



Current Report (19/2023)
Orange Polska S.A., Warsaw, Poland
23 October, 2023

Pursuant to Article 17(1) of the Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, the Management Board of Orange Polska S.A. hereby provides selected financial and operating data related to the activities of the Orange Polska Capital Group (“the Group”, “Orange Polska”) for 3Q and 9M2023.

Disclosures on performance measures have been presented in the Note 2 to Condensed IFRS Quarterly Consolidated Financial Statements of the Orange Polska Group for the 3 months ended 30 September 2023 (available at <https://www.orange-ir.pl/results-center/>).

**In 3Q 2023 Orange Polska reports good commercial and financial results
on track with full-year plans**

key figures (PLN million)	3Q 2023	3Q 2022	Change	9M 2023	9M 2022	Change
Revenue	3,115	3,123	-0.3%	9,478	9,109	+4.1%
EBITDAaL	841	822	+2.3%	2,426	2,342	+3.6%
EBITDAaL margin	27.0%	26.3%	+0.7 p.p.	25.6%	25.7%	-0.1 p.p.
operating income	377	324	+16.4%	1,112	905	+22.9%
net income	237	193	+22.8%	746	561	+33.0%
eCapex	364	323	+12.7%	902	896	+0.7%
organic cash flow	424	178	+138.2%	848	826	+2.7%

KPI (in thousand)	3Q 2023	3Q 2022	Change
convergent customers (B2C)	1,669	1,594	+4.7%
mobile accesses (SIM cards)	17,640	17,924	-1.6%
post-paid	13,040	12,472	+4.6%
pre-paid	4,599	5,451	-15.6%
fixed broadband accesses (retail)	2,811	2,793	+0.6%
o/w fibre	1,300	1,120	+16.1%
fixed voice lines (retail)	2,463	2,603	-5.4%

3Q 2023 Highlights:

- **EBITDAaL (EBITDA after Leases) up 2.3% yoy reflecting:**
 - good growth of direct margin driven by strong performance of core telecom services
 - inflation impact on indirect costs partly compensated by our mitigation actions
- **Revenues down 0.3% yoy reflect strong growth of core telecom services and equipment offset by drop in IT/IS and energy resale:**
 - **+5% yoy core telecom services** (convergence, mobile-only and broadband-only) driven by both customer base and ARPO growth
 - **+11% yoy equipment sales** thanks to strong demand for high value handsets
 - **-3% yoy of IT/IS** reflecting slowdown in market demand (following robust 1H growth)
 - **-31% yoy other revenues** due to a drop in energy resale business
- **Good ARPO growth and solid customer base expansion in all key areas:**
 - **+5% yoy growth of B2C convergent customers**, +16k net adds in 3Q
 - **Convergent ARPO +3.8% yoy** driven by fibre and value strategy
 - **+16% yoy growth of fibre retail customers**, +43k net adds in 3Q
 - **7.7 million households connectable** with fibre (219k added in 3Q)
 - **+2% yoy growth of post-paid mobile handset customers**, +62k net adds in 3Q
 - **Mobile-only handset ARPO +3.5% yoy** driven by value strategy
- **9M net income at PLN 746 million, +33% yoy** driven by EBITDAaL growth and lower depreciation
- **9M eCapex (economic capex) at PLN 902 million, +0.7% yoy** reflects more evenly phased capex spending vs 2022
- **9M Organic Cash Flow at PLN 848 million, +3% yoy** supported by cash from operating activities and proceeds from sale of assets

Commenting on 3Q 2023 performance, Liudmila Climoc, Chief Executive Officer, said:

“Our business performance in 3Q has demonstrated resilience of our core telecom services to a difficult macro environment and intensive competition. Our commercial results reflect a good balance between volume and value growth. Customer net additions in all key services were higher than in the previous quarter and ARPO growth was maintained at the solid level of 3-4% year-on-year. Following robust growth in 1H, the performance of our ICT business in 3Q reflected a slowdown in market demand.

We are making good progress with our transformation which should help us to address the challenges of 2024. Taking into account the new, recently signed PPA for solar energy we have secured c.70% of our 2024 energy consumption from renewable sources. This will give a benefit to our costs and reduce CO2 emissions.

We are very excited to have obtained a licence for 5G in the C-band spectrum. It is a milestone for our business unlocking new service opportunities for our customers and significantly improving the capacity of our mobile networks. It is also essential for the overall Polish economy, as digitisation is an important contributor to growth of GDP. We will now focus on investments in the network rollout to be able to offer the service to our customers as soon as possible.

I was impressed by the performance Orange Polska delivered over the past few years implementing the .Grow strategy despite numerous external challenges. It demonstrates that the strategy is working well and I fully endorse it. I am happy to take the lead and I am very determined to build value for all our stakeholders.”

Financial Review

3Q revenues broadly flat yoy with consistent performance of core telecom services and equipment

Revenues totalled PLN 3,115 million in 3Q 2023 and were down 0.3% year-on-year or PLN 8 million. There were four main factors that influenced this performance. Firstly, core telecom services (combined revenues of convergence, mobile-only and broadband-only) were up 4.6% year-on-year. This growth was consistent with prior periods resulting from simultaneous expansion of customer bases and ARPO. Secondly, revenues from equipment advanced by 11% year-on-year as a result of strong customer interest in higher value handsets. Thirdly, revenues from IT and integration services decreased by 3% year-on-year. The decrease followed a robust 20% year-on-year growth in 1H and mainly reflected slowdown in market demand. Finally, other revenues fell 31% year-on-year due to drop in energy resale business. This reflects both lower volume sold (change in the commercial strategy due to regulatory uncertainties) and lower average realised price for business customers (peak of energy crisis in 3Q 2022).

Solid commercial performance

Our commercial activity is mainly focused on delivering a package of mobile and fixed services, which we define as convergence. It is our competitive edge, it increases customer loyalty and allows us to upsell more services, winning a higher share of household media and telecom spending.

In 3Q 2023 our B2C **convergent customer base** increased by 16 thousand and 5% year-on-year. At the end of September, 70% of our B2C broadband customers were convergent. ARPO from convergent customers stood at PLN 120.0 and was higher by +3.8% year-on-year (vs. +3.3% yoy in 1H'23), owing to our value strategy and increasing share of fibre.

Total **fixed broadband customer base** increased in 3Q 2023 by 1 thousand and 1% year-on-year. **Fibre customers** base expanded by 43 thousand or 16% as a result of increasing penetration of

fibre services on our past investments, expansion of the fibre footprint and migration from copper. Fibre already reached 46% of our total broadband customer base. ARPO from broadband-only services grew 4.0% year-on-year (vs. +3.8% yoy in 1H) to PLN 64.5. The key contributors of this growth were our value strategy and a growing share of fibre customers. Fibre customers generate the highest ARPO which is mainly fuelled by high share of TV services, growing popularity of higher fibre speeds additionally paid and increasing share of customers in single family houses (who pay higher price to cover higher network rollout cost).

Net customer additions in **mobile post-paid handset** offers were 62 thousand in 3Q 2023 and reflected good performance on consumer and business markets. Net additions improved versus 2Q 2023 and 3Q of last year. The handset ARPO from mobile-only services grew by 3.5% year-on-year (vs. +3.2% yoy in 1H) in 3Q to PLN 29.9 mainly as a result of our value pricing strategy.

Pre-paid customer base decreased by 91 thousand in 3Q 2023 to 4.6 million. This reflected mainly lower demand from Ukrainian customers, usual post-summer season slowdown and intense market competition. ARPO from pre-paid offers stood at PLN 14.2 and was 20.3% higher year-on-year (vs. +8.9% yoy in 1H) mainly as a result of changes in the customer base structure (a year ago ARPO was diluted by free starters offers for Ukrainian customers) and value strategy.

In **fixed voice**, the 3Q net loss of lines stood at 43 thousand, and reflected structural negative market trends.

3Q EBITDAaL +2.3% yoy driven by direct margin expansion

EBITDAaL for 3Q 2023 was PLN 841 million and was up 2.3% year-on-year or PLN 19 million. The growth was generated by 3% year-on-year (PLN 45 million) growth of the direct margin (a difference between revenues and direct costs) resulting from expansion of core telecom services, equipment and energy resale business. Indirect costs increased 3% year-on-year. On one hand they were affected by inflation on rental contracts and various external services. On the other hand they were supported by our ongoing cost transformation and universal service obligation cost reimbursement.

9M net income +33% yoy driven by strong operating income and lower financial costs

Net income for 9M 2023 was PLN 746 million and was up 33% (PLN 185 million) over 9M 2022. It benefitted from growth of EBITDAaL, lower depreciation (-3% year-on-year) and much higher gain on sale of assets. The latter increased 47% year-on-year as a result of particularly strong period for sales of our properties that we no longer use due to the technology transformation from copper to fibre networks. Bottom line was also supported by PLN 48 million lower year-on-year net finance costs mainly as FX gains and losses (on EURO denominated long-term leasing liabilities) benefitted from strengthening of PLN vs EURO.

Strong 9M Organic Cash Flow supported by cash from operating activities and proceeds from sale of assets

Organic cash flow for 9M 2023 was PLN 848 million, a growth of PLN 22 million (or 3%) versus 9M 2022. Net cash from operating activities improved by PLN 200 million (or 8%) as a result of growing EBITDAaL, decreased working capital requirement and lower spectrum licence payments (last instalment for UMTS spectrum was paid in 3Q 2022). The latter combined with lower cash capex expenditures was an important factor behind strong improvement in organic cash flow in 3Q (growth of 138% year-on-year to PLN 424 million). Cash generation in 9M benefitted also from PLN 84 million higher year-on-year proceeds from sale of assets¹. Cash capex expenditures¹ in 9M were around PLN 250 million higher year-on-year as a result of payments (made in 1H) for very high capex incurred at the end of 4Q 2022.

¹ Cash capex calculation reduced by cash proceeds from sale of fibre network assets to FiberCo JV (excluded from cash proceeds from sale of assets)

Commenting on 3Q 2023 results, Jacek Kunicki, Chief Financial Officer, said:

“I am satisfied with our financial results in 3Q. Our core telecom services and equipment revenues continued growth at a solid pace. EBITDAaL increased more than 2% year-on-year driven by direct margin expansion, despite a challenging macro environment. It illustrates our determination to reach growth for the full-year. I am pleased that higher EBITDAaL translates into growing net income. Falling depreciation demonstrates our disciplined approach to investments in recent years. Our net income after nine months is already higher than for the full-year 2022. Very good operating activity combined with lower cash capex resulted in strong cash flow generation in 3Q. We are well on track to reach our full-year financial objectives and are already working to mitigate the impact of double-digit inflation in 2023 on our 2024 operating costs.”

Reconciliation of operating performance measure to financial statements

Disclosures on performance measures have been presented in the Note 2 to Condensed IFRS Quarterly Consolidated Financial Statements of the Orange Polska Group for the 3 months ended 30 September 2023 (available at <https://www.orange-ir.pl/results-center/>).

<i>in PLNm</i>	3Q 2023	9M 2023	3Q 2022	9M 2022
Operating income	377	1,112	324	905
Less gains on disposal of fixed assets	-11	-125	-15	-85
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets*	494	1,483	516	1,526
Add share of loss of joint venture adjusted for elimination of margin earned on asset related transactions with joint venture	13	42	14	48
Interest expense on lease liabilities	-36	-102	-27	-65
Adjustment for the impact of employment termination programs and reorganisation costs	4	16	6	-
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries	-	-	4	13
EBITDAaL (EBITDA after Leases)	841	2,426	822	2,342

*Includes impairment of rights of perpetual usufruct of land historically recognised as property, plant and equipment, subsequently reclassified to right-of-use assets (PLN 4 million in 1Q 2023 and PLN 3 million in 2Q 2023).

Forward-looking statement

This press release contains forward-looking statements, including, but not limited to, statements regarding anticipated future events and financial performance with respect to our operations. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words like 'believe', 'expect', 'anticipate', 'estimated', 'project', 'plan', 'adjusted' and 'intend' or future or conditional verbs such as 'will,' 'would,' or 'may.' Factors that could cause actual results to differ materially from expected results include, but are not limited to, those set forth in our Registration Statement, as filed with the Polish securities and exchange commission, the competitive environment in which we operate, changes in general economic conditions and changes in the Polish and/or global financial and/or capital markets. Forward-looking statements represent management's views as of the date they are made, and we assume no obligation to update any forward-looking statements for actual events occurring after that date. You are cautioned not to place undue reliance on our forward-looking statements.

Orange Polska's Management Board are pleased to invite you to the Company's 3Q 2023 results presentation.

24th October 2023

Start: 11.00 CET

Time:

11:00 (Warsaw)

10:00 (London)

05:00 (New York)

The presentation will be available via a live conference call

To attend the conference please dial:

Poland: 48 22 124 49 59

Canada: 1 587 855 1318

Germany: 49 30 25 555 323

United Kingdom: 44 203 984 9844

United States: 1 718 866 4614

Conference Code: 411064

or click on the link for web dial in:

<https://mm.closir.com/slides?id=411064>

Orange Polska Group Consolidated

amounts in PLN millions

Income statement

	2022 proforma					2023		
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q
	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
Revenues								
Mobile services only	671	699	710	717	2,797	710	723	733
Fixed services only	477	475	475	471	1,898	464	471	459
Narrowband	153	147	143	138	581	132	128	123
Broadband	219	223	224	224	890	222	224	222
B2B Network Solutions	105	105	108	109	427	110	119	114
Convergent services B2C	526	530	544	554	2,154	564	578	591
Equipment sales	331	363	400	488	1,582	463	417	442
IT and integration services	312	357	323	500	1,492	348	458	312
Wholesale	456	467	493	474	1,890	427	448	456
Mobile wholesale	286	295	295	285	1,161	233	246	260
Fixed wholesale	73	72	85	79	309	75	78	77
Other	97	100	113	110	420	119	124	119
Other revenues	158	164	178	175	675	163	129	122
Total revenues	2,931	3,055	3,123	3,379	12,488	3,139	3,224	3,115
Labour expenses*	(368)	(344)	(322)	(365)	(1,399)	(372)	(347)	(344)
External purchases*	(1,688)	(1,780)	(1,826)	(2,129)	(7,423)	(1,867)	(1,881)	(1,780)
- Interconnect expenses	(369)	(385)	(395)	(389)	(1,538)	(337)	(356)	(370)
- Network and IT expenses	(207)	(205)	(230)	(241)	(883)	(228)	(235)	(231)
- Commercial expenses	(602)	(688)	(665)	(898)	(2,853)	(762)	(771)	(676)
- Other external purchases*	(510)	(502)	(536)	(601)	(2,149)	(540)	(519)	(503)
Other operating incomes & expenses*	5	34	16	21	76	46	19	40
Impairment of receivables and contract assets	(18)	(23)	(19)	(14)	(74)	(22)	(24)	(23)
Amortization and impairment of right-of-use assets	(123)	(123)	(123)	(126)	(495)	(131)	(133)	(131)
Interest expense on lease liabilities	(17)	(21)	(27)	(30)	(95)	(31)	(35)	(36)
EBITDAaL (EBITDA after Leases)	722	798	822	736	3,078	762	823	841
<i>% of revenues</i>	24.6%	26.1%	26.3%	21.8%	24.6%	24.3%	25.5%	27.0%
Gains on disposal of fixed assets	21	49	15	22	107	86	28	11
Depreciation, amortisation and impairment of property, plant and equipment and intangibles assets**	(504)	(506)	(516)	(520)	(2,046)	(487)	(502)	(494)
Add-back of interest expense on lease liabilities	17	21	27	30	95	31	35	36
Adjustment for the impact of employment termination programs and reorganization costs*	0	6	(6)	1	1	13	(25)	(4)
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries*	(4)	(5)	(4)	(4)	(17)	0	0	0
Share of profit/ (loss) of joint venture adjusted for elimination of margin earned on asset related transactions with joint venture*	(8)	(26)	(14)	(9)	(57)	(13)	(16)	(13)
Operating income	244	337	324	256	1,161	392	343	377
<i>% of revenues</i>	8.3%	11.0%	10.4%	7.6%	9.3%	12.5%	10.6%	12.1%
Finance costs, net	(88)	(68)	(86)	(52)	(294)	(62)	(45)	(87)
- Interest income	13	23	31	27	94	26	19	21
- Interest expense on lease liabilities	(17)	(21)	(27)	(30)	(95)	(31)	(35)	(36)
- Other interest expense and financial charges	(47)	(50)	(43)	(51)	(191)	(42)	(38)	(37)
- Discounting expense	(19)	(21)	(20)	(20)	(80)	(13)	(16)	(13)
- Foreign exchange gains/ (losses)	(18)	1	(27)	22	(22)	(2)	25	(22)
Income tax	(31)	(26)	(45)	(41)	(143)	(60)	(59)	(53)
Consolidated net income / (loss)	125	243	193	163	724	270	239	237

*Labour expenses, other external purchases and other operating incomes & expenses exclude adjustment due to employment termination program and some costs related to acquisition, disposal and integration of subsidiaries, and starting from Q2'22 also for elimination of margin earned on transactions with joint venture.

**In 1Q 2023 D&A includes PLN 4 million and in 2Q 2023 PLN 3 million impairment of rights of perpetual usufruct of land historically recognised as property, plant and equipment, subsequently reclassified to right-of-use assets.

Orange Polska Group key performance indicators

<i>Customer base (in thousands)</i>	2022				2023		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
B2C convergent customers	1,563	1,578	1,594	1,625	1,639	1,653	1,669
Fixed broadband access							
Fibre	999	1,065	1,120	1,171	1,218	1,257	1,300
ADSL	653	623	591	561	530	504	478
VDSL	480	470	459	448	435	424	411
Wireless for fixed	622	627	624	625	623	624	621
Retail broadband - total	2,755	2,786	2,793	2,804	2,806	2,810	2,811
<i>o/w B2C convergent</i>	1,563	1,578	1,594	1,625	1,639	1,653	1,669
TV client base							
IPTV	737	768	794	821	839	853	867
DTH (TV over Satellite)	241	203	169	135	103	84	69
TV client base - total	978	970	963	955	943	937	936
<i>o/w B2C convergent</i>	848	843	839	836	827	824	827
Mobile accesses							
Post-paid							
<i>Mobile Handset</i>	8,506	8,609	8,666	8,723	8,763	8,820	8,882
<i>Mobile Broadband</i>	659	646	638	627	621	620	615
M2M	2,880	2,983	3,168	3,216	3,253	3,319	3,543
Total post-paid	12,046	12,238	12,472	12,566	12,636	12,759	13,040
<i>o/w B2C convergent</i>	2,914	2,937	2,958	2,991	3,001	3,024	3,044
Pre-paid	5,260	5,591	5,451	5,064	4,799	4,690	4,599
Total	17,306	17,829	17,924	17,630	17,435	17,449	17,640
Fibre households connectable	6,153	6,475	6,757	7,073	7,252	7,497	7,716
Wholesale customers							
WLR	222	214	206	198	190	184	178
Bitstream access	147	151	155	162	167	171	178
<i>o/w fibre</i>	59	65	73	83	94	103	107
LLU	40	39	37	34	33	31	30
Fixed telephony accesses							
PSTN	1,463	1,417	1,375	1,331	1,286	1,248	1,196
VoIP	1,199	1,216	1,228	1,241	1,250	1,257	1,267
Total retail main lines	2,662	2,633	2,603	2,572	2,536	2,506	2,463
<i>o/w B2C convergent</i>	896	911	923	940	947	952	959
<i>o/w B2C PSTN convergent</i>	8	7	7	6	6	5	5
<i>o/w B2C VoIP convergent</i>	888	904	916	934	941	947	954
<i>Quarterly ARPO in PLN per month</i>	2022				2023		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Convergent services B2C	113.7	113.7	115.6	115.9	116.4	118.6	120.0
Fixed services only - voice	36.5	36.2	36.2	36.4	36.1	36.1	35.9
Fixed services only - broadband	61.0	61.3	62.0	62.5	63.0	64.0	64.5
Mobile services only	20.1	20.2	20.1	20.8	21.1	21.9	22.4
Post-paid excl M2M	26.4	26.8	27.3	27.3	27.4	27.7	28.3
<i>Mobile Handset</i>	28.0	28.3	28.9	28.8	28.9	29.3	29.9
<i>Mobile Broadband</i>	12.1	12.1	12.1	12.1	11.9	11.7	11.8
Pre-paid	12.3	12.5	11.8	12.9	13.0	13.9	14.2

Other mobile operating statistics	2022				2023		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
DATA AUPU in GB							
post-paid	6.8	7.4	8.0	8.3	8.5	9.2	10.0
pre-paid	6.0	6.4	6.7	7.9	8.4	8.9	9.8
blended	6.5	7.0	7.5	8.2	8.5	9.1	9.9
Quarterly mobile customer churn rate (%)							
post-paid	1.9	1.9	2.3	2.1	2.1	1.8	1.9
pre-paid	9.5	7.5	14.6	18.5	16.3	13.2	12.9
Employment structure of Group as reported							
Active full time equivalents (end of period)							
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Orange Polska	10,085	9,831	9,640	9,445	9,366	9,222	9,074
50% of Networks	338	339	331	319	334	332	334
Total	10,423	10,170	9,971	9,764	9,700	9,554	9,408

Terms used:

ARPO – average revenue per offer

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, FTTx, cable 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.

Convergent services B2C ARPO – The average monthly revenues from convergent services generated by retail customers (B2C) divided by the **average** number of B2C convergent customers in a given period.

Data Average Usage per User (Data AUPU) – The average monthly total usage of gigabytes divided by the average number of mobile SIM cards (ex M2M and mobile broadband) in a given period.

Fixed broadband-only services – Revenues from fixed broadband offers (excluding B2C convergent offers and equipment sales), including TV and VoIP services.

Fixed broadband-only services ARPO – The average monthly revenues from fixed broadband only services divided by the average number of accesses in a given period.

Household connectable with fibre - an apartment in multi-family building or a single family house within the reach of our fibre to the home service that allows to provide service with a speed of at least 300Mb/s

Mobile-only services – Revenues from mobile offers (excluding consumer market convergent offers) and Machine to Machine (M2M) connectivity. Mobile-only services revenues do not include equipment sales and incoming and visitor roaming revenues.

Mobile-only services ARPO – The average monthly retail revenues from mobile only services excluding M2M connectivity, divided by the average number of SIM cards (excluding M2M) in a given period.

Mobile-only broadband ARPO – The average monthly retail revenues from SIM cards dedicated to mobile broadband access (excluding B2C convergent offers and equipment sales) divided by the average number of these SIM cards in a given period.

Mobile-only handset ARPO – The average monthly retail revenues from SIM cards dedicated to mobile handset access (excluding B2C convergent offers and equipment sales) divided by the average number of these SIM cards in a given period.