

# Orange Polska

26 April 2023

1Q 2023 results

.Grow



Orange People



## Forward looking statement

This presentation 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', 'pro forma', 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, American 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.

# Reconciliation of operating performance measure to financial statements

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 31 March 2023 (available at <https://www.orange-ir.pl/results-center/>).

<i>in PLNm</i>	1Q 2023	1Q 2022
<b>Operating income</b>	<b>392</b>	<b>244</b>
Less gains on disposal of assets	-86	-21
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	487	504
Add share of loss of joint venture adjusted for elimination of margin earned on asset related transactions with joint venture	13	8
Interest expense on lease liabilities	-31	-17
Adjustment for the impact of employment termination programs	-13	-
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries	-	4
<b>EBITDAaL (EBITDA after Leases)</b>	<b>762</b>	<b>722</b>

# Highlights & Business review

**Julien Ducarroz**  
Chief Executive Officer



# 1Q'23: Strong performance in a challenging environment



## Solid commercial performance with focus on value

- ARPO growing in all key services
- Good customer base expansion in convergence with some slowdown in mono services
- Strong demand for high value handsets



## Excellent financial results with 5.5% yoy EBITDAaL growth

- Strong core business revenues drive 5% direct margin expansion
- Inflation impact on indirect costs partly compensated by our mitigation actions
- c.120% yoy net profit growth driven by EBITDAaL and very high gain on real estate disposals



## Leap forward in mobile technologies

- Second round of 5G auction consultations
- 3G network switch off process initiated, to be completed by the end of 2025



# Outstanding 1Q'23 financial results give us confidence on full-year guidance

**2023  
guidance**

low single digit  
growth

flat/low single digit  
growth

PLN 1.5-1.7bn

**1Q 2023  
Results**



**in PLN**

**Revenues**

**EBITDAaL**

**eCAPEX**

**YoY**

**3.14 bn**

**762 m**

**225 m**

**+7.1%**

**+5.5%**

**-8.2%**

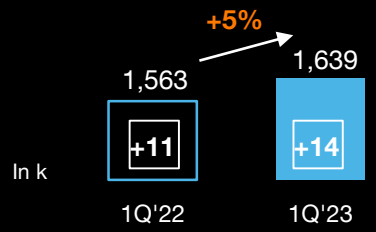


# Solid commercial performance: ARPO growth coupled with customer base expansion in key areas



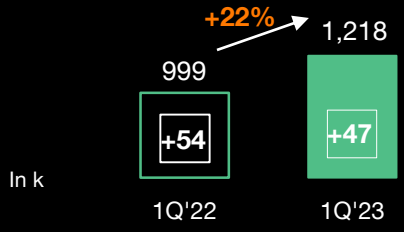
**PLN 116.4** Convergence ARPO **+2.4%** yoy

Higher convergence net customer additions



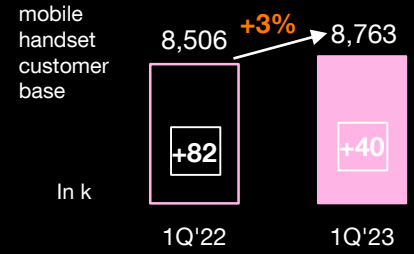
**PLN 63.0** Fixed broadband-only ARPO **+3.3%** yoy

Good fibre customer base growth despite intensive competition



**PLN 28.9** Mobile-only handset ARPO **+3.2%** yoy

Solid net customer additions








net customers additions

# Financial review

**Jacek Kunicki**  
Chief Financial Officer



# 1Q'23 financial results: a very strong start of the year

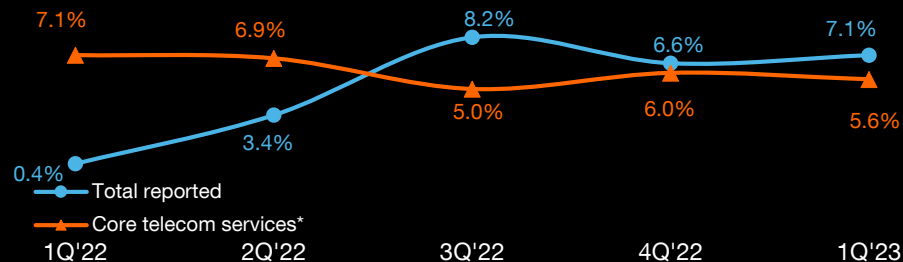
	in PLNm	1Q'23	yoy	
	<b>revenues</b>	<b>3,139</b>	<b>+7.1%</b>	<ul style="list-style-type: none"> <li>Strong performance of core telco services, wholesale and IT/IS</li> <li>Robust increase of equipment sales</li> </ul>
	<b>EBITDAaL</b>	<b>762</b>	<b>+5.5%</b>	<ul style="list-style-type: none"> <li>Growth driven by strong revenue and direct margin performance</li> <li>Inflation impact on costs partly mitigated</li> </ul>
	<b>% of revenues</b>	<b>24.3%</b>	<b>-0.3pp</b>	
	<b>net income</b>	<b>270</b>	<b>+116%</b>	<ul style="list-style-type: none"> <li>Driven by EBITDAaL growth, lower depreciation and high gain on sale of assets (real estate optimisation)</li> </ul>
	<b>eCAPEX</b>	<b>225</b>	<b>-8.2%</b>	<ul style="list-style-type: none"> <li>Benefitting from particularly high (PLN 148m) proceeds from disposal of real estate</li> </ul>
	<b>organic cash flow</b>	<b>-119</b>	<b>n.a.</b>	<ul style="list-style-type: none"> <li>Reflects timing of payments to capex vendors and increased working capital resulting from strong handset sales on instalments</li> </ul>

# 1Q revenue +7.1% yoy with strong growth of core telecom services and equipment

- **Core telecom services\*** (+6% yoy)  
Strong performance driven by both customer base and ARPO growth
- **Equipment sales** (+40% yoy)  
Strong interest in high value handsets
- **Wholesale** (+15% yoy)  
Capitalising on high demand for our infrastructure
- **IT/IS** (+12% yoy)  
Driven by continued market demand for digitisation

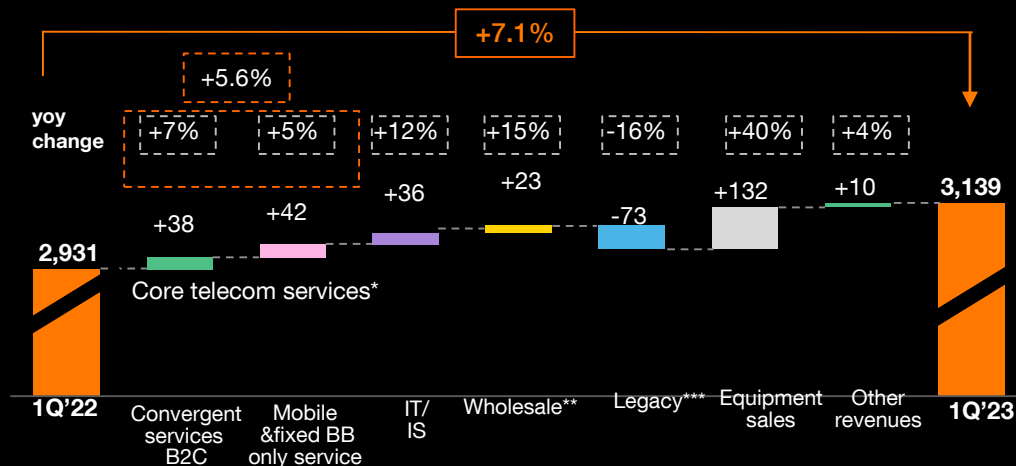
## Revenue evolution

(yoy change in %)



## Revenue evolution breakdown

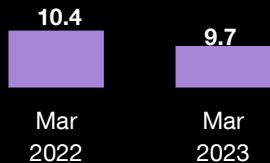
in PLNm



# 1Q EBITDAaL +5.5% yoy fuelled by strong direct margin expansion

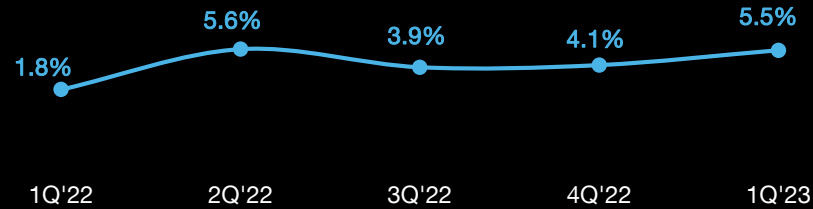
- **Direct margin up 5% yoy:**
  - Enabled by concerted contribution from core telecom services, wholesale and margin on equipment
- **Indirect costs up 5% yoy:**
  - **Inflation impact** (mainly rentals & external services) **partly offset** by mitigating actions (e.g. utilities hedging, savings in property maintenance) and reversal of some provisions

## Employment in k FTE



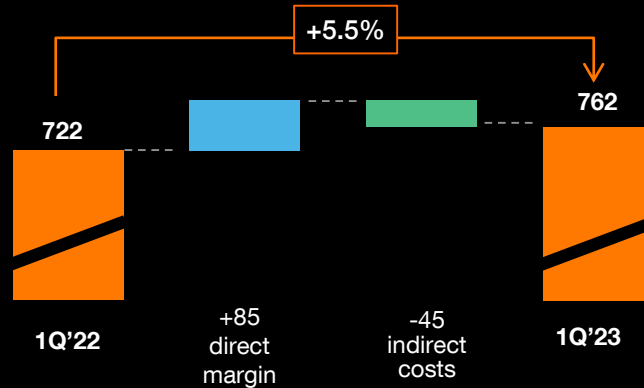
## EBITDAaL evolution

(yoy change in %)



## EBITDAaL evolution breakdown

(yoy change in PLNm)



# 1Q Organic Cash Flow impacted by timing of capex and higher working capital

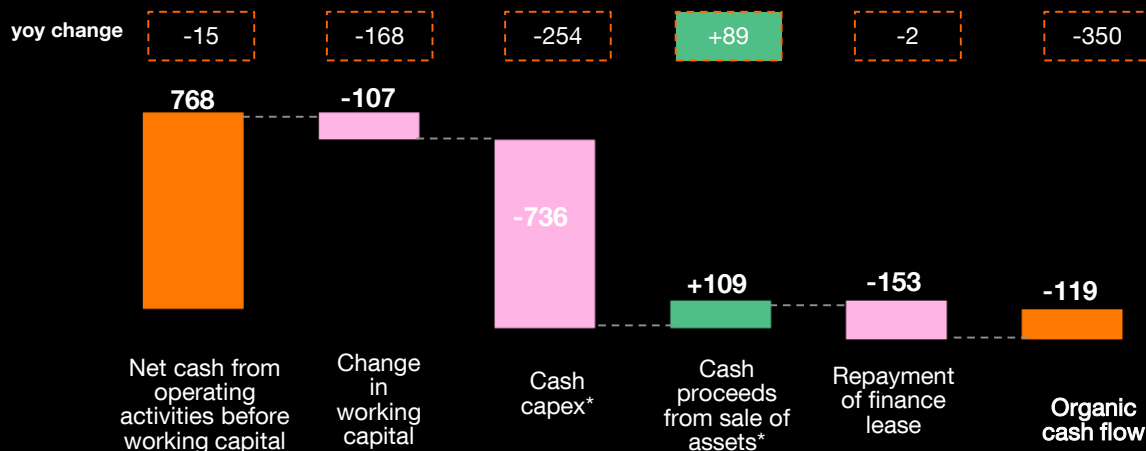
## OCF evolution reflects:

- EBITDAaL growth
- Higher cash capex (mainly payments for 4Q'22)
- Increased working capital resulting from strong handset sales on instalments
- Higher proceeds from sale of assets

- 2.5 years average debt duration
- PLN 133m received from APG as the next instalment for sale of 50% in FiberCo

## Organic Cash flow evolution breakdown in 1Q 2023

in PLNm



\* Cash capex reduced by PLN 66m of cash proceeds from sale of fibre network assets to FiberCo (excluded from cash proceeds from sale of assets)

## Net debt

in PLNm

	Dec'22	Mar'23
net debt / EBITDAaL	1.3x	1.3x
effective interest rate on debt	3.3%	3.3%

# Summary

**Julien Ducarroz**  
Chief Executive Officer



# Summary



**Very strong start to the year building confidence on full-year guidance**



**Focus on commercial growth both in volume and value**



**Continuation of savings and transformation actions to mitigate inflation impact**



**Focus on 5G: acquisition of licence and network preparation for launch**



**Green agenda: actions to reduce CO2 emissions in Scope 3**

# Q&A

# Appendix

# Detailed evolution from EBITDAaL to net income in 1Q 2023

in PLNm	1Q'23	1Q'22	Change
<b>EBITDAaL</b>	<b>762</b>	722	<b>+40</b>
Gains on disposal of assets	86	21	+65
D&A of PPE and intangible assets*	-487	-504	+17
Add-back interest expense on lease liabilities	31	17	+14
Adjustment for the impact of employment termination programs	13	0	+13
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries	0	-4	+4
Share of profit of joint venture adjusted for elimination of margin earned on asset related transactions with joint venture	-13	-8	-5
<b>Operating income</b>	<b>392</b>	<b>244</b>	<b>+148</b>
Net financial costs	-62	-88	+26
<i>o/w foreign exchange loss/gain</i>	<i>-2</i>	<i>-18</i>	<i>+16</i>
Income tax	-60	-31	-29
<b>Net income</b>	<b>270</b>	125	<b>+145</b>

# Details of organic cash flow evolution in 1Q 2023

in PLNm	1Q'23	1Q'22	Change
Net cash flow from operating activities before change in working capital	768	783	-15
Change in working capital	-107	61	-168
<b>Net cash flow from operating activities</b>	<b>661</b>	844	<b>-183</b>
CAPEX	-383	-294	-89
Change in CAPEX payables*	-419	-262	-157
Cash proceeds from sale of assets	175	94	+81
Repayment of lease liabilities	-153	-151	-2
<b>Organic cash flow</b>	<b>-119</b>	231	<b>-350</b>

\* Includes exchange rate effect on derivatives economically hedging capital expenditures, net

# We successfully combine growth with social responsibility

## Environment



We have clear climate/environmental goals and tangible results

- Climate goals:
  - Net Zero by 2040 (for both own and entire value chain CO<sub>2</sub>e emissions)
  - By 2025: min. 60% of renewable energy & own CO<sub>2</sub>e emissions (Scopes 1+2) reduced by 65% vs 2015
- Performance in 2022:
  - own emissions -38% vs 2015 & 2025 goals confirmed** thanks to long-term renewable energy PPA contracts signed
  - continued energy optimisation efforts (-3% yoy)
- Announcing Scope 3 emissions & reduction priorities (incl. circular economy)

## Social



We make new technologies a supporter of economic and social development

- Our connectivity investments positively impact local societies through:
  - digital inclusion
  - new **Orange Digital Center**
  - digital skills programmes in schools for **6 500 children**
- Diversity management programs: **37% woman among managers** (v 38% total in the company)
- Co-operation with suppliers based on Code of Conduct covering social and environmental responsibility and CSR clauses in **all contracts**.

## Governance

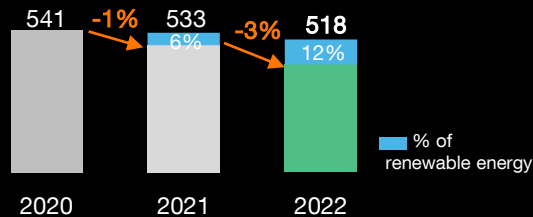


Our corporate governance is designed to provide responsible management and supervisions to achieve strategic goals and enhance value

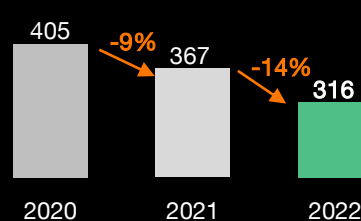
- Compliance with the highest ESG reporting standards (**The best Integrated Report of 2022 in Poland**)
- We adopt zero tolerance approach towards corruption in all aspects of our activities
- Corporate governance model ensures proper distribution of responsibilities to guarantee transparency of all management decisions
- Social and climate risks included in risk management system

### Key Environmental Performance Indicators

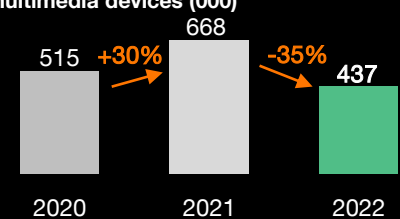
Energy consumption (GWh)



CO2 emission (000' tonnes)



Refurbished and relaunched handsets and multimedia devices (000)



# Glossary (1/2)

4G/LTE	Fourth generation of mobile technology, sometimes called LTE (Long Term Evolution)
5G	Fifth generation of mobile technology, which is the successor to the 4G mobile network standard
Adoption rate	Fibre customer base (retail + wholesale)/ Total households connectable to our fibre network (own and 3rd parties)
ARPO	Average Revenue per Offer
AUPU	Average Usage per user
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, FTTH 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
Core telecom services	Convergence, mobile-only and broadband-only services
EBITDAaL	EBITDA after leases, key measure of operating profitability used by management (for definition please refer to the Note 2 to IFRS Consolidated Financial Statements of the Orange Polska Group)
eCapex	Economic Capex, key measure of resources allocation used by management (for definition please refer to the Note 2 to IFRS Consolidated Financial Statements of the Orange Polska Group)
FBB	Fixed Broadband
Fibre	fixed broadband access network based on FTTH (Fibre To The Home ) /DLA (Drop Line Agnostic) technology which provides the end user with speed of above 100Mbps

## Glossary (2/2)

Fixed broadband-only services	Revenues from fixed broadband offers (excluding B2C convergent offers and equipment sales) including TV and VoIP services
FTE	Full time equivalent
FTR	Fixed termination rate
HHC (Households connectable) in fibre technology	Households where broadband access service based on fibre technology can be rendered
ICT	Information and Communication Technologies
Mobile-only services	Revenue from mobile offers (excluding consumer market convergent offers) and Machine to Machine (M2M) connectivity. Mobile only services revenue does not include equipment sales, incoming and visitor roaming revenue
MTR	Mobile termination rate
Wireless for fixed	fixed broadband cell-locked wireless access offered by Orange Poland for home/office zone with rich data packages
Organic Cash Flow	Organic Cash Flow- key measure of cash generation used by management (for definition please refer to the Notes 2 to IFRS Consolidated Financial Statements of the Orange Polska Group)
PPA	Power purchase agreement
ROCE	Return on capital employed = EBIT (ex. extraordinary items) / (Shareholder's Equity + Average net debt)