



**Current Report 11/2022**  
**Orange Polska S.A., Warsaw, Poland**  
**25 April, 2022**

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 2022.

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 2022 (available at <https://www.orange-ir.pl/results-center/>).

**In 1Q 2022 Orange Polska reports good financial and commercial results despite unfavourable macro environment. Full-year guidance reiterated.**

<b>key figures</b> (PLN million)	<b>1Q 2022</b>	<b>1Q 2021</b>	<b>Change</b>
revenue	2,931	2,918	+0.4%
EBITDAaL	722	709	+1.8%
EBITDAaL margin	24.6%	24.3%	+0.3p.p.
operating income	244	116	+110%
net income	125	39	+221%
eCapex	245	445	-45%
organic cash flow	231	198	+17%

KPI ('000)	1Q 2022	1Q 2021	Change
<b>convergent customers (B2C)</b>	<b>1,563</b>	<b>1,503</b>	<b>+4.0%</b>
<b>mobile accesses (SIM cards)</b>	<b>17,306</b>	<b>15,800</b>	<b>+9.5%</b>
post-paid	12,046	11,017	+9.3%
pre-paid	5,260	4,783	+10.0%
<b>fixed broadband accesses (retail)</b>	<b>2,755</b>	<b>2,711</b>	<b>+1.6%</b>
o/w fibre	999	779	+28.2%
<b>fixed voice lines (retail)</b>	<b>2,598</b>	<b>2,837</b>	<b>-8.4%</b>

### 1Q 2022 Highlights:

- **EBITDAaL (EBITDA after Leases) up 1.8% year-on-year reflecting:**
  - Very solid underlying performance resulting from direct margin growth (an outcome of strong core revenues) and cost savings
  - PLN 67 million yoy growth of energy costs due to surging prices of electricity, gas & oil
  
- **Revenues up 0.4% year-on-year with strong performance in most major lines:**
  - +7% yoy core telecom services (convergence, mobile-only and broadband-only) driven by both customer base and ARPO growth
  - +22% yoy growth of IT/IS driven by software revenue streams
  - -24% yoy fall in wholesale revenues driven by regulatory MTR&FTR cuts (c.PLN -120m yoy impact as further cuts came in force in January)
  
- **Solid commercial performance despite unstable macro environment:**
  - +4% yoy growth of B2C convergent customers, +11k net adds in 1Q
    - Convergent ARPO +4% yoy driven by fibre and value strategy
  - +28% yoy growth of fibre retail customers, +54k net adds in 1Q
    - 6.2 million households connectable with fibre (219k added in 1Q)
  - +4% yoy growth of post-paid mobile handset customers, +82k net adds in 1Q
    - Mobile-only handset ARPO +3% yoy driven by value strategy and roaming recovery
  - +307k qoq growth of pre-paid customer base largely resulting from dedicated offer to refugees from Ukraine
  
- **Dedicated actions to carry support to Ukraine**
  - c.400k free pre-paid starters activated by refugees
  - c.600 refugees hosted in OPL properties
  - c.1000 volunteers from OPL engaged in >100 support projects
  
- **eCapex (economic capex) at PLN 245 million, -45% yoy due to higher sale of assets (partly to Światłowód-Inwestycje) and different timing of projects**
- **Organic Cash Flow at PLN 231 million supported by growing EBITDAaL and lower cash capex**
- **Full-year financial guidance reiterated**

### Commenting on 1Q 2022 performance, Julien Ducarroz, Chief Executive Officer, said:

“In the past two months the reality around us has changed dramatically after Russian aggression on Ukraine. We immediately used our resources to provide help and support including dedicated connectivity offers, network enhancement and offering our real estate to host Ukrainian refugees. From the very beginning Orange people organised themselves to collect funds and goods to be dispatched to Ukraine. I am proud as the CEO of this company to be part of it and to be able to support the Orange teams that dedicate their time and energy to provide humanitarian aid.

Crisis developments, such as the Covid pandemic or the huge influx of migrants, demonstrate in a special way that telecommunication networks are critical to the functioning of the society. In both cases our network handled the traffic without disruptions. However this is consuming a lot of network capacity and we would welcome additional 5G spectrum to secure quality connectivity to benefit consumers and businesses.

I am very pleased that we just opened the new 5G LAB in our Warsaw headquarters. It will be a driving wheel for the development of 5G use cases. We will demonstrate to our customers this technology’s possible applications, and encourage them to adopt it. The LAB will also stimulate our innovative mindset and contribute to our cultural transformation.

Recent developments demonstrate the essential importance of our connectivity services, both to our customers and to society itself – an importance which will only grow going forward. Despite the short-term inflationary challenges, this makes me optimistic about Orange Polska’s prospects in the long-term.”

## Financial Review

### Revenues up 0.4% year-on-year driven by core telecom services, IT/IS, and energy resale

Revenues totalled PLN 2,931 million in 1Q 2022 and were up 0.4% year-on-year or PLN 13 million. There were four main factors influencing this revenue trend.

Firstly, core telecom services (combined revenues of convergence, mobile-only and broadband-only) were up 7.1% year-on-year. This performance, in line with the previous quarters, was driven by both expansion of the customer base and ARPO growth. Secondly revenues from IT and integration services grew by a robust 22% year-on-year as a result of performance of our software subsidiaries and cloud adoption contracts. Thirdly, 24% decline in wholesale revenues resulted from regulatory cuts in mobile and fixed termination rates. Finally, other revenues increased 43% year-on-year, mainly due to higher average realised price in the energy resale business.

### Solid commercial performance despite unstable macro environment

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 budgets.

In 1Q 2022 our **B2C convergent customer** base increased by 11,000 and 4% year-on-year. At the end of March, 67% of our B2C broadband customers were convergent. ARPO from convergent customers stood at PLN 113.7 and continued to grow and (+3.7% year-on-year) owing to our value strategy and increasing share of fibre.

Total **fixed broadband customer** base increased in 1Q 2022 by 9,000 and 1.6% year-on-year. It was driven by growth of fibre customer base which expanded 28% year-on-year, adding 54,000 in 1Q. Fibre already reached 36% of our total broadband customer base. ARPO from broadband-only services grew 3.7% year-on-year to PLN 61.0. The key contributors of this growth were price increases 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 82,000 in 1Q 2022 and reflected good performance of all consumer brands (Orange, Nju Mobile and Flex) and business markets. The handset ARPO from mobile-only services grew by 2.9% year-on-year in 1Q 2022 versus a drop of 2.9% year-on-year in 1Q 2021 as a result of our value pricing strategy and post-pandemic roaming recovery.

**Pre-paid customer base** increased by as much as 307,000 in 1Q 2022 to almost 5.3 million. This extraordinary increase is attributed to our dedicated pre-paid offer to war refugees from Ukraine. ARPO from pre-paid offers increased by 3.4% as a result of our value strategy and growing share of customers with unlimited voice and text bundles. At the end of the quarter this ARPO was slightly diluted by the free starters offers for the refugees.

In **fixed voice**, the 1Q net loss of lines stood at 62,000, a similar level to the previous quarter, and reflected structural negative market trends.

### **EBITDAaL up 1.8% year-on-year as very solid underlying performance has offset surging energy prices**

EBITDAaL for 1Q 2022 was PLN 722 million and was up 1.8% year-on-year. The key factor that weighed on our profitability this quarter were PLN 67 million (or 90%) year-on-year higher costs of electricity, gas and fuel. This resulted from surging unitary prices which reflected adverse macroeconomic conditions. However this was more than offset by solid underlying performance. Firstly, strong revenue performance of core telecom services and IT/IS translated to profits through our high operating leverage. Secondly, we have incurred less indirect costs benefitting, among others, from savings in labour, advertising & promotion and general expenses.

### **Bottom line supported by lower depreciation and higher gain on sale of assets**

Net income for 1Q 2022 was PLN 125 million, a significant increase versus PLN 39 million in 1Q 2021. It was supported by growth of EBITDAaL, lower depreciation and higher gain on sale of assets. Depreciation was down 13% year-on-year mainly due to lower investments in the mobile network in 2020-2021 and extension of economic useful life of certain assets. Net finance costs were PLN 22 million higher versus last year mainly due to non-cash FX losses (on EURO denominated long-term leasing liabilities) and higher interest rates affecting discount expense.

### **Organic cash flow up 17% year-on-year reflecting EBITDAaL growth and lower cash capex**

Organic cash flow for 1Q 2022 was PLN 231 million, an increase of PLN 33 million (or 17%) versus 1Q 2021. Net cash from operating activities before working capital was PLN 35 million higher due to growing EBITDAaL. Capital expenditure cash outflows were PLN 118 million lower year-on-year due to higher proceeds from sale of assets (including to Światłowód Inwestycje) and different timing of capex projects. This two positives were partly offset by PLN 84 million lower year-on-year working capital release largely due to different timing of payments.

### **Commenting on 1Q 2022 results, Jacek Kunicki, Chief Financial Officer, said:**

“Our 1Q results were good as solid underlying performance has mitigated the unprecedented increase in energy prices. We flagged the uncertainty related to this extraordinary surge of energy prices during our presentation of full-year guidance in February. Despite that burden we managed to grow our EBITDAaL by almost 2%. This was possible owing to the strong performance of key revenue lines (which translated to profits through high operating leverage) and cost savings.

Our commercial results in 1Q were quite solid taking into account low customer activity in the beginning of the year – which we attribute to a shift in the macro environment resulting from higher inflation, interest rates and the new tax reform. The demand situation improved in March, which makes us more optimistic going forward.

We reiterate all our full-year guidance being mindful of the challenging macro environment which requires us to mitigate its impact in all consecutive quarters through our value strategy, sourcing of energy volumes and cost savings.”

### 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 2022 (available at <https://www.orange-ir.pl/results-center/>).

<i>in PLNm</i>	1Q 2022	1Q 2021
<b>Operating income</b>	<b>244</b>	<b>116</b>
Less gains/add losses on disposal of assets	-21	20
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	504	576
Less share of profit of joint venture adjusted for elimination of margin earned on asset related transactions with joint venture	8	-
Interest expense on lease liabilities	-17	-13
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries	4	10
<b>EBITDAaL (EBITDA after Leases)</b>	<b>722</b>	<b>709</b>

### 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.*

## Invitation to Orange Polska's 1Q 2022 results presentation

Orange Polska's Management Board are pleased to invite you to the Company's 1Q 2022 results presentation

**26<sup>th</sup> April 2022**

**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

**Canada:** 001 587 855 1318

**Germany:** 0049 30 25 555 323

**France:** 0033 1758 50 878

**Russia:** 007 495 283 98 58

**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	2021					2022
	1Q	2Q	3Q	4Q	FY	1Q
	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
<b>Income statement</b>						
<b>Revenues</b>						
<b>Mobile services only</b>	<b>631</b>	<b>652</b>	<b>682</b>	<b>671</b>	<b>2,636</b>	<b>671</b>
<b>Fixed services only</b>	<b>504</b>	<b>494</b>	<b>484</b>	<b>486</b>	<b>1,968</b>	<b>477</b>
Narrowband	182	174	165	161	682	153
Broadband	214	214	214	217	859	219
B2B Network Solutions	108	106	105	108	427	105
<b>Convergent services B2C</b>	<b>477</b>	<b>492</b>	<b>511</b>	<b>522</b>	<b>2,002</b>	<b>526</b>
<b>Equipment sales</b>	<b>343</b>	<b>330</b>	<b>342</b>	<b>445</b>	<b>1,460</b>	<b>331</b>
<b>IT and integration services</b>	<b>250</b>	<b>269</b>	<b>255</b>	<b>412</b>	<b>1,186</b>	<b>305</b>
<b>Wholesale</b>	<b>598</b>	<b>598</b>	<b>493</b>	<b>501</b>	<b>2,190</b>	<b>456</b>
Mobile wholesale	353	378	317	323	1,371	286
Fixed wholesale	157	132	86	85	460	73
Other	88	88	90	93	359	97
<b>Other revenues</b>	<b>115</b>	<b>119</b>	<b>118</b>	<b>134</b>	<b>486</b>	<b>165</b>
<b>Total revenues</b>	<b>2,918</b>	<b>2,954</b>	<b>2,885</b>	<b>3,171</b>	<b>11,928</b>	<b>2,931</b>
<b>Labour expenses*</b>	(372)	(339)	(318)	(364)	(1,393)	(368)
<b>External purchases*</b>	<b>(1,627)</b>	<b>(1,662)</b>	<b>(1,568)</b>	<b>(1,929)</b>	<b>(6,786)</b>	<b>(1,688)</b>
- Interconnect expenses	(482)	(491)	(396)	(413)	(1,782)	(369)
- Network and IT expenses	(152)	(163)	(162)	(192)	(669)	(207)
- Commercial expenses	(587)	(582)	(582)	(816)	(2,567)	(602)
- Other external purchases*	(406)	(426)	(428)	(508)	(1,768)	(510)
Other operating incomes & expenses*	(59)	(42)	(60)	(30)	(191)	5
Impairment of receivables and contract assets	(23)	(23)	(16)	(5)	(67)	(18)
Amortization and impairment of right-of-use assets	(115)	(118)	(119)	(123)	(475)	(123)
Interest expense on lease liabilities	(13)	(14)	(13)	(13)	(53)	(17)
<b>EBITDAaL (EBITDA after Leases)</b>	<b>709</b>	<b>756</b>	<b>791</b>	<b>707</b>	<b>2,963</b>	<b>722</b>
% of revenues	24.3%	25.6%	27.4%	22.3%	24.8%	24.6%
Gains on disposal of assets	(20)	7	37	28	52	21
Gain related to sale of 50% stake in Światłowód Inwestycje (FiberCo)			1,543		1,543	
Depreciation, amortisation and impairment of property, plant and equipment and intangibles assets**	(576)	(542)	(546)	(591)	(2,255)	(504)
Add-back of interest expense on lease liabilities	13	14	13	13	53	17
Adjustment for the impact of employment termination programs*	0	0	7	(136)	(129)	0
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries*	(10)	(11)	1	(5)	(25)	(4)
Share of profit/loss of joint venture adjusted for elimination of margin earned on asset related transactions with joint venture			10	(1)	9	(8)
<b>Operating income</b>	<b>116</b>	<b>224</b>	<b>1,856</b>	<b>15</b>	<b>2,211</b>	<b>244</b>
% of revenues	4.0%	7.6%	64.3%	0.5%	18.5%	8.3%
Finance costs, net	(66)	(45)	(86)	(84)	(281)	(88)
- Interest expense on lease liabilities	(13)	(14)	(13)	(13)	(53)	(17)
- Other Interest expenses, net (excl. Interest expense on lease liabilities)	(38)	(44)	(42)	(42)	(166)	(34)
- Discounting expense	(8)	(12)	(15)	(31)	(66)	(19)
- Foreign exchange gains/ losses	(7)	25	(16)	2	4	(18)
Income tax	(11)	(63)	(184)	0	(258)	(31)
<b>Consolidated net income / (loss)</b>	<b>39</b>	<b>116</b>	<b>1,586</b>	<b>(69)</b>	<b>1,672</b>	<b>125</b>

\* 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

\*\* In Q4 2021 D&A includes impairment of rights of perpetual usufruct of land historically recognised as property, plant and equipment, subsequently reclassified to right-of-use assets (PLN 34 million).

## Orange Polska Group key performance indicators

<i>Customer base (in thousands)</i>	2021				2022
	1Q	2Q	3Q	4Q	1Q
<b>B2C convergent customers</b>	<b>1,503</b>	<b>1,517</b>	<b>1,531</b>	<b>1,552</b>	<b>1,563</b>
<b>Fixed telephony accesses</b>					
PSTN	1,686	1,624	1,570	1,514	1,463
VoIP	1,151	1,158	1,151	1,145	1,135
<b>Total retail main lines</b>	<b>2,837</b>	<b>2,782</b>	<b>2,722</b>	<b>2,660</b>	<b>2,598</b>
<i>o/w B2C convergent</i>	859	860	852	845	833
<i>o/w B2C PSTN convergent</i>	13	11	10	9	8
<i>o/w B2C VoIP convergent</i>	846	849	842	836	825
<b>Fixed broadband access</b>					
Fibre	779	827	880	945	999
ADSL	786	756	725	686	653
VDSL	519	511	501	491	480
Wireless for fixed	627	625	623	624	622
<b>Retail broadband - total</b>	<b>2,711</b>	<b>2,719</b>	<b>2,729</b>	<b>2,746</b>	<b>2,755</b>
<i>o/w B2C convergent</i>	1,503	1,517	1,531	1,552	1,563
<b>TV client base</b>					
IPTV	625	642	669	710	737
DTH (TV over Satellite)	392	376	339	286	241
<b>TV client base - total</b>	<b>1,017</b>	<b>1,018</b>	<b>1,008</b>	<b>995</b>	<b>978</b>
<i>o/w B2C convergent</i>	876	879	871	862	848
<b>Mobile accesses</b>					
Post-paid					
<i>Mobile Handset</i>	8,183	8,266	8,357	8,424	8,506
<i>Mobile Broadband</i>	723	705	690	674	659
<i>M2M</i>	2,111	2,221	2,632	2,749	2,880
<b>Total post-paid</b>	<b>11,017</b>	<b>11,192</b>	<b>11,679</b>	<b>11,847</b>	<b>12,046</b>
<i>o/w B2C convergent</i>	2,823	2,848	2,871	2,900	2,914
<b>Total pre-paid</b>	<b>4,783</b>	<b>4,855</b>	<b>4,910</b>	<b>4,953</b>	<b>5,260</b>
<b>Total</b>	<b>15,800</b>	<b>16,047</b>	<b>16,590</b>	<b>16,800</b>	<b>17,306</b>
<b>Fibre household connectable</b>	<b>5,174</b>	<b>5,379</b>	<b>5,611</b>	<b>5,934</b>	<b>6,153</b>
<b>Wholesale customers</b>					
WLR	260	251	242	232	222
Bitstream access	136	139	142	144	147
<i>o/w fibre</i>	34	41	47	53	59
LLU	49	46	44	42	40
<i>Quarterly ARPO in PLN per month</i>	2021				2022
	1Q	2Q	3Q	4Q	1Q
Convergent services B2C	109.6	111.4	113.2	113.2	113.7
Fixed services only - voice	37.1	37.0	36.5	36.9	36.5
Fixed services only - broadband	58.8	59.2	59.5	60.5	61.0
Mobile services only	19.6	20.1	20.7	20.3	20.1
Post-paid excl M2M	25.6	26.0	26.7	26.3	26.4
<i>Mobile Handset</i>	27.2	27.7	28.3	27.9	28.0
<i>Mobile Broadband</i>	12.5	12.3	12.3	12.2	12.1
Pre-paid	11.9	12.6	13.1	12.9	12.3
Mobile wholesale (convergent + mono)	8.1	8.5	7.1	7.2	6.2

<i>Other mobile operating statistics</i>	2021				2022
	1Q	2Q	3Q	4Q	1Q
<b>DATA AUPU in GB</b>					
post-paid	5.4	5.9	6.3	6.5	6.8
pre-paid	4.8	5.1	5.4	5.8	6.0
blended	5.2	5.6	6.0	6.2	6.5
<b>Quarterly mobile customer churn rate (%)</b>					
post-paid	2.3	1.9	1.8	2.3	1.9
pre-paid	10.8	9.1	10.0	10.5	9.5
<b>Employment structure of Group as reported</b>					
<b>Active full time equivalents (end of period)</b>					
<b>Orange Polska</b>					
50% of Networks	10,827	10,583	10,312	10,125	10,085
Total	349	332	327	327	338
	11,176	10,915	10,639	10,452	10,423
<b>Key environmental indicators</b>					
					<b>full year</b>
CO2 emissions (Scope 1+2) [k tones]					367
Energy consumption[GWh]					533
Renewable electricity as % total electricity consumption					6%

#### 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.