

# ORANGE POLSKA

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## CONFERENCE CALL ON ORANGE POLSKA OPERATING RESULTS FOR THE FIRST HALF OF 2023

### **Leszek Iwaszko:**

Ladies and gentlemen, thank you for standing by. And I would like to welcome you to Orange Polska conference call summarizing Q2 and H1 of 2023. My name is Leszek Iwaszko and I'm in charge of Investor Relations. At this time, all participant lines are in a listen-only mode. The format of the call will be a presentation by the management team, followed by the Q&A session. Speakers for today will be Julien Ducarroz, the CEO of Orange Polska and CFO Jacek Kunicki. So now I will pass the line to Julien to begin the presentation.

### **Julien Ducarroz:**

Good morning, ladies and gentlemen. Welcome everyone on our conference summarizing second quarter and the first half of 2023. Let me start with the key messages on page 5. I'm pleased to say that our performance in Q2 maintains its good momentum. Our commercial performance was solid given market conditions and our focus on value. I'm especially pleased that ARPO dynamics has improved in Q2 in all key services. This is our special focus. We have further intensified our value strategy in the recent weeks. Our financial results in Q2 were very good across the board. Once again, thanks to excellent performance of our core business, we managed to mitigate inflation impact on our operating costs. Let me highlight particularly strong ICT revenues this quarter, which were boosted by a few projects in the public sector for digitalization of health institutions. This is a good demonstration of our wide portfolio of our competencies, and diversification of our revenue. Our green agenda moves forward as planned. As we now secure source majority of our energy needs from our wind, our CO2 emission reduction has accelerated. As you know, in June, telecom regulator finally announced long-awaited 5G auction in C-band spectrum. Obtaining the license will be a milestone for our business and will unlock new growth potential that we will benefit from in many years to come.

Let's look at the next slide. Our performance in the first half of the year has demonstrated that we continue to successfully execute our .Grow strategy. Our financial results were excellent. Revenue increased more than 6%. Apart from consistent around 5% growth of revenue from core telecom services, it is worth to mention impressive more than 20% growth in ICT and equipment. Equipment reflects shift in the customer demand to more expensive models and our attractive financing offer. In ICT, we were pleased to finally see some rebound in the demand from public sector. I already mentioned eHealth projects/ supporting us in Q2. More than 4% EBITDA growth is a remarkable achievement. It is, despite the environment is challenging due to high inflation. Importantly, growth was generated by direct margin. This is healthy structure of growth confirming our strong fundamentals. I'm pleased to say that on the back of this strong H1 result, we have upgraded our full year guidance for revenue and EBITDA. H1 eCAPEX were in line with our plans. It reflects higher year-on-year level of investment and very high proceeds from disposal of asset which were also very good in Q2. So I'm confident that 2023 will be the

third consecutive year of growth into our strategic plan.

Let's look at our commercial activity on page 7. Our commercial performance in Q2 reflected continuous solid customer demand, our focus on value and intensive market competition. Growth of convergent customers maintained its solid steady level from previous few quarters. It confirmed that customers appreciate the quality of our multi-service offer. In fiber, we continue to generate healthy growth of customers reflecting that the landscape on the broadband market has changed over the past year. Larger number of players is a natural consequence of market development largely in the open model. But we are also benefiting from that through our stake in Fiberco. In mobile, Q2 net additions were better than in Q1 on the back of our recent commercial actions. On the slide, you see comparison with Q2 of the previous year where growth of mobile customers was exceptionally high due to the demand from Ukrainians. And I am especially pleased that growth dynamic at ARPO improved this quarter in all key services. It's now growing faster in convergence, fixed broadband and mobile. In convergence, growth is now more than 4%. It is a consequence of past price increases not only in convergent but also in mobile. Please note that on average convergent customer is close to two SIM cards. So, hikes of mobile only tariffs also impact this incremental mobile services and contribute to convergence ARPO growth. We have as well a higher share of fiber in our base and an increased popularity for higher speed which drive up the ARPO. We have seen a 4% point increase of the higher speeds tariff plan. So, our various value initiatives are increasingly rolling into our customer base. On top of that, we launched new initiatives recently.

Let's look in greater detail on the next slide. Value strategy is a key factor to grow ARPO and protect our profitability in times of high cost inflation. We have several levers to implement it. Let's review the key ones. We have actively pushed the more for more strategy in Poland since 2018. On the slide, you see some two examples of the increase of price point since we launched .Grow strategic plan in mid-2021. They are always accompanied with additional benefit for the customer, more data, more content and new services like cyber protection. Recently, we have complemented our value strategy with two additional elements. Firstly, if the customer does not want to renew loyalty contract, the price automatically go up by 10 Zloty a month. We introduced it to newly signed contracts in September of last year, so it will give us increasing benefit in the future. Secondly, in June this year, we have implemented CPI clauses. We decided to apply it to customers who have the CPI clauses and are out of loyalty contract. It affected a very limited number of customers in 2023, but the number will grow in time. This specific mechanism is a kind of insurance policy for us in case of inflation was to stay at a high level for a longer period.

Let's zoom now on the green topics on the next slide. When presenting our full year result, we told you that in 2023, we will strongly reduce our CO2 emissions in scope 1 and 2 due to high level of contracted wind energy. After H1, this is happening. With almost 75% share of renewable energy, this emission dropped by 65% versus H1 last year. We are on track to reach our strategic goal in 2025. It is important to note that we not only cut it because we have more wind in the mix, but we also continue to optimize our consumption. It dropped another 3% year-on-year in H1. It all greatly contributes to much lower growth of energy costs this year and make

our business cleaner and more friendly to the environment. As one of our PPA is a short term, we are now actively looking for new opportunities to contract more renewable energy for the future. We are also increasing our focus on scope 3 CO2 emissions. As these emissions are largely not in our hands, this is a more difficult task. Key two areas of priorities are for the scope 3. The first, energy used by customers to power home and mobile devices. Given the country energy mix based strongly on fossil fuels, we are working to support our customers in their energy saving efforts. For example, we have introduced more energy efficient mode to home devices. Secondly, energy in production process for the devices we sell. Here our main actions are related to increasing circularity in our business model, starting from set-top boxes and modems where we recycle already 90% of them. We are also looking into increasing buyback of handsets that we sell. That's all from me for now and I hand the floor to Jacek.

**Jacek Kunicki:**

Thank you, Julien. Good morning everyone. Let's start the financial review on slide 11 with highlights of our performance. Our financial results in Q2 were strong across the board with good growth of revenues, profitability and cash generation. The top line expanded by 5.5% year-on-year with growth coming from all key business areas including core telecom services, ICT and equipment. This drove our EBITDA to plus 3% year-on-year. Our net income in H1 improved by close to 40% year-on-year thanks to solid EBITDA, proceeds from sale of real estate and lower financial expenses. CapEx is on the low side this year, reflecting high proceeds from asset disposal and more evenly spread investments throughout the year. And finally, cash flow generation strongly improved in Q2 thanks to working capital reduction and this is at a very solid level after H1. As Julien mentioned on the back of these results, we are now more positive on the full year goals for revenues and EBITDA.

Let's review our performance in more detail starting with the top line. We're very satisfied with the revenue performance in Q2. Key drivers of the 5.5% year-on-year dynamics are largely consistent with previous quarters. Firstly, core telecom services continued their solid pace of growth, benefiting from simultaneous expansion of their customer bases and ARPUs. This is the main driver of our profitability. Secondly, IT and IS area had a particularly strong quarter, benefiting from a rebound in the demand from the public sector. Wholesale revenues have increased by 14% year-on-year as we continue to capitalize on the demand for our infrastructure. And finally, equipment revenues rose by another 15%, reflecting the shift of customer demand for higher-value handsets and also our value strategy, a trend that was already clearly visible in the first quarter of the year. The expansion of our core business was the key driver for operating profitability.

Let's look at this on slide 13. Our EBITDA in Q2 increased by a solid 3.1% year-on-year. This growth has solid foundations as it results from excellent performance of our core business. The direct margin expanded by more than 6% or 100 million year-on-year in the second quarter, translating the good revenue growth into profits. This is critical for us in the time of high inflation. Key element here is profitability of the core telecom services, which is increasingly benefiting from ARPU growth as a result of our value approach. Other important contributors are also wholesale services and equipment, with the latter delivering a particularly high margin in both

quarters of this year. Indirect costs have increased 9% year-on-year, and there are two main elements of this. First, close to half of this increase in Q2 was due to certain non-recurring developments that decreased the comparable cost base in the second quarter of last year, of 2022. Secondly, as expected, our costs were affected by inflation, mainly coming from indexation of rental contracts and rise of prices of various external services. After the first half of the year, the EBITDA is higher by more than 4% year-on-year. We are now confident that it will grow for the full year, marking the third consecutive year of growth of EBITDA throughout the strategic plan of Orange .Grow.

Now over to net income on slide 14. The net income for the first semester exceeded half a billion zlotys and increased almost 40% year-over-year. There were three key drivers of this performance. First, the solid growth of EBITDA, which we have already discussed. Secondly, more than 60% higher gain on sale of assets, as we are optimizing our real estate portfolio. Not only does this bring cash-in and net profit, but it also frees up capital for capital expenditures and reduces our recurring operating costs of running those properties going forward. Finally, 30% less net finance costs. Here, the key contributors were foreign exchange gains on the euro-denominated long-term leasing contracts, and this resulted from the strengthening of the Polish zloty. Our interest payments were flat year-over-year, as slightly higher costs was compensated by the lower amount of debt. I'm very pleased that 2023 is another consecutive year in which growing operating profitability is translating into a solid bottom-line improvement. We made major progress here in the past two years, and we intend to continue this.

Switching over to CAPEX on slide 15, our economic CAPEX in H1 was slightly lower year-on-year and was in line with our full-year plans. Higher level of investment spending was more than offset by strong proceeds from sale of our properties that we no longer use. Higher CAPEX spend largely reflects more evenly phased spending versus the one that we've observed last year. So in 2023, we do not expect such an accumulation of CAPEX in Q4 as it happened in 2022. In the structure of CAPEX, not surprisingly, mobile is gaining its share. We announced refocus of CAPEX from fiber to mobile in the .Grow plan. We have been actively preparing the network for the 5G technology already ahead of the auction. Together with the RAN renewal project that we do alongside the 5G rollout, we have already spent more than PLN 500 million on this. Much more will obviously be spent in the next few years after we receive the license, but this demonstrates that we are already quite advanced in this CAPEX cycle, and we are well prepared to launch the 5G technology services.

Over to cash flow on page 16, we're satisfied with our cash flow generation in H1, which was around 420 million zloty. This was slightly less than last year, practically for one reason, and this being more than 300 million higher payments for CAPEX from 2022, which was more backend loaded than usual, which we do not intend to repeat this year. The cash generation very much improved in the second quarter due to a reduction of working capital requirements. A quarter ago, I mentioned that we plan to extend the securitization of receivables related to sale of handsets in installments. We did the first step in this direction in Q2, and we plan more by the year end. Our balance sheet remains very sound, with financial leverage at 1.1 times at the end of June, so it does not yet include the dividend that we paid last week. This is our asset in

current turbulent times and before the start of the 5G auction. Our effective cost of the existing financing stays at just over 3%. It's because around 90% is hedged against interest rate movements at today's cost of debt that we see in the balance sheet. Important part of this hedge is due in H1 of next year, but more than 50% is hedged all the way until 2026. You can see this structure on the bottom right hand side of the slide. Of course, any new financing we may be drawing will reflect current interest rates, market interest rate environment. This is all from me. Thank you for your attention, and I hand the floor back to Julien for the conclusions.

**Julien Ducarroz:**

Thank you, Jacek. So, on our last slide summary, page 18, let me briefly summarize our present, our key focus for the next month. Our H1 performance demonstrated that we are well executing our .Grow strategy. We deliver what we promise. We are able to grow and meet or even exceed our objectives despite a challenging macro environment and intensive competition. We maintain focus on relentless execution of our commercial strategy based on value and as well our cost transformation initiatives. The most important development for us and the entire industry in H2 will be 5G auction. We are looking forward to it. In the meantime, we are preparing our network for the rollout, which we will start as soon as we receive the new license.

And to finish, as you know, I will be leaving Orange Polska at the end of August to take over leadership of Orange Romania. I'm very proud that I was part of this organization in the past three years. We have successfully developed and implemented .Grow strategy that is proving resilient for external headwinds. We have strong core business and capability to adapt to rapidly changing environment. We put green and social responsibility to the core of our strategy. I'm particularly pleased that we were in a position to return to sustainable dividend payment. I'm happy as well that my successor will be Ludmila Climoc. We are currently working on a smooth transition and I will hand over on the 1st of September. So let me as well conclude a big thank you to all of you on the call for the interesting and challenging discussions we had over the last three years. And now we finish our presentation and we open the floor for questions.

**Leszek Iwaszko:**

Thank you. We will be now moving into the Q&A session. If you dialed in via the phone and would like to ask a question, please press star 2 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 star 2 on the keyboard or press the question button on the web platform.

The first question is coming from Dmitry Vlasov from Wood&Co. Dmitry, your line is open. Please go ahead.

**Dmitry Vlasov:**

Yes. Hi everyone. Thank you very much for the presentation and congratulations on the results. I have two questions from my company this time. The first one is on the CAPEX. So what should be the total CAPEX related to replacement of remaining lead-covered cables in your network? That's the first question. And the second one is whether you see the new generation

AI as an opportunity to accelerate automation and cost optimization. Thank you.

**Julien Ducarroz:**

Thank you for your question. So on the lead cable, let's be clear on this for us. It's a very tiny part of our cable, it's less than a percent on which they are in the ground. Since 1993, that was stopped and replaced by copper and then later on fiber, which is now all what we are developing. So over the time, those cables are being removed and most of them are in a secure and closed area being duct or concrete infrastructure. So for us, this is part of the natural change of our network and we are complying to all laws in place. The second question on AI. So yes, certainly, this is something we are embracing largely in the company. And I would say that it's part of our digital transformation of the company, which AI came on top of what we were doing already since the dot one plan. And we accelerated in the dot grow around automatization, robotization of our processes. And now with a generative AI, we certainly see an opportunity to go further. And I will say as well, this is an opportunity for our very good ICT business, where we know we are a partner for the business to make their own digital transformation. So certainly we see as a new wave of growth coming in the ICT business, where Orange and its affiliate, BlueSoft, see an opportunity to step into this generative AI revolution.

**Dmitry Vlasov:**

Thank you very much.

**Leszek Iwaszko:**

Thank you. Next question coming from the line from Trigon. Dominik Niszczyński, your line is open. Please go ahead.

**Dominik Niszczyński:**

Hi, good morning. Dominik from Trigon here. So two questions from me. The first I would like to ask about your fiber clients. So there was a slowdown in terms of new additions of clients in the second quarter. Do you attribute it to more aggressive offer of Play and UPC and maybe to more competitive pressure from other players? And what do you expect in the upcoming quarters? Do you expect to return to like this 50,000 new clients or it's kind of beginning of some slowdown here?

**Julien Ducarroz:**

Yeah, thank you for your question. So yes, I do confirm the number that we have seen a slowdown compared to last year. I would say it's a mix of drivers that I will describe. So the first one, and I mentioned in my comment, this is, as you know, if we compare to last year, I would say the open market model of infrastructure is more present than it used to be a few years back. If we look at the topology of the new build, which is a fishing pool in which you convert into a growth size of fiber, there is much more open infrastructure coming from the completion of the previous POPC, you know, the infra players that continue to build. You're very well known that we switch our model as of last year to an open model as well when it comes to a new build. So we are, I would say, fishing in the same pond as the rest of the market. So naturally, there has been a slowdown. You mentioned as well Play and UPC and we know and you know on the

market that for them it was their official, I would say, rebranding or I would say to continue on the Play and they made a good offer both on their mobile subscriber and as well on their fixed provider of UPC to get the second leg. So either the mobile or the fixed. You probably notice as well that our new commercial, we focus more on fiber. So we do agree that there has been a slowdown. But equally, as you know, that we focus on value, but at the same time, we continue to push for it. And I think our latest commercial is showing that we want to keep our leadership in this area. But I do expect that in the future, the market is more open, but as well, we have a stake in Fiberco. So when there is a connection coming from third parties on our own infrastructure, we benefit partly to it. So I think, you know, it's part of the plan and we are very happy with the growth of ARPO. And as you know, the game of volume and value is an unstable equilibrium that we have to maintain. And so far, I think that's what we demonstrated in H1 and we plan to accelerate in H2.

**Dominik:**

Okay, thank you. Yeah, actually, we saw this wholesale revenues, as you mentioned on slide 12, that are also growing. So this compensates the retail sector. The second question is about agreements for indefinite periods. So we have a lot of clients still on these agreements. They are lagging in terms of ARPO growth, I guess. They pay much lower fees than your average client. And we understand that you introduced this price hikes after two year contracts expiry. But it was only starting from the year 2022. So the question is, what's your current strategy to move this group to higher tariffs? And do you expect that this group is getting smaller in the next quarters?

**Julien Ducarroz**

Yeah. I mean, our strategy is throughout portfolio. And while those customers might have, some of them, a lower ARPO coming from the back, as you know, the market and orange has started more for more. And what, as well, we said was a market repair to increase the prices. So those who joined way back are obviously on the lower one. But equally, what we have been doing in our more for more strategy was to offer more content, more data. And lately, the cybersecurity. So I do expect that in the future, and this is what we are working on, that those customers, especially if they will upgrade their handset, they will come back and we contact them regularly to upgrade. And once they have upgraded or make a new contract, they will have the clauses included and their tariff will be higher. And I think the demonstration on the ARPO growth is showing that the machine is working. But it's a machine that will take time to unfold on the total base. So it's not over the night that we have done this increase. And honestly, if we continue at this pace, we will be very satisfied in terms of growth, because this is going in our direct margin and this is supporting this sustainable growth that we have put the company back on since we started .Grow strategic plan.

**Jacek Kunicki**

And I would say, Dominik, that, you know, even if you look at the free to go base, the base that is outside the loyalty contract, it is a rolling base. You always have this base, including some clients that have just fallen out of loyalty contracts, while clients that have stayed on very old contracts have a tendency to renew their contract with us. Because if you look on the current

offering that we have, you know, the 55 zloty tariff plan, it includes 30 gigabytes of data. If you were to compare this to a plan, I don't know, four or five, six years ago, it was probably 10 gigs of data, maybe seven gigs of data. And this is, you know, the evolution of the average consumption and the speed and the use means that it's no longer sufficient for customers and they will want to renew. It's a natural tendency that they need to renew to be able to have, well, the value that they need. And this is the point in time at which they will also switch to the current market pricing for the value that they want to pay the value that this is being sold at. So this free to go base is naturally evolving because of the handset, but also because of the growing needs of the customers for data, for content, for security and for other features that are part of our offering.

**Dominik**

OK, great. Thank you for your answers.

**Leszek Iwaszko:**

Next questions will be coming from the line of Paweł Puchalski from Santander. Paweł, your line is open.

**Paweł Puchalski:**

Hello, can you hear me? OK, congrats on the results and on ARPOS, first of all. Well, my question, number one, would be on working capital. It was quite erratic in first half of 2023. What should we expect at working capital in second half? Strong positive, strong negative, neutral. That would be the question number one. Shall I ask all the three questions or?

**Julien Ducarroz:**

Yeah, go ahead.

**Paweł Puchalski:**

OK, the other question would be, you mentioned 5G auction and 5G rollout. So assuming auction is finalized till December 2023, what would be your e-CAPEX, including 5G rollout in years 2024-25? That would be the second question. And the third question, while we all appreciate an upgrade of your top line and EBITDA guidance, in my opinion, much more important would be info on dividends. So would you say that if Orange Polska net debt to EBITDA ratio is at or below 1.5 at year 2023, you would increase your 2024 dividends per share?

**Jacek Kunicki:**

Thank you, Paweł, for those questions. So I will start with the working capital one. And here I wouldn't call the working capital being erratic. So we will have a different definition of this. But if you look at the absolute number of the working capital, rather from the balance sheet perspective, and you take a look at more than Q1, Q2, but also the H2 of last year, it was actually built up, working capital, because we have started to sell more handsets, more valuable handsets. And we are making very good revenues and profits on the sale of those. Now, we sell those mostly in 24 or 36 month installment contracts, while obviously our payment conditions

towards the suppliers are standard ones without a long-term installment plan. So that requires working capital. And this is why working capital is on an elevated level. If you were to ask me, you know, to judge the balance sheet position, we have improved this in Q2 by extending the scope of the factoring. We're working to make sure that we further reduce it in H2. So in short, the plan is to further reduce working capital in the second half of the year. But, you know, it really does result from very healthy growth of the business that is delivering solid profits. Then going to the 5G CAPEX plan. So as you remember, when we presented the .Grow strategy two years ago, we indicated that the CAPEX for 5G rollout, but also together with the renewal project that we need to have on the radio access network, should peak in the year 23-24 at the level of roughly 400 million to half a billion yearly. That was the plan. Obviously, this was delayed because the 5G auction was delayed. And so this shifts to 24 and 25. OK. Nonetheless, you know, we reiterate the CAPEX estimates provided in the strategic plan guidance. So that definitely, you know, confirmed for the years 21 to 24. On the other hand, what I think we should note is we've been actively preparing the network for the 5G rollout, for the RAN renewal. And from 2021, if you are to look at the CAPEX spending until the end of this year, so the CAPEX 21, 22 and full year 23, we will have spent close to 700 million on this already within, you know, by the end of this year. So what we estimate that we will spend another, let's say, 1.1 billion over the next three years for the project of 5G rollout plus the RAN renewal. And I think this will peak in the year 24-25 as we wish to launch those services as quickly as possible to roll them out, to ensure the coverage and the quality with a much lower amount in 26. I think this demonstrates that we're already quite advanced in this CAPEX cycle. While we have kept eCAPEX at the low end of our guidance right now, we did guide for 1.7 to 1.9 billion zloty on average guidance during the dot grow plan. And we are significantly at the low end. And I think, you know, regarding the CAPEX going forward, we stick to the usual practice of guiding in February for the exact CAPEX of the next year. So I will not guide right now exactly what will be the CAPEX for 2024. Then, I think, you know, regarding the dividends, I would say, first of all, we're happy to have been able to first reinstate the dividends and then to have been able to increase it this year, from last year to this year by 40%. So I think that should really underscore our long-term commitment to remunerate our shareholders. That's my first point. In detail, we always make a decision about the dividends in February, when we summarize the previous year's results and we recommend the dividends to be paid out of those results. Obviously, we will need to wait until February for the decision regarding the management's recommendation on this. It's not an exact topic for today. Our policy remains unchanged. So the 35 grosz that was paid this year out of last year's results remains the floor. And we will always look for the financial projections regarding our ability to deliver operating profitability and organic cash flow going forward. I think this is important. And that's why we're happy to be making progress on this year after year to be able to deliver growth. But we will take a look at that again in February when analyzing the decision. And obviously, the second item is the structure of our balance sheet with the long-term leverage corridor that we wish to have between 1.7 to 2.2 times net debt to EBITDA. We can clearly see that right now we are below this level. We are ahead of the 5G auction. And we always need to take a look at the at least two or three-year horizon to have the longer-term vision of where this leverage might be. But these will be the key metrics that we will take a look at when deciding the dividends. And I repeat, we are committed to share the good results with our shareholders. And we are happy to have been able to first reinstate and

then increase the dividends that was paid this year out of last year's results. But you know the mechanisms. You know the logic that we follow. Now I think we need to patiently wait for the outcome of the auction, patiently wait for us to deliver the results of this year to give you the guidance for next year. And then to make a decision about the specific dividend decision that we will take and communicate in February of next year.

**Pawel Puchalski:**

Thank you. Thank you very much.

**Jacek Kunicki:**

You're welcome.

**Leszek Iwaszko**

Next questions will be coming from the line of Nora Nagy from Erste Bank. Nora, your line is open.

**Nora Nagy:**

Thank you. Hi. Thanks for the presentation. Two questions from my side, please. Firstly on the guidance, we saw a pretty solid first half performance for both revenues and EBITDA. But your upgraded guidance reflects some slowdown of the trend in second half. What are the drivers behind it? And secondly, could you please share with us the outlook for the IT segment? Apart from AI, what we've just heard a couple of minutes ago, can we also expect further public IT projects to come this year? Thank you.

**Jacek Kunicki**

Okay. Thank you for those questions, Nora. I will take the first one. I will let Julien comment on the last question. I think regarding the guidance, in short, we can clearly see that when we started the year, we had a lot of uncertainty, you know, vis-à-vis first, what will be the inflation impact? How stable or unstable will be the economy and the hard landing? How will the business sector perform? Some of those fears have materialized, like inflation, but we've been really good and successful at outgrowing the inflation by good commercial activity that is visible in the direct margin. And the upgrade of the guidance that we wanted to make was to reflect this and to let you know that we are clearly aiming for growth of revenues and for growth of the EBITDA. Then you may compare it to H1 or to Q2 or to Q1, which was quite spectacular in terms of also the non-recurring nature of some benefits in Q1. But the overall message that we want to send you through this guidance is that we are confident to achieve growth of revenues and growth of operating profitability. And this is what we wish to share with you today, that the growth is out of the question. It's being confirmed by good trends and good outlook for the second quarter of the year. You always find challenges that lie ahead. We always find revenue lines or parts of business which are not fully recurring, like equipment sales or like ICT sales, which are not in nature a subscription-based services. So, you might call us being a bit cautious, but the underlying message that we wanted to give is we're clearly aiming for growth of both top line and the operating profitability.

**Julien Ducarroz**

So, on ICT, as I commented, first of all, very strong results in H1, supported as well by some special projects. We mentioned eHealth, but we had other projects as well. As Jacek said, this is not a subscription-based model, and we are sometimes dependent on either public funds or special projects. So, this is very hard to forecast. Nevertheless, the track record that we have in ICT is showing that we have constantly delivered double-digit growth in this area, and we don't see that slowing down. The need of digitalization is very much present on the market. As I mentioned, I do see and share with the leadership in our ICT company that generative AI is clearly a new wave of growth, and we see a lot of demand from our clients. First, to have an assessment, and potentially later on to develop a solution. So, this is something we are building. We are training. We are hiring people with those skills. And as you might have seen in the last month, there was a Computer World publication for the ranking of the IT and ICT domain in Poland, and all our affiliates have been ranked in the top of those tables. However, what you see as well on this market, it's a very fragmented market that the leader is having a few percent market share. So, this is as well an area that we are continuously looking, as we stated in our strategy, that we are open for M&A still on ICT, as well as we are in the small cable operators. And this is two areas that obviously our P&L and balance sheet is allowing us to look at, and we are looking currently, and we will update you once we have a conclusion. But clearly, as we stated in .Growth, this is one of the strongest engines of growth we have in our plan. And we see we did the right choices in the past to acquire BlueSoft Craftware, and we do wish to grow them, but as well to look for additional opportunity if they are relevant and sustainable for our business.

**Nora Nagy:**

Thanks very much.

**Leszek Iwaszko**

Our next question will be coming from the line of Rohit Modi from Citi. Rohit, your line is open. Please go ahead.

**Rohit Modi:**

Hi, thank you. Most of my questions have been answered. Maybe just follow up on the fiber market. As you mentioned, there has been a lot of overbuild in the fiber market. Does that change your CAPEX envelope, CAPEX targets for both, for group and as well as fiberco for in future? Secondly, does the overlap also open opportunities to co-invest in the areas where you don't have fiber? Also, is there an opportunity for M&A in the fiber space? Thank you.

**Julien Ducarroz**

Yeah, so thank you for your question. So I think, I mean, for me, the point I made on the fiber is not so much the overlap, but is more if we look at the new build that is coming on the market, the share of the new build that is offered in an open model, whether by fiberco type of vehicle like our or from our competition. But as well, infrastructure company such as Nexera, Fiberhost, the share of those new build are obviously much more coming from those type of infrastructure, which by definition being newly investment and by financial vehicle, they are in a low

competition area. So the overbuild is not the main issue. And you touched as well a second point on, so there was the overbuild of the fiber and the second part of the question.

**Jacek Kunicki**

Question, CapEx guidance, but the CapEx guidance that we have both for this year is intact. We confirm it. And the same for the long-term guidance of the Orange.Grow, which was 1.7 to 1.9 on average between 21 to 24. We confirm it. And after two years, it was clear that we are heading for the lower end of the guidance. It's also clear, taking into account the guidance that we have for this year that, well, because the 5G option was delayed, we will be heading for the lower end of the long-term guidance. So this is absolutely secured from our perspective. Thank you.

**Rohit Modi:**

Thank you.

**Leszek Iwaszko**

Thank you. It appears we have no further questions on the line. So thank you very much for the call and enjoy the rest of the summer and see you back in October. Bye.

**Julien Ducarroz:**

Thank you. Bye-bye. Have a nice day.