



Current Report 12/2022
Orange Polska S.A., Warsaw, Poland
27 July, 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 2Q and 1H 2022.

Disclosures on performance measures have been presented in the Note 2 to Condensed IFRS Interim Consolidated Financial Statements of the Orange Polska Group for the 6 months ended 30 June 2022 (available at <https://www.orange-ir.pl/results-center/>).

**In 2Q 2022 Orange Polska reports excellent financial results,
and improved full-year outlook despite external headwinds**

key figures (PLN million)	2Q 2022	2Q 2021	Change	1H 2022	1H 2021	Change
revenue	3,055	2,954	+3.4%	5,986	5,872	+1.9%
EBITDAaL	798	756	+5.6%	1,520	1,465	+3.8%
EBITDAaL margin	26.1%	25.6%	+0.5p.p.	25.4%	24.9%	+0.5p.p.
operating income	337	224	+50.4%	581	340	+70.9%
net income	243	116	+109%	368	155	+137%
eCapex	328	442	-26%	573	887	-35%
organic cash flow	417	159	+162%	648	357	+82%

KPI ('000)	2Q 2022	2Q 2021	Change
convergent customers (B2C)	1,578	1,517	+4.0%
mobile accesses (SIM cards)	17,829	16,047	+11.1%
post-paid	12,238	11,192	+9.3%
pre-paid	5,591	4,855	+15.2%
fixed broadband accesses (retail)	2,786	2,719	+2.5%
o/w fibre	1,065	827	+28.8%
fixed voice lines (retail)	2,633	2,782	-5.4%

2Q 2022 Highlights:

- **EBITDAaL (EBITDA after Leases) up 5.6% year-on-year:**
 - higher direct margin as a result of strong commercial performance and revenue growth
 - lower indirect costs include milder impact (versus 1Q) of energy prices surge and ongoing cost transformation

- **Revenues up 3.4% year-on-year with strong performance in all key lines:**
 - +7% yoy core telecom services (convergence, mobile-only and broadband-only) driven by both customer base and ARPO growth
 - +29% yoy growth of IT/IS as we benefit from demand for digitisation
 - -22% yoy fall in wholesale revenues driven by regulatory MTR&FTR cuts (c.PLN -105m yoy)

- **Solid commercial performance despite unstable macro environment:**
 - +4% yoy growth of B2C convergent customers, +15k net adds in 2Q
 - Convergent ARPO +2% yoy driven by fibre and value strategy
 - +29% yoy growth of fibre retail customers, +66k net adds in 2Q (o/w 11k non-organic)
 - 6.5 million households connectable with fibre (322k added in 2Q)
 - +4% yoy growth of post-paid mobile handset customers, +103k net adds in 2Q
 - Mobile-only handset ARPO +2% yoy driven by value strategy and roaming recovery
 - +15% yoy growth of pre-paid mobile customers, +331k net adds in 2Q largely resulting from dedicated offer to refugees from Ukraine

- **eCapex (economic capex) at PLN 328 million, -26% yoy** due to benefits from transfer of the fibre rollout to FiberCo and a rebound in real estate sales
- **Organic Cash Flow at PLN 417 million, +162% yoy** driven mainly by growing EBITDAaL and lower cash capex
- **Taking into account 1.9% yoy revenue growth in 1H we increase our full-year revenue guidance to low single digit growth (from very small decline previously). EBITDAaL and eCapex guidance remain unchanged.**

Commenting on 2Q 2022 performance, Julien Ducarroz, Chief Executive Officer, said:

“Our strong commercial and financial results in 2Q prove that our business is resilient and able to adapt to a turbulent environment. Our services are essential for consumers and businesses which is especially important in the light of the approaching economic slowdown. We are pleased with customer demand for our services and handsets. We support it with rapid development of the infrastructure: over the past 12 months our fibre footprint increased by 1.1 million households. Owing to a diversified portfolio of competencies and demand for digitisation our ICT business generated robust revenue growth in 2Q despite continued problems with sourcing and a slowdown in the public sector.

I am very proud of our teams’ continued engagement in supporting Ukraine which underscores the values of our responsibility strategic pillar. From the beginning of the war we have hosted around 700 guests from Ukraine in our facilities and distributed more than 600k free pre-paid starters. In the second quarter twelve new support projects were launched by Orange Foundation volunteers with local NGOs to help Ukrainian families in their local communities.

I am also pleased to note that our CO2 emissions are down by as much as 15% year-on-year in the first half of 2022. This resulted from higher wind energy generation and further optimisation of consumption. We are expecting more green energy in our mix starting from 4Q. Our 1H CO2 emissions in scope 1 and 2 are down 33% versus our benchmark year 2015. We are on track to reach our goal of 65% reduction by 2025.”

Financial Review

2Q revenues up 3.4% year-on-year driven mainly by core telecom services, IT/IS, and energy resale

Revenues totalled PLN 3,055 million in 2Q 2022 and were up 3.4% year-on-year or PLN 101 million. There were five main factors influencing this revenue trend.

Firstly, core telecom services (combined revenues of convergence, mobile-only and broadband-only) were up 6.9% year-on-year. This performance, in line with the previous quarters, was driven by both expansion of the customer base in all services and ARPO growth. Secondly, demand for handsets rebounded, after weak Q1, resulting in 10% year-on-year growth of equipment revenues. Thirdly, revenues from IT and integration services grew by a robust 29% year-on-year as we are benefitting from high market demand for digitisation. Fourthly, 22% decline in wholesale revenues resulted from regulatory cuts in mobile and fixed termination rates. Finally, other revenues increased 45% year-on-year, mainly due to higher average realised price in the energy resale business.

Solid commercial performance: Customer base expansion coupled with ARPO growth in all key areas

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

In 2Q 2022 our **B2C convergent customer** base increased by 15,000 and 4% year-on-year. At the end of June, 67% of our B2C broadband customers were convergent. ARPO from convergent customers stood at PLN 113.7 and was higher by +2.1% year-on-year, owing to our value strategy and increasing share of fibre.

Total **fixed broadband customer** base increased in 2Q 2022 by 31,000 and 2.5% year-on-year. It was driven by growth of fibre customer base which expanded 29% year-on-year, adding 66,000 in 2Q (of which 11,000 resulted from acquisitions of local fibre operators). Fibre already reached 38% of our total broadband customer base. ARPO from broadband-only services grew 3.5% year-on-year to PLN 61.3. 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 103,000 in 2Q 2022 and reflected mainly good performance of all consumer brands: Orange, Nju Mobile and Flex. The handset ARPO from mobile-only services grew by 2.2% year-on-year in 2Q to PLN 28.3 as a result of our value pricing strategy and post-pandemic roaming recovery.

Pre-paid customer base increased by as much as 331,000 in 2Q 2022 to almost 5.6 million. This extraordinary increase was once again attributed to our dedicated pre-paid offer to war refugees from Ukraine. ARPO from pre-paid offers stood at PLN 12.5 and was 0.8% lower year-on-year as it was diluted by the free starters offers for the refugees.

In **fixed voice**, the 2Q net loss of lines stood at 29,000, and reflected structural negative market trends.

2Q EBITDAaL +5.6% yoy thanks to higher direct margin and lower indirect costs

EBITDAaL for 2Q 2022 was PLN 798 million and was up 5.6% year-on-year. Strong revenue performance of our core telecom services and non-legacy wholesale translated to profits through our high operating leverage. Indirect costs were down 2% year-on-year. Firstly, the burden of energy costs (which were up PLN 35 million or 46% year-on-year) was lower than in the previous quarter. Secondly, we benefitted from ongoing cost transformation and accumulation of profits from some developments.

1H net income up c.140% yoy driven by growing EBITDAaL, lower depreciation and higher gain from real estate disposals

Net income for 1H 2022 was PLN 368 million, growing as much as 137% versus 1H 2021. This significant improvement was driven by growth of EBITDAaL, lower depreciation and higher gain on sale of assets. Depreciation was down 10% year-on-year mainly due to lower investments in the mobile network in 2020-2021 and extension of economic useful life of certain assets. Gain on sale of assets increased PLN 83 million year-on-year as our real estate disposals regain momentum after the pandemic. Positive impact of these drivers was slightly offset by around 40% year-on-year growth of net finance costs. This increase was driven by non-cash FX losses (on EURO denominated long-term leasing liabilities) and higher interest rates affecting discount expense. Our net interest costs were lower year-on-year due to decreasing net debt level.

1H organic cash flow up c.80% year-on-year reflecting EBITDAaL growth and lower cash capex

Organic cash flow for 1H 2022 was PLN 648 million, an increase of PLN 291 million (or 82%) versus 1H 2021. There are two key drivers behind this significant growth. Firstly, net cash from operating activities before working capital was PLN 120 million higher due to growing EBITDAaL. Secondly, capital expenditure cash outflows were PLN 198 million lower year-on-year due to higher proceeds from sale of assets to Światłowód Inwestycje and different timing of capex projects. Changes in working capital have not significantly impacted cash flow generation in 1H.

Commenting on 2Q 2022 results, Jacek Kunicki, Chief Financial Officer, said:

“I am happy with our 2Q financial results. Revenues increased 3.4% year-on-year despite negative regulatory impact driven by our core telecom services and ICT. This performance coupled with lower indirect costs accelerated the EBITDAaL growth to more than 5% year-on-year in 2Q and enabled us to report a +3.8% EBITDAaL increase in 1H. This was achieved despite burden from surging energy costs, which affected our profits by PLN 100m year-on-year in the first half of the year. Improving operating profitability translated into a very strong bottom-line which increased almost 140% year-on-year to PLN 368 million, as well as 80% year-on-year increase in organic cash flow generation for the first half of 2022.

We are mindful of the challenging macro environment, which requires us to mitigate its impact in all consecutive quarters, through disciplined implementation of the commercial value strategy, sourcing of energy and cost savings. Healthy revenue growth supported by our value strategy is the key for us to

mitigate inflationary challenges. An improved outlook for full-year financial targets after 1H results underscores our efforts and actions to execute the .Grow strategy despite the external headwinds. I am confident that 2022 will be the second consecutive year of growth into our strategic plan.”

Full-year revenue guidance revised upwards

Based on financial results for the first half of 2022 and the outlook for remainder of the year, the Management Board has increased forecast for full-year revenue performance. It now expects revenues to grow by a low single-digit percentage versus a small decline previously. More favourable revenue outlook stems mainly from better than expected performance in 1H, mainly in IT/IS and energy resale areas.

At the same time guidance for EBITDAaL and eCapex remain unchanged as published in the current report 3/2022 on 16 February 2022.

Realisation of this guidance will be monitored by the Company on an ongoing basis. Should there occur material deviation from the forecast, the Company will make a revision to the forecast and immediately publish it in the form of a current report.

Reconciliation of operating performance measure to financial statements

Disclosures on performance measures have been presented in the Note 2 to Condensed IFRS Interim Consolidated Financial Statements of the Orange Polska Group for the 6 months ended 30 June 2022 (available at <https://www.orange-ir.pl/results-center/>).

<i>in PLNm</i>	2Q 2022	1H 2022	2Q 2021	1H 2021
Operating income	337	581	224	340
Less gains/add losses on disposal of assets	-49	-70	-7	13
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	506	1,010	542	1,118
Add share of loss of joint venture adjusted for elimination of margin earned on asset related transactions with joint venture	26	34	-	-
Interest expense on lease liabilities	-21	-38	-14	-27
Adjustment for the impact of employment termination programs	-6	-6	-	-
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries	5	9	11	21
EBITDAaL (EBITDA after Leases)	798	1,520	756	1,465

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 2Q 2022 results presentation

Orange Polska's Management Board are pleased to invite you to the Company's 2Q 2022 results presentation

28th July 2022

Time:

11:00 (Warsaw)

10:00 (London)

05:00 (New York)

The presentation will take place online. It will be available via a live webcast <https://mm.closir.com/slides?id=411064> and via a live conference call.

Dial in numbers:

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

amounts in PLN millions	2021					2022	
	1Q	2Q	3Q	4Q	FY	1Q	2Q
	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
Income statement							
Revenues							
Mobile services only	631	652	682	671	2,636	671	699
Fixed services only	504	494	484	486	1,968	477	475
Narrowband	182	174	165	161	682	153	147
Broadband	214	214	214	217	859	219	223
B2B Network Solutions	108	106	105	108	427	105	105
Convergent services B2C	477	492	511	522	2,002	526	530
Equipment sales	343	330	342	445	1,460	331	363
IT and integration services	250	269	255	412	1,186	305	348
Wholesale	598	598	493	501	2,190	456	467
Mobile wholesale	353	378	317	323	1,371	286	295
Fixed wholesale	157	132	86	85	460	73	72
Other	88	88	90	93	359	97	100
Other revenues	115	119	118	134	486	165	173
Total revenues	2,918	2,954	2,885	3,171	11,928	2,931	3,055
Labour expenses*	(372)	(339)	(318)	(364)	(1,393)	(368)	(344)
External purchases*	(1,627)	(1,662)	(1,568)	(1,929)	(6,786)	(1,688)	(1,780)
- Interconnect expenses	(482)	(491)	(396)	(413)	(1,782)	(369)	(385)
- Network and IT expenses	(152)	(163)	(162)	(192)	(669)	(207)	(205)
- Commercial expenses	(587)	(582)	(582)	(816)	(2,567)	(602)	(688)
- Other external purchases*	(406)	(426)	(428)	(508)	(1,768)	(510)	(502)
Other operating incomes & expenses*	(59)	(42)	(60)	(30)	(191)	5	34
Impairment of receivables and contract assets	(23)	(23)	(16)	(5)	(67)	(18)	(23)
Amortization and impairment of right-of-use assets	(115)	(118)	(119)	(123)	(475)	(123)	(123)
Interest expense on lease liabilities	(13)	(14)	(13)	(13)	(53)	(17)	(21)
EBITDAaL (EBITDA after Leases)	709	756	791	707	2,963	722	798
% of revenues	24.3%	25.6%	27.4%	22.3%	24.8%	24.6%	26.1%
Gains/ (losses) on disposal of assets	(20)	7	37	28	52	21	49
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)	(506)
Add-back of interest expense on lease liabilities	13	14	13	13	53	17	21
Adjustment for the impact of employment termination programs*	0	0	7	(136)	(129)	0	6
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries*	(10)	(11)	1	(5)	(25)	(4)	(5)
Share of profit/ (loss) of joint venture adjusted for elimination of margin earned on asset related transactions with joint venture*			10	(1)	9	(8)	(26)
Operating income	116	224	1,856	15	2,211	244	337
% of revenues	4.0%	7.6%	64.3%	0.5%	18.5%	8.3%	11.0%
Finance costs, net	(66)	(45)	(86)	(84)	(281)	(88)	(68)
- Interest expense on lease liabilities	(13)	(14)	(13)	(13)	(53)	(17)	(21)
- Other Interest expenses, net (excl. Interest expense on lease liabilities)	(38)	(44)	(42)	(42)	(166)	(34)	(27)
- Discounting expense	(8)	(12)	(15)	(31)	(66)	(19)	(21)
- Foreign exchange gains/ (losses)	(7)	25	(16)	2	4	(18)	1
Income tax	(11)	(63)	(184)	0	(258)	(31)	(26)
Consolidated net income / (loss)	39	116	1,586	(69)	1,672	125	243

*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 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	2Q
B2C convergent customers	1,503	1,517	1,531	1,552	1,563	1,578
Fixed telephony accesses						
PSTN	1,686	1,624	1,570	1,514	1,463	1,417
VoIP	1,151	1,158	1,168	1,188	1,199	1,216
Total retail main lines	2,837	2,782	2,738	2,702	2,662	2,633
<i>o/w B2C convergent</i>	859	860	868	887	896	911
<i>o/w B2C PSTN convergent</i>	13	11	10	9	8	7
<i>o/w B2C VoIP convergent</i>	846	849	858	879	888	904
Fixed broadband access						
Fibre	779	827	880	945	999	1,065
ADSL	786	756	725	686	653	623
VDSL	519	511	501	491	480	470
Wireless for fixed	627	625	623	624	622	627
Retail broadband - total	2,711	2,719	2,729	2,746	2,755	2,786
<i>o/w B2C convergent</i>	1,503	1,517	1,531	1,552	1,563	1,578
TV client base						
IPTV	625	642	669	710	737	768
DTH (TV over Satellite)	392	376	339	286	241	203
TV client base - total	1,017	1,018	1,008	995	978	970
<i>o/w B2C convergent</i>	876	879	871	862	848	843
Mobile accesses						
Post-paid						
<i>Mobile Handset</i>	8,183	8,266	8,357	8,424	8,506	8,609
<i>Mobile Broadband</i>	723	705	690	674	659	646
<i>M2M</i>	2,111	2,221	2,632	2,749	2,880	2,983
Total post-paid	11,017	11,192	11,679	11,847	12,046	12,238
<i>o/w B2C convergent</i>	2,823	2,848	2,871	2,900	2,914	2,937
Total pre-paid	4,783	4,855	4,910	4,953	5,260	5,591
Total	15,800	16,047	16,590	16,800	17,306	17,829
Fibre household connectable	5,174	5,379	5,611	5,934	6,153	6,475
Wholesale customers						
WLR	260	251	242	232	222	214
Bitstream access	136	139	142	144	147	151
<i>o/w fibre</i>	34	41	47	53	59	65
LLU	49	46	44	42	40	39
<i>Quarterly ARPO in PLN per month</i>	2021				2022	
	1Q	2Q	3Q	4Q	1Q	2Q
Convergent services B2C	109.6	111.4	113.2	113.2	113.7	113.7
Fixed services only - voice	37.1	37.0	36.5	36.9	36.5	36.2
Fixed services only - broadband	58.8	59.2	59.5	60.5	61.0	61.3
Mobile services only	19.6	20.1	20.7	20.3	20.1	20.2
Post-paid excl M2M	25.6	26.0	26.7	26.3	26.4	26.8
<i>Mobile Handset</i>	27.2	27.7	28.3	27.9	28.0	28.3
<i>Mobile Broadband</i>	12.5	12.3	12.3	12.2	12.1	12.1
Pre-paid	11.9	12.6	13.1	12.9	12.3	12.5
Mobile wholesale (convergent + mono)	8.1	8.5	7.1	7.2	6.2	6.1

Other mobile operating statistics	2021				2022	
	1Q	2Q	3Q	4Q	1Q	2Q
DATA AUPU in GB						
post-paid	5.4	5.9	6.3	6.5	6.8	7.4
pre-paid	4.8	5.1	5.4	5.8	6.0	6.4
blended	5.2	5.6	6.0	6.2	6.5	7.0
Quarterly mobile customer churn rate (%)						
post-paid	2.3	1.9	1.8	2.3	1.9	1.9
pre-paid	10.8	9.1	10.0	10.5	9.5	7.5
Employment structure of Group as reported Active full time equivalents (end of period)	2021				2022	
	1Q	2Q	3Q	4Q	1Q	2Q
Orange Polska	10,827	10,583	10,312	10,125	10,085	9,831
50% of Networks	349	332	327	327	338	339
Total	11,176	10,915	10,639	10,452	10,423	10,170
Key environmental indicators	2021				2022	
					full year	
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.