



**Current Report (20/2021)**  
**Orange Polska S.A., Warsaw, Poland**  
**25 October, 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 3Q and 9M2021.

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

**In 3Q 2021 Orange Polska reports strong financial performance driven by commercial value strategy and finalisation of FiberCo transaction**

<b>key figures</b> (PLN million)	<b>3Q 2021</b>	<b>3Q 2020</b>	<b>Change</b>	<b>9M 2021</b>	<b>9M 2020</b>	<b>Change</b>
Revenue	2,885	2,793	+3.3%	8,757	8,425	+3.9%
EBITDAaL	791	742	+6.6%	2,256	2,143	+5.3%
EBITDAaL margin	27.4%	26.6%	+0.8p.p.	25.8%	25.4%	+0.4 p.p.
operating income	1,856	150	12.4x	2,196	347	6.3x
net income	1,586	53	29.9x	1,741	67	26.0x
eCapex	200	387	-48.3%	1,087	1,206	-9.9%
organic cash flow	379	58	+321m	736	418	+318m

KPI ('000)	3Q 2021	3Q 2020	Change
convergent customers (B2C)	1,531	1,441	+6.2%
mobile accesses (SIM cards)	16,590	15,669	+5.9%
post-paid	11,679	10,749	+8.7%
pre-paid	4,910	4,920	-0.2%
fixed broadband accesses (retail)	2,729	2,662	+2.5%
o/w fibre	880	662	+32.9%
fixed voice lines (retail)	2,722	2,941	-7.4%

### 3Q 2021 Highlights:

- **EBITDAaL up 6.6% year-on-year driven by:**
  - strong performance of core telecom services (convergence, mobile-only and broadband-only) and IT/IS translating into 5% direct margin expansion
- **Revenues up 3.3% year-on-year reflecting mainly:**
  - +8% yoy growth of core telecom services due to value strategy, growing fibre and recovery of roaming
  - +37% yoy growth of IT/IS reflects contribution of Craftware and strong organic growth from last year's low comparable base
  - negative regulatory impact from cuts in mobile and fixed termination rates affecting wholesale
- **Solid commercial performance:**
  - +6% yoy growth of convergent customers, +14k net adds in 3Q
    - Convergence ARPO +7.3% yoy
  - +3% yoy growth of total fixed broadband customers, +10k net adds in 3Q
    - FBB-only ARPO +1.4% yoy
  - +33% yoy growth of fibre customers, +53k net adds in 3Q
  - +5% yoy growth of post-paid mobile handset customers, +91k net adds in 3Q
    - Mobile-only handset ARPO +2.5% yoy
- **Net profit of PLN 1,586 million boosted by PLN 1,421 million one-off gain (net of tax) related to the sale of 50% stake in Światłowód Inwestycje (FiberCo)**
- **eCapex (economic capex) at PLN 200 million, -48% year-on-year, includes PLN 139 million from sale of network assets to Światłowód Inwestycje (FiberCo)**
- **5.6 million households connectable with fibre at the end of September (232k added in 3Q)**
- **Organic Cash Flow at PLN 379 million reflects EBITDAaL growth and positive impact of timing of working capital**

### Commenting on 3Q 2021 performance, Julien Ducarroz, Chief Executive Officer, said:

“Our commercial results in 3Q were solid, especially taking into account that customer activity remains below last year’s post-lockdown demand wave. Despite increased promotional activity on the market our mobile handset customer base continues to grow steadily and customers are more loyal to us. Fibre net additions, at 53,000, were almost as high as last year and better versus the previous quarter. We continue to dynamically expand our fibre footprint, now reaching more than 5.6 million households. In line with our strategy we now rely more on partnerships, including the one with Światłowód Inwestycje (FiberCo). We have successfully closed the sale of a 50% stake in this venture as scheduled and the gain from this sale supported our bottom line in 3Q.

During 4Q we will focus on the Christmas peak commercial season. Our key near-term challenge is adaption to the new inflationary environment. To help to mitigate higher energy prices we are increasing the share of our energy which comes from renewable sources and we continue to optimise our consumption.”

## Financial Review

### 3Q revenue up 3.3% year-on-year driven by retail telecom services and IT/IS

Revenues totalled PLN 2,885 million in 3Q 2021 and were up 3.3% year-on-year or PLN 92 million. There were four main factors influencing this revenue trend.

Firstly, combined revenues of convergence, mobile-only and broadband-only were up 8.3% year-on-year. Performance of this revenue group continues to improve (from 6.8% yoy in 2Q’21) following continued growth of customer volumes and effects of our value strategy translating into ARPO growth. In 3Q the trend was supported by further recovery of roaming revenues.

Secondly revenues from IT and integration services grew as much as 37% year-on-year benefitting from strong organic growth (from last year’s low comparable base) from and consolidation of Craftware (a contribution of PLN 26 million in 3Q). Thirdly, 16% decline in wholesale revenues mainly resulted from regulatory cuts in mobile and fixed termination rates. Finally, other revenues were up 30% year-on-year, boosted by recovery of our 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 2021 our B2C **convergent customer base** increased by 14,000 and 6% year-on-year. At the end of September, 67% of our B2C broadband customers were convergent versus 64% a year ago. ARPO from convergent customers accelerated its growth rate to 7.3% year-on-year to PLN 113.2 reflecting our value strategy and increasing share of fibre.

Total **fixed broadband customer** base increased in 3Q 2021 by 10,000 and 3% year-on-year. It was driven by growth of fibre customer base which expanded 33% year-on-year, adding 53,000 in 3Q. Fibre reached 32% of our total broadband customer base. ARPO from broadband-only services continued to grow and added 1.4% year-on-year to PLN 59.5. The key contributors of this growth were price increases 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 91,000 in 3Q 2021 (versus 110,000 in 3Q 2020). In 3Q mobile-only handset ARPO grew 2.5% year-on-year to PLN 28.3 reflecting

improvement on both consumer and business markets. It is a consequence of recovery of roaming and our value strategy.

**Pre-paid customer base** increased 55,000 to 4.91 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 stood at 5% as a result of our value strategy and growing share of customers with unlimited voice and text bundles.

In **fixed voice**, the 3Q net loss of lines stood at 60,000 as compared to 57,000 a year ago and reflected structural negative market trends.

### **3Q EBITDAaL up almost 7% year-on-year driven by profitable revenue expansion**

EBITDAaL for 3Q 2021 was PLN 791 million and was up 6.6% year-on-year driven by profitable revenue expansion. Direct margin (a difference between revenues and direct costs) increased 5% year-on-year mainly owing to strong performance of core telecom services and IT/IS revenues. Its dynamics was also supported by low comparable base of last year when we created some COVID-related provisions. Indirect costs were 4% higher year-on-year as savings coming mainly from labour, CRM subcontracting services and general expenses were more than offset by higher costs of advertising and promotion (catch-up after pandemic), higher provisions and lower income from legacy network dismantling.

### **3Q bottom line boosted by one-off gain related to FiberCo transaction**

Net income for 3Q 2021 at PLN 1,586 million was significantly boosted by PLN 1,421 million (net of tax) gain related to the sale of 50% stake in Światłowód Inwestycje. Excluding this one-off development net income came at PLN 165 million, much above PLN 53 million in 3Q 2020. Improvement resulted from growth of EBITDAaL and lower depreciation. Depreciation benefitted from extension of economic useful life of certain assets (impact of PLN 28 million). Net financial costs were broadly similar year-on-year.

### **3Q Organic Cash Flow reflects EBITDAaL growth and lower working capital requirement**

Organic cash flow for 3Q 2021 was PLN 379 million versus PLN 58 million in 3Q 2020. This significant year-on-year growth resulted mainly from growing EBITDAaL and much lower working capital requirement. EBITDAaL growth fuelled PLN 87 million (or 13%) higher net cash operating activities (before working capital). Working capital improved by PLN 203 million year-on-year benefitting from good cash collection and different timing of some payments. Firstly, in 3Q 2020 working capital was affected by around PLN 120 million of public payments which were delayed from 2Q (allowed by anti-COVID legislation). Secondly, in 3Q of this year it was supported by inter-operator settlements.

### **Commenting on 3Q 2021 results, Jacek Kunicki, Chief Financial Officer, said:**

“Our 3Q results confirm our growth ambitions. Revenue expanded by 3.3% year-on-year, despite strong negative regulatory impact coming from cuts in termination rates. These results were driven by our core telecom services, which grew as much as 8.3%, and a robust 37% growth rate in IT/IS. Performance of telecom services is being supported by our value strategy and further recovery of roaming. This profitable revenue growth has resulted in close to a 7% increase of our EBITDAaL in 3Q. I am pleased that growing EBITDAaL is translating into cash generation: after nine months of this year, net cash from operating activities is 13% better than last year. We are well on track to reach our full-year financial objectives. At the same time, as macroeconomic environment has become more challenging we are closely observing potential impact of increased inflation and growing energy prices on our future operating costs.”

## Reconciliation of operating performance measure to financial statements

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

<i>in PLNm</i>	3Q 2021	3Q 2020	9M 2021	9M 2020
<b>Operating income</b>	<b>1,856</b>	<b>150</b>	<b>2,196</b>	<b>347</b>
Less gain on the loss of control of Światłowód Inwestycje	-1,543	-	-1,543	-
Less gains on disposal of other assets	-37	-6	-24	-21
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	546	618	1,664	1,862
Less share of profit of joint venture	-10	-	-10	-
Interest expense on lease liabilities	-13	-15	-40	-47
Adjustment for the impact of employment termination programs	-7	-9	-7	-9
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries	-1	4	20	11
<b>EBITDAaL (EBITDA after Leases)</b>	<b>791</b>	<b>742</b>	<b>2,256</b>	<b>2,143</b>

### 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 2021 results presentation.

**26th October 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	3Q
<b>Income statement</b>	restated (IFRS16)*	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
<b>Revenues</b>								
<b>Mobile services only</b>	638	630	645	644	2,557	631	652	682
<b>Fixed services only</b>	523	527	518	513	2,081	504	494	484
Narrowband	208	206	194	190	798	182	174	165
Broadband	211	214	216	215	856	214	214	214
B2B Network Solutions	104	107	108	108	427	108	106	105
<b>Convergent services B2C</b>	419	428	438	456	1,741	477	492	511
<b>Equipment sales</b>	306	308	325	407	1,346	343	330	342
<b>IT and integration services</b>	233	238	186	340	997	250	269	255
<b>Wholesale</b>	601	613	590	618	2,422	598	598	493
Mobile wholesale	349	366	345	378	1,438	353	378	317
Fixed wholesale	171	165	162	156	654	157	132	86
Other	81	82	83	84	330	88	88	90
<b>Other revenues</b>	84	84	91	105	364	115	119	118
<b>Total revenues</b>	2,804	2,828	2,793	3,083	11,508	2,918	2,954	2,885
Labour expenses**	(402)	(287)	(320)	(343)	(1,352)	(372)	(339)	(318)
<b>External purchases**</b>	(1,550)	(1,597)	(1,537)	(1,851)	(6,535)	(1,627)	(1,662)	(1,568)
- Interconnect expenses	(482)	(507)	(489)	(513)	(1,991)	(482)	(491)	(396)
- Network and IT expenses	(151)	(162)	(161)	(176)	(650)	(152)	(163)	(162)
- Commercial expenses	(546)	(552)	(519)	(763)	(2,380)	(587)	(582)	(582)
- Other external purchases**	(371)	(376)	(368)	(399)	(1,514)	(406)	(426)	(428)
Other operating incomes & expenses**	(21)	(42)	(39)	(75)	(177)	(59)	(42)	(60)
Impairment of receivables and contract assets	(36)	(50)	(30)	(35)	(151)	(23)	(23)	(16)
Amortization and impairment of right-of-use assets	(106)	(108)	(110)	(110)	(434)	(115)	(118)	(119)
Interest expense on lease liabilities	(16)	(16)	(15)	(15)	(62)	(13)	(14)	(13)
<b>EBITDAaL (EBITDA after Leases)</b>	673	728	742	654	2,797	709	756	791
% of revenues	24.0%	25.7%	26.6%	21.2%	24.3%	24.3%	25.6%	27.4%
Gains on disposal of assets	10	5	6	40	61	(20)	7	37
Gain related to sale of 50% stake in Światłowod Inwestycje (FiberCo)								1,543
Depreciation, amortisation and impairment of property, plant and equipment and intangibles assets	(608)	(636)	(618)	(649)	(2,511)	(576)	(542)	(546)
Add-back of interest expense on lease liabilities	16	16	15	15	62	13	14	13
Adjustment for the impact of employment termination programs**	0	0	9	13	22	0	0	7
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries**	(3)	(4)	(4)	(16)	(27)	(10)	(11)	1
Share of profit of joint venture								10
<b>Operating income / (loss)</b>	88	109	150	57	404	116	224	1,856
% of revenues	3.1%	3.9%	5.4%	1.8%	3.5%	4.0%	7.6%	64.3%
Finance costs, net	(132)	(49)	(83)	(78)	(342)	(66)	(45)	(86)
- Interest expense on lease liabilities	(16)	(16)	(15)	(15)	(62)	(13)	(14)	(13)
- Other Interest expenses, net (excl. Interest expense on lease liabilities)	(51)	(45)	(43)	(44)	(183)	(38)	(44)	(42)
- Discounting expense	(23)	0	(11)	(9)	(43)	(8)	(12)	(15)
- Foreign exchange losses	(42)	12	(14)	(10)	(54)	(7)	25	(16)
Income tax	6	(8)	(14)	0	(16)	(11)	(63)	(184)
<b>Consolidated net income / (loss)</b>	(38)	52	53	(21)	46	39	116	1,586

\* 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

Customer base (in thousands)	2020				2021		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>B2C convergent customers</b>	<b>1,387</b>	<b>1,410</b>	<b>1,441</b>	<b>1,483</b>	<b>1,503</b>	<b>1,517</b>	<b>1,531</b>
<b>Fixed telephony accesses</b>							
PSTN	1,962	1,900	1,831	1,762	1,686	1,624	1,570
VoIP	1,072	1,099	1,110	1,138	1,151	1,158	1,151
<b>Total retail main lines</b>	<b>3,034</b>	<b>2,998</b>	<b>2,941</b>	<b>2,899</b>	<b>2,837</b>	<b>2,782</b>	<b>2,721</b>
o/w B2C convergent	830	833	839	855	859	860	852
o/w B2C PSTN convergent	23	21	18	16	13	11	10
o/w B2C VoIP convergent	807	813	822	839	846	849	842
<b>Fixed broadband access</b>							
Fibre	564	608	662	725	779	827	880
ADSL	923	896	864	822	786	756	725
VDSL	537	531	522	527	519	511	501
Wireless for fixed	592	603	614	628	627	625	623
<b>Retail broadband - total</b>	<b>2,616</b>	<b>2,638</b>	<b>2,662</b>	<b>2,702</b>	<b>2,711</b>	<b>2,719</b>	<b>2,729</b>
o/w B2C convergent	1,387	1,410	1,441	1,483	1,503	1,517	1,531
<b>TV client base</b>							
IPTV	539	554	575	605	625	642	669
DTH (TV over Satellite)	456	442	425	410	392	376	339
<b>TV client base - total</b>	<b>994</b>	<b>996</b>	<b>1,001</b>	<b>1,015</b>	<b>1,017</b>	<b>1,018</b>	<b>1,008</b>
o/w B2C convergent	836	842	851	870	876	879	871
<b>Mobile accesses</b>							
Post-paid							
Mobile Handset	7,810	7,875	7,985	8,095	8,183	8,266	8,357
Mobile Broadband	822	806	777	751	723	705	690
M2M	1,710	1,823	1,987	2,046	2,111	2,221	2,632
<b>Total post-paid</b>	<b>10,342</b>	<b>10,504</b>	<b>10,749</b>	<b>10,892</b>	<b>11,017</b>	<b>11,192</b>	<b>11,679</b>
o/w B2C convergent	2,612	2,651	2,713	2,787	2,823	2,848	2,871
<b>Total pre-paid</b>	<b>5,095</b>	<b>4,982</b>	<b>4,920</b>	<b>4,860</b>	<b>4,783</b>	<b>4,855</b>	<b>4,910</b>
<b>Total</b>	<b>15,436</b>	<b>15,487</b>	<b>15,669</b>	<b>15,752</b>	<b>15,800</b>	<b>16,047</b>	<b>16,590</b>
<b>Fibre household connectable</b>	<b>4,393</b>	<b>4,602</b>	<b>4,793</b>	<b>4,998</b>	<b>5,174</b>	<b>5,379</b>	<b>5,611</b>
<b>Wholesale customers</b>							
WLR	310	299	287	273	260	251	242
Bitstream access	128	129	130	132	136	139	142
o/w fibre	10	14	19	26	34	41	47
LLU	60	58	55	52	49	46	44
Quarterly ARPO in PLN per month	2020				2021		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Convergent services B2C	104.8	105.4	105.5	107.1	109.6	111.4	113.2
Fixed services only - voice	36.5	37.4	36.8	37.3	37.1	37.0	36.5
Fixed services only - broadband	56.7	58.0	58.7	58.7	58.8	59.2	59.5
Mobile services only	19.5	19.3	19.9	19.8	19.6	20.1	20.7
Post-paid excl M2M	26.3	25.5	25.9	25.6	25.6	26.0	26.7
Mobile Handset	28.0	27.2	27.6	27.3	27.2	27.7	28.3
Mobile Broadband	13.6	13.3	12.9	12.7	12.5	12.3	12.3
Pre-paid	11.6	11.9	12.5	12.7	11.9	12.6	13.1
Mobile wholesale (convergent + mono)	8.0	8.4	7.9	8.7	8.1	8.5	7.1



Other mobile operating statistics	2020				2021		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>DATA AUPU in GB</b>							
post-paid	4.5	4.8	5.3	5.3	5.4	5.9	6.3
pre-paid	3.8	4.1	4.3	4.7	4.8	5.1	5.4
blended	4.2	4.5	4.9	5.1	5.2	5.6	6.0
<b>Quarterly mobile customer churn rate (%)</b>							
post-paid	2.5	2.1	2.2	2.3	2.3	1.9	1.8
pre-paid	9.1	10.4	11.4	10.7	10.8	9.1	10.0
<b>Employment structure of Group as reported Active full time equivalents (end of period)</b>							
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>Orange Polska</b>	<b>11,885</b>	<b>11,219</b>	<b>11,047</b>	<b>11,048</b>	<b>10,827</b>	<b>10,583</b>	<b>10,312</b>
50% of Networks	330	330	335	333	349	332	327
Total	12,215	11,549	11,382	11,381	11,176	10,915	10,639

#### 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.