



Current Report 7/2023
Orange Polska S.A., Warsaw, Poland
25 April, 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 1Q 2023.

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 2023 (available at <https://www.orange-ir.pl/results-center/>).

**In 1Q 2023 Orange Polska reports excellent financial results
in a challenging environment**

key figures (PLN million)	1Q 2023	1Q 2022	Change
revenue	3,139	2,931	+7.1%
EBITDAaL	762	722	+5.5%
EBITDAaL margin	24.3%	24.6%	-0.3p.p.
operating income	392	244	+61%
net income	270	125	116%
eCapex	225	245	-8.2%
organic cash flow	-119	231	n.a.

KPI ('000)	1Q 2023	1Q 2022	Change
convergent customers (B2C)	1,639	1,563	+4.9%
mobile accesses (SIM cards)	17,435	17,306	+0.7%
post-paid	12,636	12,046	+4.9%
pre-paid	4,799	5,260	-8.8%
fixed broadband accesses (retail)	2,806	2,755	+1.9%
o/w fibre	1,218	999	+21.9%
fixed voice lines (retail)	2,536	2,662	-4.7%

1Q 2023 Highlights:

- **EBITDAaL (EBITDA after Leases) +5.5% year-on-year reflecting:**
 - Strong core business revenue performance translating into 5% yoy growth of the direct margin
 - Inflation impact on indirect costs partly compensated by our mitigation actions
- **Revenues +7.1% year-on-year with strong performance in all key business lines:**
 - +6% yoy **core telecom services** (convergence, mobile-only and broadband-only) driven by both customer base and ARPO growth
 - +40% yoy **equipment sales** due to strong customer interest in higher value handsets
 - +12% yoy growth of **IT/IS** driven by market demand for digitisation
 - +15% yoy **wholesale** revenues (ex. legacy areas) continued to benefit from demand for our infrastructure
- **Solid commercial performance despite unstable macro environment:**
 - +5% yoy growth of B2C convergent customers, +14k net adds in 1Q
 - Convergent ARPO +2.4% yoy driven by fibre and value strategy
 - +22% yoy growth of fibre retail customers, +47k net adds in 1Q
 - 7.3 million households connectable with fibre (179k added in 1Q)
 - +3% yoy growth of post-paid mobile handset customers, +40k net adds in 1Q
 - Mobile-only handset ARPO +3.2% yoy driven by value strategy
- **eCapex (economic capex) at PLN 225 million, -8% yoy, benefitting from PLN 148 million proceeds from asset disposals (optimisation of our real estate portfolio)**
- **Organic Cash Flow at PLN -119 million** impacted by timing of capex and higher working capital requirement

Commenting on 1Q 2023 performance, Julien Ducarroz, Chief Executive Officer, said:

“We had a good start to the year despite a demanding macro environment resulting from high inflation and slowing economy. Our commercial performance reflects continued solid customer demand, our focus on value and intensive market competition. Both ARPO and customer bases of all key services expanded year-on-year. The number of convergent customers grew even faster than a year ago while the pace of growth of the customer base of mono services slowed down – something that we are currently addressing with our commercial actions. Strong demand for high value handsets resulted in impressive results in this area.

Our transformation has accelerated in the areas of phase-out of legacy technologies and unused assets. We have been particularly successful this quarter in selling those of our properties that we no longer use due to the technology transformation from copper to fibre networks. This unlocks capital which we reinvest into projects with a higher rate of return, and reduces operating costs linked to those properties. We have also announced a plan for the gradual switch-off of 3G technology, which will start this year with the goal of completion by the end of 2025. This will lead to greater efficiency and make room for 5G implementation.

We are aware that double-digit inflation will continue to affect our operating costs. Therefore, going forward, we need to be persistent in the execution of our commercial strategy based on value and cost transformation.”

Financial Review

Revenues up 7.1% year-on-year with all key business lines contributing

Revenues totalled PLN 3,139 million in 1Q 2023 and were up 7.1% year-on-year or PLN 208 million. There were four main factors contributing to this strong performance.

Firstly, core telecom services (combined revenues of convergence, mobile-only and broadband-only) advanced by almost 6% benefitting from further simultaneous expansion of the customer bases and ARPO. Secondly, revenues from equipment grew by a robust 40% year-on-year as a result of strong customer interest in higher value handsets. Thirdly, IT/IS revenues increased 12% year-on-year growth as we are benefitting from high market demand for digitisation. Finally, wholesale revenues (excluding legacy areas) increased 15% year-on-year, as we continue to capitalise on demand for our infrastructure.

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 2023 our **B2C convergent customer** base increased by 14 thousand and 5% year-on-year. At the end of March, 69% of our B2C broadband customers were convergent. ARPO from convergent customers expanded by 2.4% year-on-year to PLN 116.4. This was largely due to our value strategy and increasing share of fibre and TV services.

Total **fixed broadband customer** base increased in 1Q 2023 by 2 thousand and 1.9% year-on-year. **Fibre customers** base expanded by 47 thousand or 22% 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 43% of our total broadband customer base. ARPO from broadband-only services grew 3.3% year-on-year to PLN 63.0 benefitting from our value strategy and 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 and increasing share of customers in single family houses (who pay a higher price to cover higher network rollout cost).

Net customer additions in **mobile post-paid handset** offers were at 40 thousand in the first quarter and reflected some slowdown in the business market and lower net additions of our Flex offers compared to a

year ago (when they were boosted by war refugees from Ukraine). The handset ARPO from mobile-only services grew by 3.2% year-on-year in 1Q 2023 as a result of our value pricing strategy.

Pre-paid customer base decreased by 265 thousand in the first quarter. This mainly resulted from particularly high pre-paid cards activations a year ago driven by war refugees from Ukraine. ARPO from pre-paid offers increased by 5.7% as a result of our value strategy.

In **fixed voice**, the 1Q net loss of lines stood at 36 thousand, a similar level to the previous quarter, and reflected structural negative market trends.

EBITDAaL up 5.5% year-on-year driven by strong core business performance

EBITDAaL for 1Q 2023 was PLN 762 million and was up 5.5% year-on-year or PLN 40 million. This healthy performance was generated solely by 5% year-on-year (PLN 85 million) growth of the direct margin (a difference between revenues and direct costs) resulting mainly from strong revenue growth in core telecom services, wholesale (excluding legacy areas) and IT/IS. Indirect costs increased 5% year-on-year (PLN 45 million) mainly as a result of inflation impact on rental contracts and various external services. We have offset part of this impact through our mitigation actions, (e.g. utilities hedging, savings in property maintenance) and reversal of some provisions.

Net income up 116% year-on-year owing to strong growth of operating income

Net income for 1Q 2023 was PLN 270 million and was up 116% over 1Q 2022. The key driver of this robust growth was operating income which increased 61% year-on-year. It benefitted from growth of EBITDAaL, lower depreciation (-3% year-on-year) and much higher gain on sale of assets. The latter increased PLN 65 million year-on-year as a result of particularly strong quarter for sales of real estates. Bottom line was also supported by PLN 26 million lower year-on-year net finance costs mainly due to lower FX losses (on EURO denominated long-term leasing liabilities).

Organic cash flow reflects different timing of capex and working capital

Organic cash flow for 1Q 2023 came at a negative PLN -119 million vs a positive PLN 231 million generated a year ago. On the one hand cash flow generation was supported by EBITDAaL growth and PLN 89 million higher year-on-year proceeds from sale of assets¹. On the other hand it was negatively affected by timing of capex and working capital. Firstly, cash capex expenditures¹ were PLN 254 million higher year-on-year in 1Q as a result of higher capex of the period and payments for very high capex incurred in 4Q 2022. Secondly, increase in working capital requirement resulted mainly from strong handset sales on instalments.

Commenting on 1Q 2023 results, Jacek Kunicki, Chief Financial Officer, said:

“Our financial results in 1Q were excellent. I am especially pleased with 5.5% year-on-year EBITDAaL growth. The key driver was a strong revenue performance among our core business lines which translated into 5% year-on-year growth of the direct margin. As expected, double-digit inflation impacted our operating costs, mainly property rental contracts and various external services. However we have managed to offset part of its impact through different mitigating actions. Our economic capex benefitted from proceeds of around PLN 150 million from disposal of several properties that we no longer use. This was more than was achieved through the entirety of 2022. Growing EBITDAaL, higher gain on sale of assets and lower financial costs filtered down to the bottom line which more than doubled year-on-year. Organic cash flow in 1Q reflected payments for high capex incurred at the end of 2022 and increased working capital linked to the very strong sales of handsets on instalments.

The macro-economic environment continues to be demanding and we expect further inflation impact, but this strong financial performance in 1Q gives us confidence that we will reach our full-year objectives.”

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)

Reconciliation of operating performance measure to financial statements

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<i>in PLNm</i>	1Q 2023	1Q 2022
Operating income	392	244
Less gains on disposal of assets	-86	-21
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets*	487	504
Add share of loss of joint venture adjusted for elimination of margin earned on asset related transactions with joint venture	13	8
Interest expense on lease liabilities	-31	-17
Adjustment for the impact of employment termination programs	-13	-
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries	-	4
EBITDAaL (EBITDA after Leases)	762	722

*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 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.

Invitation to Orange Polska's 1Q 2023 results presentation

Orange Polska's Management Board are pleased to invite you to the Company's 1Q 2023 results presentation

26th April 2023

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	2022 proforma					2023
	1Q	2Q	3Q	4Q	FY	1Q
	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
Income statement						
Revenues						
Mobile services only	671	699	710	717	2,797	710
Fixed services only	477	475	475	471	1,898	464
Narrowband	153	147	143	138	581	132
Broadband	219	223	224	224	890	222
B2B Network Solutions	105	105	108	109	427	110
Convergent services B2C	526	530	544	554	2,154	564
Equipment sales	331	363	400	488	1,582	463
IT and integration services	312	357	323	500	1,492	348
Wholesale	456	467	493	474	1,890	427
Mobile wholesale	286	295	295	285	1,161	233
Fixed wholesale	73	72	85	79	309	75
Other	97	100	113	110	420	119
Other revenues	158	164	178	175	675	163
Total revenues	2,931	3,055	3,123	3,379	12,488	3,139
Labour expenses*	(368)	(344)	(322)	(365)	(1,399)	(372)
External purchases*	(1,688)	(1,780)	(1,826)	(2,129)	(7,423)	(1,867)
- Interconnect expenses	(369)	(385)	(395)	(389)	(1,538)	(337)
- Network and IT expenses	(207)	(205)	(230)	(241)	(883)	(228)
- Commercial expenses	(602)	(688)	(665)	(898)	(2,853)	(762)
- Other external purchases*	(510)	(502)	(536)	(601)	(2,149)	(540)
Other operating incomes & expenses*	5	34	16	21	76	46
Impairment of receivables and contract assets	(18)	(23)	(19)	(14)	(74)	(22)
Amortization and impairment of right-of-use assets	(123)	(123)	(123)	(126)	(495)	(131)
Interest expense on lease liabilities	(17)	(21)	(27)	(30)	(95)	(31)
EBITDAaL (EBITDA after Leases)	722	798	822	736	3,078	762
% of revenues	24.6%	26.1%	26.3%	21.8%	24.6%	24.3%
Gains/ (losses) on disposal of assets	21	49	15	22	107	86
Gain related to sale of 50% stake in Światłowód Inwestycje (FiberCo)	0	0	0	0	0	0
Depreciation, amortisation and impairment of property, plant and equipment and intangibles assets**	(504)	(506)	(516)	(520)	(2,046)	(487)
Add-back of interest expense on lease liabilities	17	21	27	30	95	31
Adjustment for the impact of employment termination programs*	0	6	(6)	1	1	13
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries*	(4)	(5)	(4)	(4)	(17)	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)
Operating income	244	337	324	256	1,161	392
% of revenues	8.3%	11.0%	10.4%	7.6%	9.3%	12.5%
Finance costs, net	(88)	(68)	(86)	(52)	(294)	(62)
- Interest expense on lease liabilities	(17)	(21)	(27)	(30)	(95)	(31)
- Other Interest expenses, net (excl. Interest expense on lease liabilities)	(34)	(27)	(12)	(24)	(97)	(16)
- Discounting expense	(19)	(21)	(20)	(20)	(80)	(13)
- Foreign exchange gains/ (losses)	(18)	1	(27)	22	(22)	(2)
Income tax	(31)	(26)	(45)	(41)	(143)	(60)
Consolidated net income / (loss)	125	243	193	163	724	270

*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 Q1 2023 D&A includes PLN 4 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

Customer base (in thousands)	2022				2023
	1Q	2Q	3Q	4Q	1Q
B2C convergent customers	1,563	1,578	1,594	1,625	1,639
Fixed broadband access					
Fibre	999	1,065	1,120	1,171	1,218
ADSL	653	623	591	561	530
VDSL	480	470	459	448	435
Wireless for fixed	622	627	624	625	623
Retail broadband - total	2,755	2,786	2,793	2,804	2,806
<i>o/w B2C convergent</i>	<i>1,563</i>	<i>1,578</i>	<i>1,594</i>	<i>1,625</i>	<i>1,639</i>
TV client base					
IPTV	737	768	794	821	839
DTH (TV over Satellite)	241	203	169	135	103
TV client base - total	978	970	963	955	943
<i>o/w B2C convergent</i>	<i>848</i>	<i>843</i>	<i>839</i>	<i>836</i>	<i>827</i>
Mobile accesses					
Post-paid					
<i>Mobile Handset</i>	<i>8,506</i>	<i>8,609</i>	<i>8,666</i>	<i>8,723</i>	<i>8,763</i>
<i>Mobile Broadband</i>	<i>659</i>	<i>646</i>	<i>638</i>	<i>627</i>	<i>621</i>
<i>M2M</i>	<i>2,880</i>	<i>2,983</i>	<i>3,168</i>	<i>3,216</i>	<i>3,253</i>
Total post-paid	12,046	12,238	12,472	12,566	12,636
<i>o/w B2C convergent</i>	<i>2,914</i>	<i>2,937</i>	<i>2,958</i>	<i>2,991</i>	<i>3,001</i>
Pre-paid	5,260	5,591	5,451	5,064	4,799
Total	17,306	17,829	17,924	17,630	17,435
Fibre households connectable	6,153	6,475	6,757	7,073	7,252
Wholesale customers					
WLR	222	214	206	198	190
Bitstream access	147	151	155	162	167
<i>o/w fibre</i>	<i>59</i>	<i>65</i>	<i>73</i>	<i>83</i>	<i>94</i>
LLU	40	39	37	34	33
Fixed telephony accesses					
PSTN	1,463	1,417	1,375	1,331	1,286
VoIP	1,199	1,216	1,228	1,241	1,250
Total retail main lines	2,662	2,633	2,603	2,572	2,536
<i>o/w B2C convergent</i>	<i>896</i>	<i>911</i>	<i>923</i>	<i>940</i>	<i>947</i>
<i>o/w B2C PSTN convergent</i>	<i>8</i>	<i>7</i>	<i>7</i>	<i>6</i>	<i>6</i>
<i>o/w B2C VoIP convergent</i>	<i>888</i>	<i>904</i>	<i>916</i>	<i>934</i>	<i>941</i>
Quarterly ARPO in PLN per month	2022				2023
	1Q	2Q	3Q	4Q	1Q
Convergent services B2C	113.7	113.7	115.6	115.9	116.4
Fixed services only - voice	36.5	36.2	36.2	36.4	36.1
Fixed services only - broadband	61.0	61.3	62.0	62.5	63.0
Mobile services only	20.1	20.2	20.1	20.8	21.1
Post-paid excl M2M	26.4	26.8	27.3	27.3	27.4
<i>Mobile Handset</i>	<i>28.0</i>	<i>28.3</i>	<i>28.9</i>	<i>28.8</i>	<i>28.9</i>
<i>Mobile Broadband</i>	<i>12.1</i>	<i>12.1</i>	<i>12.1</i>	<i>12.1</i>	<i>11.9</i>
Pre-paid	12.3	12.5	11.8	12.9	13.0
Mobile wholesale (convergent + mono)	6.2	6.1	5.9	5.9	4.8

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

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.