



Current Report (19/2022)
Orange Polska S.A., Warsaw, Poland
24 October, 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 3Q and 9M2022.

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

**In 3Q 2022 Orange Polska reports good financial and commercial results
despite surging energy prices**

key figures (PLN million)	3Q 2022	3Q 2021	Change	9M 2022	9M 2021	Change
Revenue	3,123	2,885	+8.2%	9,109	8,757	+4.0%
EBITDAaL	822	791	+3.9%	2,342	2,256	+3.8%
EBITDAaL margin	26.3%	27.4%	-1.1p.p.	25.7%	25.8%	-0.1 p.p.
operating income	324	1,856	-82.5%	905	2,196	-58.8%
net income	193	1,586	-87.8%	561	1,741	-67.8%
ex. FiberCo transaction*	193	178	+8.4%	561	333	+68.5%
eCapex	323	200	+61.5%	896	1,087	-17.6%
organic cash flow	178	379	-53.0%	826	736	+12.2%

* In 3Q 2021 we recognised a one-off PLN 1,408 million gain (net of tax) related to sale of 50% stake in Światłowód Inwestycje (FiberCo)

KPI ('000)	3Q 2022	3Q 2021	Change
convergent customers (B2C)	1,594	1,531	+4.1%
mobile accesses (SIM cards)	17,924	16,590	+8.0%
post-paid	12,472	11,679	+6.8%
pre-paid	5,451	4,910	+11.0%
fixed broadband accesses (retail)	2,793	2,729	+2.3%
o/w fibre	1,120	880	+27.3%
fixed voice lines (retail)	2,603	2,738	-4.9%

3Q 2022 Highlights:

- **EBITDAaL (EBITDA after Leases) up 3.9% year-on-year reflecting:**
 - higher direct margin driven by strong revenue growth
 - limited growth of indirect costs as cost savings partially mitigated surging energy prices

- **Revenues up 8.2% year-on-year with strong performance in all key lines (on comparable MTR/FTR basis):**
 - +5% yoy core telecom services (convergence, mobile-only and broadband-only) driven by both customer base and ARPO growth
 - +23% yoy growth of IT/IS as we benefit from demand for digitisation
 - +17% yoy growth of equipment revenues thanks to good reception of our commercial offers by customers
 - 33% yoy growth of other revenues thanks to energy resale which benefits from growing unitary prices

- **Solid and consistent performance in all key subscription services:**
 - +4% yoy growth of convergent customers, +16k net adds in 3Q
 - Convergence ARPO +2.1% yoy, driven by fibre and value strategy
 - +27% yoy growth of fibre retail customers, +55k net adds in 3Q
 - 6.8 million households connectable with fibre (282k added in 3Q)
 - +4% yoy growth of post-paid mobile handset customers, +57k net adds in 3Q
 - Mobile-only handset ARPO +2.1% yoy

- **eCapex (economic capex) at PLN 323 million, +62% yoy** reflects timing of mobile capex and lower yoy proceeds from asset sale to FiberCo
- **Organic Cash Flow at PLN 178 million, -53% yoy** reflects exceptionally positive working capital in 3Q of last year

Commenting on 3Q 2022 performance, Julien Ducarroz, Chief Executive Officer, said:

“Our business performance in 3Q was strong and consistent with previous periods, despite a difficult macro environment. Demand for our core services continues to be solid as demonstrated by 55,000 net customer additions in fibre. Handset sales accelerated as our commercial actions were well received by customers and once again we benefitted from high demand for our ICT services. Wholesale activity also contributed to our solid results in the quarter.

Growing inflation, elevated energy prices and high interest rates point to a deteriorating macroeconomic outlook. In order to minimise the future impact of accelerating inflation on our business we need to actively pursue initiatives enhancing both top line growth and cost savings. We continue to explore our value strategy. At the same time we are transforming our property portfolio, benefitting from hybrid working and continue to automate our business processes. In addition we have intensified measures to reduce our CO2 emissions by securing more energy from renewable sources and reducing energy consumption. We are also supporting our customers in more energy efficient usage of our services and equipment, to save money and benefit the environment.”

Financial Review

3Q revenues up 8.2% year-on-year driven mainly by core telecom services, IT/IS, and energy resale

Revenues totalled PLN 3,123 million in 3Q 2022 and were up 8.2% year-on-year or PLN 238 million. The comparison between 3Q 2022 and 3Q 2021 was not affected by the regulatory reductions in mobile and fixed termination rates because they were implemented with effect from July 2021. This was the key reason behind rapid acceleration of growth rate compared to 1H when revenues increased 1.9% year-on-year. Apart from that there were four main factors influencing revenue trend.

Firstly, core telecom services (combined revenues of convergence, mobile-only and broadband-only) were up 5.0% year-on-year. This performance was driven by both expansion of the customer base in all services and ARPO growth. Secondly, good reception of our commercial offers by customers resulted in 17% year-on-year growth of equipment revenues. Thirdly, revenues from IT and integration services grew by a robust 23% year-on-year as we are benefitting from high market demand for digitisation. Finally, other revenues increased 33% year-on-year, mainly due to higher average realised price in the energy resale business.

Solid commercial performance

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 3Q 2022 our B2C **convergent customer base** increased by 16,000 and 4% year-on-year. At the end of September, 68% of our B2C broadband customers were convergent. ARPO from convergent customers stood at PLN 115.6 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 3Q 2022 by 7,000 and 2.3% year-on-year. It was driven by growth of fibre customer base which expanded 27% year-on-year, adding 55,000 in 3Q. Fibre already reached 40% of our total broadband customer base. ARPO from broadband-only services grew 4.2% year-on-year to PLN 62.0. 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 57,000 in 3Q 2022 and reflected good performance on consumer and business markets. The handset ARPO from mobile-only services grew by 2.1% year-on-year in 3Q to PLN 28.9 mainly as a result of our value pricing strategy.

Pre-paid customer base decreased by 140,000 in 3Q 2022 to 5.4 million mainly as a result of lower number of activations versus 2Q (when they were particularly boosted by Ukrainian customers) and changes made in our commercial offer. ARPO from pre-paid offers stood at PLN 11.8 and was 9.9% lower year-on-year as it was significantly diluted by the free starters offers for the Ukrainian refugees.

In **fixed voice**, the 3Q net loss of lines stood at 30,000, and reflected structural negative market trends.

3Q EBITDAaL up almost 4% year-on-year driven by profitable revenue expansion

EBITDAaL for 3Q 2022 was PLN 822 million and was up 3.9% year-on-year. The key factor that weighed on our profitability this quarter were PLN 65 million (or 96%) year-on-year higher costs of electricity, gas and fuel. This resulted from surging unit prices which reflected adverse macroeconomic conditions. However this was more than offset by solid underlying performance. Firstly, strong revenue performance translated to profits through our high operating leverage. Secondly, we have benefitted from cost savings in labour, process optimisation and advertising & promotion.

9M net income up 68% year-on-year excluding impact of FiberCo transaction a year ago

Net income for 9M 2022 was PLN 561 million and was significantly below PLN 1,741 million reported in 9M 2021. However last year's bottom line in 3Q was boosted by a one-off PLN 1,408 million (net of tax) gain related to the sale of 50% stake in Światłowód Inwestycje. Excluding the impact of this one-off development net income increased 68% year-on-year. Improvement resulted from growth of EBITDAaL, lower depreciation and higher gain on sale of assets. Depreciation was down 8% 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 61 million year-on-year as our real estate disposals regained momentum after the pandemic. Positive impact of these drivers was slightly offset by around 20% 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.

9M Organic Cash Flow up 12% year-on-year reflects mainly EBITDAaL growth and lower cash capex

Organic cash flow for 9M 2022 was PLN 826 million, an increase of 12% versus 9M 2021. There are two key drivers behind this improvement. Firstly, net cash from operating activities before working capital was PLN 113 million higher due to growing EBITDAaL. Secondly, capital expenditure cash outflows were PLN 214 million lower year-on-year due to higher proceeds from sale of assets to Światłowód Inwestycje and phasing of capex projects. On the other hand working capital requirement was higher due to different timing of some payments and reflected growth of receivables related to much better equipment sales.

Commenting on 3Q 2022 results, Jacek Kunicki, Chief Financial Officer, said:

"Our 3Q results were strong as solid underlying performance has mitigated another quarter of unprecedented increase in energy prices. Despite our energy costs almost doubled year-on-year

we managed to grow our EBITDAaL by an impressive almost 4%. This was possible owing to the healthy performance of all key revenue lines which translated to profits through high operating leverage. Revenue growth exceeded 8% and was no longer affected by regulatory impact. I am also satisfied with our net profit result (growing 8% year-on-year in 3Q excluding impact of FiberCo transaction a year ago) and cash flow generation (up 12% year-on-year after 9 months of 2022). Our balance sheet is strong with financial leverage at just 1.2x which is especially important in this turbulent macro environment. We are well on track to reach our full-year financial objectives. At the same time we are working to mitigate the impact of increased inflation on our future operating costs.”

Reconciliation of operating performance measure to financial statements

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<i>in PLNm</i>	3Q 2022	9M 2022	3Q 2021	9M 2021
Operating income	324	905	1,856	2,196
Less gains/add losses on disposal of assets	-15	-85	-37	-24
Less gain on the loss of control of Światłowód Inwestycje	-	-	-1,543	-1,543
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	516	1,526	546	1,664
Add share of loss of joint venture adjusted for elimination of margin earned on asset related transactions with joint venture	14	48	-10	-10
Interest expense on lease liabilities	-27	-65	-13	-40
Adjustment for the impact of employment termination programs	6	-	-7	-7
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries	4	13	-1	20
EBITDAaL (EBITDA after Leases)	822	2,342	791	2,256

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 3Q 2022 results presentation.

25th October 2022

Start: 11.00 CET

Time:

11:00 (Warsaw)

10:00 (London)

05:00 (New York)

The presentation will be available via a live conference call

To attend the conference please dial:

Poland: 48 22 124 49 59

Canada: 1 587 855 1318

Germany: 49 30 25 555 323

United Kingdom: 44 203 984 9844

United States: 1 718 866 4614

Conference Code: 411064

or click on the link for web dial in:

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

Orange Polska Group Consolidated

amounts in PLN millions	2021					2022		
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q
	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
Income statement								
Revenues								
Mobile services only	631	652	682	671	2,636	671	699	710
Fixed services only	504	494	484	486	1,968	477	475	475
Narrowband	182	174	165	161	682	153	147	143
Broadband	214	214	214	217	859	219	223	224
B2B Network Solutions	108	106	105	108	427	105	105	108
Convergent services B2C	477	492	511	522	2,002	526	530	544
Equipment sales	343	330	342	445	1,460	331	363	400
IT and integration services	250	269	255	412	1,186	305	348	313
Wholesale	598	598	493	501	2,190	456	467	493
Mobile wholesale	353	378	317	323	1,371	286	295	295
Fixed wholesale	157	132	86	85	460	73	72	85
Other	88	88	90	93	359	97	100	113
Other revenues	115	119	118	134	486	165	173	188
Total revenues	2,918	2,954	2,885	3,171	11,928	2,931	3,055	3,123
Labour expenses*	(372)	(339)	(318)	(364)	(1,393)	(368)	(344)	(322)
External purchases*	(1,627)	(1,662)	(1,568)	(1,929)	(6,786)	(1,688)	(1,780)	(1,826)
- Interconnect expenses	(482)	(491)	(396)	(413)	(1,782)	(369)	(385)	(395)
- Network and IT expenses	(152)	(163)	(162)	(192)	(669)	(207)	(205)	(230)
- Commercial expenses	(587)	(582)	(582)	(816)	(2,567)	(602)	(688)	(665)
- Other external purchases*	(406)	(426)	(428)	(508)	(1,768)	(510)	(502)	(536)
Other operating incomes & expenses*	(59)	(42)	(60)	(30)	(191)	5	34	16
Impairment of receivables and contract assets	(23)	(23)	(16)	(5)	(67)	(18)	(23)	(19)
Amortization and impairment of right-of-use assets	(115)	(118)	(119)	(123)	(475)	(123)	(123)	(123)
Interest expense on lease liabilities	(13)	(14)	(13)	(13)	(53)	(17)	(21)	(27)
EBITDAaL (EBITDA after Leases)	709	756	791	707	2,963	722	798	822
<i>% of revenues</i>	<i>24.3%</i>	<i>25.6%</i>	<i>27.4%</i>	<i>22.3%</i>	<i>24.8%</i>	<i>24.6%</i>	<i>26.1%</i>	<i>26.3%</i>
Gains/ (losses) on disposal of assets	(20)	7	37	28	52	21	49	15
Gain related to sale of 50% stake in Światłowód Inwestycje (FiberCo)	0	0	1,543	0	1,543	0	0	0
Depreciation, amortisation and impairment of property, plant and equipment and intangibles assets**	(576)	(542)	(546)	(591)	(2,255)	(504)	(506)	(516)
Add-back of interest expense on lease liabilities	13	14	13	13	53	17	21	27
Adjustment for the impact of employment termination programs*	0	0	7	(136)	(129)	0	6	(6)
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries*	(10)	(11)	1	(5)	(25)	(4)	(5)	(4)
Share of profit/ (loss) of joint venture adjusted for elimination of margin earned on asset related transactions with joint venture*	0	0	10	(1)	9	(8)	(26)	(14)
Operating income	116	224	1,856	15	2,211	244	337	324
<i>% of revenues</i>	<i>4.0%</i>	<i>7.6%</i>	<i>64.3%</i>	<i>0.5%</i>	<i>18.5%</i>	<i>8.3%</i>	<i>11.0%</i>	<i>10.4%</i>
Finance costs, net	(66)	(45)	(86)	(84)	(281)	(88)	(68)	(86)
- Interest expense on lease liabilities	(13)	(14)	(13)	(13)	(53)	(17)	(21)	(27)
- Other Interest expenses, net (excl. Interest expense on lease liabilities)	(38)	(44)	(42)	(42)	(166)	(34)	(27)	(12)
- Discounting expense	(8)	(12)	(15)	(31)	(66)	(19)	(21)	(20)
- Foreign exchange gains/ (losses)	(7)	25	(16)	2	4	(18)	1	(27)
Income tax	(11)	(63)	(184)	0	(258)	(31)	(26)	(45)
Consolidated net income / (loss)	39	116	1,586	(69)	1,672	125	243	193

*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

Customer base (in thousands)	2021				2022		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
B2C convergent customers	1,503	1,517	1,531	1,552	1,563	1,578	1,594
Fixed broadband access							
Fibre	779	827	880	945	999	1,065	1,120
ADSL	786	756	725	686	653	623	591
VDSL	519	511	501	491	480	470	459
Wireless for fixed	627	625	623	624	622	627	624
Retail broadband - total	2,711	2,719	2,729	2,746	2,755	2,786	2,793
<i>o/w B2C convergent</i>	1,503	1,517	1,531	1,552	1,563	1,578	1,594
TV client base							
IPTV	625	642	669	710	737	768	794
DTH (TV over Satellite)	392	376	339	286	241	203	169
TV client base - total	1,017	1,018	1,008	995	978	970	963
<i>o/w B2C convergent</i>	876	879	871	862	848	843	839
Mobile accesses							
Post-paid							
<i>Mobile Handset</i>	8,183	8,266	8,357	8,424	8,506	8,609	8,666
<i>Mobile Broadband</i>	723	705	690	674	659	646	638
<i>M2M</i>	2,111	2,221	2,632	2,749	2,880	2,983	3,168
Total post-paid	11,017	11,192	11,679	11,847	12,046	12,238	12,472
<i>o/w B2C convergent</i>	2,823	2,848	2,871	2,900	2,914	2,937	2,958
Pre-paid	4,783	4,855	4,910	4,953	5,260	5,591	5,451
Total	15,800	16,047	16,590	16,800	17,306	17,829	17,924
Fibre households connectable	5,174	5,379	5,611	5,934	6,153	6,475	6,757
Wholesale customers							
WLR	260	251	242	232	222	214	206
Bitstream access	136	139	142	144	147	151	155
<i>o/w fibre</i>	34	41	47	53	59	65	73
LLU	49	46	44	42	40	39	37
Fixed telephony accesses							
PSTN	1,686	1,624	1,570	1,514	1,463	1,417	1,375
VoIP	1,151	1,158	1,168	1,188	1,199	1,216	1,228
Total retail main lines	2,837	2,782	2,738	2,702	2,662	2,633	2,603
<i>o/w B2C convergent</i>	859	860	868	887	896	911	923
<i>o/w B2C PSTN convergent</i>	13	11	10	9	8	7	7
<i>o/w B2C VoIP convergent</i>	846	849	858	879	888	904	916
Quarterly ARPO in PLN per month	2021				2022		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Convergent services B2C	109.6	111.4	113.2	113.2	113.7	113.7	115.6
Fixed services only - voice	37.1	37.0	36.5	36.9	36.5	36.2	36.2
Fixed services only - broadband	58.8	59.2	59.5	60.5	61.0	61.3	62.0
Mobile services only	19.6	20.1	20.7	20.3	20.1	20.2	20.1
Post-paid excl M2M	25.6	26.0	26.7	26.3	26.4	26.8	27.3
<i>Mobile Handset</i>	27.2	27.7	28.3	27.9	28.0	28.3	28.9
<i>Mobile Broadband</i>	12.5	12.3	12.3	12.2	12.1	12.1	12.1
Pre-paid	11.9	12.6	13.1	12.9	12.3	12.5	11.8
Mobile wholesale (convergent + mono)	8.1	8.5	7.1	7.2	6.2	6.1	5.9

Other mobile operating statistics	2021				2022		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
DATA AUPU in GB							
post-paid	5.4	5.9	6.3	6.5	6.8	7.4	8.0
pre-paid	4.8	5.1	5.4	5.8	6.0	6.4	6.7
blended	5.2	5.6	6.0	6.2	6.5	7.0	7.5
Quarterly mobile customer churn rate (%)							
post-paid	2.3	1.9	1.8	2.3	1.9	1.9	2.3
pre-paid	10.8	9.1	10.0	10.5	9.5	7.5	14.6
Employment structure of Group as reported Active full time equivalents (end of period)	2021				2022		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Orange Polska	10,827	10,583	10,312	10,125	10,085	9,831	9,640
50% of Networks	349	332	327	327	338	339	363
Total	11,176	10,915	10,639	10,452	10,423	10,170	10,003
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.