



Current Report 17/2024
Orange Polska S.A., Warsaw, Poland
23 July, 2024

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 2024.

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 2024 (available at <https://www.orange-ir.pl/results-center/>).

**Orange Polska reports solid commercial and financial results in 2Q 2024
and updates its full-year guidance**

Solid 2Q/1H 2024 financial results:

- **2Q revenues -3.1% year-on-year** as declines in IT&IS and energy resale masked strong performance of core telco services (+4.7% yoy)
- **High pace of EBITDAaL growth, with 2Q at +3.8% year-on-year** and 1H at 4.3% year-on-year driven by solid increase of core direct margin and lower indirect costs
- **1H Net income at PLN 458 million, -10% year-on-year** as EBITDAaL growth was offset by high comparable base of gains from real estate sales and FX
- **1H eCapex (economic capex) at PLN 674 million, +25% year-on-year** reflecting full pace of 5G network rollout and different timing of proceeds from sale of real estate
- **1H Organic Cash Flow at PLN 411 million, -3% year-on-year**, reflects EBITDAaL growth and different change in working capital requirement between years
- **Full-year guidance updated to reflect current trends:** revenues expected at flat/low single digit percentage decline due to decreasing energy trade, while solid core business performance and lower indirect cost push full-year EBITDAaL expectations up to low-to-mid single digit growth

key figures (PLN million)	2Q 2024	2Q 2023	Change	1H 2024	1H 2023	Change
revenue	3,123	3,224	-3.1%	6,204	6,363	-2.5%
EBITDAaL	854	823	+3.8%	1,653	1,585	+4.3%
EBITDAaL margin	27.3%	25.5%	+1.8p.p.	26.6%	24.9%	+1.7p.p.
operating income	360	343	+5.0%	709	735	-3.5%
net income	231	239	-3.3%	458	509	-10.0%
eCapex	383	313	+22%	674	538	+25%
organic cash flow	389	543	-28%	411	424	-3%

Strong commercial performance: high net customer additions coupled with solid pace of ARPO growth in all key telecom services:

- +5% yoy growth of **B2C convergent customers**, +20k net adds in 2Q
 - Convergent ARPO +4.0% yoy,
- +15% yoy growth of **fibre retail customers**, +40k organic net adds in 2Q
 - 8.5 million households connectable with fibre (299k added in 2Q)
 - Fixed broadband-only ARPO +3.1% yoy
- +3% yoy growth of **post-paid mobile handset customers**, +72k net adds in 2Q
 - Mobile-only handset ARPO +1.7% yoy

KPI ('000)	2Q 2024	2Q 2023	Change
convergent customers (B2C)	1,738	1,653	+5.1%
mobile accesses (SIM cards)	17,939	17,449	+2.8%
post-paid (inc. M2M)	13,580	12,759	+6.4%
o/w mobile handset	9,061	8,820	+2.7%
pre-paid	4,358	4,690	-7.1%
fixed broadband accesses (retail)	2,849	2,810	+1.4%
o/w fibre	1,450	1,257	+15.4%
fixed voice lines (retail)	2,367	2,506	-5.5%

Commenting on 2Q 2024 performance, Liudmila Climoc, Chief Executive Officer, said:

“Our commercial performance in the second quarter was strong despite a competitive environment that continues to be demanding. Customer bases across all our key telecom services maintained their healthy pace of growth. In mobile, net customer additions were the highest in many quarters, with all brands and markets contributing. It was supported by our introduction of a new Orange brand signature emphasizing the reliability of services and our presence in the lives of our customers.

It is also fostered by our constant investments in the infrastructure, both mobile and FTTH, to provide the best quality connectivity experience to the Polish society. The 5G network is already available in 2,000 base stations for around 28% of the Polish population. Our FTTH services reach more than 50% of Polish households. In line with our strategy we expand our footprint also through acquisition of local fibre operators which is reflected in the fibre customer base this quarter. Expanding customer numbers were accompanied by a solid increase in ARPO, as we manage to preserve a right balance between volume and value growth. At the same time our results on the business market reflected both a continued cyclical slowdown in the demand for ICT services and the high comparable base of the previous year.

We are progressing with our work to leverage digital tools in different areas to support our growth. The share of our sales made digitally increased in the first half to 24% (from 20% for the full-year 2023). We also opened Orange Business Metaverse which enables a virtual demonstration of our advanced services, like Smart City or campus networks, for our business customers. It illustrates our innovative mindset and will stimulate adoption of 5G technology.”

Financial Review

2Q revenue -3.1% yoy pushed down by energy trade and IT&ITS but growth rate of core telecom services improved

Revenues totalled PLN 3,123 million in 2Q 2024 and were down 3.1% year-on-year or PLN 101 million. Core telecom services (combined revenues of convergence, mobile-only and broadband-only) advanced by a strong 4.7%, accelerating their dynamics versus previous few quarters as we benefit from further simultaneous expansion of the customer bases and ARPO. This was however offset by two elements. Firstly, 12% year-on-year decrease of IT&IS revenues, which were affected by a cyclical demand slowdown and high comparable base of 2Q 2023 (when our revenues were supported by eHealth public projects). Secondly, 32% decrease of other revenues due to energy resale revenues driven by consequences of increased market volatility and regulatory pressure.

Strong commercial performance: very good net customer additions coupled with solid pace of ARPO growth in all key telecom services

In 2Q 2024 we continued to successfully combine solid growth of customer volumes in all key services (convergence, fixed broadband, mobile handset) with improving average revenue that they generate (ARPO). In 2Q 2024 our **B2C convergent customer base** increased by 20 thousand and 5.1% year-on-year. ARPO from convergent customers expanded by 4.0% year-on-year to PLN 123.3 owing to our value strategy, good demand for content and higher fibre speed offers.

Total **fixed broadband customer** base grew in 2Q 2024 by 22 thousand and 1.4% year-on-year. Fibre customers base expanded by 56 thousand in 2Q 2024 or 15% year-on-year which included 16 thousand growth coming from acquisitions of local fibre operators. Fibre already reached 51% of our total broadband customer base. The copper broadband technologies customer base continued to decrease and was lower by 35 thousand versus previous quarter. ARPO from broadband-only services in 2Q 2024 stood at PLN 66.0 and grew by 3.1% year-on-year benefitting from our value strategy and growing share of fibre customers (fibre generates higher ARPO versus other technologies).

Mobile handset customer base increased in 2Q 2024 by 72 thousand or 2.7% year-on-year with all our brands and markets (B2C and B2B) contributing to this result. The pace of net additions in 2Q has accelerated versus 48 thousand in 1Q and 57 thousand in 2Q 2023. Mobile-only handset ARPO stood at PLN 29.8 and increased by 1.7% year-on-year.

Pre-paid customer base in 2Q 2024 decreased by 51 thousand, which was the lowest decline in the past few quarters. ARPO from pre-paid offers stood at PLN 14.7 in 1Q 2024 and was up 5.8% year-on-year as a result of our value strategy.

In **fixed voice**, in 2Q 2024 net loss of lines stood at 26 thousand, a similar level to previous quarters and reflected structural negative market trends.

2Q EBITDAaL +3.8% yoy fuelled by good growth of margin from core telecom business & efficiency gains

EBITDAaL for 2Q 2024 was PLN 854 million, up 3.8% year-on-year or PLN 31 million. Growth resulted from both higher direct margin (a difference between revenues and direct costs) and lower indirect costs. The key element that contributed to this solid performance was margin generated by our core telecom services (direct margin grew by PLN 28 million year-on-year excluding the impact from energy resale activity) resulting from their revenue dynamics. On the other hand EBITDAaL evolution was affected by a declining profits from energy resale and impact of last year's inflation of our operating costs. These headwinds were compensated by our cost transformation and realised efficiency gains. The latter mainly included recognition of additional margin on the network rollout for Świątłowyd Inwestycje (our FiberCo JV), visible in other operating income line.

Solid 1H net income with yoy dynamics affected by high comparable base

Net income for 1H 2024 was at a solid level of PLN 458 million. However it was down 10% over 1H 2023 as EBITDAaL growth was more than offset by lower gain on sale of our real estate, higher depreciation and net finance costs. Gain on sale of real estate came at a strong PLN 64 million in 1H 2024 as we continue our asset transformation but was PLN 50 million lower versus exceptionally high level of this gain achieved in 1H 2023. Higher depreciation reflected amortisation of newly acquired mobile spectrum. Higher net finance costs in 1H 2024 mainly resulted from foreign exchange gains in 1H 2023 (on EURO denominated long-term leasing liabilities) when we benefitted from strengthening of PLN.

Solid 1H Organic Cash Flow supported by growing EBITDAaL

Organic cash flow for 1H 2024 was PLN 411 million, a decrease of PLN 13 million (or 3%) versus 1H 2023. Cash flow was supported by growing EBITDAaL (reflected in the 7% year-on-year growth of net cash from operating activities before working capital) and PLN 173 million lower year-on-year cash capex expenditures¹. The latter was due to more evenly spread capex in 2023 versus 2022 which resulted in lower year-on-year payments for capex vendors. These two positives were offset by different change in working capital requirement between years (in 1H 2023 it was reduced due to lower accounts receivable while it increased in 1H 2024 due to higher purchases and payments for handsets) and PLN 48 million lower year-on-year proceeds from sale of real estate¹ (exceptionally high level in 1H 2023).

Update of the full-year revenue and EBITDAaL guidance

Based on financial results for the first half of 2024 and the outlook for remainder of the year, the Management Board has updated forecast for full-year revenue and EBITDAaL performance.

It now expects revenues to be flat or decline by a low single digit percentage in 2024 versus low single digit percentage growth previously. Worse revenue outlook results mainly from lower than expected revenues from energy resale (due to lower energy prices on the market and regulations) as well as IT&IS services driven by cyclical slowdown in the demand. At the same time revenues from core telecom services (convergence, mobile and broadband) which are key for margin generation continue to expand at a solid pace benefitting from simultaneous growth of customer bases and ARPO.

EBITDAaL is expected now to grow by low-to-mid single digit percentage versus low single digit percentage previously. More favourable EBITDAaL prospects result from solid contribution of core business and benefits of efficiency gains, including better than expected margin realised on the network rollout for Światłowód Inwestycje (FiberCo JV).

At the same time, the Management Board has maintained the guidance for economic capital expenditures (range of PLN 1.7-1.9 billion) as published in the current report 4/2024 on 14 February 2024.

	2024 original guidance	2024 updated guidance
Revenues yoy %	low single digit growth	flat/low single digit decline solid growth of core telecom services offset by energy resale and IT&IS
EBITDAaL yoy %	low single digit growth	low-to-mid single digit growth solid contribution from core telecom business and efficiency gains
eCAPEX	PLN 1.7-1.9bn	guidance confirmed PLN 1.7-1.9bn

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)

Commenting on 2Q 2024 results, Jacek Kunicki, Chief Financial Officer, said:

"I am pleased with the financial performance of our core telecom business in 2Q. The growth rate of revenues from key telecom services of 4.7% marks an improvement versus the dynamics from the past few quarters as we continuously expand both number of customers and ARPO. It translated into solid underlying margin generation which was the key element of almost 4% EBITDAaL increase this quarter. We experienced strong headwinds coming from energy resale and impact of last year's inflation on our costs, but these were compensated by our cost savings and efficiency gains. In turn, it allowed the growing margin from core business to flow-through to EBITDAaL. This demonstrates our ability to adapt to unfavourable external environment and our determination to execute our business goals."

We expect a further healthy growth of revenues and profits from the core telecom activity in 2024. Taking this into account, as well as the continued transformation efforts, we are upgrading our full-year EBITDAaL guidance to low-to-mid single digit percentage growth. We are simultaneously updating our total revenues outlook to flat-to-low single digit decline but this is mainly due to weaker energy resale activity, while the core business remains solid."

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 2024 (available at <https://www.orange-ir.pl/results-center/>).

<i>in PLNm</i>	2Q 2024	2Q 2023	1H 2024	1H2023
Operating income	360	343	709	735
Less gains on disposal of fixed assets	-22	-28	-64	-114
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets*	508	502	1013	989
Add share of loss of joint venture adjusted for elimination of margin earned on asset related transactions with joint venture	45	16	82	29
Interest expense on lease liabilities	-38	-35	-75	-66
Adjustment for the impact of employment termination programs and reorganisation costs	1	25	-12	12
EBITDAaL (EBITDA after Leases)	854	823	1,653	1,585

*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 1Q 2023, PLN 3 million in 2Q 2023 and PLN 1 million in 2024).

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 2024 results presentation

Orange Polska's Management Board are pleased to invite you to the Company's 2Q 2024 results presentation

24th July 2024

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:

Dial in numbers:

Conference Code: 411064

Poland: 0048 22 124 49 59

Germany: 0049 30 25 555 323

France: 0033 1758 50 878

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>

Orange Polska Group Consolidated Results

amounts in PLN millions	2023					2024	
	1Q	2Q	3Q	4Q	FY	1Q	2Q
Income statement							
Revenues							
Mobile services only	IFRS16						
Fixed services only	710	723	733	725	2,891	719	742
Narrowband	464	471	459	453	1,847	446	442
Broadband	132	128	123	119	502	115	111
B2B Network Solutions	222	224	222	223	891	220	219
Convergent services B2C	564	578	591	604	2,337	620	636
Equipment sales	463	417	442	537	1,859	475	407
IT and integration services	348	458	312	583	1,701	327	405
Wholesale	427	448	456	457	1,788	391	403
Mobile wholesale	242	256	273	271	1,042	206	221
Fixed wholesale	144	146	151	153	594	144	142
Other	41	46	32	33	152	41	40
Other revenues	163	129	122	133	547	103	88
Total revenues	3,139	3,224	3,115	3,492	12,970	3,081	3,123
Labour expenses*	(372)	(347)	(344)	(370)	(1,433)	(382)	(369)
External purchases*	(1,867)	(1,881)	(1,780)	(2,211)	(7,739)	(1,796)	(1,799)
- Interconnect expenses	(337)	(356)	(370)	(371)	(1,434)	(314)	(322)
- Network and IT expenses	(228)	(235)	(231)	(266)	(960)	(235)	(250)
- Commercial expenses	(762)	(771)	(676)	(989)	(3,198)	(707)	(711)
- Other external purchases*	(540)	(519)	(503)	(585)	(2,147)	(540)	(516)
Other operating incomes & expenses*	46	19	40	33	138	98	103
Impairment of receivables and contract assets	(22)	(24)	(23)	(22)	(91)	(30)	(27)
Amortization and impairment of right-of-use assets	(131)	(133)	(131)	(133)	(528)	(135)	(139)
Interest expense on lease liabilities	(31)	(35)	(36)	(36)	(138)	(37)	(38)
EBITDAaL (EBITDA after Leases)	762	823	841	753	3,179	799	854
% of revenues	24.3%	25.5%	27.0%	21.6%	24.5%	25.9%	27.3%
Gains on disposal of fixed assets	86	28	11	9	134	42	22
Depreciation, amortisation and impairment of property, plant and equipment and intangibles assets**	(487)	(502)	(494)	(517)	(2,000)	(505)	(508)
Add-back of interest expense on lease liabilities	31	35	36	36	138	37	38
Adjustment for the impact of employment termination programs and reorganization costs*	13	(25)	(4)	(150)	(166)	13	(1)
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries*	0	0	0	(2)	(2)	0	0
Share of profit/ (loss) of joint venture adjusted for elimination of margin earned on asset related transactions with joint venture*	(13)	(16)	(13)	(20)	(62)	(37)	(45)
Operating income	392	343	377	109	1,221	349	360
% of revenues	12.5%	10.6%	12.1%	3.1%	9.4%	11.3%	11.5%
Finance costs, net	(62)	(45)	(87)	(19)	(213)	(69)	(75)
- Interest income	26	19	21	24	90	22	25
- Interest expense on lease liabilities	(31)	(35)	(36)	(36)	(138)	(37)	(38)
- Other interest expense and financial charges	(42)	(38)	(37)	(34)	(151)	(37)	(43)
- Discounting expense	(13)	(16)	(13)	(12)	(54)	(18)	(19)
- Foreign exchange gains/ (losses)	(2)	25	(22)	39	40	1	0
Income tax	(60)	(59)	(53)	(18)	(190)	(53)	(54)
Consolidated net income	270	239	237	72	818	227	231

*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 1Q 2023 D&A includes PLN 4 million, in 2Q 2023 PLN 3 million and in 2Q 2024 1 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

<i>Customer base (in thousands)</i>	2023				2024	
	1Q	2Q	3Q	4Q	1Q	2Q
B2C convergent customers	1,639	1,653	1,669	1,700	1,718	1,738
Fixed broadband access						
Fibre	1,218	1,257	1,300	1,349	1,394	1,450
ADSL	530	504	478	454	430	410
VDSL	435	424	411	397	383	368
Wireless for fixed	623	624	621	622	620	622
Retail broadband - total	2,806	2,810	2,811	2,821	2,827	2,849
o/w B2C convergent	1,639	1,653	1,669	1,700	1,718	1,738
TV client base						
IPTV	839	853	867	886	900	911
DTH (TV over Satellite)	103	84	69	59	52	48
TV client base - total	943	937	936	945	953	959
o/w B2C convergent	827	824	827	838	847	855
Mobile accesses						
Post-paid						
<i>Mobile Handset</i>	8,763	8,820	8,882	8,941	8,989	9,061
<i>Mobile Broadband</i>	621	620	615	610	602	593
<i>M2M</i>	3,253	3,319	3,543	3,592	3,706	3,927
Total post-paid	12,636	12,759	13,040	13,143	13,298	13,580
o/w B2C convergent	3,001	3,024	3,044	3,082	3,100	3,130
Pre-paid	4,799	4,690	4,599	4,485	4,409	4,358
Total	17,435	17,449	17,640	17,628	17,706	17,939
Fibre households connectable	7,252	7,497	7,716	7,973	8,205	8,504
Wholesale customers						
WLR	190	184	178	171	165	160
Bitstream access	167	171	178	186	193	199
o/w fibre	94	103	107	117	127	134
LLU	33	31	30	29	27	25
Fixed telephony accesses						
PSTN	1,286	1,248	1,196	1,146	1,098	1,068
VoIP	1,250	1,257	1,267	1,282	1,295	1,300
Total retail main lines	2,536	2,506	2,463	2,428	2,393	2,367
o/w B2C convergent	947	952	959	970	975	980
o/w B2C PSTN convergent	6	5	5	5	5	4
o/w B2C VoIP convergent	941	947	954	965	971	976
 Quarterly ARPO in PLN per month						
2023						
1Q	2Q	3Q	4Q	1Q	2Q	
Convergent services B2C	116.4	118.6	120.0	120.5	121.8	123.3
Fixed services only - voice	36.1	36.1	35.9	35.8	35.7	35.4
Fixed services only - broadband	63.0	64.0	64.5	65.1	65.5	66.0
Mobile services only	21.1	21.9	22.4	22.1	22.0	22.8
Post-paid excl M2M	27.4	27.7	28.3	27.9	27.8	28.3
<i>Mobile Handset</i>	28.9	29.3	29.9	29.4	29.4	29.8
<i>Mobile Broadband</i>	11.9	11.7	11.8	11.6	11.7	11.7
Pre-paid	13.0	13.9	14.2	13.9	13.5	14.7

Other mobile operating statistics	2023				2024	
	1Q	2Q	3Q	4Q	1Q	2Q
DATA AUPU in GB						
post-paid	8.5	9.2	10.0	10.0	10.4	11.9
pre-paid	8.4	8.9	9.8	10.7	11.7	12.2
blended	8.5	9.1	9.9	10.2	10.8	12.0
Quarterly mobile customer churn rate (%)						
post-paid	2.1	1.8	1.9	2.1	2.0	1.8
pre-paid	16.3	13.2	12.9	11.6	10.9	11.5
Employment structure of Group as reported						
Active full time equivalents (end of period)						
	1Q	2Q	3Q	4Q	1Q	2Q
Orange Polska	9,366	9,222	9,074	9,044	8,956	8,810
50% of Networks	334	332	334	324	342	345
Total	9,700	9,554	9,408	9,368	9,298	9,155

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.

ROCE- Return on capital employed = EBIT (ex. extraordinary items) / (Shareholder's Equity + Average net debt)