 7.7% in 2026 as at 31 December 2022) and are based on the market risk-free interest rates increased by the credit risk margin estimated for the APG Group. The Company has performed sensitivity analysis for the impact of changes in unobservable inputs and concluded that reasonably possible change in any unobservable input would not materially change the fair value of the contingent consideration receivable.

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 Company'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 – 2026 and on forecasted prices calculated by an external advisor for years 2027 – 2035. The average of these forecasted energy prices for years 2027 – 2035 used for the valuation of derivatives as at 30 September 2023 amounted to PLN 514 per 1MWh. The sensitivity analysis prepared by the Company for the unobservable prices indicated that every 10% increase/decrease in the forecasted energy prices for years 2027 – 2035 would change the fair value of derivatives and affect other reserves respectively by PLN 37/(37) million as at 30 September 2023.

The carrying amount of the Company's financial instruments excluding lease liabilities approximated their fair value as at 30 September 2023.

9. Dividend

On 29 June 2023, the General Meeting of Orange Polska S.A. adopted a resolution on the payment of an ordinary dividend of PLN 0.35 per share from the 2022 profit. The total dividend, paid on 20 July 2023, amounted to PLN 459 million.

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

The information hereunder refers to the matters presented in Note 32 to the IFRS Separate Financial Statements for the year ended 31 December 2022.

Claims related to the completed competition proceedings by UOKiK regarding retail prices of calls to Play

The court examining a civil claim for payment to P4 Sp. z o.o. of damages of PLN 314 million concerning retail prices of mobile services in the period from April 2012 to December 2014, decided to join it for joint consideration with the case for payment of PLN 316 million for the period from July 2009 to March 2012.

Consumer proceedings by UOKiK

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 31 August 2023, UOKiK issued a commitment decision (without imposing a fine) concluding these proceedings.

Other litigation, claims and contingent liabilities

Operational activities of the Company are subject to regulatory requirements. Some regulatory decisions can be detrimental to the Company and court verdicts within appeal proceedings against such decisions can have negative consequences for the Company. Also, there are claims, some of them settled in court proceedings, including for damages, contractual penalties, remuneration or return of benefits from the Company raised by counterparties or other entities which may result in significant cash outflows. The Company is also involved in 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 proceedings and claims are assessed by the Company on a regular basis and quantifiable risks related to them that are probable to result in future cash outflows are reflected as provisions or income tax liabilities in the statement of financial position.

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

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

11. Related party transactions

As at 30 September 2023, Orange S.A. owned 50.67% of shares of the Company. Orange S.A. has majority of the total number of votes at the General Meeting of OPL S.A. which appoints OPL S.A.'s Supervisory Board Members. The Supervisory Board decides about the composition of the Management Board. According to the Company's Articles of Association, at least 4 Members of the Supervisory Board must be independent. The majority of Members of the Audit Committee of the Supervisory Board are independent.

OPL S.A.'s income earned from its subsidiaries comprises mainly sales of energy and telecommunications equipment and income from IT services. The purchases from the subsidiaries comprise mainly software intangible assets and for the 9 months ended 30 September 2022 comprised additionally network development and maintenance from TP TelTech Sp. z o.o., which merged with OPL S.A. as at 1 December 2022. Costs incurred by the Company in transactions with its subsidiaries also comprise donations to Fundacja Orange.

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

OPL S.A.'s financial income and financial receivables from the subsidiaries relate to dividends and the loans granted to the subsidiaries. Financial costs and financial liabilities concerning transactions with the subsidiaries relate to cash pool deposits from the subsidiaries.

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

OPL S.A.'s income and receivables from Światłowód Inwestycje, a joint venture, comprise mainly investment process management services and sale of fibre network assets. The purchases from Światłowód Inwestycje 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 joint venture paid upfront. Additionally, in June 2023, the Company paid PLN 100 million to Światłowód Inwestycje to increase the joint venture's capital (see Note 6).

(in PLN millions)	3 months ended 30 September 2023	9 months ended 30 September 2023	3 months ended 30 September 2022	9 months ended 30 September 2022
Sales of goods and services and other income:	188	578	192	631
Orange Polska Group (subsidiaries)	27	98	26	77
Orange Group	68	199	71	195
- Orange S.A. (parent)	51	153	51	142
- Orange Group (excluding parent)	17	46	20	53
Światłowód Inwestycje (joint venture)	93	281	95	359
Purchases of goods (including inventories, tangible and intangible assets) and services:	(126)	(375)	(165)	(527)
Orange Polska Group (subsidiaries)	(17)	(68)	(67)	(245)
Orange Group	(69)	(195)	(68)	(200)
- Orange S.A. (parent)	(21)	(57)	(19)	(61)
- Orange Group (excluding parent)	(48)	(138)	(49)	(139)
Światłowód Inwestycje (joint venture)	(40)	(112)	(30)	(82)
Financial income:	4	59	27	81
Orange Polska Group (subsidiaries)	-	36	4	36
Orange S.A. (parent)	4	23	23	45
Financial expense, net:	(48)	(126)	(42)	(120)
Orange Polska Group (subsidiaries)	(1)	(3)	(1)	(2)
Orange Group	(47)	(123)	(41)	(118)
- Orange S.A. (parent)	50	154	52	92
- Orange Group (excluding parent)	(97)	(277)	(93)	(210)
Other comprehensive income/(loss):	(89)	(230)	(50)	268
Orange S.A. (parent)	(89)	(230)	(50)	268
Dividend paid:	233	233	166	166
Orange S.A. (parent)	233	233	166	166

(in PLN millions)	At 30 September		At 31 December	
	2023		2022	
Receivables and contract costs:	240		382	
Orange Polska Group (subsidiaries)	44		54	
Orange Group	110		109	
- Orange S.A. (parent)	81		70	
- Orange Group (excluding parent)	29		39	
Światłowód Inwestycje (joint venture)	86		219	
Liabilities:	991		824	
Orange Polska Group (subsidiaries)	35		26	
Orange Group	121		111	
- Orange S.A. (parent)	39		44	
- Orange Group (excluding parent)	82		67	
Światłowód Inwestycje (joint venture)	835		687	
Financial receivables:	259		461	
Orange Polska Group (subsidiaries)	39		10	
Orange S.A. (parent)	220		451	
Cash and cash equivalents deposited with:	373		830	
Orange S.A. (parent)	373		830	
Financial liabilities:	4,321		5,030	
Orange Polska Group (subsidiaries)	120		61	
Orange Group (excluding parent)	4,201		4,969	

Additionally, as at 30 September 2023 and 31 December 2022, OPL S.A. granted to its subsidiaries guarantees in the amount of PLN 142 million and PLN 118 million, respectively.

Compensation (remuneration, bonuses, post-employment and other long-term benefits, termination indemnities and share-based payment plans - cash and non-monetary benefits) of OPL S.A.'s Management Board and Supervisory Board Members for the 9 months ended 30 September 2023 and 2022 amounted to PLN 13.7 million and PLN 12.2 million, respectively. Additionally, persons in the position of the President of OPL S.A.'s Management Board have been 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 S.A. for the reimbursement of key management personnel costs from the Orange Group for the 9 months ended 30 September 2023 and 2022 amounted to PLN 4.8 million and PLN 4.4 million, respectively.

12. Subsequent events

On 18 October 2023, as a result of the auction the Company obtained a reservation for a 100 MHz block of mobile spectrum in 3600-3700 MHz band. The fee of PLN 487 million (decreased by PLN 182 million of bid bond paid) will be paid in 2023 after the receipt of the decision of the President of UKE. The telecommunications license is valid for 15 years from the date of the receipt of the decision.

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

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

The ownership structure of the Company’s share capital, based on the information available to the Company as at 23 October 2023, i.e. the date of submission of the quarterly report for the 3 months ended 30 September 2023 was the same as at 25 July 2023, i.e. the date of submission of the interim report for the 6 months ended 30 June 2023:

Shareholder	Number of shares held	Number of votes at the General Meeting of OPL S.A.	Percentage of the total number of votes at the General Meeting of OPL S.A.	Nominal value of shares held (in PLN)	Share in the capital
Orange S.A.	664,999,999	664,999,999	50.67 %	1,994,999,997	50.67 %
Allianz Polska OFE, Allianz Polska DFE pension funds	101,072,983	101,072,983	7.70 %	303,218,949	7.70 %
Nationale-Nederlanden OFE pension fund	73,924,000	73,924,000	5.63 %	221,772,000	5.63 %
Other shareholders	472,360,497	472,360,497	36.00 %	1,417,081,491	36.00 %
TOTAL	1,312,357,479	1,312,357,479	100.00 %	3,937,072,437	100.00 %

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

Ms Jolanta Dudek, the Vice-President of the Management Board of OPL S.A., held 8,474 Orange Polska S.A. shares as at 23 October 2023 and 25 July 2023.

Mr Piotr Jaworski, the Member of the Management Board of OPL S.A., held 673 Orange Polska S.A. shares as at 23 October 2023 and 25 July 2023.

Mr Maciej Nowochoński, the Member of the Management Board of OPL S.A., held 25,000 Orange Polska S.A. shares as at 23 October 2023 and 25 July 2023.

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

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

In the 9 months ended 30 September 2023, neither the Company nor its subsidiaries granted guarantees or collateral of loans or borrowings to any entity or its subsidiary, a total value of which would be significant.

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

The Group’s guidance for the year 2023 was published in the current report 5/2023 of 15 February 2023. As announced in the current report 18/2023 of 25 July 2023, the Group has increased EBITDAaL and revenue

guidance. It now expects EBITDAaL to grow by a low single digit versus flat/low single digit growth previously, and revenue to grow by a low-to-mid single digit versus a low single digit growth previously. At the same time, the Management Board has maintained the guidance for economic capital expenditures (in the range of PLN 1.5-1.7 billion). The Management Board will closely monitor the Group's performance on a current basis.

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

Factors that, in the Management Board's opinion, have influence on the Group's operations or may have such influence in the near future are presented in Section 4 of the Chapter II of the Management Board's Report on the Activity of the Orange Polska Group in the first six months ended 30 June 2023. Additionally, key risk factors that may impact the Group's operational and financial performance are reviewed in detail in the Chapter IV of the above-mentioned Report.

VI. Foreign exchange rates

The statement of financial position data as at 30 September 2023 and 31 December 2022 presented in the table "Selected financial data" was translated into EUR at the average exchange rates of the National Bank of Poland ("NBP") at the end of the reporting period. The income statement data, together with the statement of comprehensive income and statement of cash flows data for the 9 months ended 30 September 2023 and 2022, were translated into EUR at the 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 9-month periods ended 30 September 2023 and 2022.

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

1 EUR	30 September 2023	31 December 2022	30 September 2022
Statement of financial position	4.6356 PLN	4.6899 PLN	Not applicable
Income statement, statement of comprehensive income, statement of cash flows	4.5773 PLN	Not applicable	4.6880 PLN