

ORANGE POLSKA

CONFERENCE CALL TO DISCUSS ORANGE POLSKA Q3 2022 RESULTS

Company: Orange Polska

Date: 26.10.2022

Participants:

- Julien Ducarroz, Chief Executive Officer
 - Jacek Kunicki, Chief Financial Officer
 - Leszek Iwaszko, Head of Investor Relations
-

Leszek Iwaszko:

Ladies and gentlemen, thank you for standing by. I would like to welcome you to the Orange Polska 3Q 2022 results conference call. My name is Leszek Iwaszko, and I'm in charge of investor relations. At this time, all participant lines are in the listen only mode. The format of the call will be a presentation by the management team followed by question and answer session. Speakers for today will be Julien Ducarroz, the CEO of Orange Polska and CFO Jacek Kunicki. So without further ado, I would like to pass the line to Julien to begin the presentation.

Julien Ducarroz:

Good morning, ladies and gentlemen. Welcome everyone on our conference summarizing third quarter and nine months of 2022. I will go through the main business update and then Jacek will tell us about the financial and we will resume on the conclusion and take your questions at the end.

So going on slide five, I'm happy to tell you that our business performance in Q3 was strong and consistent with previous periods despite difficult macro environment resulting from rising inflation and high energy prices.

Customer base expansion in our key subscription services was solid and steady. OPL continued to grow. Handset sales were particularly strong as our commercial actions were well received by our customers. ICT had another strong quarter of revenue growth as we benefit from our diversified portfolio of competency and demand for digitalization. Wholesale also nicely contributed to our result. As you know,

as part of that growth strategy, we developed this area of business, so I'm happy that we have a new customer - Play - that will use our fiber network in regulated zone and built within POPC project. Similar agreement was signed with them by FiberCo. This will improve monetization of our infrastructure.

Financial result were strong with marketable growth in revenue and EBITDAaL despite continued burden from energy prices. We are aware that inflation continues to accelerate and this is forcing us to act both on the top line and cost savings, at least to partially mitigate its impact. On the front of energy we have identified measures to reduce our CO2 emission 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.

Moving on to the next slide, we present here performance of our main financial metrics after nine months versus full year guidance. I'm pleased to say that we are well on track to reach our objectives. Our revenues were up 4% over nine months, its year on year dynamic significantly accelerated in Q3 because of our strong performance but also because it was no longer affected by negative regulatory impact. EBITDAaL is growing close to 4%. Obviously, we continue to be confident that we are able to deliver growth for the full year. eCapEx this year is particularly backend loaded because of phasing in mobile network investments and timing of our asset disposal. For the full year, we expect to land close to last year level.

This result proved that our business is resilient and once again, we adapt well to a turbulent environment.

Going now on the next slide about commercial activity, our commercial results in Q3 were solid. Net customer additions in convergence and fiber were slightly better than last year despite intensifying competition. Fiber customer base is 27% higher than a year ago. We now have more fiber than copper broadband customers, which symbolically marks our technological transformation started around seven years ago. Our fiber reach approached 6.8 million household, almost 50% of all households in Poland.

Apart from POPC network, we grow it almost entirely through wholesale partnership, mainly FiberCo. This lead to more operating expenses but allow us to save CapEx and have a lighter balance sheet. In mobile handset, net customer addition were a bit lower. This is due to elevated churn of Ukrainian customers from our flex offer that we acquired over H1. Customer base expansion in our main brand, both in B2C and B2B were in line with previous quarters. ARPO in convergence, broadband and mobile continue to grow in the range of 2 to 4%. ARPU growth is essential for us to at least partly mitigate impact of inflation and we need new actions to sustain and rejuvenate this space.

Going on to the next slide, which we want to explain a bit where we stand in this difficult environment. So you know that macro environment is deteriorating. CPI inflation in Poland exceeded 17% and keeps on increasing. This is exacerbated by 20% growth of minimal wage in Poland starting in 2023. We must prepare for its elevated level in the quarters to come. It is affecting us mainly in the four following areas: energy, rental contract for offices, technical infrastructure space and point of sales, labor cost, and finally, as well, labor intensive services like cleaning or maintenance that we contract from third party.

We are launching actions to mitigate at least part of its impact. We need to act both improving our top line growth and finding new cost savings. Regarding top line actions, we continue with our more for more policy which we initiated already a few years ago. In Q3, we increased price of the main convergence package in return for more data and content. This was followed by increase of the pay as you go tariff in prepaid in the beginning of October. Yesterday, you might have noticed that we reshuffled mobile tariffs in B2C, canceling entirely the low end tariff plan and increasing remaining tariffs by five złoty.

In return, we offer more data and a new feature: cyber protection, which is a unique solution on the market, increasing security of our customers against cyber attacks. In parallel to top line action, we continue to transform our costs. We fully hedged energy cost for the next year via green PPA with rate favorable versus the market, so hopefully, energy cost will not grow in 2023. I'm saying hopefully because one of these agreements has a conditioned precedent that need to be met. We also look at other cost areas to take more radical stance in some of them. For example, our properties. Just one example, we are going to sublease part of our headquarter as we need less office space. Environment is very volatile and we need to be very agile and prepare ourselves for different scenarios. This is all for me for now. I hand the floor to Jacek.

Jacek Kunicki:

Thank you, Julien. Good morning, everyone. Let's start the financial review on slide 10 with highlights of our performance. Our financial results in Q3 were very good, with strong growth of revenues and profitability. It's another quarter when solid underlying performance has mitigated the headwinds from a challenging environment. Our top line growth accelerated to more than 8%. This was due to solid growth in all core areas and also due to comparable base for the wholesale termination rates. EBITDA rose by almost 4% year on year. We benefited from high operating leverage and ongoing cost savings. They have mitigated the impact of surging energy prices. Looking at net income, please note that last year we benefited from a substantial gain in Q3 on sale of shares of our FiberCo. Excluding this one-off impact, the net income was plus 8% in Q3 view year over year. It was driven by higher EBITDA and less depreciation.

Q3 CapEx was absent last year. The year on year growth reflects more investments in mobile and less fiber asset sales to the FiberCo. Finally, the year on year evolution of cash flow reflected an exceptional decrease of working capital last year in Q3, while that year to date cash generation has stayed plus 12% year on year.

Let's now review our performance in more detail starting with the top line. So as I mentioned, the revenue performance was strong this quarter. It expanded by 8.2% year over year. When comparing the dynamics with previous quarters, please note that it was no longer affected by negative regulatory impacts. Mobile and fixed termination rates had been cut in July 2021, so starting with Q3, the year on year comparison is no longer impacted by the different rates of the MTRs and the FTRs. Our underlying performance was consistent with the prior quarters and based on sustainable demand for our services.

Firstly, core telecom services continued to benefit from a simultaneous expansion of their customer basis and their ARPU. These are key to our results as they generate a high variable margin. The pace of growth has decelerated slightly compared to the dynamics of the previous quarters. It's due to rising comparable base of the ARPU and in particular, its roaming parts, which has regained momentum from H2 of last year onwards. Secondly, IT and IS had another strong quarter, with more than 20% revenue expansion. We have once again demonstrated our ability to make the best of market opportunities and adapt to a rapidly changing environment. Finally, equipment revenues were up by 17% as our commercial actions attracted customer demand and other revenues category was boosted by higher output prices in energy resale. Now let's switch to operating profitability, on slide 12.

Our EBITDAaL increased by 3.9% year on year in the third quarter. The strong performance was achieved due to very good growth of the direct margin and limited growth of indirect costs. The sustainable expansion of the direct margin is absolutely key to the EBITDAaL growth due to the high operating leverage. This is how we are converting the strong core revenues into profits. Small growth of indirect costs was an outcome of surging energy costs and continued cost savings to mitigate them. Q3 energy costs grew by over 60 million złoty year over year due to a steep price inflation this year, which results from the market crisis. We had been able to mitigate roughly two-thirds of this impact with savings in indirect costs, generated mostly through head count and process optimization as well as less advertising, promotional and G&A expenditures. Looking forward, please note that elevated energy prices will continue to weigh in on our profitability in Q4. However, as mentioned by Julien, we are adequately hedged for 2023 via purchases of energy from wind farms at attractive rates when you compare them to the forward prices which are currently available on the market for 2023.

Over to cash generation, on slide 13. We generated around 830 millions złoty of organic cash flow in the nine months of this year. This was 90 million or 12% more than last year. If we look on the year on year evolution, there are three key elements to this good result. First, higher EBITDA translated into 113 million more cash from operating activities before working capital. Secondly, around 200 million złoty lower net cash CapEx, including the sale of assets to our FiberCo JV. The CapEx profile in 2022 is significantly backend loaded due to the timing of mobile access network renewal, and this is visibly impacting this year's cash generation. Thirdly, working capital requirements was higher due to different timing of some payments, and also, it reflected the growth of receivables relating to much higher equipment sales this year.

Good cash generation further strengthens our balance sheet, which continues to be very solid. The financial leverage stood at 1.2 times EBITDAaL at the end of September. Obviously, this does not include the 350 million cash outlay for renewal of the existing 2.1 GHz spectrum which was made in October or the highly anticipated 5G spectrum purchase. Nonetheless, our balance sheet is very solid, giving us the flexibility needed for the turbulent times ahead. That's all from me and I hand the floor back to Julien. Thank you very much.

Julien Ducarroz:

Thank you, Jacek. So let me briefly summarize our presentation and present our focus for the next months. Our financial results for nine months were strong coupled with a satisfactory commercial performance. We are delivering growth despite more than 160 million higher energy costs to date. This was a huge effort to make and I'm very pleased that we are on our way to reach our full year objective. As we are now entering the yearly peak season, we are focused on maximizing our commercial goal. Our focus going forward is quite clear. We are working hard to adapt our business to accelerating inflation, which required action on a lot of fronts. We will update you with our effort together with full year result. This is all from us. We are ready to take your question.

Leszek Iwaszko:

Thank you. We will now be moving into the question and answer session. If you are dialed in via the phone and would like to ask a question, please press *2 on your key pad and wait for your name to be called. You may also ask a voice or text question using the web platform. So once again, if you would like to ask a question, please press *2 on your key pad or press the question button on the web platform. We have the first question coming from Pawel Puchalski from Santander. Pawel, your line is open. Please go ahead.

Pawel Puchalski:

Hello. Pawel Puchalski here. Two questions. First of all, you are, well, mentioning inflation in every second sentence. I understand that will affect your other ... differently. What will be the growth of your OpEx in 2023 assuming inflation remains at the current levels? That would be question one. And question two, I noticed the CFO said that you are actually trimming your advertising and promotion spending, so my understanding would be that you have cut in third quarter, so how much you spent below budget in quarter three because maybe that's part of positive surprises at EBITDA, or I get it wrong.

Jacek Kunicki:

Thank you, Pawel. Thank you for those questions. So maybe starting with the A&P, I think it's fair to say we adjust the A&P expenses to the market pace and to the dynamics. So on one hand, we can expect a bit more A&P expenses in Q4 versus the ones that we see in Q3, as this is the high commercial season. If you ask me if that had made the difference for the EBITDA, no. EBITDA grew in the back of a very strong performance in the direct margin and direct margin was driven up by very solid results. Well, thanks to the core services. Also thanks to wholesale services and basically, we had all major revenue lines contributing to the good performance through profitable expansion of revenues. You see that when you compare the evolution year on year and you see the quarter after quarter core services keep the very good pace of growth.

We have, again, double digit growth in ICT. We have strong performance from wholesale. This is all really contributing to our ability to post another quarter of solid EBDA growth and this is in spite of the high costs of inflation. Regarding inflation, well, this is obviously something which will impact everyone's

cost base and why we'll do the next year's guiding when we publish the full year results, when we have finished our planning and when we are able to share with you what the outcome will be or what the expected outcome will be. It's of that inflation is partly with us in the results that you see right now and it will continue to stay with us for the quarters to come. I would say first, obviously, we see that this year's costs of energy has grown a lot. As I mentioned, this was 60 million zloty above year on year, just in quarter three. So we can expect the full year total to be close to 200 million.

This will stay elevated next year. We were able to hedge this adequately but it doesn't mean that the cost will drop. I would say if we can achieve flattish evolution of cost between this year and next year, this will be something which is already a good mitigation plan. Then, obviously, we will have impact on the operating costs in other areas. We spend roughly 400 million yearly on different rentals, telco infrastructure, point of sales, offices, so on. And many of those contracts are in indexed to the previous year's inflation. So we don't see the impact of this yet. We will see the impact of some of those contracts hitting the profits of next year. Obviously, not all energy can be hedged, so electricity, yes. We spent few tens of millions on gas, central heating and so on and other utilities, such as cleaning, sewage, etc.

And this will be growing in line with inflation. So you can see that there is I would say, additional factors that will be visible in the future and this is why it is absolutely key for us to maintain a very rigorous stance towards costs and to have new initiatives being launched. Julien mentioned subleasing the offices. I think there is a wide transformation of the real estate portfolio that we still are in the progress of making. But it's also key for us to maintain the value strategy and to make sure that we are able to keep up with the pace of growth of the cost base by adequately adjusting the ARPO and pricing levels. But for the final outcome of those, you will need to be patient and wait for us to come in with the guidance in February.

Leszek Iwaszko:

Next question came to us through text. It's a question from Jakub Viscardi from DM BOS. The question is, what would be OPL's net debt at the end of Q3, including proportionally consolidated net debt of FiberCo?

Jacek Kunicki:

It's a good question. However, we don't consolidate the FiberCo, so I would say the FiberCo is an independent company, a co-controlled company, and it has its own credit facility, a non-recourse credit facility. It has its own policy of serving wholesale customers, both OPL, but also other operators and I do believe over time we will see that more and more operators will become significant clients of the FiberCo. And its business case is built and realized based on the explicit assumption of sustainability of that entity. And so since there isn't any recourse of the FiberCo debt to OPL and we do not consolidate its EBITDA, I don't think it's a good measure to compare the net debt or any proportion of net debt of the FiberCo to the EBITDA of Orange Polska, because please do remember that we do not include the flows that the FiberCo is achieving on its serving the wholesale customers.

Leszek Iwaszko:

We received three questions by text from Konrad Ksiezopolski from Haitong. The first question, having in mind recent changes in your product pricing, what level of ARPU growth would you expect within two to three quarters, next two to three quarters, having in mind so far it grows at mere low single digit pace and hard to say it reflects recent price increases. This is the first question. Then the second question is about equipment sales. Could you explain what particularly stands behind strong equipment sales? Is it a result of customer demand or rather a result of inflation? Also, could you comment on profitability of equipment sale? If possible, what is it now versus what it was two, three quarters ago?

Jacek Kunicki:

Okay, thank you for those. So starting with the ARPUs, it's fair to say we're happy with the ARPU growth that we are achieving so far, and generally, the commercial equation is that we're happy to combine simultaneously growth of the ARPU and growth of the customer base convergence and mobile, in fixed broadband. And these are healthy dynamics. When you look on the level of the ARPU growth, it is single digit. It has slightly decelerated, but as I mentioned, it's due to the growing comparable base last year and this is also linked with the post-COVID roaming recovery that we've been observing since H2 of last year.

Now, obviously, when you are analyzing the ARPU drivers going forward, there is the impact of the previously made price adjustments through the more for more strategy, which obviously over time is progressively decelerating, it is fading away. And then you have the future impact of the pricing adjustments that we have done this year through the more elements of the more for more strategy that you have seen. It is visible through the recent, yesterday's change of the mobile pricing. We've changed the pricing of Orange Love in Q3. We've changed the pricing of some of the prepaid tariffs. We've introduced the additional fee which is going to apply after the end of the contract. And so all of those elements are there to sustain good ARPU dynamics and to enable us to continue to grow ARPU and customer base in the future at a satisfactory pace.

Now, obviously, the level of growth of the ARPU will depend on the pace at which we will monetize and which we will implement those price adjustments. But looking at the patterns of customer usage, I do believe that customers will like the new tariffs, they will enjoy the different possibilities that we are giving as these tariffs are not only providing us with an additional ARPU, but they are giving more benefits for the customer. So let's wait and observe but I am hopeful that we will be able to have satisfactory ARPU trends over the future. Julien, you wanted to comment equipment?

Julien Ducarroz:

Yeah, also on equipment, I would say if you follow the market, the total market, we cannot say obviously that there is a specific boom, as there is always related to one particular brand launch. I will say a little boost when it happened toward the end of Q3, but I would say it's our good offer. We had a special combo during summer which is helping to boost the performance and as well, I think an over-

performance within the market of equipment that is growing to a single lower digit as you know. So I do believe when the full result of Q3 will be available, you will see that our performance was better than the rest of the market. I don't think obviously given the economical context we can expect a big boom as a category of equipment beyond some one-off, like the launch of a new expected brand.

Leszek Iwaszko:

The third question from Konrad Ksiezopolski about ICT. So could you comment how changed profitability of ICT revenues in Q3 2022 versus a year ago?

Jacek Kunicki:

Okay, thank you for this question. Well, I guess what we have in ICT is that its margin overall, it varies from one company to another. It's not a consistent, I would say, block of services. So we have services like hosting colocation, which are with a high variable and a high direct margin because they do involve some CapEx like data centers. We have IT companies or two IT companies, again, which we deliver quite good margin in terms of percentage wise. We have Integrated Solutions, which has been dropping in the margin viewed as percentage of sales because we are reselling a bit more licenses there. This is a company that had to adjust to a rapidly changing demand as the traditional wave of services and orders from the public sector has shrunk over the last two years and they have adjusted wonderfully to be able to grow their EBITDA and to be able to sustain very good dynamics.

So when we are thinking, "Does this imply that our ICT subsidiaries are ... they have unitary margins a bit lower than in the previous year?", yes. However, we see that in all subsidiaries, we have a growth of the direct margin and a growth of the EBITDA and so this is definitely positively contributing to the EBITDA of Orange Polska and it basically reflects a different product mix where we are simply adjusting to a changing demand from the public sector, more demand from a lower unitary margin. But it gives us an opportunity to grow revenues dynamically and to achieve contribution positive direct margin positive EBITDA from this. And so this is again helping Orange Polska. We need to remember Orange Polska has a large cost base which is fixed cost base. We have then quite a high operating leverage. So in ICT, with every millions of złoty of additional EBITDA, this is really helping the overall picture.

Leszek Iwaszko:

We have a voice question coming from the line of Dominik Niszczyński from Trigon. I think your line is now open. Please go ahead with your question.

Dominik Niszczyński:

Good morning. This is Dominik from Trigon here. So my question is on your KPIs, because when I look at 3Q, I actually do not see a big impact of Play and UPC convergence offer. You actually had more convergence clients added in this 3Q than last year. So after a couple of months, can you please comment on how do you see the impact of their offer on the market and on your commercial performance because you have definitely week to week data, so if you could comment on this. And the

second short one is on leasing. You mentioned twice about subleasing of your office space. So do you have any agreements already or maybe it's just a plan? What's the size of these agreements? Thanks.

Julien Ducarroz:

Thank you for the question, Dominik. So on the UPC and Play, obviously, I'm not in a position to comment on their result, but as I stated, we do see our commercial result strong. You mentioned the improved performance, so we see our net adds being the result of gross adds and churn aligned with our plan. So indirectly, at least from our perspective, we are delivering what we said despite what you commented of potential change on the market. I think you will conclude when they publish the result but on our side we are satisfied with our commercial performance in both an economical context that is not easy and as well, competition that is obviously looking after convergence following some move they did.

On the leasing, well, we don't have yet I would say an agreement in place. We are just preparing and it will be one floor in the main building of the headquarter. I think we wanted to mention that more symbolically because financially, at the size of our property cost it will not be a game changer, but we just wanted to highlight some of the initiative and probably when we meet again or later on, we will disclose a more initiative in this direction of trying to decrease our cost. Obviously, this is not at the expense of the employee experience or the employee comfort. This is more as a result of our new ways of working and our assessment of what is needed, capacity or floor size, to accommodate our policy, which is two days in the office per week. And we will provide more detail but again, financially don't look at it as a key initiative of 2023 to mitigate the inflation, but more as one of the many initiative we are currently preparing to mitigate the cost increase in 2023 in the area of rent and facilities.

Dominik Niszczyński:

Okay, thank you.

Leszek Iwaszko:

Okay, next question that came to us via text from Marcin Nowak from IPOPEMA. Regarding price hikes from yesterday, aren't you afraid that due to terminating the lowest postpaid plan, there is a risk of more price sensitive customers moving away from postpaid to either prepaid or sub-brands?

Julien Ducarroz:

Okay, thank you for the question. Well, I think the answer is part in the question in the sense of, for us, it was both a readjustment internally between our portfolio, but as well, a confirmation of what we said that we want to continue the market repair and the more formal strategy. So for our core portfolio, which is Orange brand, we wanted to step up the entry price and then, as you said, Orange is quite strong with other brands like Nju or prepaid and to some extent as well Flex, that is performing very well. So I would say our repositioning is both a portfolio repositioning to have a clear distinction between the different product, Orange Nju and prepaid, but as well, our belief that we shall continue to

adjust our pricing in the direction of the more for more and the market repair, especially in those time of higher inflation. And yes, it's risky. It's risky but we believe that's the way to go. Considering the impact that we see on the cost, we do believe it's a right move.

Leszek Iwaszko:

We have a follow up question from Pawel Puchalski from Santander, your line is open. Go ahead.

Pawel Puchalski:

Hello again. You also published different communique today stating that you will lease one million fiber households network to Play. Is this agreement including an early bullet payment from Play, or they would only pay as they connect those clients? Can you give me some more light on this agreement?

Jacek Kunicki:

Well, Pawel, thank you for the question. We will not comment precisely on the contents of the different agreements, but I think it's a very valid question because it raises the light on us being disciplined in executing the strategy that we have for wholesale. When publishing the growth strategy, we mentioned that wholesale is one of the lines of business that we intend to develop a little bit more dynamically and you see that we are putting this into actions. Yes, we will have more fibers that will be leased to operators. Yes, we have done the FiberCo.

I think this current news is important because it's a serious player on the market that is going to ... it is a wholesale client for us. And I do believe that it's good for the market. It's also good for us and the level of both pricing and margins that we have historically and that we do believe we will also be able to get in the future in wholesale is on a satisfactory level, and it's good to balance the value creation by having a strong presence both on the retail fronts in B2B, in B2C, including ICT companies, but also to have a strong presence on the wholesale market to be a credible player that can serve indiscriminately other operators and that we are in many areas in a unique position to provide those services.

This enables us to monetize our infrastructure. It enables us to get additional margin. I think it also is good for the industry and for the economy overall because it prevents too much of overbuilt and so this is definitely the route that we are pursuing, we are going to pursue and we're satisfied and happy with the development. So it's an important landmark in implementing the grow strategy and we will see more moves like this and more margin coming from wholesale as a result of such actions. But cannot comment precisely on the agreement. You appreciate that.

Leszek Iwaszko:

We have a question from Wojciech Knapp from NNLife Pension Fund. Wojciech, if you'd like to ask the question on the voice, please go ahead. Your line is open.

Wojciech:

Okay, thank you very much. I thought that I send it by typing it. I would like to ask a question about cable and fiber Play's infrastructure. Do you have the same agreement with them if you can use this infrastructure or not?

Jacek Kunicki:

Can you repeat your question? I'm sorry.

Wojciech:

Do you have the same kind of agreement as Play has with you, so you can use-

Jacek Kunicki:

So Wojciech, thanks for the question. Basically, as you know, for quite some time, we are pursuing the strategy of using third party, using access to third party networks as a good supplement to the own fibers that we have deployed and we have now a substantial footprint which is on a third party infrastructure. It's also a substantial customer base that we have on those infrastructures and then we are gaining on those infrastructures. However, what we do is we target the pure fiber infrastructure. So as of today, we haven't been selling our fiber FTTH services on coax infrastructure. And so while we are interested and openly interested in selling our FTTH services on FTTH infrastructure, we have not so far gone as far as to sell fiber to home services on coax infrastructure.

Wojciech:

Okay, thank you very much. Thank you.

Leszek Iwaszko:

One more text question from Jakub Viscardi from DM BOS, about PPA contracts. Will your new PPA energy contracts enter into force already in Q4 2022, as signaled previously, or in 2023? As a result, should we expect decreasing pressure on the energy cost in Q4 2022 quarter on quarter?

Jacek Kunicki:

Thanks for this question. The answer is, we expect it now to enter in Q1 of next year. And so we are looking at Q4 still with elevated level of pricing for the energy purchase. Well, obviously, we've secured some of the volumes but it's not yet fully covered by the renewable energy contracts. One of the contracts has experienced some delays in its implementation and so we do expect that it will start from the first quarter of next year.

Leszek Iwaszko:

And again, a follow up question from Marcin Nowak from IPOPEMA about the news from today about the Play deal. Play deal concerns only areas where Orange is required to grant wholesale access. Why

not regulated areas were included in the deal? Is Orange willing to grant access to third parties to own network in unregulated areas?

Jacek Kunicki:

Thank you for this question. Yes, it does include regulated areas and also the areas that we have developed through the use of the EU fund's so-called POPC digital programs. It's not including the unregulated areas. Generally, when we are thinking about wholesale strategy, we are thinking about grant while being much more open that we have been before in the granting the access to other operators. Now, when it comes to the non-regulated areas, it's each time a question of individual agreements, conditions that we are able to reach with the operators or not. So on this part, I don't have much more to comment. It's not that we are totally unopen for this, but nothing to share with you as of today. We will keep you updated if anything changes in this domain.

Leszek Iwaszko:

It appears we have no further questions, so I would like to close the call and thank everyone for their participation. If you have any follow up questions, please do not hesitate to contact us directly. Otherwise, thank you again and have a good day and see you back in February next year. Thank you.

Jacek Kunicki:

Thank you very much.