



**Current Report 5/2021**  
**Orange Polska S.A., Warsaw, Poland**  
**21 April, 2021**

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 2021.

Disclosures on performance measures, including information on data restatements are presented in the Note 2 and 4 to Condensed IFRS Quarterly Consolidated Financial Statements of the Orange Polska Group for the 3 months ended 31 March 2021 (available at <https://www.orange-ir.pl/results-center/>). The accounting policies changed by the Group in 2020 relate to the determination of the lease term of cancellable lease.

**In 1Q 2021 Orange Polska reports strong financial results in line with full-year plans,  
and solid commercial performance despite pandemic restrictions**

<b>key figures</b> (PLN million)	<b>1Q 2021</b>	<b>1Q 2020 restated</b>	<b>Change</b>
Revenue	2,918	2,804	+4.1%
EBITDAaL	709	673	+5.3%
EBITDAaL margin	24.3%	24.0%	+0.3p.p.
operating income	116	88	+31.8%
net income/(loss)	39	-38	+77m
eCapex	445	343	+29.7%
organic cash flow	198	-78	+276m

KPI ('000)	1Q 2021	1Q 2020	Change
<b>convergent customers (B2C)</b>	<b>1,503</b>	<b>1,387</b>	<b>+8.4%</b>
<b>mobile accesses (SIM cards)</b>	<b>15,800</b>	<b>15,436</b>	<b>+2.4%</b>
post-paid	11,017	10,342	+6.5%
pre-paid	4,783	5,095	-6.1%
<b>fixed broadband accesses (retail)</b>	<b>2,711</b>	<b>2,616</b>	<b>+3.6%</b>
o/w fibre	779	564	+38.1%
<b>fixed voice lines (retail)</b>	<b>2,837</b>	<b>3,034</b>	<b>-6.5%</b>

### 1Q 2021 Highlights:

- **EBITDAaL (EBITDA after Leases) up 5.3% year-on-year:**
  - reflects more sustainable growth pattern driven by both better direct margin and ongoing cost savings
  - expansion of direct margin mainly due to strong growth of revenues from core telecom services
  
- **Revenues up 4.1% year-on-year reflecting:**
  - +4.3% yoy core telecom services (convergence, mobile only and broadband only) due to value strategy and growing fibre
  - +7% yoy growth of IT/IS includes contribution of Craftware (PLN 21m)
  - +12% yoy growth of equipment revenues achieved on more comparable base (1Q'20 already affected by the pandemic)
  - +37% yoy growth of other revenues owing to energy resale business
  
- **Solid commercial performance despite pandemic restrictions:**
  - +8% yoy growth of B2C convergent customers, +20k net adds in 1Q
    - Convergent ARPO +4.6% yoy driven by fibre and value strategy
  - +38% yoy growth of fibre customers, +54k net adds in 1Q (the second highest ever quarterly result matched)
  - +5% yoy growth of post-paid mobile handset customers, +88k net adds in 1Q
  
- **eCapex (economic capex) at PLN 445 million, +30% year-on-year, in line with full-year plans**
- **5.2 million households connectable with fibre at the end of March (176k added in 1Q)**
- **Organic Cash Flow at PLN 198 million reflects EBITDAaL growth and working capital supported by different timing of payments**
- **Full-year financial guidance reiterated**

### Commenting on 1Q 2021 performance, Julien Ducarroz, Chief Executive Officer, said:

“Our commercial results in 1Q were solid despite a harsh winter and a worsening pandemic situation affecting customer traffic at our points of sale. We are very pleased with demand for fibre, which continues to be strong: with net additions of 54,000 we matched the second-best quarterly result. In addition we see customers much more frequently choosing higher speed options. Fibre is increasingly a key driving force of our financial results, which is especially visible in improving ARPO in convergence and fixed broadband. We are happy with the monetisation of fibre investments so far and we see big potential for more fibre in Poland. The FiberCo project (Światłowód Inwestycje) enables us to expand that footprint without spending capex on our own balance sheet, and simultaneously allows us to take advantage of high valuations of infrastructure assets.

Caring for the environment and climate is an increasingly important part of our business strategy. Management has just adopted the Orange Polska climate targets: by 2025 we plan to reduce CO2 emissions by 65% (compared to 2015).

In 2Q hopefully the pandemic situation will ease and we will be able to accelerate our sales. We also continue work on our strategy update that we plan to announce in June.”

### Financial Review

#### Revenues up 4.1% year-on-year driven by core telecom services, IT/IS, equipment and energy resale

Revenues totalled PLN 2,918 million in 1Q 2021 and were up 4.1% year-on-year or PLN 114 million. There were four main factors influencing this revenue trend.

Firstly, combined revenues of convergence, mobile-only and broadband-only were up 4.3% year-on-year. Performance of this revenue group continues to improve (from 3.6% yoy in 4Q'20) following continued growth of customer volumes and effects of our value strategy translating into ARPO growth.

Secondly revenues from IT and integration services grew 7% year-on-year benefitting from continued good customer demand and consolidation of Craftware (a contribution of PLN 21 million in 1Q). Thirdly, revenues from equipment sales increased by 12% year-on-year. A better trend than in the previous quarters reflects low base of 1Q'20 when sales were already affected by the pandemic. Finally, other revenues surged 37% year-on-year, boosted by successful customer acquisition in energy resale business.

#### Solid commercial performance despite pandemic restrictions

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 2021 our **B2C convergent customer** base increased by 20,000 and 8% year-on-year. At the end of March, 66% of our B2C broadband customers were convergent versus 63% a year ago. ARPO from convergent customers accelerated its growth rate to 4.6% year-on-year to PLN 109.6 due to our value strategy and increasing share of fibre.

Total **fixed broadband customer** base increased in 1Q 2021 by 9,000 and 3.6% year-on-year. It was driven by growth of fibre customer base which expanded 38% year-on-year, adding 54,000. Fibre already reached 29% of our total broadband customer base. ARPO from broadband-only

services grew 3.7% year-on-year to PLN 58.8. The key contributors of this growth are price increases introduced in 2019 and growing share of fibre customers. Fibre customers generate the highest ARPO (PLN 69.1 in 1Q 2021) 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 88,000 in 1Q 2021 (versus 62,000 in 1Q 2020) and reflected good performance on both consumer and business markets. Despite negative impact of roaming the trend in handset ARPO from mobile-only services continued to improve. It declined 2.9% year-on-year in 1Q 2021 versus a drop of 3.9% year-on-year in 2020 as a result of our value pricing strategy. Excluding roaming, this ARPO decline was contained to only 0.7% year-on-year.

**Pre-paid customer base** continued to decrease (by 77,000 in 1Q 2021 to 4.8 million) reflecting market trend of pandemic-related reduced mobility of people negatively affecting activity of customers and demand for new pre-paid cards. However ARPO from pre-paid customers increased by 2.6% as a result of higher voice and data traffic.

In **fixed voice**, the 1Q net loss of lines stood at 62,000 as compared to 75,000 a year ago. The key trends were broadly unchanged: the number of VoIP services is growing, as they are part of the Orange Love package. Excluding VoIP services, the loss of lines continues to reflect structural negative market trends.

### **EBITDAaL up 5.3% year-on-year as a result of improving direct margin evolution and further cost optimisation**

EBITDAaL for 1Q 2021 was PLN 709 million and was up 5.3% year-on-year. EBITDAaL increase is now becoming more sustainable as it is derived both from better direct margin and cost optimisations. Direct margin (a difference between revenues and direct costs) was up by PLN 20 million year-on-year owing to strong performance of core telecom services and IT/IS revenues. Indirect costs were down by PLN 16 million or 1.8% year-on-year with saving coming mainly from labour, CRM subcontracting services and property and general expenses.

### **Bottom line supported by EBITDAaL growth, lower depreciation and finance costs**

Net income for 1Q 2021 was PLN 39 million versus a loss of PLN 38 million in 1Q 2020. It was supported by growth of EBITDAaL, lower depreciation and lower finance costs. Depreciation was lower by 5% year-on-year and benefitted from extension of economic useful life of certain assets (impact of PLN 33 million). Net finance costs were PLN 66 million below last year when they were heavily affected by significant foreign exchange losses on EURO denominated long-term leasing liabilities.

### **Strong organic cash flow due to EBITDAaL growth and working capital**

Organic cash flow for 1Q 2021 was PLN 198 million, a substantial improvement over PLN -78 million in 1Q 2020. Net cash from operating activities before working capital was PLN 37 million higher due to growing EBITDAaL. Working capital improved by PLN 240 million year-on-year reflecting largely different timing of payments between Q4 and Q1 in both years, good receivables collection and higher handset sales translating into lower year-on-year negative inventory change. Capital expenditure cash outflows at PLN 601 million in 1Q 2021 were broadly flat year-on-year as higher capex in the period was offset by less negative change in the capex payables.

### **Commenting on 1Q 2021 results, Jacek Kunicki, Chief Financial Officer, said:**

“Our 1Q financial results were strong. I am particularly pleased that 5% EBITDAaL growth came in almost equal parts from improvement in the direct margin and from cost savings. This is a step in the right direction for our growth to be more sustainable. Growth of our direct margin means that

our value strategy works well and that we are able to more effectively offset the burden of the legacy decline. We are confident in delivering our full-year objectives to grow both revenues and EBITDAaL by a low single digit. However as the health crisis is far from over we are very carefully monitoring the pace of the economic recovery and its impact on the credit situation of our customers.

Signing the FiberCo project is a clear demonstration of our strong shareholder value creation resulting from our fibre roll-out strategy initiated six years ago. What makes this project unique, in our view, is that it is largely based on the future build rather than contribution of existing assets. It is also an example that we are attaching more attention to ROCE ratio when making decisions on capital allocation.”

### Reconciliation of operating performance measure to financial statements

Disclosures on performance measures, including information on data restatements are presented in the Note 2 and 4 to Condensed IFRS Quarterly Consolidated Financial Statements of the Orange Polska Group for the 3 months ended 31 March 2021 (available at <https://www.orange-ir.pl/results-center/>).

<i>in PLNm</i>	1Q 2021	1Q 2020
<b>Operating income</b>	<b>116</b>	<b>88</b>
Less gains/add losses on disposal of assets	20	-10
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	576	608
Interest expense on lease liabilities	-13	-16
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries	10	3
<b>EBITDAaL (EBITDA after Leases)</b>	<b>709</b>	<b>673</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.*

**Orange Polska's Management Board are pleased to invite you to the Company's 1Q 2021 results presentation.**

**22nd April 2021**

The presentation will take place on-line. It will be available via a live webcast <http://infostrefa.tv/orange/> and via a live conference call.

**Time:**

11:00 (Warsaw)

10:00 (London)

05:00 (New York)

**Dial in numbers:**

**Conference Code: 411064**

Poland: 48 22 124 49 59

Canada: 1 587 855 1318

Germany: 49 30 25 555 323

Russia: 7 495 283 98 58

United Kingdom: 44 203 984 9844

United States: 1 718 866 4614

amounts in PLN millions	2020					2021
	1Q	2Q	3Q	4Q	FY	1Q
<b>Income statement</b>	restated (IFRS16)*	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
<b>Revenues</b>						
<b>Mobile services only</b>	638	630	645	644	2 557	631
<b>Fixed services only</b>	523	527	518	513	2 081	504
Narrowband	208	206	194	190	798	182
Broadband	211	214	216	215	856	214
B2B Network Solutions	104	107	108	108	427	108
<b>Convergent services B2C</b>	419	428	438	456	1 741	477
<b>Equipment sales</b>	306	308	325	407	1 346	343
<b>IT and integration services</b>	233	238	186	340	997	250
<b>Wholesale</b>	601	613	590	618	2 422	598
Mobile wholesale	349	366	345	378	1 438	353
Fixed wholesale	171	165	162	156	654	157
Other	81	82	83	84	330	88
<b>Other revenues</b>	84	84	91	105	364	115
<b>Total revenues</b>	<b>2 804</b>	<b>2 828</b>	<b>2 793</b>	<b>3 083</b>	<b>11 508</b>	<b>2 918</b>
Labour expenses**	(402)	(287)	(320)	(343)	(1 352)	(372)
<b>External purchases</b>	<b>(1 550)</b>	<b>(1 597)</b>	<b>(1 537)</b>	<b>(1 851)</b>	<b>(6 535)</b>	<b>(1 627)</b>
- Interconnect expenses	(482)	(507)	(489)	(513)	(1 991)	(482)
- Network and IT expenses	(151)	(162)	(161)	(176)	(650)	(152)
- Commercial expenses	(546)	(552)	(519)	(763)	(2 380)	(587)
- Other external purchases	(371)	(376)	(368)	(399)	(1 514)	(406)
Other operating incomes & expenses**	(21)	(42)	(39)	(75)	(177)	(59)
Impairment of receivables and contract assets	(36)	(50)	(30)	(35)	(151)	(23)
Amortization and impairment of right-of-use assets	(106)	(108)	(110)	(110)	(434)	(115)
Interest expense on lease liabilities	(16)	(16)	(15)	(15)	(62)	(13)
<b>EBITDAaL (EBITDA after Leases)</b>	<b>673</b>	<b>728</b>	<b>742</b>	<b>654</b>	<b>2 797</b>	<b>709</b>
<i>% of revenues</i>	24.0%	25.7%	26.6%	21.2%	24.3%	24.3%
Gains on disposal of assets***	10	5	6	40	61	(20)
Depreciation, amortisation and impairment of property, plant and equipment and intangibles assets	(608)	(636)	(618)	(649)	(2 511)	(576)
Add-back of interest expense on lease liabilities	16	16	15	15	62	13
Adjustment for the impact of employment termination programs**	0	0	9	13	22	0
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries**	(3)	(4)	(4)	(16)	(27)	(10)
Adjustment for the impact of deconsolidation of subsidiaries***	0	0	0	0	0	0
<b>Operating income / (loss)</b>	<b>88</b>	<b>109</b>	<b>150</b>	<b>57</b>	<b>404</b>	<b>116</b>
<i>% of revenues</i>	3.1%	3.9%	5.4%	1.8%	3.5%	4.0%
Finance costs, net	(132)	(49)	(83)	(78)	(342)	(66)
- Interest expense on lease liabilities	(16)	(16)	(15)	(15)	(62)	(13)
- Other Interest expenses, net (excl. Interest expense on lease liabilities)	(51)	(45)	(43)	(44)	(183)	(38)
- Discounting expense	(23)	0	(11)	(9)	(43)	(8)
- Foreign exchange losses	(42)	12	(14)	(10)	(54)	(7)
Income tax	6	(8)	(14)	0	(16)	(11)
<b>Consolidated net income / (loss)</b>	<b>(38)</b>	<b>52</b>	<b>53</b>	<b>(21)</b>	<b>46</b>	<b>39</b>

\* In Q2 2020 retrospective additional impact of the IFRS 16 scope was recognised as described in Financial Statement in Note 4

\*\* Labour expenses and other operating incomes & expenses exclude adjustment due to employment termination program and some costs related to acquisition, disposal and integration of subsidiaries

\*\*\* Gains on disposal of assets exclude impact of deconsolidation of subsidiaries

## Orange Polska Group key performance indicators

<i>Customer base (in thousands)</i>	2020				2021
	1Q	2Q	3Q	4Q	1Q
<b>B2C convergent customers</b>	<b>1 387</b>	<b>1 410</b>	<b>1 441</b>	<b>1 483</b>	<b>1 503</b>
<b>Fixed telephony accesses</b>					
PSTN	1 962	1 900	1 831	1 762	1 686
VoIP	1 072	1 099	1 110	1 138	1 151
<b>Total retail main lines</b>	<b>3 034</b>	<b>2 998</b>	<b>2 941</b>	<b>2 899</b>	<b>2 837</b>
<i>o/w B2C convergent</i>	830	833	839	855	859
<i>o/w B2C PSTN convergent</i>	23	21	18	16	13
<i>o/w B2C VoIP convergent</i>	807	813	822	839	846
<b>Fixed broadband access</b>					
ADSL	923	896	864	822	786
VDSL	537	531	522	527	519
Fibre	564	608	662	725	779
Wireless for fixed	592	603	614	628	627
<b>Retail broadband - total</b>	<b>2 616</b>	<b>2 638</b>	<b>2 662</b>	<b>2 702</b>	<b>2 711</b>
<i>o/w B2C convergent</i>	1 387	1 410	1 441	1 483	1 503
<b>TV client base</b>					
IPTV	539	554	575	605	625
DTH (TV over Satellite)	456	442	425	410	392
<b>TV client base - total</b>	<b>994</b>	<b>996</b>	<b>1 001</b>	<b>1 015</b>	<b>1 017</b>
<i>o/w B2C convergent</i>	836	842	851	870	876
<b>Mobile accesses</b>					
Post-paid					
<i>Mobile Handset</i>	7 810	7 875	7 985	8 095	8 183
<i>Mobile Broadband</i>	822	806	777	751	723
<i>M2M</i>	1 710	1 823	1 987	2 046	2 111
<b>Total post-paid</b>	<b>10 342</b>	<b>10 504</b>	<b>10 749</b>	<b>10 892</b>	<b>11 017</b>
<i>o/w B2C convergent</i>	2 612	2 651	2 713	2 787	2 823
<b>Total pre-paid</b>	<b>5 095</b>	<b>4 982</b>	<b>4 920</b>	<b>4 860</b>	<b>4 783</b>
<b>Total</b>	<b>15 436</b>	<b>15 487</b>	<b>15 669</b>	<b>15 752</b>	<b>15 800</b>
<b>Fibre household connectable</b>	<b>4 393</b>	<b>4 602</b>	<b>4 793</b>	<b>4 998</b>	<b>5 174</b>
<b>Wholesale customers</b>					
WLR	310	299	287	273	260
Bitstream access	128	129	130	132	136
LLU	60	58	55	52	49
<i>Quarterly ARPO in PLN per month</i>	2020				2021
	1Q	2Q	3Q	4Q	1Q
Convergent services B2C	104.8	105.4	105.5	107.1	109.6
Fixed services only - voice	36.5	37.4	36.8	37.3	37.1
Fixed services only - broadband	56.7	58.0	58.7	58.7	58.8
Mobile services only	19.5	19.3	19.9	19.8	19.6
Post-paid excl M2M	26.3	25.5	25.9	25.6	25.6
<i>Mobile Handset</i>	28.0	27.2	27.6	27.3	27.2
<i>Mobile Broadband</i>	13.6	13.3	12.9	12.7	12.5
Pre-paid	11.6	11.9	12.5	12.7	11.9
Mobile wholesale (convergent + mono)	8.0	8.4	7.9	8.7	8.1



<i>Other mobile operating statistics</i>	2020				2021
	1Q	2Q	3Q	4Q	1Q
<b>AUPU (in minutes)</b>					
post-paid	397.3	441.5	386.7	443.4	421.4
pre-paid	173.2	193.3	175.7	197.3	191.2
blended	314.2	350.2	310.4	355.5	340.4
<b>Quarterly mobile customer churn rate (%)</b>					
post-paid	2.5	2.1	2.2	2.3	2.3
pre-paid	9.1	10.4	11.4	10.7	10.8
SAC post-paid (PLN)	82.1	78.3	77.5	139.5	137.7
SRC post-paid (PLN)	48.0	59.8	59.1	64.7	68.5

<b>Employment structure of Group as reported Active full time equivalents (end of period)</b>	2020				2021
	1Q	2Q	3Q	4Q	1Q
<b>Orange Polska</b>	<b>11 885</b>	<b>11 219</b>	<b>11 047</b>	<b>11 048</b>	<b>10 827</b>
50% of Networks	330	330	335	333	349
Total	12 215	11 549	11 382	11 381	11 176

Terms used:

**ARPO** – average revenue per offer

**Average Usage per User (AUPU)** – The average monthly total usage of minutes divided by the average number of SIM cards (excluding M2M) in a given period.

**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.

**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 100Mb/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.

**Subscriber Acquisition Cost (SAC)** – Customer acquisition costs divided by the number of gross customers added during the respective period. Customer acquisition costs comprise commissions paid to distributors and net subsidies resulting from the sale of the handset.

**Subscriber Retention Cost (SRC)** – Customer retention costs divided by the number of customers retained during the respective period. Customer retention costs comprise commissions paid to distributors and net subsidies resulting from the sale of the handset.