



Current Report (17/2021)
Orange Polska S.A., Warsaw, Poland
28 July, 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 2Q and 1H 2021.

Disclosures on performance measures have been presented in the Notes 2 and 3 to Condensed IFRS Interim Consolidated Financial Statements of the Orange Polska Group for the 6 months ended 30 June 2021 (available at <https://www.orange-ir.pl/results-center/>).

In 2Q 2021 Orange Polska reports strong financial performance driven by value strategy

key figures (PLN million)	2Q 2021	2Q 2020	Change	1H 2021	1H 2020	Change
Revenue	2,954	2,828	+4.5%	5,872	5,632	+4.3%
EBITDAaL	756	728	+3.8%	1,465	1,401	+4.6%
EBITDAaL margin	25.6%	25.7%	-0.1 p.p.	24.9%	24.9%	0.0 p.p.
operating income	224	109	+106%	340	197	+73%
net income	116	52	+123%	155	14	11.1x
eCapex	442	476	-7.1%	887	819	+8.3%
organic cash flow	159	438	-279m	357	360	-3m

KPI ('000)	2Q 2021	2Q 2020	Change
convergent customers (B2C)	1,517	1,410	+7.6%
mobile accesses (SIM cards)	16,047	15,487	+3.6%
post-paid	11,192	10,504	+6.5%
pre-paid	4,855	4,982	-2.5%
fixed broadband accesses (retail)	2,719	2,638	+3.1%
o/w fibre	827	608	+36.0%
fixed voice lines (retail)	2,782	2,998	-7.2%

2Q 2021 Highlights:

- **EBITDAaL up 3.8% year-on-year reflecting:**
 - strong performance of core telecom services (convergence, mobile only and broadband only) and IT/IS translating into direct margin expansion
 - higher year-on-year indirect costs combining impact of anti-crisis measures launched last year and ongoing savings
- **Revenues up 4.5% year-on-year reflecting:**
 - +6.8% yoy growth of core telecom services due to value strategy, growing fibre and partial recovery of roaming
 - +13% yoy growth of IT/IS reflects contribution of Craftware (PLN 22m) and organic growth from high 2Q'20 base
 - +7% yoy growth of equipment revenues from lockdown-hampered 2Q'20
- **Solid commercial performance despite market slowdown:**
 - +8% yoy growth of convergent customers, +14k net adds in 2Q
 - Convergence ARPO +5.7% yoy
 - +3% yoy growth of total fixed broadband customers, +8k net adds in 2Q
 - FBB-only ARPO +2.1% yoy
 - +36% yoy growth of fibre customers, +48k net adds in 2Q
 - +5% yoy growth of post-paid mobile handset customers, +83k net adds in 2Q
 - Mobile-only handset ARPO +1.8% yoy
- **eCapex (economic capex) at PLN 442 million, -7% year-on-year, reflects more evenly timed spendings and continued slowdown on real estate market**
- **5.4 million households connectable with fibre at the end of June (205k added in 2Q)**
- **Organic Cash Flow at PLN 159 million reflects improving operating cash flow and different timing of working capital**

Commenting on 2Q 2021 performance, Julien Ducarroz, Chief Executive Officer, said:

“The customer base of all of our core services has increased in 2Q and fibre net additions were very solid. Nonetheless, our commercial results reflect low customer traffic at our points of sale, which in our view results from the market situation and a shift in consumer priorities to outdoor activities after the lifting of pandemic restrictions. We believe it is temporary and we are confident that stronger demand for connectivity will come back after the summer.

We are pleased that ARPO is now growing in all our core services, facilitated by fibre, our value strategy and partial recovery of roaming. We continue to adopt the more-for-more policy, which is especially important in this increasingly inflationary environment.

We are progressing with the FiberCo transaction. We have just concluded the financing and transfer of 672k households out of our footprint to Światłowód Inwestycje. We continue to expect closing by the end of August.

In 2H our key priority will be to accelerate our sales in a traditionally higher-sales season. We are concentrating fully on the execution of our new .Grow strategy. We want to grow faster, in a more sustainable way, monetising our investments, exploring new business opportunities and releasing more from our potential.”

Financial Review

2Q Revenues up 4.5% year-on-year with all major product lines contributing to the growth

Revenues totalled PLN 2,954 million in 2Q 2021 and were up 4.5% year-on-year or PLN 126 million. There were four main factors influencing this revenue trend.

Firstly, combined revenues of convergence, mobile-only and broadband-only were up 6.8% year-on-year. Performance of this revenue group continues to improve (from 4.3% yoy in 1Q'21) following continued growth of customer volumes and effects of our value strategy translating into ARPO growth. In 2Q the trend was helped by partial recovery of roaming revenues.

Secondly revenues from IT and integration services grew 13% year-on-year benefitting from continued good customer demand and consolidation of Craftware (a contribution of PLN 22 million in 2Q). Thirdly, revenues from equipment sales increased by 7% year-on-year as the demand for smartphones has partially recovered from low comparable base of 2Q'20. Finally, other revenues surged 42% year-on-year, boosted by recovery of our energy resale business.

Solid commercial performance despite low customer activity

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 2Q 2021 our B2C **convergent customer base** increased by 14,000 and 8% year-on-year. At the end of June, 66% of our B2C broadband customers were convergent versus 63% a year ago. ARPO from convergent customers accelerated its growth rate to 5.7% year-on-year to PLN 111.4 due to our value strategy and increasing share of fibre.

Total **fixed broadband customer** base increased in 2Q 2021 by 8,000 and 3% year-on-year. It was driven by growth of fibre customer base which expanded 36% year-on-year, adding 48,000. Fibre already reached 30% of our total broadband customer base surpassing ADSL. ARPO from broadband-only services grew 2% year-on-year to PLN 59.2. The key contributors of this growth were price increases introduced in 2019 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 83,000 in 2Q 2021 (versus 65,000 in 2Q 2020). In 2Q mobile handset ARPO has increased year-on-year for the first time. It grew 1.8% year-on-year to PLN 27.7 reflecting improvement on both consumer and business markets. It is a consequence of partial recovery of roaming and our value strategy.

Pre-paid customer base has returned to growth after several quarters of declines. It increased 72,000 to 4.86 million as a result of growing number of pre-paid cards activations and increased customer activity following lifting of pandemic restrictions. Growth of ARPO from pre-paid customers accelerated to almost 6% as a result of our value strategy and growing share of customers with unlimited voice and text bundles.

In **fixed voice**, the 2Q net loss of lines stood at 55,000 as compared to 36,000 a year ago when customer churn was particularly low during the first lockdown. 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.

2Q EBITDAaL up almost 4% year-on-year driven by profitable revenue expansion

EBITDAaL for 2Q 2021 was PLN 756 million and was up 3.8% year-on-year. It recorded solid growth despite in 2Q of last year it included net positive impact of pandemic crisis mitigating measures launched by the management. It was driven by above-mentioned strong expansion of revenues from core telecom services which translated into EBITDAaL growth through high operating leverage. Indirect costs were up 10% year-on-year. This unusual performance includes two effects. Firstly, last year's positive impact of covid crisis-related mitigating measures including provision release for jubilee awards of PLN 64m combined with cost freeze. This contrasts with costs necessary to expand business in 2021 resulting for example in higher advertising and promotion costs. Secondly, ongoing cost savings coming mainly from labour, CRM subcontracting services and general expenses. IT & Network costs were stable year-on-year as higher energy costs were offset by our optimisation initiatives.

2Q bottom line supported by EBITDAaL growth and lower depreciation

Net income for 2Q 2021 was PLN 116 million, a significant growth versus PLN 52 million in 2Q 2020. It was supported by growth of EBITDAaL and lower depreciation. Depreciation benefitted from extension of economic useful life of certain assets (impact of PLN 32 million). On the other hand tax expense was PLN 55 million higher year-on-year as a result of higher pre-tax income and due to write-off of deferred tax asset recognized by one of subsidiaries on tax losses from previous periods.

2Q Organic Cash Flow reflects EBITDAaL growth and different timing of working capital

Organic cash flow for 2Q 2021 was PLN 159 million versus PLN 438 million in 2Q 2020. The year-on-year deterioration almost entirely stemmed from much higher working capital requirement. Working capital worsened by PLN 337 million year-on-year as a result of three main groups of factors. Firstly, a year ago we benefitted from anti-covid legislation which allowed us to shift around PLN 120 million of public payments into 3Q'20. Secondly, higher requirement in 2Q this year was a consequence of strong revenue growth in core telecom services and higher equipment sales on instalments. Finally, working capital was impacted by different timing of certain payments. Underlying cash flow generation was strong: net operating cash flow before working capital increased 10% year-on-year following expansion of EBITDAaL. Capital expenditure cash outflows at PLN 459 million in 2Q 2021 were flat year-on-year as slightly lower capex in the period was offset by more positive change in the capex payables.

Commenting on 2Q 2021 results, Jacek Kunicki, Chief Financial Officer, said:

“Our 2Q financial results were strong. Revenues expanded by a strong 4.5% driven by our core telecom services, which grew by a robust 6.8%. This performance reflected continued growth of customer volume, our value strategy and partial recovery of roaming. This translated through high operating leverage into EBITDAaL growth, which increased by almost 4% despite a high comparable base from last year, when our results were supported by one-off measures launched to help mitigate the impact of the pandemic.

After the first half of the year our revenues and EBITDAaL are growing by more than 4%, which makes us confident about our full-year growth plans. From 3Q our revenue dynamics will start to reflect the regulatory impact of cuts in fixed and mobile termination rates.”

Reconciliation of operating performance measure to financial statements

Disclosures on performance measures have been presented in the Notes 2 and 3 to Condensed IFRS Interim Consolidated Financial Statements of the Orange Polska Group for the 6 months ended 30 June 2021 (available at <https://www.orange-ir.pl/results-center/>).

<i>in PLNm</i>	2Q 2021	2Q 2020	1H 2021	1H 2020
Operating income	224	109	340	197
Less gains/add losses on disposal of assets	-7	-5	13	-15
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	542	636	1,118	1,244
Interest expense on lease liabilities	-14	-16	-27	-32
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries	11	4	21	7
EBITDAaL (EBITDA after Leases)	756	728	1,465	1,401

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 2Q 2021 results presentation.

29th July 2021

Start: 11.00 CET

The presentation will be available 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

Orange Polska Group Consolidated

amounts in PLN millions	2020					2021	
	1Q	2Q	3Q	4Q	FY	1Q	2Q
Income statement	restated (IFRS16)*	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
Revenues							
Mobile services only	638	630	645	644	2,557	631	652
Fixed services only	523	527	518	513	2,081	504	494
Narrowband	208	206	194	190	798	182	174
Broadband	211	214	216	215	856	214	214
B2B Network Solutions	104	107	108	108	427	108	106
Convergent services B2C	419	428	438	456	1,741	477	492
Equipment sales	306	308	325	407	1,346	343	330
IT and integration services	233	238	186	340	997	250	269
Wholesale	601	613	590	618	2,422	598	598
Mobile wholesale	349	366	345	378	1,438	353	378
Fixed wholesale	171	165	162	156	654	157	132
Other	81	82	83	84	330	88	88
Other revenues	84	84	91	105	364	115	119
Total revenues	2,804	2,828	2,793	3,083	11,508	2,918	2,954
Labour expenses**	(402)	(287)	(320)	(343)	(1,352)	(372)	(339)
External purchases**	(1,550)	(1,597)	(1,537)	(1,851)	(6,535)	(1,627)	(1,662)
- Interconnect expenses	(482)	(507)	(489)	(513)	(1,991)	(482)	(491)
- Network and IT expenses	(151)	(162)	(161)	(176)	(650)	(152)	(163)
- Commercial expenses	(546)	(552)	(519)	(763)	(2,380)	(587)	(582)
- Other external purchases**	(371)	(376)	(368)	(399)	(1,514)	(406)	(426)
Other operating incomes & expenses**	(21)	(42)	(39)	(75)	(177)	(59)	(42)
Impairment of receivables and contract assets	(36)	(50)	(30)	(35)	(151)	(23)	(23)
Amortization and impairment of right-of-use assets	(106)	(108)	(110)	(110)	(434)	(115)	(118)
Interest expense on lease liabilities	(16)	(16)	(15)	(15)	(62)	(13)	(14)
EBITDAaL (EBITDA after Leases)	673	728	742	654	2,797	709	756
% of revenues	24.0%	25.7%	26.6%	21.2%	24.3%	24.3%	25.6%
Gains on disposal of assets	10	5	6	40	61	(20)	7
Depreciation, amortisation and impairment of property, plant and equipment and intangibles assets	(608)	(636)	(618)	(649)	(2,511)	(576)	(542)
Add-back of interest expense on lease liabilities	16	16	15	15	62	13	14
Adjustment for the impact of employment termination programs**	0	0	9	13	22	0	0
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries**	(3)	(4)	(4)	(16)	(27)	(10)	(11)
Operating income / (loss)	88	109	150	57	404	116	224
% of revenues	3.1%	3.9%	5.4%	1.8%	3.5%	4.0%	7.6%
Finance costs, net	(132)	(49)	(83)	(78)	(342)	(66)	(45)
- Interest expense on lease liabilities	(16)	(16)	(15)	(15)	(62)	(13)	(14)
- Other Interest expenses, net (excl. Interest expense on lease liabilities)	(51)	(45)	(43)	(44)	(183)	(38)	(44)
- Discounting expense	(23)	0	(11)	(9)	(43)	(8)	(12)
- Foreign exchange losses	(42)	12	(14)	(10)	(54)	(7)	25
Income tax	6	(8)	(14)	0	(16)	(11)	(63)
Consolidated net income / (loss)	(38)	52	53	(21)	46	39	116

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

** 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

Orange Polska Group key performance indicators

<i>Customer base (in thousands)</i>	2020				2021	
	1Q	2Q	3Q	4Q	1Q	2Q
B2C convergent customers	1,387	1,410	1,441	1,483	1,503	1,517
Fixed telephony accesses						
PSTN	1,962	1,900	1,831	1,762	1,686	1,624
VoIP	1,072	1,099	1,110	1,138	1,151	1,158
Total retail main lines	3,034	2,998	2,941	2,899	2,837	2,782
<i>o/w B2C convergent</i>	830	833	839	855	859	860
<i>o/w B2C PSTN convergent</i>	23	21	18	16	13	11
<i>o/w B2C VoIP convergent</i>	807	813	822	839	846	849
Fixed broadband access						
Fibre	564	608	662	725	779	827
ADSL	923	896	864	822	786	756
VDSL	537	531	522	527	519	511
Wireless for fixed	592	603	614	628	627	625
Retail broadband - total	2,616	2,638	2,662	2,702	2,711	2,719
<i>o/w B2C convergent</i>	1,387	1,410	1,441	1,483	1,503	1,517
TV client base						
IPTV	539	554	575	605	625	642
DTH (TV over Satellite)	456	442	425	410	392	376
TV client base - total	994	996	1,001	1,015	1,017	1,018
<i>o/w B2C convergent</i>	836	842	851	870	876	879
Mobile accesses						
Post-paid						
<i>Mobile Handset</i>	7,810	7,875	7,985	8,095	8,183	8,266
<i>Mobile Broadband</i>	822	806	777	751	723	705
M2M	1,710	1,823	1,987	2,046	2,111	2,221
Total post-paid	10,342	10,504	10,749	10,892	11,017	11,192
<i>o/w B2C convergent</i>	2,612	2,651	2,713	2,787	2,823	2,848
Total pre-paid	5,095	4,982	4,920	4,860	4,783	4,855
Total	15,436	15,487	15,669	15,752	15,800	16,047
Fibre household connectable	4,393	4,602	4,793	4,998	5,174	5,379
Wholesale customers						
WLR	310	299	287	273	260	251
Bitstream access	128	129	130	132	136	139
<i>o/w fibre</i>	10	14	19	26	34	41
LLU	60	58	55	52	49	46
<i>Quarterly ARPO in PLN per month</i>	2020				2021	
	1Q	2Q	3Q	4Q	1Q	2Q
Convergent services B2C	104.8	105.4	105.5	107.1	109.6	111.4
Fixed services only - voice	36.5	37.4	36.8	37.3	37.1	37.0
Fixed services only - broadband	56.7	58.0	58.7	58.7	58.8	59.2
Mobile services only	19.5	19.3	19.9	19.8	19.6	20.1
Post-paid excl M2M	26.3	25.5	25.9	25.6	25.6	26.0
<i>Mobile Handset</i>	28.0	27.2	27.6	27.3	27.2	27.7
<i>Mobile Broadband</i>	13.6	13.3	12.9	12.7	12.5	12.3
Pre-paid	11.6	11.9	12.5	12.7	11.9	12.6
Mobile wholesale (convergent + mono)	8.0	8.4	7.9	8.7	8.1	8.5

Other mobile operating statistics	2020				2021	
	1Q	2Q	3Q	4Q	1Q	2Q
DATA AUPU in GB						
post-paid	4.5	4.8	5.3	5.3	5.4	5.9
pre-paid	3.8	4.1	4.3	4.7	4.8	5.1
blended	4.2	4.5	4.9	5.1	5.2	5.6
Quarterly mobile customer churn rate (%)						
post-paid	2.5	2.1	2.2	2.3	2.3	1.9
pre-paid	9.1	10.4	11.4	10.7	10.8	9.1
Employment structure of Group as reported						
Active full time equivalents (end of period)						
	1Q	2Q	3Q	4Q	1Q	2Q
Orange Polska	11,885	11,219	11,047	11,048	10,827	10,583
50% of Networks	330	330	335	333	349	322
Total	12,215	11,549	11,382	11,381	11,176	10,915

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.