

# Orange Polska

## CONFERENCE CALL ON ORANGE POLSKA'S RESULTS FOR THE 3Q OF 2025

### **Leszek Iwaszko: Head of IR**

Good morning. Thank you for standing by and let me welcome you to Orange Polska Q3 2025 Results Conference Call. My name is Leszek Iwaszko and I'm in charge of Investor Relations. The format of the call will be presentation by the management team followed by Q&A session. Unfortunately, our CEO Liudmila Climoc couldn't join us today due to urgent private matters so the sole speaker will be Jacek Kunicki CFO. So, I'm passing now the floor to Jacek.

### **Jacek Kunicki: CFO**

Good morning. I'm pleased to say that the third quarter was very successful for Orange Polska. The success is rooted in our strong operating performance. We've achieved very good commercial growth especially on the consumer market where both the customer bases and the ARPOs have increased at a healthy pace. Our wholesale line of business has delivered more revenues and more margins. This comes as a result of new business that is monetizing our fiber infrastructure. It will generate more value over the course of the next few years allowing us to compensate some large wholesale contracts that are due to end in 2026. This should remind us that wholesale is our strategic asset complementing our retail operations and reducing our risk profile. Successful commercial activity is the anchor of the Lead the Future strategy and our value creation. After nine months of 2025 we're pleased with the developments in this area as they lay a solid foundation for the strategy going forward. This performance has translated into strong financial results and let's take a look at these on the next slide.

I'm pleased with the financial results of Q3. We have increased revenues profits and cash generation. Revenues were up by a steep 9.3 percent year over year including a spike in IT&IS sales and also a strong consistent contribution from the core telecom services business. This solid expansion of the core business combined with cost discipline drove the Q3 EBITDAaL almost three percent up year over year despite a demanding comparable base. We're really happy with this result. Our e-CAPEX has amounted to just over 1.1 billion zloty year-to-date. It is at a comparable level to the same period of last year and it is in line with our full year plans. Its quarterly evolution reflects different timing of CAPEX between the two years. Following a stronger Q3 the year-to-date level of organic cash flows is also stable year-over-year. This reflects higher cash from operating activities driven by the EBITDAaL expansion which compensated for less proceeds from real estate disposal. My takeaway from this is that robust Q3 results give solid support to a full year prospect. After nine months of the year, we're confident to deliver on our 2025 objectives and to create further value for shareholders. Let's now take a look at the commercial activity in more detail on the next slide.

It came very solid across all core telecom services. What particularly stands out this quarter is mobile. The net customer additions have exceeded 100 000 and were at their highest in more than four years. As you may recall our B2C strategy is focused on reaching new households not yet using Orange Polska services in order to unlock their growth potential for the future. We're pleased that it is bearing fruit, and we are enlarging our customer footprint. The robust growth of the customer base was coupled with an increase of the mobile ARPO, a slight improvement versus the trend observed a quarter ago. This comes due to a strong ARPO development in the main consumer brand, partly diluted by an increasing share of the B brand customers in the overall customer base. Growth in convergence and fiber was solid, consistent with previous quarters and in line with our strategy. It was a combination of 5 and 13 percent growth of their respective customer bases and a solid three to four percent uplift of the average revenue per offer. In spite of fierce competition in fiber we are successfully competing in the local battles and growing well by addressing our customers need for higher speeds and for more content. Commercial growth is essential for future value creation and these results demonstrate that we have the right commercial strategy to prevail in the core telecom offering. Let's now take a look at how these translated into revenues.

Our Q3 top line dynamic was exceptional, about nine percent growth year-over-year. It reflects three main developments. First, an exceptional hike of the IT&IS sales. Second, a consistent growth of the core telecom services revenues. And third, the accelerated dynamics of wholesale. Let's now review them one by one in a little bit more detail. The IT&IS revenues went up by an extraordinary 47 percent in quarter three. The key driver of this performance was resale of software licenses. It is a tool to create future upsell potential, hence despite the large top line its immediate contribution to profits was negligible. Nonetheless, looking at this development and also at other wins in our pipeline, we are now more optimistic about the future prospects for the growth in IT & IS

revenues and profits. What is most important in our top line performance this quarter is that revenues from core telecom services grew by six and a half percent year over year, repeating their strong and consistent dynamics. You've seen the drivers of this growth, robust increase of a customer basis and solid ARPO developments. Finally, the third factor, wholesale. Its growth has accelerated on the back of first revenues coming from the new fiber optics backhaul business that I mentioned earlier on. It is a multi-year business development, and it gives us a solid baseline also for 2026 and beyond. We anticipate to further grow the value of our wholesale line of business activity in the future. To sum up on revenues, after nine months of the year the top line growth exceeds four percent. Revenues from core telecom services are delivering a rock-solid performance this year, supported by robust net customer additions and ARPOs. And three, the new business in wholesale significantly boosts its future prospects, once again demonstrating the value add of this activity to Orange Polska. Obviously, the profitable revenue growth is the main driver of the higher EBITDAaL. Let's look at the latter on slide seven.

EBITDAaL for Q3 has increased by almost three percent year over year. It benefited both from growth of the direct margin and from less indirect costs. The direct margin grew by 21 million (PLN) year over year and its underlying increase was even greater. Please note that last year's result included a positive one-off related to capitalization of 53 million customer connectivity costs. Obviously, excluding this one-off, our direct margin for Q3 would have grown by four percent year over year. This outstanding growth was driven by high margin from core telecom services and by increased contribution from wholesale. Indirect costs were four million lower versus the third quarter of last year. We benefited from increased efficiency of network operations, including savings in field maintenance. The transformation of the network activity is an important part of our strategy, and we're pleased that we can already report its first tangible results. Q3 indirect costs have also reflected lower growth of labor costs and less advertising expenses versus the previous quarters. To sum up on EBITDAaL, we're very happy with its growth in Q3. It stems from a healthy combination of high margin from core business and cost discipline and obviously this is our main recipe to deliver consistent and sustainable EBITDAaL growth throughout the Lead the Future strategy period. With 3.4 percent growth for the nine months of this year, for the year-to-date, we are obviously well on track to deliver on the full year objective in this area. Let's now turn to cash flow on slide 8.

Year-to-date, we generated nearly 670 million zloty of organic cash flow. This is almost exactly the same level as last year, helped by a very solid Q3. The OCF benefited primarily from a very healthy growth of cash from operating activity. It increased by almost 200-million-zloty year-over-year due to a higher EBITDAaL and also due to less lower working capital requirements. It was offset by higher cash capex and also by 80 million zloty less proceeds from real estate disposal than in the comparable period of last year. We're satisfied with cash generation so far and with the robust sources of growth coming from the operating activity. We plan for a peak of property sales in Q4, and we anticipate a solid organic cash flow in the last quarter of the year. Our leverage has increased very slightly following the acquisition of the 5G spectrum license and payment of the dividends in July. However, our balance sheet structure remains very sound. Let's now summarize Q3 on the next slide.

So for us, the underlying message is our commercial financial results in Q3 were very solid. We're pleased with the performance to date and in particular with the commercial developments. We have a well-performing core telecom services business. The prospects for wholesale operations have improved substantially and we see initial signs of recovery on the business market. These demonstrate our strong fundamentals. We're confident to achieve our 2025 objectives and also to create further shareholder value by implementing the Lead the Future strategy in subsequent years. That's all from me and we're now ready for your questions.

**Leszek Iwaszko: Head of IR**

Thank you. We'll now be moving into Q&A session. If you are dialed in via the phone and would like to ask a question, please press star 2 on your keypad and wait for your name to be called. You may also ask a voice or text question using the webcast window. So once again, to ask a question, star 2 on the keypad or press the question button on the platform. First question is coming from the line of Marcin Nowak. Marcin, your line is open, you may ask your question.

**Marcin Nowak: IPOPEMA**

Good morning. Thank you for the presentation. Three questions on other issues for me. The first one regarding this new wholesale deal, could you provide more details regarding how much it contributed in the first quarter to the both the top line and for how many years this contract is signed and if you believe that there are similar deals possible in the future with other parties. The second issue, could you provide maybe an update on those provisions for signals and risks that Orange has created last quarter. And the third issue, could you provide more detailed plans about the marketing spending and by how it has been lower than in previous quarters and what are the plans

for the following quarters, especially with lower spending, the commercial performance has been quite good. Thank you.

**Jacek Kunicki: CFO**

Thank you very much, Marcin. I guess I will start with your last question for the marketing or for the advertising and promotion spendings that we were mentioning. When I look at quarter three, the spending was roughly 8 million zloty lower than in the quarter three of last year. And that is, well, it is much different if we compare it to the second quarter where advertising promotional expenses have actually grown by 12 million year over year. So, the difference to the Q1 was not that great, but obviously quarter three was with a different timing of advertising campaigns and spendings versus last year. So, that is regarding the costs. On the efficiency of those marketing spendings I think it is fair to say we are very happy with those. Looking at the level of our net additions, both in postpaid and prepaid, as well as in the convergence and fiber, we are very happy with the direction of the both advertising and overall the efficiency of the commercial period that we had for the back-to-school activity. And that has really delivered on our plans. So, we are now focusing definitely on the peak commercial season of Q4 and especially the second part of November and December to make sure that we are able to replicate a successful commercial activity. Then regarding your second question, well, I will not be able to help you much. We have created a provision for the risks, claims and litigations of 45 million in the second quarter of this year. And obviously, we've described as much as we can in the notes to the financial statements, but we are unable to provide you with the exact detail as this is commercially sensitive. We do not want to prejudice the outcome of any activities that are covered by the provision. And then regarding wholesale, well, it is a multi-year deal. Again, I will not be mentioning the specific commercial conditions because that is commercially sensitive. But definitely, we did see a much greater contribution of wholesale to the margin creation this quarter versus what we've seen in the previous quarters. I would say it's fair to say some of it was already, so that was more than 20 million zloty better than in the previous quarters. Some of it was helped by the particular development that I have mentioned and part was simply due to other business reasons because we do need to remind ourselves that wholesale is an important part of our activity and it's not driven just by this one deal. And this is something that well, we've tried flagging for quite a long time. It enables us to monetize our infrastructure by selling data transmission, by selling FTTH access, by being an active player on all the interconnect market in Poland. It also enables us to decrease the risk profile of our retail activities because we are able to grasp some of the profits on the wholesale market. Getting back to this particular business development, it's obviously a long-term business development that we have such as they usually are in wholesale. I would guess that the peak of the value will be the next four years and I think we will see a more visible contribution of wholesale or of this business development already in quarter four. And what I mentioned is when we take a look at 2026, we were aware and we are aware that some important wholesale contracts are coming to an end and this particular business development should help us to offset the impact of those contracts ending. So, we're back to the state where we expect the contribution of wholesale towards our EBITDAaL to actually be able to grow year after year. I think that is what I would mention regarding this particular activity. Thanks.

**Marcin Nowak: IPOPEMA**

Thank you very much.

**Leszek Iwaszko: Head of IR**

Our next question is coming from the line of Nora Nagy from Erste Bank. Nora, your line is open. Go ahead with your question.

**Nora Nagy: Erste**

Hi. Thank you very much for the presentation. Two questions from my side, please. Firstly, could you give us please more update on the B2B segment and what is your outlook for the coming period? And secondly, approximately when shall we expect the next social plan to be released? Thank you.

**Jacek Kunicki: CFO**

Thank you very much, Nora. Very relevant questions. So, on the B2B line of business, I think it's fair to say that while this line of business has been extremely successful for us in the past and the success of the previous strategy was – B2B was a significant contributor towards that success. We did see the B2B under a greater pressure this year, both from the connectivity business and also from the slowdown on the IT&IS market. Some of its results from a very high comparable base of last year where we benefited from some specific activity on the wholesale SMS's. Some of it results basically from a slower – a softer IT market. I think it's fair to say that while we're not back to robust growth yet, so the B2B trends I would say remain relatively fragile. If I'm comparing what we're seeing right now in terms of the amount of deals that we're able to win and the profit margins on the deals that we're able to win, we're getting, I would say, the first signals that could lead us to believe that we could be going

back to growth in the next two or three quarters. That would be my outlook for the B2B and that is something that we really need. You know that the Lead the Future strategy and generally the value creation in Orange Polska, it starts with a top line and with a profitable top line, so with a direct margin and we need the three engines of commercial activity to be delivering results. We see the B2C engine really going ahead full steam. We do see an acceleration in wholesale and improved prospects versus the ending contracts of 2026, so between the last quarter and this quarter we are more confident about the level of wholesale activity next year and then I think the next step is we need B2B to get back to solid, consistent growth as it used to deliver in the past and this is when we will be really happy with our ability to grow the EBITDAaL, to grow the cash flows on the back of a profitable expansion in the commercial activity. And then getting to your second question before the year ends, I would expect we will close the discussions for the social partners for the next round of social plan which I would anticipate it will cover 2026, 2027 and we should come back to you before the year ends with a current report whenever we do finalize it and then probably this current report will also include some early estimate of the provisions that you would see in the income statement for the fourth quarter. Obviously, the final ones will be reported when we will report the quarter four but stay tuned for the next few months and I'm sure that we will get back to you with the news on the social plan before the year ends.

**Nora Nagy: Erste**

Thank you very much.

**Jacek Kunicki: CFO**

Thanks.

**Leszek Iwaszko: Head of IR**

Thank you. We have no more voice questions. Two questions that came online. First question, they cover topics we've already discussed but maybe in a slightly different angle. So, question from Paweł Puchalski from Santander. Wholesale segment, are you pleased with Q3 2025 wholesale segment growth pace and should we expect its further acceleration in coming quarters, years? What are wholesale margins? What is wholesale cash conversion? May we consider Q3 2025 wholesale pickup to represent likely driver of 2026 DPS increase?

**Jacek Kunicki: CFO**

So, thank you Paweł for your questions and you've rightly spotted wholesale as a point of focus. I think it's very relevant. Yes, we are pleased with the wholesale acceleration in Q3, definitely pleased. I do expect that we will have good value contribution from wholesale also in quarter four. So, that is something that will help us before the year end and it makes us even more confident in our ability to post a nice EBITDAaL growth this year. I think that is definitely a big help. When it comes to the next years, well, you are aware that we were previously anticipating that due to some contracts ending in 2026, wholesale might be under pressure in that year. I think that situation is much easier now and we would be looking at ourselves actually getting a positive contribution from wholesale year over year because of this new business development. So, that is definitely improving the prospects for wholesale going forward. And then in terms of margin and cash conversion, what I would say, you know, it really depends on the level, the margins really depend on the level of, on the revenue line of wholesale. Because if you take, you know, some interconnect, the margin might be thin when we are looking at the interconnect coming in and going out, like, you know, some transit activities. But overall, the relation of revenues to margin is extremely high on those services where we are monetizing the existing infrastructure. And likewise, when we look at the cash conversion ratio, because we are treating wholesale as a way to monetize mostly existing infrastructure, then the conversion of revenues to cash is extremely high, much, much higher than on the retail activity. It is because we are using and monetizing whatever infrastructure already exists. So, obviously, wholesale has its limit when it comes to the size, because by nature it is filling up the needs of our competitors in this area. But our ability to extract margin and cash from whatever revenues we get is extremely high. And that's why wholesale is a very important contributor to our results. And the DPS, I think it's, you know, stay tuned in, we will talk about that in February, because that is the moment that we make the decisions and we are in a position to make some recommendations. What I keep on repeating throughout this year is that our primary focus with all the months except February is to create conditions to allow us to be generating more profits and to be in a position to share more value creation with our stockholders, shareholders. And so, I do believe that the growth of profit and cash generation in quarter three is an important step in the direction of further value creation for the shareholders of Orange Polska.

**Leszek Iwaszko: Head of IR**

We have another voice question coming from the line of Dawid Górczyński from PKO BP. Dawid, your line is open, you may ask your question.

**Dawid Górzynski: PKO BP**

Hi, thank you for taking my question. I have two questions, actually. The first one is on net customer additions in mobile segment. It was particularly strong in the third quarter and I wonder if there were some particularly large clients that entered the base this quarter or it was just a successful marketing activity from your side? So, this is the first question and the second question is about organic cash flow outlook. Right now, we are flat after nine months of the year. We are flat-ish. Organic cash flow is flat year on year. Last year was particularly strong and I think that the expectation was that this year organic cash flow should be lower. I wonder if you still think this is true or maybe you see some upside potential and you think that exceeding 1.1 billion of organic cash flow this year is at hand. Thank you for taking both questions.

**Jacek Kunicki: CFO**

Thank you very much for your questions. I think starting from the net additions, we did have a support of a few large accounts in the Q3 numbers and so this is something that we are quite happy about. You could have read in the press that we took over 15,000 SIM cards from the Polish post but even if you were to take out those larger deals, it's still the best quarterly result in the last three years. So, I think I'm looking at the data right now for B2B, for B2C, for all the brands of both B2B and B2C and it's across the board. We're very, very happy with all the results. If I take a look at the main Orange brands, the best results in a few years, new brands, Nju mobile - very good results. Flex brand - very good results. It's across the board, good performance and I would say both in postpaid and prepaid. So, this is particularly strengthening, and it reflects a good offering that we've had. It was supported by the family offer that we launched. It was supported by, I think, quite good advertising and a straightforward messaging for this commercial period. So, I know that my colleagues in marketing were happy with the results. And also, throughout this year, we do see simultaneously a good increase of the prepaid base and when we take a look at, again, at the actions of this, it's about the quality of the promotions and the advertising. It is about us strengthening the position in some of the key distribution channels that we have had and it's enabled us to have a volume growth despite the fact that we've significantly increased the ARPO in prepaid and that we've gained a substantial amount of revenues and margin from prepaid as a result of that. So, generally, mobile activity, very good in quarter three and I would not say it's a one-off driven activity. Obviously, everyone is now focused on the key periods of November, December, where we need to be smart about the level of retention that we make. But equally, we want to get as much as we can from the market when the availability comes in. So, that is on the net additions. For the organic cash flow, I believe the 1.1 billion that you mentioned was 2023 and last year was 980 something million zloty. I do agree this was quite a strong comparable base, which is something that we had mentioned. We are stable after three quarters. We are heading into quarter three with quite good operating performance dynamics, quite good from the perspective of the EBITDAaL and the ability to convert the EBITDAaL onto operating cash flow. So, that is definitely supporting quarter four. I think the main unknown today is how much real estate will we sell in Q4. Obviously, we're planning for a peak of real estate sales. That is directly helping our cash position. And so, that remains, I think, the main uncertainty. But we are relatively confident about posting a good result, both in Q4 and for the full year.

**Dawid Górzynski: PKO BP**

Thank you.

**Jacek Kunicki: CFO**

Thanks.

**Leszek Iwaszko: Head of IR**

Thank you. And we have one more text question from Piotr Raciborski from Wood&Co. Congratulations on strong Q3 2021 results. Could you please again comment on strong ICT sales growth? Do you expect similar growth trends in the upcoming quarters? Do you see an increased demand on IT services from public institutions?

**Jacek Kunicki: CFO**

Okay. Thanks a lot. Well, we don't expect plus 47% year-over-year in quarter four. It was quite an exceptional event. And I did mention it was driven by resale of licenses with a small margin. But it is important that we conduct these deals for the sake of the future upsell that we are able to do on the back of these deals. So, I would really not disregard the resale of licenses and our ability to then monetize on them over the next four, five or six quarters. That is definitely worth doing and we will continue doing that. Then regarding the future prospects, I think for us it's not only the matter of Q4, but it's a matter of getting the right momentum to grow the revenues and margins from IT&IS or from ICT over the next years. I think when we take a look at the long-term potential, we are very optimistic. There is growth that is there to be had over the next years, both for revenues and for margin creation. And that is definitely the case. When it comes to IT, yes, it includes IT. I think that the IT market, while it was relatively soft this year, I do believe that it has still a lot of growth potential. And so, we definitely count

on ICT revenues and margin growth in the next period to come to help us to increase the EBITD AaL, increase cash generation and deliver value for shareholders.

**Leszek Iwaszko: Head of IR**

Thank you. It appears we have no further questions. Thank you very much for participation. Please let us know if you'd like to meet us and talk to you in February. Thank you. Thank you very much. Bye-bye.