



Current Report 14/2024
Orange Polska S.A., Warsaw, Poland
23 April, 2024

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 1Q 2024.

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 31 March 2024 (available at <https://www.orange-ir.pl/results-center/>).

Orange Polska reports solid commercial and financial results in 1Q 2024

1Q 2024 Highlights:

- **Good start of the year:**
 - **Revenues -1.8% year-on-year** with strong performance of core telco services (+4.2% yoy) offset by decline in IT&IS and energy resale
 - **EBITDAaL (EBITDA after Leases) +4.9% year-on-year** fuelled by both higher direct margin and lower indirect costs
 - **Net income -16% year-on-year** as strong EBITDAaL was offset by lower gain for sale of assets and higher depreciation (unfavourable comparable base of 1Q 2023)
 - **eCapex (economic capex) at PLN 291 million, +29% year-on-year** due to different timing of proceeds from sale of real estate
 - **Organic Cash Flow at PLN 22 million, PLN +141 million year-on-year**, reflects mainly higher EBITDAaL and lower cash capex

key figures (PLN million)	1Q 2024	1Q 2023	Change
revenue	3,081	3,139	-1.8%
EBITDAaL	799	762	+4.9%
EBITDAaL margin	25.9%	24.3%	+1.6p.p.
operating income	349	392	-11.0%
net income	227	270	-15.9%
eCapex	291	225	+29.3%
organic cash flow	22	-119	+141m

- **Solid and consistent commercial performance in all key services with simultaneous growth of customer bases and ARPO:**
 - **+5% yoy growth of B2C convergent customers**, +18k net adds in 1Q
 - Convergent ARPO +4.6% yoy
 - **+14% yoy growth of fibre retail customers**, +45k net adds in 1Q
 - 8.2 million households connectable with fibre (232k added in 1Q)
 - Fixed broadband-only ARPO +4.0% yoy
 - **+3% yoy growth of post-paid mobile handset customers**, +48k net adds in 1Q
 - Mobile-only handset ARPO +1.7% yoy

KPI ('000)	1Q 2024	1Q 2023	Change
convergent customers (B2C)	1,718	1,639	+4.8%
mobile accesses (SIM cards)	17,706	17,435	+1.6%
post-paid	13,298	12,636	+5.2%
o/w mobile handset	8,989	8,763	+2.6%
pre-paid	4,409	4,799	-8.1%
fixed broadband accesses (retail)	2,827	2,806	+0.7%
o/w fibre	1,394	1,218	+14.4%
fixed voice lines (retail)	2,393	2,536	-5.6%

Commenting on 1Q 2024 performance, Liudmila Climoc, Chief Executive Officer, said:

“We are pleased with a good start of the year as we execute this last year of our .Grow strategy. Our commercial performance reflected a solid customer demand and our focus on value pursued in a context of intensive market competition. Both ARPO and customer bases of all key services expanded year-on-year. We are happy that customers appreciate the qualities of our multi-service offer. In convergence ARPO growth has accelerated with a growing uptake of higher fibre speed options as one of the drivers. Customers enjoying speed of 1Gb/s constitute already 10% of our fibre base. To address needs of the most demanding customers we have just launched an offer with speed of 8Gb/s.

Rollout of 5G technology on the recently acquired C-band spectrum is on track: it is already available on around 1,400 base stations enabling higher data consumption and better network quality for our customers. We are also progressing with the development of digital interactions with our customers, which significantly contributes to increased efficiency. The share of our sales made digitally increased in the first quarter to 23% (from 20% for the full-year 2023), with growing usage of the My Orange application as the key driver of increase. We are on track to deliver on all of the .Grow strategy’s ambitions.”

Financial Review

Revenues -1.8% yoy as strong growth of core telco services was offset by drop in IT&IS and energy resale

Revenues totalled PLN 3,081 million in 1Q 2024, marking a decrease of 1.8% year-on-year or PLN 58 million. Core telecom services (combined revenues of convergence, mobile-only and broadband-only) advanced by a strong 4.2% benefitting from further simultaneous expansion of the customer bases and ARPO. However this was offset by 6% year-on-year decrease of IT&IS revenues (mainly due to cyclical demand slowdown) and decrease of other revenues (as significant drop in market energy prices impacted our energy resale business). Separately, equipment sales grew by 3% year-on-year fuelled by good demand for 5G-enabled handsets from consumers.

Solid commercial momentum of core telecom services

In 1Q 2024 we continued to successfully combine solid growth of customer volumes in all key services (convergence, fixed broadband, mobile handset) with improving average revenue that they generate (ARPO). Our commercial activity primarily focuses on delivering a package of mobile and fixed services, which we define as convergence. In 1Q 2024 our **B2C convergent customer base** increased by 18 thousand and 4.8% year-on-year. ARPO from convergent customers expanded by 4.6% year-on-year to PLN 121.8 (vs. +3.7% year-on-year in 2023), owing to our value strategy, good demand for content and higher fibre speed offers. Total **fixed broadband customer** base grew in 1Q 2024 by 6 thousand and 0.7% year-on-year. Fibre customers base expanded by 45 thousand in 1Q 2024 or 14% year-on-year as a result of solid customer demand, expansion of the fibre footprint and migration from copper. Fibre already reached 49% of our total broadband customer base. The copper broadband technologies customer base continued to decrease and was lower by 38 thousand versus previous year. ARPO from broadband-only services in 1Q 2024 stood at PLN 65.5 and grew by 4.0% year-on-year (vs.+4.1% year-on-year in 2023) benefitting from our value strategy and growing share of fibre customers (fibre generates higher ARPO versus other technologies).

Mobile handset customer base increased in 1Q 2024 by 48 thousand or 2.6% year-on-year. Mobile-only handset ARPO increased by 1.7% year-on-year (vs. +3.2% year-on-year in 2023) reflecting our value strategy and slowdown in roaming.

Pre-paid customer base in 1Q 2024 decreased by 76 thousand, which was the lowest decline in the past few quarters. ARPO from pre-paid offers stood at PLN 13.5 in 1Q 2024 and was up 3.8% year-on-year as a result of our value strategy.

In **fixed voice**, in 1Q 2024 net loss of lines stood at 35 thousand, a similar level to previous quarters and reflected structural negative market trends.

EBITDAaL (EBITDA after Leases) +4.9% yoy fuelled by both higher direct margin and lower indirect costs

EBITDAaL for 1Q 2024 was PLN 799 million, up 4.9% year-on-year or PLN 37 million. Growth was fuelled by both higher direct margin (a difference between revenues and direct costs) and lower indirect costs. Direct margin increased by around 1% year-on-year, as strong growth of margin from core telecom services and equipment was partly offset by performance in energy resale and IT&IS. Indirect costs decreased by 3% year-on-year benefitting from less pressure from energy costs and our various efficiency gains.

Net income -16% yoy as EBITDAaL growth was offset by lower gain on asset sales and higher depreciation

Net income for 1Q 2024 was PLN 227 million, down 16% over 1Q 2023 as EBITDAaL growth was more than offset by lower gain on sale of our real estate and higher depreciation. Gain on sale of real estate came at a strong PLN 42 million in 1Q 2024 as we continue our asset transformation however this was PLN 44 million lower versus exceptionally high level of this gain achieved in 1Q 2023. Higher depreciation reflected amortisation of newly acquired mobile spectrum and low comparable base of the previous year.

Organic Cash Flow substantially increased yoy due to higher EBITDAaL and lower cash capex

Organic cash flow for 1Q 2024 came at a positive PLN 22 million vs a negative PLN -119 million generated a year ago. Cash generation was supported by higher EBITDAaL and PLN 145 million lower year-on-year cash capex expenditures¹. The latter was due to more evenly spread capex in 2023 versus 2022 which resulted in lower year-on-year payments for capex vendors. These two positives were partly offset by PLN 26 million lower year-on-year proceeds from sale of real estate¹.

Commenting on 1Q 2024 results, Jacek Kunicki, Chief Financial Officer, said:

“I am satisfied with our financial results in 1Q. Revenues from core telecom services continued to grow at a solid pace as we expand our number of customers and ARPO. This is a key element for our profit generation. The overall revenue decline reflected a cyclical slowdown in demand for IT&S services and lower market energy prices affecting our energy resale business. EBITDAaL increased by almost 5%, driven by our strong core business, less pressure on energy costs, coupled with efficiency gains achieved in indirect costs. Organic cash flow generation was solid, reflecting higher EBITDAaL and lower payments to capex vendors. We maintain sound balance sheet with financial leverage at 1.1x. Following 1Q results we reiterate our full-year objectives.”

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 31 March 2024 (available at <https://www.orange-ir.pl/results-center/>).

<i>in PLNm</i>	1Q 2024	1Q 2023
Operating income	349	392
Less gains on disposal of fixed assets	-42	-86
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets*	505	487
Add share of loss of joint venture adjusted for elimination of margin earned on asset related transactions with joint venture	37	13
Interest expense on lease liabilities	-37	-31
Adjustment for the impact of employment termination programs and reorganisation costs	-13	-13
EBITDAaL (EBITDA after Leases)	799	762

*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).

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.

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)

Invitation to Orange Polska's 1Q 2024 results presentation

Orange Polska's Management Board are pleased to invite you to the Company's 1Q 2024 results presentation

24th April 2024

Time:

11:00 (Warsaw)

10:00 (London)

05:00 (New York)

The presentation will take place on-line. It will be available via a live conference call.

To attend the conference please dial:

Conference Code: 411064

Poland: 0048 22 124 49 59

Germany: 0049 30 25 555 323

France: 0033 1758 50 878

United Kingdom: 0044 203 984 9844

United States: 001 718 866 4614

or click on the link for web dial in:

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

amounts in PLN millions	2023					2024
	1Q	2Q	3Q	4Q	FY	1Q
	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
Income statement						
Revenues						
Mobile services only	710	723	733	725	2,891	719
Fixed services only	464	471	459	453	1,847	446
Narrowband	132	128	123	119	502	115
Broadband	222	224	222	223	891	220
B2B Network Solutions	110	119	114	111	454	111
Convergent services B2C	564	578	591	604	2,337	620
Equipment sales	463	417	442	537	1,859	475
IT and integration services	348	458	312	583	1,701	327
Wholesale	427	448	456	457	1,788	391
Mobile wholesale	233	246	260	258	997	197
Fixed wholesale	75	78	77	74	304	79
Other	119	124	119	125	487	115
Other revenues	163	129	122	133	547	103
Total revenues	3,139	3,224	3,115	3,492	12,970	3,081
Labour expenses*	(372)	(347)	(344)	(370)	(1,433)	(382)
External purchases*	(1,867)	(1,881)	(1,780)	(2,211)	(7,739)	(1,796)
- Interconnect expenses	(337)	(356)	(370)	(371)	(1,434)	(314)
- Network and IT expenses	(228)	(235)	(231)	(266)	(960)	(235)
- Commercial expenses	(762)	(771)	(676)	(989)	(3,198)	(707)
- Other external purchases*	(540)	(519)	(503)	(585)	(2,147)	(540)
Other operating incomes & expenses*	46	19	40	33	138	98
Impairment of receivables and contract assets	(22)	(24)	(23)	(22)	(91)	(30)
Amortization and impairment of right-of-use assets	(131)	(133)	(131)	(133)	(528)	(135)
Interest expense on lease liabilities	(31)	(35)	(36)	(36)	(138)	(37)
EBITDAaL (EBITDA after Leases)	762	823	841	753	3,179	799
% of revenues	24.3%	25.5%	27.0%	21.6%	24.5%	25.9%
Gains on disposal of fixed assets	86	28	11	9	134	42
Depreciation, amortisation and impairment of property, plant and equipment and intangibles assets**	(487)	(502)	(494)	(517)	(2,000)	(505)
Add-back of interest expense on lease liabilities	31	35	36	36	138	37
Adjustment for the impact of employment termination programs and reorganization costs*	13	(25)	(4)	(150)	(166)	13
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries*	0	0	0	(2)	(2)	0
Share of profit/ (loss) of joint venture adjusted for elimination of margin earned on asset related transactions with joint venture*	(13)	(16)	(13)	(20)	(62)	(37)
Operating income	392	343	377	109	1,221	349
% of revenues	12.5%	10.6%	12.1%	3.1%	9.4%	11.3%
Finance costs, net	(62)	(45)	(87)	(19)	(213)	(69)
- Interest income	26	19	21	24	90	22
- Interest expense on lease liabilities	(31)	(35)	(36)	(36)	(138)	(37)
- Other interest expense and financial charges	(42)	(38)	(37)	(34)	(151)	(37)
- Discounting expense	(13)	(16)	(13)	(12)	(54)	(18)
- Foreign exchange gains/ (losses)	(2)	25	(22)	39	40	1
Income tax	(60)	(59)	(53)	(18)	(190)	(53)
Consolidated net income	270	239	237	72	818	227

*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>	2023				2024
	1Q	2Q	3Q	4Q	1Q
B2C convergent customers	1,639	1,653	1,669	1,700	1,718
Fixed broadband access					
Fibre	1,218	1,257	1,300	1,349	1,394
ADSL	530	504	478	454	430
VDSL	435	424	411	397	383
Wireless for fixed	623	624	621	622	620
Retail broadband - total	2,806	2,810	2,811	2,821	2,827
<i>o/w B2C convergent</i>	1,639	1,653	1,669	1,700	1,718
TV client base					
IPTV	839	853	867	886	900
DTH (TV over Satellite)	103	84	69	59	52
TV client base - total	943	937	936	945	953
<i>o/w B2C convergent</i>	827	824	827	838	847
Mobile accesses					
Post-paid					
<i>Mobile Handset</i>	8,763	8,820	8,882	8,941	8,989
<i>Mobile Broadband</i>	621	620	615	610	602
<i>M2M</i>	3,253	3,319	3,543	3,592	3,706
Total post-paid	12,636	12,759	13,040	13,143	13,298
<i>o/w B2C convergent</i>	3,001	3,024	3,044	3,082	3,100
Pre-paid	4,799	4,690	4,599	4,485	4,409
Total	17,435	17,449	17,640	17,628	17,706
Fibre households connectable	7,252	7,497	7,716	7,973	8,205
Wholesale customers					
WLR	190	184	178	171	165
Bitstream access	167	171	178	186	193
<i>o/w fibre</i>	94	103	107	117	127
LLU	33	31	30	29	27
Fixed telephony accesses					
PSTN	1,286	1,248	1,196	1,146	1,098
VoIP	1,250	1,257	1,267	1,282	1,295
Total retail main lines	2,536	2,506	2,463	2,428	2,393
<i>o/w B2C convergent</i>	947	952	959	970	975
<i>o/w B2C PSTN convergent</i>	6	5	5	5	5
<i>o/w B2C VoIP convergent</i>	941	947	954	965	971

<i>Quarterly ARPO in PLN per month</i>	2023				2024
	1Q	2Q	3Q	4Q	1Q
Convergent services B2C	116.4	118.6	120.0	120.5	121.8
Fixed services only - voice	36.1	36.1	35.9	35.8	35.7
Fixed services only - broadband	63.0	64.0	64.5	65.1	65.5
Mobile services only	21.1	21.9	22.4	22.1	22.0
Post-paid excl M2M	27.4	27.7	28.3	27.9	27.8
<i>Mobile Handset</i>	28.9	29.3	29.9	29.4	29.4
<i>Mobile Broadband</i>	11.9	11.7	11.8	11.6	11.7
Pre-paid	13.0	13.9	14.2	13.9	13.5

<i>Other mobile operating statistics</i>	2023				2024
	1Q	2Q	3Q	4Q	1Q
DATA AUPU in GB					
post-paid	8.5	9.2	10.0	10.0	10.4
pre-paid	8.4	8.9	9.8	10.7	11.7
blended	8.5	9.1	9.9	10.2	10.8
Quarterly mobile customer churn rate (%)					
post-paid	2.1	1.8	1.9	2.1	2.0
pre-paid	16.3	13.2	12.9	11.6	10.9
Employment structure of Group as reported Active full time equivalents (end of period)	2023				2024
	1Q	2Q	3Q	4Q	1Q
Orange Polska	9,366	9,222	9,074	9,044	8,956
50% of Networks	334	332	334	324	342
Total	9,700	9,554	9,408	9,368	9,298

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.

ROCE- Return on capital employed = EBIT (ex. extraordinary items) / (Shareholder's Equity + Average net debt)